

8<sup>th</sup> September 2022

## Darktrace plc

### Results for the Financial Year Ended 30<sup>th</sup> June 2022

#### **Strong operating and financial performance resulting in significant growth**

**45.7% year-over-year revenue growth**  
**32.1% year-over-year growth in customer base**  
**Confirming expectations for FY 2023**

Darktrace plc (DARK.L) (together with its subsidiaries, “Darktrace” or “the Group”) a global leader in cyber security AI, today provides its results for the year ended 30<sup>th</sup> June 2022.

#### **FY 2022 Financial Performance**

	<b>FY 2022</b>	<b>FY 2021 (Restated)</b>	<b>%</b>
Revenue (\$'000)	415,482	285,101	45.7%
Gross margin (%)	89.2%	90.0%	n/a
EBIT or operating profit/(loss) (\$'000)	7,602	(34,754)	n/a
Net profit/(loss) (\$'000)	1,457	(145,828)	n/a
EBITDA* (\$'000)	63,787	6,551	873.7%
Adjusted EBITDA* (\$'000)	91,412	33,484	173.0%
Free cash flow* (\$'000)	99,517	25,501	290.2%

\*See “Alternative Performance Measures Definitions” below for the meanings of non-IFRS measures and other key performance indicators

#### **FY 2022 highlights**

- Strong year-over-year revenue growth across all geographic markets and customer sizes.
- Scale efficiencies created by a multi-year contract model continued to drive improvement across all earnings measures.
- Operating expense growth largely remained below typical levels due to pandemic restrictions suppressing travel and entertainment, facilities and other costs for a significant portion of the year. These costs are expected to further return over FY 2023, but scale efficiencies continue to support expected long-term steady state margins.
- Increase in free cash flow resulted from increases in all earnings measures combined with improvement in accounts receivable collection rates.
- Addition of a second European R&D Centre in The Hague, Netherlands, through the 1<sup>st</sup> March acquisition of Cybersprint.

#### **Impact of Prior Period Adjustment on FY 2022 Revenue**

Darktrace has determined that \$3.8 million of revenue it had been recognising in FY 2022, including a portion recognised and reported in its unaudited 1H 2022 results, was related to prior periods and should instead be recognised in FY 2021. This re-allocation is reducing revenue reported in FY 2022 to \$415.5 million from the \$419.3 million that would otherwise have been expected. As FY 2021 revenue is increasing by the same amount, the combined revenue of FY 2021 and FY 2022 remains unchanged. Further, the adjustment has no impact on ARR and its related measures, cash position, or the US Dollar value of Darktrace’s FY 2023 guidance. Further detail on this adjustment is provided in Note 1 to the consolidated financial statements.

#### **Operating Performance**

	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
Constant currency ARR* at 30 June (\$'000)	514,380	360,669	42.6%
Net constant currency ARR Added* (\$'000)	153,711	112,380	36.8%
One-year constant currency ARR gross churn* at 30 June	6.5%	7.5%	n/a

Net constant currency ARR retention rate* at 30 June	105.5%	103.1%	n/a
Number of customers* at 30 June	7,437	5,629	32.1%
USD Remaining performance obligations (RPO) at 30 June* (\$'000)	1,003,932	763,219	31.5%
Cash and cash equivalents at 30 June (\$'000)	390,623	342,358	14.1%

*Note: Customer, ARR, and ARR-related measures have been re-cast to treat Cybersprint on a retrospective basis, as though it had been owned in all periods presented.*

*\*See "Alternative Performance Measures Definitions" below for the meanings of non-IFRS measures and other key performance indicators.*

- Strong growth in constant currency ARR and net constant currency ARR added driven primarily by the year-over-year addition of 1,808 net new customers.
- 7.9% year-over-year increase in average contract ARR, driven by both new and existing customer activity, with the average ARR of new contracts increasing by more than 13%.
- One-year constant currency gross ARR churn improved year-over-year by 1.0%, driven by continuing stabilisation in the customer base with the lessening of pandemic effects and the impact of consistent customer success efforts.
- The combined impact of a reduction in one-year gross ARR churn and a continued focus on upsell activities resulted in a 2.5% year-over-year improvement in net ARR retention rate.
- RPO, representing contracted revenue backlog, continues to expand as Darktrace enters and expands multi-year contracts with new and existing customers. A large portion of Darktrace's revenue is already contracted and in RPO at the beginning of each period, providing significant revenue visibility.

### **FY 2023 Outlook (Unaudited)**

Darktrace is confirming the FY 2023 guidance it previously provided in its 19 July 2022 trading update.

Darktrace reports ARR in constant currency, at rates established at the start of each year<sup>(1)</sup>. Applying FY 2023 rates to the Group's ARR balance for 30 June 2022, as well as to all prior comparison periods, results in a rebased ARR balance of \$484.9 million, the new amount against which it will measure constant currency ARR growth for FY 2023.

For constant currency ARR, the Group confirms its expectation for FY 2023 year-over-year growth of between 31% and 34%. Measured against its rebased FY 2022 ARR, this implies year-over-year growth in net constant currency ARR added of between 4% and 14%.

As part of its FY 2022 close and audit process, Darktrace determined that \$3.8 million of revenue it had been recognising in FY 2022 was related to prior periods and so restated its FY 2021 accounts to increase revenue by that amount. As a result of this timing adjustment, Darktrace has reported lower FY 2022 revenue than it expected at the time of its trading update. Based on its final FY 2022 revenue, Darktrace is increasing its FY 2023 revenue growth expectation to between 30% and 33% (previously between 29% and 32%) to maintain the U.S. dollar revenue expectations for FY 2023 that would have been derived, had revenue we were recognising in FY 2022 not been re-allocated to FY 2021.

Based on the exchange rate environment at the start of its financial year, the revenue guidance the Group is confirming for FY 2023 represents approximately 4% to 5% less revenue, and 6 to 7 percentage points lower revenue growth, than it would have been presenting if monthly exchange rates were equal to those in effect in FY 2022. Darktrace again cautions that particularly for the first six-to-nine months of the year, year-over-year growth comparisons are expected to be dampened by the impact that significant movements in exchange rates relative to the prior year period have already had, and are expected to continue to have, on the conversion of British Pound and Euro-denominated ARR to US Dollar-denominated revenue.

Across the financial year the Group has significant Net ARR added seasonality and typically experiences softer first quarter sales and new ARR generation. Because of the high percentage of each financial year's revenue that is under contract prior to the start of that year, however, seasonal patterns do not apply to revenue. In line with prior experience, Darktrace expects that approximately 45% to 46% of both constant currency net ARR added and revenue will be recognised in the first half of FY 2023. This pattern is expected to be further supported by the recent launch of the first two products of the PREVENT product family to the Group's new and existing customers. Darktrace expects that these

will begin to be positive contributors to its growth and net retention measures in the second half of FY 2023.

The Group continues to expect an adjusted EBITDA margin for FY 2023 of between 15% and 18%. While the Group expects to maintain many of the economies of scale evident in its FY 2022 financials, its guidance reflects the current exchange rate environment and the bridging of the Group's cost base from FY 2022, where travel and entertainment, facilities and other costs were suppressed by pandemic restrictions for a large portion of the year, to FY 2023, where restrictions have been released and are further burdened by inflationary pressures across Darktrace's cost structure. The Group does not believe these factors will have any impact on its long-term economic model, which anticipates adjusted EBIT margins in the mid-20%s.

Darktrace is also confirming its guidance for free cash flow that was provided for the first time in the Group's July trading update. For FY 2023 Darktrace continues to expect free cash flow to be approximately 60% to 65% of FY 2023 adjusted EBITDA. For FY 2023 only, the Group is predicting free cash flow to be lower than its typical 75% to 105% range due to unusually high cash payments for employer taxes related to the vesting of grants made to a broad group of employees at IPO, as part of the transition from private to public company share plan structures. As these cash payments begin to normalise the Group expects free cash flow generation to fall back within its typical range where it is primarily impacted by variable trends in invoicing, collections, and other cash flow timings.

Lastly, the Group also expects that for FY 2023, the dilution resulting from securities issued under its employee share plans will be limited to approximately 1% of outstanding shares. Given the vesting structure of the transition grants made at IPO and subsequent periods, Darktrace expects the combination of share-based payment and related tax charges to remain high through FY 2023, before beginning to normalise.

<sup>(1)</sup> The Group's primary currency exposures are the British Pound and the Euro converting to its US Dollar reporting currency. For FY 2023, its constant currency rates are 1.2146 and 1.0450 for the Pound and the Euro, respectively. For FY 2022, constant currency rates were 1.3835 and 1.1878 for the Pound and the Euro, respectively.

### **Analyst and Investor Webcast**

Management will hold an analyst and investor webcast on our FY 2022 Results at 10:00am (UK time). Please register here <https://stream.brmedia.co.uk/broadcast/62fe60bc8b876c6ccc6b6887>

### **About Darktrace**

Darktrace (DARK:L), a global leader in cyber security artificial intelligence is on a mission to free the world of cyber disruption. Breakthrough innovations in the Darktrace Cyber AI Research Centre in Cambridge, UK have resulted in over 115 patent applications filed and research published to contribute to the cyber security community. Rather than study attacks Darktrace's technology continuously learns and updates its knowledge of 'you' and applies that understanding to optimise your state of optimal cyber security. Darktrace is delivering the first ever Cyber AI Loop, fuelling a continuous end-to-end security capability that can autonomously spot and respond to novel in-progress threats within seconds. Darktrace employs over 2,000 people around the world and protects over 7,400 customers globally from advanced cyber threats. Darktrace was named one of TIME magazine's 'Most Influential Companies' in 2021.

### **Cautionary Statement**

This announcement contains certain forward-looking statements, including with respect to the Group's current targets, expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the directors' beliefs and expectations, made in good faith and based on the information available to them at the time of the announcement. Such statements involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement and should be treated with caution. Any forward-looking statements made in this announcement by or on behalf of Darktrace speak only as

of the date they are made. Except as required by applicable law or regulation, Darktrace expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this announcement to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

### **Important Information**

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation (EU) No. 596/2014 (as it forms part of UK law pursuant to the European Union (Withdrawal) Act 2018). Upon publication of this announcement, this information is now considered in the public domain.

### **Enquiries**

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### **Chair statement**

Having delivered another strong set of full year results, invested further in its R&D team and continued to grow our customer base, Darktrace is well-positioned to continue building on a successful track record in an expanding market for our products. As we continue to accelerate the deployment of our technology worldwide, we are excited about our future both in the short and longer term.

Gordon Hurst  
Chair

### **CEO Statement**

We are one of the world's most innovative cyber security companies, with a mission of freeing the world of cyber disruption. Since listing on the public markets, we've turbo-charged our growth by adding ground-breaking products to our platform, including our new PREVENT offerings. We have a proven business model, which is generating cash. Today's results are yet another example of our strong performance. Being listed on the London Stock Exchange is exactly where we want to be right now.

Poppy Gustafsson OBE  
Chief Executive Officer

### **Strategic Performance Review**

#### Alternative Performance Measures Definitions

Alternative Performance Measures (APMs) are used by Darktrace management and Board of Directors to understand and manage performance. These are not defined under IFRS and are not intended to be a substitute for any IFRS measures of performance but have been included as management considers them to be important measures, alongside the comparable IFRS financial measures, in assessing the performance and cash flows. APMs do not have standardised definitions and therefore may not be comparable to similar measures presented by other entities.

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.

The main difference between the Group's adjusted and non adjusted EBIT and EBITDA metrics is the treatment of share-based payments and their associated employer tax charges. Due to the often-unpredictable nature of these non-cash charges and the fact that a core component of the charge, the associated employer tax charges, is driven by movements in the Group's share price and is therefore outside of the Group's control, these costs are excluded from the Group's costs in deriving both adjusted EBIT and EBITDA. In doing so, this treatment can improve period-to-period comparison of the Group's core operating performance and is consistent with the Group's peers in European and US software, many of which treat share-based payment charges in a comparable fashion. Meanwhile, for adjusted EBITDA, the appliance depreciation that runs through the Company's Cost of Sales is deducted in the calculation of this metric. This portion of appliance depreciation is restored to reflect our actual gross margin on contracts and to better compare to software companies that do not use hardware to deploy their software or to companies that sell hardware and recognise those direct cash costs.

As adjusted results exclude significant costs (such as share-based payment and related tax charges, depreciation and amortisation), they should not be regarded as a complete picture of Darktrace's financial performance, which is presented in its IFRS financial results. The exclusion of other adjusting items may result in adjusted earnings being higher or lower than IFRS earnings. In particular when significant share-based payment charges and related taxes are excluded, adjusted earnings will be higher than IFRS earnings.

Wherever appropriate and practical, we provide reconciliations to relevant IFRS measures, the calculation of the APMs is included in the CFO statement above. Below is the definition of each APM. ARR (see definition below) is a key alternative performance measure for Darktrace because as an indicator of future revenues it allows the growth of the business and the success of its sales strategy to be measured by the board in conjunction with metrics such as number of customers and net constant currency ARR added which allows performance to be compared year-over-year.

The use of other metrics such as one-year constant currency ARR gross churn rate and net constant currency ARR retention rate allows the board to measure both the success of the business in controlling customer churn and growing its retained customer base through product and coverage expansion. These measures are critical in assessing the efficiency of Darktrace to grow and maintain its customer base, and the resulting RPO or contract back log allows visibility of future revenues which gives additional support on the long-term stability of the business.

While adjusted EBITDA continues to be an effective metric for measuring underlying profitability trends within the business, Darktrace management believes that investors' understanding of its profitability can be enhanced by also providing a cash-based profit measure. After surveying the practices of similar companies, Darktrace management developed a market-comparable free cash flow (FCF) metric, and is providing a reconciliation to adjusted EBITDA in its annual filings. This should provide both transparency of its calculations and a tool for investor's to better assess the Group's potential for cash generation.

#### Definitions

<b>EBIT</b>	Earnings before interest and taxes, or EBIT is the Group's operating profit or (loss).
<b>Adjusted EBIT</b>	Adjusted EBIT is the Group's EBIT adjusted to remove uncapitalised share-based payment (SBP) charges and related employer tax charges.
<b>EBITDA</b>	EBITDA is the Group's earnings before interest, taxation, depreciation and amortisation.
<b>Adjusted EBITDA</b>	Adjusted EBITDA is the Group's EBITDA, but including appliance depreciation attributed to cost of sales, adjusted to remove uncapitalised share-based payment charges and related employer tax charges.
<b>Annual Recurring Revenue (ARR)</b>	The sum of all ARR, at the period's constant currency rate, for 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. In the small number of cases where a customer has an opt-out within six months of entering a contract, Darktrace does not recognise ARR on that contract until after that opt-out period has passed.
<b>Net constant currency ARR added</b>	New customer constant currency ARR added, plus the net impact of upsell, down-sell, and churn activity in the existing customer base, in the same constant currency, for a period.
<b>One-year constant currency ARR gross churn rate</b>	Constant currency 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.
<b>Net constant currency ARR retention rate</b>	Current constant currency ARR value for all customers that were customers one year prior to the measurement date, divided by their ARR in the same constant currency one year prior to the measurement date. This retention rate reflects customer losses, expansions, and contractions.
<b>Average contract ARR</b>	Average contract ARR is defined as the total ARR at the measurement date, divided by the number of customers at that measurement date.
<b>Constant currency rates</b>	Rates established at the start of each year and used for reporting ARR and related measures without the impact of foreign exchange movements. For FY 2022, constant currency rates were 1.3835 and 1.1878 for the British Pound and the Euro, respectively.
<b>Number of customers</b>	Count of contracting entities that are generating ARR at the measurement date.
<b>Remaining performance obligations (RPO)</b>	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.
<b>Free Cash Flow (FCF)</b>	Net cash from operating activities less purchases (other than purchases made in connection with business combinations) of intangible assets and property plant and equipment (PPE), and payments for leases.

#### Key Performance Indicators (KPIs)

Darktrace's management and board regularly review metrics, including the following KPIs, to assess its performance, identify trends, develop financial projections and make strategic decisions. For a review of the key financial metrics, see the "Financial Review" below.

Annual Recurring Revenue, or ARR, and related performance metrics are calculated on a constant currency basis and are reported using the FY 2022 constant currency rates for FY 2022 and all comparable periods. The Group's primary currency exposures are the British Pound and the Euro converting to its US Dollar reporting currency

#### *Annual recurring revenue (ARR)*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>
Annual recurring revenue	514,380	360,669
Year over year growth	42.6%	45.3%

ARR is a non-IFRS financial measure defined as the sum of all ARR for customers as of the measurement date. The ARR for each customer is the annual committed subscription value of each order booked for which Darktrace will be entitled to recognise revenue. For example, a contract for \$3.0m with a committed contractual term of three years would have ARR of \$1.0m, making the

assumption for any period that the customer renews under the same terms and conditions. In the small number of cases where a customer has an opt-out within six months of entering a contract, Darktrace does not recognise ARR on that contract until after that opt-out period has passed.

As of 30 June 2022, Darktrace increased its ARR by 42.6% over the prior year end, driven primarily by the increase in customers from 5,629 to 7,437 over the same period, and to a lesser extent by an increase in upsells to existing customers made possible by an expanded product set. Growth in ARR has been across all regions in which the Group operates.

As of 30 June 2022, the distribution of customers by size of ARR remained consistent with the prior year end, demonstrating that the Group continues to add to customers across the full range of customer sizes and requirements.

	<b>FY 2022</b>	<b>FY 2021</b>
Less than \$100,000	48.3%	51.3%
Greater than \$100,000	51.7%	48.7%

#### *Net ARR Added*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>
Net ARR Added	153,711	112,380
Year over year growth	36.8%	55.9%

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, proof of values (POVs) as part of the sales process, and conversion rate is influenced by seasonality factors, with Darktrace typically seeing highest net ARR added in its second and fourth quarters.

Net ARR added increased by 36.8%, a \$41.3m increase over the prior year and was primarily driven by the addition of 1,808 new customers during that period. While FY 2022 growth in net ARR added was very strong, the growth rate was lower than FY 2021 which had an abnormally high growth rate as a result of a lower net ARR added result, in FY 2020. In FY 2021, we saw that sales efforts had become overweighted towards renewing and extending customer contracts well before expiration. Changes to our sales management structure and to the requirements for achieving maximum commissions corrected this and restored the desired balance in our new prospect vs existing customer efforts, driving a continued year-over-year growth in net ARR added for FY 2022.

After recasting Cybersprint on a retrospective basis, as though it had been owned in all periods presented, Darktrace's ARR and net ARR added for FY 2021, at FY 2022 constant currency rates, were \$360.7 million and \$112.4 million, respectively.

#### *One-year Gross ARR Churn Rate*

	<b>FY 2022</b>	<b>FY 2021</b>
One-year gross ARR churn rate	6.5%	7.5%

One-year gross ARR churn decreased by 1.0% from the prior year to 6.5% from 7.5%, as a result of the continued focus on retention by the expanded customer success team who are focused on improving the customer experience, which should also reduce gross churn.

#### *Net ARR Retention Rate*

	<b>FY 2022</b>	<b>FY 2021</b>
Net ARR retention rate	105.5%	103.1%

The Group ended the year with a net ARR retention rate of 105.5% a 2.4% improvement in the net ARR retention rate from prior year end. This reflects the result of the Group's focus on increasing upsells and pricing uplifts on renewals combined with the reduction year-over-year in gross ARR churn.

#### *Average Contract ARR*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
Average contract ARR	69,165	64,073	7.9%

Average contract ARR at 30 June 2022 has increased by 7.9% to \$69.2m as the Group has continued to bring on new customers across a broad range of business sizes, types and locations.

*Operating profit or (loss)/EBIT*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
EBIT	7,602	(34,754)	n/a

The \$42.4m year-over-year increase in operating profit was primarily due to the increase of \$114.0m, or 44.4% in gross profit to \$370.6m for FY 2022 compared to \$256.6m for FY 2021, mainly driven by revenue growth. This was partially offset by a year-over-year increase in operating costs of \$66.3m, largely resulting from a 28.0% increase in average headcount and \$3.6m increase in share-based payment charges and associated employer tax charges.

This was also impacted by an increase of \$5.7m in travel and entertainment costs in FY 2022 compared to FY 2021, as the result of COVID-19 related global travel restrictions starting to ease in second half of the year.

*Adjusted EBIT*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
Adjusted EBIT	49,816	3,818	1204.8%

The driver of the year-over-year improvement in adjusted EBIT is primarily year-over-year revenue growth outpacing net cost movements.

*EBITDA*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
EBITDA	63,787	6,551	873.7%

The \$57.2m increase in EBITDA in FY 2022 from FY 2021 was driven primarily by the factors driving the increase in EBIT described above, with this measure adjusting for depreciation and amortisation charges of \$56.2m for FY 2022 (FY 2021: \$ 41.3m). The increase of \$14.9m, or 36.0% in depreciation and amortisation charges for FY 2022 is primarily attributable to purchase of property, plant and equipment and right of use asset during the year, along with the acquisition of Cybersprint.

*Adjusted EBITDA*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
Adjusted EBITDA	91,412	33,484	173.0%

Reconciling EBITDA to adjusted EBITDA, the Group deducted \$14.6m (FY 2021: \$11.6m) of appliance depreciation included in cost of sales for appliances used to deploy our software at customer sites. It then added back \$44.0m of share-based payment charges net of capitalised amounts (FY 2021: \$17.0m) and deducted \$1.8m of associated employer tax income (FY 2021: added back \$21.5m cost).

*Free Cash Flow*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
Free Cash Flow	99,517	25,501	290.2%

While adjusted EBITDA continues to be an effective metric for measuring underlying profitability trends within the business, Darktrace management believes that investors' understanding of its profitability can be enhanced by also providing a cash-based profit measure. Darktrace is now providing a market-comparable free cash flow measure in its annual results, with free cash flow defined as net cash from operating activities less purchases (other than purchases made in connection with business combinations) of intangible assets and property plant and equipment (PPE), and payments for leases. We have provided a reconciliation to adjusted EBITDA in the CFO statement section.



For FY 2022 the company generated free cash flow of \$99.5m (FY 2021: \$25.5m). This represents free cash flow of approximately 108.9% of adjusted EBITDA. This is above the 90% that is typical of what it expects for free cash flow as a percent of adjusted EBITDA, though with invoicing, collections and other cash flow timings being highly variable, there can be a normal plus or minus 15 percentage point range in any financial year.

#### *Number of customers*

	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
Number of customers	7,437	5,629	32.1%

Darktrace added an additional 1,808 net new customers in the year, a growth of 32.1%, which paralleled the 42.6% increase in constant currency ARR. Growth in new customers is the key driver of net ARR added, and the correlation to the increase in constant currency ARR is the result of the distribution of contracts at 30 June 2022 that were above and below \$100,000 in ARR remaining consistent with the prior year end.

#### *Remaining Performance Obligations (RPO)*

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>	<b>%</b>
RPO	1,003,932	763,219	31.5%

The 31.5% increase in RPO, driven by new customer acquisition under long-term contracts, creates significant revenue visibility. The percent of FY 2022 revenue that was in RPO at the start of the financial year was approximately 80%, up from approximately 79% at the start of FY 2021. The percentage reduction in RPO scheduled to be converted to revenue beyond four years is primarily a result of management actions to reduce contract lengths longer than our desired three to four years term.

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021</b>
Within 12 months	438,043	325,188
Between 1 - 2 years	316,752	232,648
Between 2 - 3 years	187,844	143,470
Between 3 - 4 years	57,193	56,362
Over 4 years	4,100	5,551
<b>Total</b>	<b>1,003,932</b>	<b>763,219</b>

#### **Financial Review**

Driven by continued investments in technology and people, and benefiting from a robust recurring revenue model, Darktrace has delivered both strong year-over-year growth and improvements in all core earnings measures compared to FY 2021.

	<b>FY 2022</b>	<b>FY 2021 Restated</b>	<b>%</b>
Revenue (\$'000)	415,482	285,101	45.7%
Gross margin (%)	89.2%	90.0%	n/a
EBIT or operating profit/(loss) (\$'000)	7,602	(34,754)	n/a
Adjusted EBIT or operating profit/(loss)* (\$'000)	49,816	3,818	1204.8%
Net profit/(loss) (\$'000)	1,457	(145,828)	n/a
EBITDA* (\$'000)	63,787	6,551	873.7%
Adjusted EBITDA* (\$'000)	91,412	33,484	173.0%
Cash inflow before financing activities (\$'000)	71,878	34,610	107.7%

\*See "Alternative Performance Measures Definitions" above for the meanings of non-IFRS measures and other key performance indicators

At 45.7%, Darktrace delivered strong FY 2022 year-over-year revenue growth, driven primarily by 32.1% year-over-year growth in its customer base, to 7,437 at the end of FY 2022. The Group continued to invest for future ARR and revenue growth by increasing the employees in its technical teams performing research and development of new products. The Group also continued to invest in

expanding its sales force and direct marketing efforts to increase market share. During FY 2022, Darktrace's total number of employees increased by 28.7% from over 1,600 to over 2,000.

An analysis of Darktrace's operating costs is presented below. There are several factors that make it more difficult to compare the Company's FY 2022 annual cost structure to prior year periods. First, Darktrace listed on the London Stock Exchange in May 2021, for which the Group incurred \$15.3m in professional costs to prepare and complete the listing. Additionally in FY 2021 the Group recognised \$107.2m in non-cash finance costs for convertible loan notes issued to certain investors, which were eliminated at the IPO by the conversion of the notes into equity. Whilst those FY 2021 costs were one-off in nature, FY 2022 was the first full year for Darktrace as a public company, bringing additional costs associated with that, including listing and sponsor fees, increased insurance costs, increased audit, tax and legal fees, among others. Additionally in FY 2022, both travel and entertainment and facilities costs have continued to trend upward following the easing of restrictions related to the COVID-19 pandemic, which significantly reduced costs in prior periods, both on an absolute dollar and per employee basis.

Despite the additional public company costs, and the continuing return of costs significantly reduced in prior periods by pandemic restrictions, Darktrace recorded an operating profit of \$7.6m for FY 2022 compared to an operating loss of \$34.8m in the prior year.

<b>\$000</b>	<b>FY 2022</b>	<b>FY 2021 Restated</b>	<b>%</b>
<b>Sales and marketing costs</b>			
Other operating costs	(195,593)	(159,133)	22.9%
Travel and Entertainment (T&E)	(4,165)	(1,518)	174.4%
Facilities cost	(17,667)	(13,400)	31.8%
Share-based payment (SBP) charges	(20,084)	(6,446)	211.6%
SBP related employer tax charges	4,737	(8,439)	n/a
<b>Total sales and marketing costs</b>	<b>(232,772)</b>	<b>(188,936)</b>	<b>23.2%</b>
<b>Research and development costs</b>			
Other operating costs	(28,293)	(15,752)	79.6%
Travel and Entertainment (T&E)	(363)	(55)	560.0%
Facilities cost	(3,959)	(2,852)	38.8%
Share-based payment (SBP) charges	(6,522)	(2,730)	138.9%
SBP related employer tax charges	(5,125)	(7,425)	-31.0%
<b>Total research and development costs</b>	<b>(44,262)</b>	<b>(28,814)</b>	<b>53.6%</b>
<b>Other administrative expenses</b>			
Other operating costs	(57,546)	(58,748)	-2.0%
Travel and Entertainment (T&E)	(2,992)	(229)	1,206.6%
Facilities cost	(5,409)	(3,349)	61.5%
Share-based payment (SBP) charges	(17,412)	(7,870)	121.2%
SBP related employer tax charges	2,192	(5,663)	n/a
<b>Total other administrative expenses</b>	<b>(81,167)</b>	<b>(75,859)</b>	<b>7.0%</b>
Finance costs	(2,807)	(109,157)	-97.4%
Exchange differences	(6,502)	845	n/a

#### *Revenue*

Revenue increased by \$130.4m, or 45.7%, to \$415.5m for the financial year ended 30 June 2022, as compared to \$285.1m for the financial year ended 30 June 2021. This increase was primarily attributable to a 32.1% net increase in unique customers between 30 June 2021 and 30 June 2022 and the resulting increase in annual recurring revenue. Over 99% of revenue came from recurring subscription contracts with customers that typically average 33 months, resulting in significant RPO, or contracted backlog, remaining to convert to revenue in future years. Subscription revenue is recognised

in line with IFRS 15 on a straight-line basis over the service period, from commencement date to termination date.

#### *Prior period adjustment*

As a part of its FY 2022 close process, Darktrace determined that for certain contracts, a portion of revenue it was recognising in FY 22 should have been recognised in prior periods. After implementing enhancements to its revenue reporting systems in the second half of FY 2022, management discovered that \$3.8m of revenue it had been recognizing in FY 22, including a portion recognised and reported in its unaudited 1H 2022 results, should appropriately have been recognised in FY 2021. After considering both quantitative and qualitative materiality factors, it restated its FY 2021 financial statements to reflect this re-allocation between periods. No differences were identified in the total revenue of these contracts and these adjustments are being made solely to correct the under-recognition of revenue in prior periods and to ensure proper recognition in future periods.

Contract related KPIs are not impacted by this change in the prior year period, nor will there be any impact on these related KPIs going forward.

#### *Cost of sales*

Cost of sales increased by \$16.4m, or 57.6%, to \$44.8m for the financial year ended 30 June 2022, compared to \$28.5m for the financial year ended 30 June 2021. This increase was primarily attributable to the increase in total customer deployments between the two financial years. Most components of cost of sales scaled largely in line with revenue growth, but hosting fees increased at a faster rate due to an increase in cloud deployments in FY 2022 compared to FY 2021, resulting in an 0.8 percentage point reduction in gross margin to 89.2% in FY 2022 from 90.0% in FY 2021. Cost of sales include all costs relating to the deployment of Darktrace's software, whether through physical appliances or in the cloud, and of providing both customer support in terms of installation of software or training services and supplementary monitoring and response capabilities.

#### *Sales and marketing costs*

Sales and marketing costs increased by \$43.8m, or 23.2%, to \$232.8m for FY 2022, compared to \$188.9m for FY 2021. Other operating costs increased by \$36.5m or 22.9% to \$195.6m which was primarily attributable to a \$31.9m increase in staffing costs. The majority of this increase was from a \$12.0m, or 21.3%, increase in salaries and a \$2.4m, or 39.1% increase in recruitment costs as a result of the 22.3% growth in the number of employees in sales and marketing in FY 2022, supporting the strategy to drive customer acquisition. There was also a \$4.8m, or 40.0%, increase in other employment costs, primarily made up of employer taxes linked to increased salary costs and \$12.7m, or 36.9%, increase in commissions in the year, as a result of increased sales in the year. Similarly, direct marketing expense increased by \$3.7m, or 10.3%, between the periods to \$40.1m.

Travel and entertainment costs increased by \$2.6m, or 174.4% to \$4.2m in FY 2022, compared to \$1.5m in FY 2021 as a result of business travel beginning to return, post the relaxation in global travel restrictions in the second half of the year. Similarly, facilities costs have increased by \$4.3m or 31.8% to \$17.7m. The majority of facilities costs relates to rent and rates which increased by \$1.0m, or 11.5% to \$9.8m and office expenses, which increased by \$3.3m, or 70.1% to \$7.9m following the easing of restrictions related to the COVID-19 pandemic, combined with an increase in the weighted average number of employees by 22.3% to 1,202 in FY 2022.

Share-based payment charges increased by \$13.6m, or 211.6%, in FY 2022 to \$20.1m mostly attributable to the cost of those awards granted at IPO that vested over the year, in particular the modification of IPO related Top-up awards which generated an extra charge of \$12.9m and additional charges related to new awards granted in FY 2022. The increase in cost was offset by a \$13.2m decrease in SBP-related employer tax charges which resulted in \$4.7m income in FY 2022 compared to \$8.4m cost in FY 2021 as a result of a lower share price at either exercise or reporting date, compared to the higher share price when the liability was initially recognised in FY 2021.

#### *Research and Development Costs*

Research and development costs increased by \$15.4m, or 53.6%, to \$44.3m for FY 2022, as compared to \$28.8m for FY 2021. This increase was primarily driven by the increase in other operating costs which increased by \$12.5m, or 79.6%. Staffing costs increased by \$6.9m, or 45.4% as a result of an increase in weighted average number of employees by 59, or 28.1% to 269 in FY 2022 was the largest variance in other operating costs. The increase in staffing costs was a combination of both expanding

its technical departments focused on research and new product development and also a result of an increase in salaries for new hires as a result of recruiting for more senior roles. This resulted in an increase of salaries by \$5.4m, or 48.2% to \$16.6m as well as an increase in employment costs of \$0.3m, or 10.3% to \$3.0m in FY 2022. Also, bonuses increased by \$1.2m, or 96.9%, as a result of ongoing retention efforts to retain key talent. The increase in operating costs was also a result of an increase of \$2.1m, or 174.2% in depreciation and amortisation costs as a result of additions in property, plant and equipment, right of use assets and in intangible assets, mainly through the acquisition of Cybersprint during the year.

As in other cost categories, and for the reasons stated above, travel and entertainment costs increased by \$0.3m, or 560.0% to \$0.4m in FY 2022, compared to \$0.1m in FY 2021. Similarly, facilities costs increased by \$1.1m, or 38.8% to \$4.0m in FY 2022. This is mainly attributable to an increase of \$0.8m, or 79.4% in office expenses and a \$0.3m, or 17.2% increase in rent and rates in FY 2022 which correlated with an increased weighted average numbers of employees.

There was a \$3.8m, or 138.9% increase in share-based payment charges mostly attributable to the cost of those awards granted at IPO that vested over the year, in particular the modification of IPO related Top-up awards which generated an extra cost of \$5.5m and charges related to new awards granted in FY 2022. The increase in cost was offset by a \$2.3m, or 31.0% decrease in SBP-related employer tax charges, which was \$5.1m for FY 2022 as a result of a lower share price at either exercise or at reporting date, compared to the higher share price when the liability was initially recognised in FY 2021.

#### *Other Administrative Expenses*

Other administrative expenses increased by \$5.3m, or 7.0%, to \$81.2m for FY 2022, compared to \$75.9m for FY 2021. Other operating costs were \$1.2m, or 2.0% less than in FY 2021 with cost increases in the year offset by not incurring in FY2022 the \$15.3m of IPO related costs expensed in FY 2021. Other operating costs includes staff costs which increased by \$11.1m, or 36.9%, a smaller growth rate than the 50.2% increase in weighted average number of employees due to recruiting less senior hires within the year. There was an increase of \$8.0m, or 339.8% to \$10.4m in professional and consultancy fees as a result of outsourcing tax services, legal cost upon acquisition of Cybersprint, and patent related fees. There were also no fees in FY 2022 related to staff recharges from ICP London Limited ("Invoke"), which were \$4.5m in FY 2021.

As in other cost categories, and, and for the reasons stated, other administrative travel and entertainment costs increased by \$2.8m, or 1,206.6% to \$3.0m for FY2022. Similarly, facilities costs increased by \$2.1m, or 61.5% in FY 2022, as a result of an increase in office expenses by \$1.2m, or 103.8% and an increase in rent and rates of \$0.8m, or 38.6% in FY 2022.

There was a \$9.5m, or 121.2% increase in share-based payment charges mostly attributable to the cost of those awards granted at IPO that vested over the year, in particular the modification of IPO related Top-up awards in the year which generated an extra cost of \$10.1m and charges related to new awards granted in FY 2022. The increase in cost was offset by a \$7.9m decrease in SBP-related employer tax charges which resulted in \$2.2m income in FY 2022 compared to \$5.7m cost in FY 2021 resulting from a lower share price at either exercise or at reporting date, compared to the higher share price when the liability was initially recognised in FY 2021.

#### *Finance Costs*

Finance costs decreased by \$106.4m to \$2.8m for FY 2022, as compared to \$109.2m for FY 2021. This decrease was due to the conversion of \$162.8m of convertible loan notes (CLNs) concurrent with the Group's FY 2021 IPO. The loan notes carried an annual interest rate of 9%, compounded monthly, and were in place for approximately ten months of the FY 2021 comparative period. They also required that Darktrace separately value and account for a bifurcated embedded derivative resulting from the equity conversion feature of the notes, that was deemed not to be closely related to the underlying host loan notes. The embedded derivative was separated from the host loan notes and recorded at fair value through the statement of consolidated income on initial recognition. The host contract was measured at amortised cost using the effective interest rate over its expected life and accreted to its expected conversion value over the expected life. The accreted note value, including interest, converted to equity upon IPO, at a 35% discount to the IPO price, so there has been no CLN-related charges since the 4 May 2021 conversion date.

### Exchange Differences

This has moved from positive to negative for a total \$7.3m, to \$6.5m for FY 2022 as a result of increased volatility in the relative strength of key foreign currencies, particularly sterling and euro, to the US dollar, especially in the final third of the year. The majority of foreign exchange variances arise as a result of the month end translation of assets and liabilities denominated in foreign currency, particularly cash and cash equivalents, trade receivables and trade payables .

### Reconciliation of Key Alternative Performance Measures

<b>\$'000</b>	<b>FY 2022</b>	<b>FY 2021 Restated</b>
Net Profit / (Loss)	1,457	(145,828)
Taxation	3,856	1,967
Finance income	(518)	(50)
Finance costs	2,807	109,157
<b>Operating profit/ (loss)/EBIT*</b>	<b>7,602</b>	<b>(34,754)</b>
Depreciation & amortisation	56,185	41,305
<b>EBITDA</b>	<b>63,787</b>	<b>6,551</b>
Appliance depreciation in cost of sales	(14,589)	(11,639)
SBP charges	47,207	17,045
SBP related employer tax charges	(1,526)	21,527
Capitalised intangibles (SBP charge and related tax)	(3,467)	-
<b>Adjusted EBITDA</b>	<b>91,412</b>	<b>33,484</b>
Appliance depreciation in cost of sales	14,589	11,639
SBP related employer tax charges	1,526	(21,527)
Loss on disposal or impairment	3,117	2,805
Other non-cash movements	9,612	(702)
Working capital movements	26,498	36,996
Tax related payments/receivables	(6,510)	(2,803)
<b>Net cash inflow from operating activities</b>	<b>140,244</b>	<b>59,892</b>
Capitalised research and development	(1,292)	(2,691)
Property, plant and equipment purchased	(31,863)	(22,641)
Lease costs capitalised	(7,572)	(9,059)
<b>Free Cash Flow</b>	<b>99,517</b>	<b>25,501</b>

\* See "Alternative Performance Measures Definitions" above for the meanings of non-IFRS measures and other key performance indicators.

Darktrace generated a net profit of \$1.5m, following a loss of \$145.8m in the prior year, with the FY 2021 loss being largely driven by \$109.2m in finance costs related to the now extinguished convertible loan notes. Operating profit or EBIT of \$7.6m represented, a \$42.4m improvement versus prior year and was primarily attributable to the year-on-year revenue growth of 45.7% outpacing the increase in costs.

Depreciation and amortisation increased by \$14.9m in the year. Depreciation of property, plant and equipment increased by \$3.3m, as a result of an increase in the number of appliances used to deploy the Darktrace software, which has scaled with the increased customer base. Amortisation of capitalised development costs increased by \$3.3m due to a full year of amortisation on projects released in the prior year as well as additional internally generated software products were completed.

Amortisation of right of use assets increased by \$0.5m as more leased space was acquired to support the higher employee numbers and employees have returned to offices on a hybrid basis. Amortisation of capitalised commissions increased by \$7.7m as a result of an increased balance of capitalised commissions that have scaled in line with increased revenues. Adjusting for depreciation and

amortisation resulted in an EBITDA for FY 2022 of \$63.8m compared to \$6.6m in FY 2021, an increase of \$57.2m.

Included in cost of sales is depreciation related to appliances used to deliver the Darktrace software to customers. As this is more akin to a cost of delivery, and to be comparable with that characterisation, this cost is deducted in calculating Adjusted EBITDA. In FY 2022 there was a \$3.0m increase in the depreciation of appliances that was allocated to cost of sales, scaling as the customer numbers increased. There was also a \$27.0m increase in share-based payments charges as a result of equity schemes in place prior to IPO and new schemes set up as part of the transition to being a public company, which was offset by a \$23.3m decrease in employer related taxes related to the share-based payment scheme. These movements resulted in Adjusted EBITDA of \$91.4m, \$57.9m greater than in FY 2021.

#### Summary of Statement of Financial Position

**\$'000**

	<b>FY 2022</b>	<b>FY 2021 Restated</b>	<b>% change</b>
<b>Total Assets</b>			
Goodwill	38,164	-	100%
Intangible assets	15,649	7,087	120.8%
Property, plant and equipment	61,001	52,896	15.3%
Right of use assets	58,160	29,421	97.7%
Capitalised commission	57,154	39,014	46.5%
Deposits	9,260	6,109	51.6%
Trade and other receivables	95,481	76,867	24.2%
Cash and cash equivalents	390,623	342,358	14.1%
<b>Total Liabilities</b>			
Trade and other payables	(81,690)	(51,100)	59.9%
Deferred revenue	(251,851)	(184,104)	36.8%
Lease liabilities	(63,840)	(35,248)	81.1%
Provisions	(17,292)	(22,945)	-24.6%
<b>Equity</b>			
Share capital	9,812	9,756	0.6%
Share premium	16,117	224,782	-92.8%
Merger reserve	305,789	305,789	0.0%
Foreign currency translation reserve	(8,126)	(4,398)	84.8%
Stock compensation reserve	74,883	35,723	109.6%
Treasury shares	(11,683)	(761)	1,435.2%
Retained earnings	(72,104)	(308,873)	-76.7%

#### Cash and cash equivalents

The Group had cash and cash equivalents at 30 June 2022 of \$390.6m, an increase of \$48.3m from 30 June 2021. The balance includes deposits at call of \$233.7m (\$64.2m in FY 2021) presented as cash equivalents as they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. The increase in cash was mostly as a result of the Group generating \$140.2m of cash from operating activities, an increase of \$80.4m from FY 2021. This was offset by cash outflows relating to the acquisition of Cybersprint of \$35.7m and purchases of non-current assets of \$31.9m. Also, there was cash outflow of \$13.6m relating shares bought back and other financing activities of \$8.9m during the year.

#### Goodwill

Goodwill arose upon the acquisition of Cybersprint, which is recognised as an asset at the date control is acquired. Since the acquisition date, the goodwill balance of \$40.9m initially recognised, has decreased by \$2.7m as a result of foreign exchange effects on the balance.

#### Intangible assets

The Group capitalises allowable costs related to the development of new products. In FY 2022, the Group capitalised \$4.8m of development costs, an increase of \$1.0m from FY 2021.

Of the \$4.8m cost capitalised in the year, Darktrace has included share-based payment cost and related tax charges related to the employees working on development projects that meet capitalisation criteria. This includes \$2.4m of share-based payment and related tax charges linked to projects completed in prior years not previously capitalised, with associated amortisation of \$1.8m for a net increase in intangible assets of \$0.6m related to prior years completed development projects. As the directors consider the amount in relation to prior years to be immaterial, no prior year adjustment has been made but instead a catchup adjustment has been recognised in the current year.

Capitalised development costs are amortised on a straight-line basis over a three-year period, resulting in an amortisation charge in the year of \$6.1m, increased by \$3.3m from FY 2021.

At 30 June 2022 the Group had \$15.6m of intangible assets, \$8.5m more than the \$7.1m at 30 June 2021. This includes \$10.6m of intangible assets recognised as a result of the acquisition of Cybersprint, made up of \$9.6m of software and \$0.9m of customer relationships.

Since the acquisition date, the combined values for software customer relationship acquired have decreased by \$0.7m as a result of foreign exchange effects.

#### *Capitalised commission*

Capitalised commissions increased by 46.5% to \$57.2m at 30 June 2022 from \$39.0m at 30 June 2021, as a result of continuing sales growth. This increase was driven by additions of \$41.0m offset by amortisation and impairment of \$22.8m.

#### *Deferred revenue*

Total deferred revenue increased by 36.8% to \$251.9m at 30 June 2022, from \$184.1m at 30 June 2021. This was a result of the increase in the Group's invoicing driven by more contracts in the year, in line with sales growth.

#### *Equity*

The Group had a decrease in total equity of \$184.1m during FY 2022 driven mainly by:

- \$0.1m increase in share capital following the share issue for Cybersprint acquisition.
- \$208.7m decrease in share premium following the cancellation of the share premium account of the Company of \$224.8m to create distributable reserves for the Company to undertake in the future, among others, the redemption of the redeemable preference shares, the cancellation of the deferred shares and market purchases of shares in accordance with applicable law which offset the increase of \$15.8m of share premium on issuing share for acquisition of Cybersprint.
- \$39.2m increase in stock compensation reserve related to grants made under employee equity schemes.
- \$10.9m decrease in treasury shares as a result of the reduction in equity resulting from the purchase of 2,460,678 shares, on-market, for \$13.5m, in December 2021, to satisfy, in part, Darktrace's pre-existing obligations arising from its share incentive programmes. The shares were acquired at an average price of £4.11 (\$5.47) per share, with prices ranging from £3.90 (\$5.19) to £4.31 (\$5.74). The total cost of \$13.6m, including \$0.1m in transaction costs, was deducted from equity.

#### **Going Concern**

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Group's principal risks and uncertainties in the current operating environment and assessed these risks via a series of scenario analyses designed to evaluate the capacity of the Group to withstand a prolonged period of adverse financial conditions.

Forecasts and sensitivities have been prepared based on a series of scenarios incorporating plausible yet severe impacts on revenue and ARR, the Group's cost base, and the Group's consolidated statement of financial position including its ability to meet financial covenants.

Throughout the Directors have considered the viability of the Group's operations with respect to the following fundamental properties of the business:

- A high quality, fast-growth recurring revenue model with high levels of future revenues for which remaining obligations have been fulfilled;
- A variable cost structure which allows the Group to mitigate adverse financial conditions via the flexing of its major cost items; and
- The strong liquidity position of the Group arising from a highly cash-generative model.

Based on the Group's forecasts, the Directors are satisfied that the Group has adequate resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the Directors have prepared the financial statements on the going concern basis.

### **Viability**

In accordance with the UK Corporate Governance Code, the Directors are required to assess the prospects of the Group over an appropriate period and state whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due throughout this period. In doing so, the Directors have considered the Group's principal risks and uncertainties in the current operating environment and assessed these risks via a series of scenario analyses designed to evaluate the capacity of the Group to withstand a prolonged period of adverse financial conditions.

The Directors have no reason to believe that the Group will cease to be viable over a longer period, however, given the nature of data available and the visibility of near-term operations in an evolving market, the Directors consider that a reasonable expectation on the Group's long-term viability is most appropriately formed on a three-year period.

### **Principal and Emerging Risks**

The principal risks and uncertainties faced by Darktrace and its approach to internal control and risk management are set out on pages 52 to 59 of the 2022 Annual Report which is available on the Group's website at [www.ir.darktrace.com](http://www.ir.darktrace.com).

#### *Principal Risks*

Darktrace considers the principal risks and uncertainties it faces to be in four Principal Risk Areas. These are risks around its:

#### Technology and Products

The Group's ability to penetrate its target market and continue to grow is based on the effectiveness of its products in protecting its customers against the impacts of a rapidly evolving cyber security threat environment. If the Group's products fail to work as designed, or it cannot evolve and expand its product offerings to meet the needs of this evolving environment, its business and operating results could be negatively impacted.

#### Market and Competitive Environment

Darktrace operates in a competitive marketplace where other companies seeking to compete may be larger, better funded and have more resources. The Directors believe that the Group's AI Immune System approach gives it a market advantage and leadership position. If it fails to maintain this leadership position, either because it fails to invest appropriately, its product development is not effective or its technology advancements are outpaced by the advancement of others, its business and operating results could be negatively impacted.

#### People and Partners

The Group relies on the talents of highly skilled personnel, including its senior management and its technologists. Any inability to attract and retain this talent could have a negative impact on the business. Additionally, Darktrace relies on both its own employees and a network of reseller partners to acquire new customers, service existing customers and increase both market penetration and product uptake. If it failed to retain and expand either its own employee base or partners within its network, or it failed to adequately train and otherwise equip them to succeed, its business and operating results could be negatively impacted.



### Brand and Reputation

The Group's brand and reputation relies on a variety of factors including the effectiveness of its products to protect its customers against risks, its ability to protect its intellectual property, the actions of its people and the nature of its business associations. If Darktrace's products fail to work as designed, it has to defend its intellectual property or defend itself against claims of infringement on the intellectual property of others, its employees or partners fail to comply with its standards for commercial transactions or other behaviour, or its external associations expose it to real or perceived factors beyond its control, its business and operating results could be negatively impacted.

### Major Changes to Principal Risks Since Last Annual Report

The Brexit Principal Risk has been downgraded to a Strategic risk. This is due to the financial and operational impact of Brexit, to the business, has been assessed as minimal.

### Emerging Risks

Darktrace defines emerging risks as (re)emerging which may develop, or which already exist that are difficult to quantify and may have a high loss potential. Further, emerging risks are marked by a high degree of uncertainty; even basic information, which would help adequately assess the frequency and severity of a given risk, is often lacking.

Darktrace identifies emerging risks utilising inhouse expertise that form part of the ERM Governance structure, e.g. the Risks Management Committee, and in turn "crowd sources" for emerging risks from its own industry experts.

Emerging Risks are reviewed quarterly within the Risk Management Committee to assess their relevance, potential impact and status. Potential mitigations are prepared and if an emerging risk is assessed as quantifiable it is incorporated within the ERM Risk Assessment Process. Any updates or significant changes to an emerging risk is presented to the Audit & Risk committee.

### **Environment - De-carbonisation**

Darktrace recognises that climate change is one of the greatest risks of our generation. One that will have a profound impact on businesses, individuals, and economies alike in future years. Prioritising climate goals in our business will not only help us avoid and mitigate risk, but also ensure that the business is well placed to take advantage of opportunities too as we transition to a low carbon economy.

As disclosed in our FY 2021 annual report we have established our initial de-carbonisation strategy in the current year.

Working in partnership with our third-party de-carbonisation consultant we have set FY 2021 as our baseline and calculated our carbon footprint in line with WRI GHG Protocol standards and Science Based Target Initiative (SBTi) guidance, including all scope 1, 2 and 3 emissions within our reporting boundary.

Based on this analysis we have set GHG reduction targets in line with the SBTi methodology, aligned with the highest level of ambition pursuing a 1.5 degree pathway, and are in the process of submitting these to the SBTi for verification.

Recognising the urgency of the climate crisis and leading by example we are making a commitment to ambitious goals: net zero by 2040 and a near term target of a 37.8% reduction in scope 1 & 2 emissions and 63% reduction in tonnes of CO<sub>2</sub> of scope 3 emissions per dollar of gross profit by 2030.

As a business that is committed to net zero through the SBTi we have also joined the Race to Zero and Business Ambition for 1.5c.

### **Directors' Responsibility Statement**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and the Company and the financial performance and cash flows of the Group for that period. Under that law the Directors have prepared the consolidated financial statements of Darktrace plc group in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, as amended have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation of the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 86 to 88 confirm that, to the best of each person's knowledge:

- the Annual Report, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy;
- the Group financial statements, which have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards, which give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

James Sporle  
General Counsel & Company Secretary  
8 September 2022

#### Consolidated Statement of Comprehensive Income

	FY 2022	FY 2021
	\$'000	Restated \$'000
<b>Revenue</b>	415,482	285,101
Cost of sales	(44,848)	(28,456)
<b>Gross profit</b>	<b>370,634</b>	<b>256,645</b>
Sales and marketing costs	(232,772)	(188,936)
Administrative expenses		
Research and development costs	(44,262)	(28,814)

Other administrative expenses	(81,167)	(75,859)
Foreign exchange differences	(6,502)	845
Other operating income	1,671	1,365
<b>Operating profit /(loss)</b>	<b>7,602</b>	<b>(34,754)</b>
Finance costs	(2,807)	(109,157)
Finance income	518	50
<b>Profit/(loss) for the year before taxation</b>	<b>5,313</b>	<b>(143,861)</b>
Taxation	(3,856)	(1,967)
<b>Net profit / (loss) for the year attributable to the equity shareholders of Darktrace plc</b>	<b>1,457</b>	<b>(145,828)</b>
Items that are, or may be, subsequently reclassified to profit or loss:		
Exchange differences on translating foreign operations	(3,728)	-
<b>Total comprehensive profit/ (loss) for the year</b>	<b>(2,271)</b>	<b>(145,828)</b>
<b>Earnings per share</b>		
Basic earnings/(loss) per share	<b>\$0.002</b>	<b>\$(0.283)</b>
Diluted earnings/(loss) per share	<b>\$0.002</b>	<b>\$(0.283)</b>

### Consolidated Statement of Financial Position

	FY 2022	FY 2021
	\$'000	Restated \$'000
<b>Non-current assets</b>		
Goodwill	38,164	-
Intangible assets	15,649	7,087
Property, plant and equipment	61,001	52,896
Right-of-use assets	58,160	29,421
Capitalised commission	32,519	22,711
Deferred tax asset	1,041	544
Deposits	9,260	6,109
	<b>215,794</b>	<b>118,768</b>
<b>Current assets</b>		
Trade and other receivables	95,481	76,867
Capitalised commission	24,635	16,303
Tax receivable	2,828	1,119
Cash and cash equivalents	390,623	342,358
	<b>513,567</b>	<b>436,647</b>
<b>Total assets</b>	<b>729,361</b>	<b>555,415</b>
<b>Current liabilities</b>		
Trade and other payables	(81,690)	(51,100)
Deferred revenue	(222,419)	(154,505)
Lease liabilities	(3,710)	(4,285)
Provisions	(15,954)	(22,430)

	<b>(323,773)</b>	<b>(232,320)</b>
<b>Non-current liabilities</b>		
Deferred revenue	(29,432)	(29,599)
Lease liabilities	(60,130)	(30,963)
Provisions	(1,338)	(515)
	<b>(90,900)</b>	<b>(61,077)</b>
<b>Total liabilities</b>	<b>(414,673)</b>	<b>(293,397)</b>
<b>Net assets</b>	<b>314,688</b>	<b>262,018</b>
<b>Equity</b>		
Share capital	9,812	9,756
Share premium	16,117	224,782
Merger reserve	305,789	305,789
Foreign currency translation reserve	(8,126)	(4,398)
Stock compensation reserve	74,883	35,723
Treasury shares	(11,683)	(761)
Retained loss	(72,104)	(308,873)
<b>Total equity attributable to equity shareholders of Darktrace plc</b>	<b>314,688</b>	<b>262,018</b>

These financial statements were approved by the Board of Directors and authorised for issue on 7 September 2022. They were signed on its behalf by:

Catherine Graham  
Chief Financial Officer  
Company No. 13264637

### Consolidated Statement of Changes in Equity

	Share capital \$'000	Share premium \$'000	Merger reserve \$'000	Foreign currency translation reserve \$'000	Stock compensation reserve \$'000	Treasury Shares \$'000	Retained earnings \$'000	Total equity \$'000
<b>30 June 2020</b>	<b>29</b>	<b>170,402</b>	<b>-</b>	<b>(4,398)</b>	<b>20,868</b>	<b>-</b>	<b>(163,045)</b>	<b>23,856</b>
Loss for the year (restated)	-	-	-	-	-	-	(145,828)	(145,828)
<b>Total comprehensive loss (restated)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(145,828)</b>	<b>(145,828)</b>
Share purchased for cancellation	(2)	(127,061)	-	-	-	-	-	(127,063)
Convertible loan conversion	1,076	269,016	-	-	-	-	-	270,092
Shares issued	1,872	238,506	-	-	-	-	-	240,378
Transactions cost	-	(13,511)	-	-	-	-	-	(13,511)
Share for share exchange	6,781	(312,570)	305,789	-	-	-	-	-
Shares held for option holders	-	-	-	-	-	(761)	-	(761)
Share-based payment charge	-	-	-	-	14,855	-	-	14,855
<b>Transactions with shareholders</b>	<b>9,727</b>	<b>54,380</b>	<b>305,789</b>	<b>-</b>	<b>14,855</b>	<b>(761)</b>	<b>-</b>	<b>383,990</b>
<b>30 June 2021 (restated)</b>	<b>9,756</b>	<b>224,782</b>	<b>305,789</b>	<b>(4,398)</b>	<b>35,723</b>	<b>(761)</b>	<b>(308,873)</b>	<b>262,018</b>
Profit for the year	-	-	-	-	-	-	1,457	1,457
Other comprehensive loss	-	-	-	(3,728)	-	-	-	(3,728)

<b>Total comprehensive loss</b>	-	-	-	<b>(3,728)</b>	-	-	<b>1,457</b>	<b>(2,271)</b>
Share issued for acquisition	34	15,782	-	-	-	-	-	15,816
Share premium cancellation	-	(224,782)	-	-	-	-	224,782	-
Share buyback	-	-	-	-	-	(13,525)	(89)	(13,614)
Options exercised	22	335	-	-	(6,609)	2,603	10,619	6,970
Share-based payment charge	-	-	-	-	45,769	-	-	45,769
<b>Transactions with shareholders</b>	<b>56</b>	<b>(208,665)</b>	<b>-</b>	<b>-</b>	<b>39,160</b>	<b>(10,922)</b>	<b>235,312</b>	<b>54,941</b>
<b>30 June 2022</b>	<b>9,812</b>	<b>16,117</b>	<b>305,789</b>	<b>(8,126)</b>	<b>74,883</b>	<b>(11,683)</b>	<b>(72,104)</b>	<b>314,688</b>

## Consolidated Statement of Cash Flows

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>Restated \$'000</b>
<b>Cash generated from operations</b>		
Profit/(loss) for the year after tax	1,457	(145,828)
Depreciation of PPE* and Right of Use Assets	28,295	24,475
Amortisation of intangible assets	6,073	2,729
Amortisation of capitalised commission	21,817	14,101
Impairment of capitalised commission	996	1,091
Loss on disposal of PPE* and Right of Use Assets	2,121	1,556
Impairment of PPE*	-	158
Unrealised foreign exchange differences	9,467	(4,026)
Credit loss charge	145	3,324
Share based payment charge	43,740	17,045
Finance costs	2,807	109,157
Finance income	(518)	(50)
Other operating income	(1,671)	(1,365)
Taxation	3,856	1,967
<b>Operating cash flows before movements in working capital</b>	<b>118,585</b>	<b>24,334</b>
Increase in trade and other receivables	(19,601)	(17,657)
Increase in capitalised commission	(40,952)	(28,657)
Increase/(Decrease) in trade and other payables	27,129	(1,191)
(Decrease)/Increase in Provisions	(5,653)	22,945
Increase in deferred revenue	65,575	61,556
<b>Net cash flow from operating activities before tax</b>	<b>145,083</b>	<b>61,330</b>
Tax paid	(4,839)	(1,438)
<b>Net cash inflow from operating activities</b>	<b>140,244</b>	<b>59,892</b>
<b>Investing activities</b>		
Cybersprint acquisition	(35,728)	-
Development costs capitalised	(1,292)	(2,691)
Purchase of PPE*	(31,863)	(22,641)
Finance income	518	50
<b>Cash outflow from investing activities</b>	<b>(68,365)</b>	<b>(25,282)</b>
<b>Financing activities</b>		
Shares issued	7,020	237,427
Share buyback	(13,614)	-
Share issue costs	-	(13,511)
Repurchase of shares	-	(127,063)
Convertible loan issuance	-	162,821

Repayment of borrowings	(1,347)	-
Repayment of lease liabilities	(4,837)	(6,259)
Payment of interest on lease liabilities	(2,735)	(2,800)
<b>Cash (outflow)/inflow from financing activities</b>	<b>(15,513)</b>	<b>250,615</b>
<b>Net changes in cash and cash equivalents</b>	<b>56,365</b>	<b>285,225</b>
Cash and cash equivalents, beginning of year	342,358	53,944
Unrealised exchange difference on cash and cash equivalents	(8,100)	3,189
<b>Cash and cash equivalents, end of year</b>	<b>390,623</b>	<b>342,358</b>

\* Property, plant and equipment

## Notes to the Consolidated Financial Statements

### 1 General information

#### Company Information

Darktrace plc is a company incorporated in England and Wales under company number 13264637. The principal place of business is Maurice Wilkes Building, St John's Innovation Park, Cowley Road, Cambridge, CB4 0DS.

#### The Company and Group Information

The parent company, Darktrace plc has been defined as 'the Company' and Darktrace plc group as 'the Group' or 'Darktrace'.

#### Basis of Preparation

These consolidated financial statements are for the year ended 30 June 2022.

The consolidated financial statements of Darktrace plc group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

They have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

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

All amounts in the consolidated financial statements and notes have been rounded off to the nearest thousand USD, unless otherwise stated.

#### Prior period adjustment

Darktrace's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows and the related notes for FY 2021 have been re-stated to reflect the appropriate timing of revenue recognition for certain contracts that have subsequently been determined to have had excess deferred revenue balances at the close of FY 2021.

Darktrace makes continuous improvements to the systems, processes and controls used by management to monitor its business. In the second half of FY 2022, it introduced enhancements to its revenue reporting systems that allowed it to analyse contracts at a greater level of granularity. In doing so, it identified certain contracts where a portion of revenue that should have been recognised in prior periods was still in deferred revenue, and the company had been recognising that revenue in FY 2022. After considering both quantitative and qualitative factors, management has concluded that \$3.8m of revenue it had been recognising in FY 2022, including a portion recognised and reported in its 1H 2022 results, should appropriately be recognised in FY 2021 to correct the overstatement of the FY 2021 deferred revenue balance. No differences were identified in the total revenue of these contracts and these adjustments are being made solely to correct the under-recognition of revenue in prior periods and to ensure proper recognition in future periods.

Darktrace's FY 2021 consolidated statement of comprehensive income has been restated to reflect an increase in revenue of \$3.8m. It's consolidated statement of financial position has also been restated to reflect a decrease of \$3.8m in the current portion of deferred revenue and an increase to retained earnings also included in the consolidated statement of changes in equity. No changes were required to the cash flows from operating, investing and financing activities for FY 2021.

The Board supports management's continuous enhancements of its systems, processes and controls as it ensures its ability to grow and scale effectively.

A reconciliation of the adjustments making up the re-statement of the FY 2021 consolidated statement of comprehensive income and consolidated statement of financial position is provided below:

Consolidated statement of financial position	FY 2021		FY 2021
	As originally presented	Reduction in deferred revenue	As Restated
	\$'000	\$'000	\$'000
Deferred revenue (current)	(158,265)	3,760	(154,505)
<b>Net Assets</b>	<b>258,258</b>	<b>3,760</b>	<b>262,018</b>
<b>Equity</b>			
Retained earnings	(312,633)	3,760	(308,873)
<b>Net Assets</b>	<b>258,258</b>	<b>3,760</b>	<b>262,018</b>
Consolidated statement of comprehensive income	FY 2021		FY 2021
	As originally presented	Increase in revenue	As Restated
	\$'000	\$'000	\$'000
Revenue	281,341	3,760	285,101
<b>Gross Profit</b>	<b>252,885</b>	<b>3,760</b>	<b>256,645</b>
<b>Operating loss</b>	<b>(38,514)</b>	<b>3,760</b>	<b>(34,754)</b>
<b>Loss for the year before taxation</b>	<b>(147,621)</b>	<b>3,760</b>	<b>(143,861)</b>
<b>Net loss for the year</b>	<b>(149,588)</b>	<b>3,760</b>	<b>(145,828)</b>
<b>Total comprehensive loss for the financial year</b>	<b>(149,588)</b>	<b>3,760</b>	<b>(145,828)</b>
<b>Earnings per share</b>			
Basic loss per share	\$(0.290)	\$0.007	\$(0.283)
Diluted loss per share	\$(0.290)	\$0.007	\$(0.283)

### Comparative information

Certain amounts in the statement of comprehensive income have been represented in the current year for a better understanding of the material transactions of the year; comparative information has been reclassified for consistency. Exchange gain and losses of \$6.5m (30 June 2021 \$0.8m) have been represented separately from the other administrative expenses given their materiality for the current year results. IPO transaction costs of \$ nil (30 June 2021 \$15.3m) and expected credit loss charge of \$0.1m (30 June 2021 \$3.3m) have been presented within the other administrative expenses as not material to the current year result.

### Predecessor Accounting

Darktrace plc was incorporated on 12 March 2021 and became the parent entity of the Group on 4 May 2021 when Darktrace plc acquired the entire shareholding of Darktrace Holdings Limited by way of share for share exchange agreement.

Management has used the retrospective presentation method or merger accounting. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the Group financial statements and the consolidated reserves of the Group have been adjusted to reflect

the statutory share capital of Darktrace plc with the difference presented as the merger reserve.

### **New Standards, Amendments, IFRIC Interpretations and new Relevant Disclosure Requirements Adopted by the Group**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 30 June 2022 that have a material impact on Darktrace's financial statements.

### **Going Concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position, have been considered in depth as part of the preparation of the financial statements and the Directors' assessment of the Group's ability to continue as a going concern. In particular, the Directors have reviewed detailed trading forecasts taking into account the Group's financial position, recent performance, and risk management policies in concluding on the Group's continuing viability. The Directors have further reviewed liquidity and covenant forecasts for the Group for the period to 30 September 2023 as part of their assessment of going concern.

The Directors have considered how a change in circumstances might impact the Group's expected financial performance for the period. Specifically, testing has been performed on the base case forecast for the period and a number of adverse scenarios have been modelled, including but not limited to:

- Annual Recurring Revenue (ARR)/revenue scenarios: The impact of material reputational damage on new customer acquisition and existing customer churn as a result of significant operational disruption, such as a data breach, combined with the impact of a significant reduction in salesforce productivity, materially reducing ARR and revenues. For example, it was assumed that there would be zero new logo ARR growth across the entire period along with a material deterioration in Net ARR retention trends. No active cost saving measures were implemented throughout the period.
- Cost scenarios: The impact of a severe increase in employee churn and hiring-related costs interrupting business operations. For example, expected employee churn rates for the entire salesforce and the remaining wider workforce were increased respectively by 25% and 20% vs the base case forecast. Meanwhile hiring and compensation costs were materially increased, particularly for technical and sales-related personnel, and extended general cost inflation was considered, with increases to key unit costs (such as appliance and hosting costs). No active cost saving measures were implemented throughout the period.
- Balance sheet scenarios: The impact of changes to customer payment terms and increased customer insolvencies for an extended period of time. For example, forecast collection rates were modelled to drop lower than at any point during the worst of the COVID-19 uncertainty and corresponding payment delays. Meanwhile estimated bad debt expense for the period was increased fivefold vs the base case forecast and the Group's base case forecast invoicing profile was amended to include a material shift towards quarterly and monthly invoicing.
- Combined, 'worst case' scenario: This fourth scenario sought to present an extreme and unreasonable 'worst case' outcome by combining the three aforementioned scenarios. No active cost saving measures were enacted during the period and the Group remained viable and in compliance with its covenants within the period.

In each variation and combination of the adverse scenarios, the Group is forecast to have sufficient resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements, and for each scenario, active cost saving actions were not instigated as part of the analysis. In the event that any of these adverse scenarios were to occur, controllable mitigating actions are available to the Group should they be required.

As an additional provision, the Directors also reviewed the results of reverse stress testing performed to provide an illustration of the level of churn and deterioration in new customer acquisition and customer payment terms which would be required to trigger a breach in the Group's covenants or exhaust cash down to minimum working capital requirements. The conditions necessary to approach either of these parameters are extreme and would ultimately require no active cost saving actions to be enacted at any point. As such, the Directors consider their likelihood as highly remote given the resilient nature of the business model, as demonstrated by the growth in revenues, customer numbers and employees in recent reporting periods. The robust consolidated statement of financial position, with over \$390.6m of cash available and continued strong receivables collection rate of the Group demonstrated during the COVID-19 pandemic and the macroeconomic uncertainties through FY 2022 gives further support to the resilience of the Group's business model.



The results of these assessments have enabled the Directors to assert a reasonable expectation that the Group has adequate resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the Directors are of the view that the preparation of the consolidated financial statements on a going concern basis continues to be appropriate and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

### **Basis of Consolidation**

These financial statements present the results of Darktrace plc and its subsidiaries as the Group. Intercompany transactions and balances between Darktrace and its subsidiaries are therefore eliminated in full.

Subsidiaries are entities over which Darktrace plc 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. Darktrace plc can direct decisions through its ownership and, if applicable, voting rights. Except for Cybersprint, all Company's subsidiaries have been created by, rather than acquired by, Darktrace plc, and no subsidiaries have been closed or otherwise disposed of. As Cybersprint was acquired during the year, the profit or loss attributable to shareholders includes 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.

The directors have determined that they control a company called Darktrace Employee Benefit Trust, even though Darktrace plc owns 0% of the issued capital of this entity. Equiniti Trust (Jersey) Limited is the trustee of the Darktrace Employee Benefit Trust. It is a controlled entity of Darktrace plc, because Darktrace plc is exposed to, and has right to, variable returns from this entity and is able to use its power over the entity to affect those returns, therefore Darktrace Employee Benefit Trust has been consolidated.

## **2 Preliminary announcement**

The Board of Directors approved the preliminary announcement on 7 September 2022.

## **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 have been identified as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), 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 these financial statements. Further there are no separately identifiable assets attributable to any separate business activity or business unit.

### **Revenue Recognition**

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: Revenue from Contracts with Customers, 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 for most contracts, being to deliver a Cyber Security software and related services to its customers 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 as the customer simultaneously receives and consumes the benefits from the products it purchased within the Group's Cyber AI Platform as the Group performs. The Group's efforts are expended evenly throughout the subscription 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 consideration 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 already have or existing software product deployments. The revenue from these contracts is recognised at the point in time when the training or appliance is delivered.

Contracts where terms are subsequently modified (for upsells, extensions, etc) are assessed in accordance with IFRS 15 and are treated either as a separate contract with revenue recognition commencing from the modification date or as a cumulative catch-up adjustment to revenue recognised at the point of modification based on the new contractual terms.

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 and 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 the delivery mechanism for the service to the customer and are not normally sold to the customer.

Customers are generally billed in advance, with credit terms of typically 30-60 days, in line with market practice. In instances where payment for the subscription is within 12 months or less of the service being provided Darktrace has taken the practical expedient under the standard of not adjusting for any financing component. In some instances, the Group bills in advance for periods of greater than one year. In these instances no financing component is deemed to be present as this arrangement is customer driven.

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

### **Commission Cost Recognition**

Commission costs are all recognised as below. 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 where recoverable 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. Depending on their role in sales, staff receive either the first 50% or 100% 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 customer contract term, with the amortisation being recognised as above. 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 period between the sale and payment, then the accrual is released when the commission is paid or earlier if commission is recouped due to the customer defaulting on payments or salesperson ceases to be employed prior to the commission becoming payable.

### **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 released for production and/or brought into use. Research and development expenditures that do not meet the criteria for capitalisation, are recognised as 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 recognised as R&D cost (note 10).

### **Share Based Payments**

The Group operates equity settled share-based payment schemes. 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 the period is allocated to the relevant statement of comprehensive income categories where the employment costs of the employee who is granted the equity options are charged.

The fair value of options and awards granted is recognised as an employee benefits 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 and awards 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 or awards are exercised, the appropriate number of shares is issued to the employee. The proceeds received from exercised options, net of any directly attributable transaction costs, are credited directly to equity.

### **Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary comprises the fair value of:

- The assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Group;
- Any asset or liability resulting from a contingent consideration arrangement; and
- Any pre-existing equity interest in the subsidiary.

Assets acquired, including any separately identifiable intangible assets, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at the fair values at the acquisition date. The group recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest proportionate share of the acquired entity net identifiable assets.

Acquisition related costs are expensed as incurred.

### **Goodwill**

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date).

Goodwill is measured as the excess of:

- the sum of the consideration transferred,
- the amount of any non-controlling interest in the acquiree and
- the fair value of the acquirer's previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. Any impairment loss is recognised immediately in the consolidated statement of comprehensive income and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## **Intangible Assets**

### Software

Software acquired in a business combination is recognised at fair value at the acquisition date. It has an estimated useful economic life of 5 years and is subsequently carried at cost less accumulated amortisation and impairment losses.

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 so that it will be available for use
- 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. Amortisation is classified as research and development costs.

Costs associated with maintaining software programmes are recognised as an expense as incurred.

### Customer relationship

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. It has an estimated useful economic life of 12 years and is subsequently carried at cost less accumulated amortisation and impairment losses.

## **Provisions**

The Group accounts for a provision on tax payments when employer has primary liability to pay for social security-type contribution on share-based payments. In some jurisdictions, the employer rather than the employee has the legal obligation to pay taxes on employee awards. Darktrace recognises the cost and liability in relation to those countries where this type of payment is required. Management calculates the liability arising from the obligation to pay taxes as a provision in accordance with IAS 37 using the market value of the total options at each reporting date to estimate the provision to be accrued over the vesting period. Also, provisions are recognised where a legal or constructive obligation exists at the balance sheet date, as a result of a past event, where the amount of the obligation can be reliably estimated and where the outflow of economic benefit is probable.

## **Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new

shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Equity comprises 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.
- Merger reserve: As Darktrace plc issued equity shares in consideration for securing a holding of 100% of the nominal value of each class of equity in Darktrace Holdings Limited, the application of merger relief is compulsory. Merger relief is a statutory relief from recognising any share premium on shares issued. Instead, a merger reserve is recorded equal to the value of share premium which would have been recorded if the provisions of section 612 of the Companies Act 2006 had not been applicable. Furthermore, as management has used the retrospective presentation method (merger accounting), the equity structure (that is, the issued shares capital) reflects that of the new entity (Darktrace plc), with other amounts in equity (such as retained earnings or cumulative translation reserve) being those from the consolidated financial statements of the previous Group holding entity (Darktrace Holdings Limited). The resulting difference has been recognised as a component of the equity as a merger reserve.
- Foreign currency translation reserve: 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 before Darktrace Holdings Limited and its subsidiaries changed their functional currency on 1 July 2019. In addition, with the acquisition of Cybersprint, which has a functional currency of EUR, the result of translating the financial statement items into presentational currency using the exchange rate at the statement of financial position date is included in the foreign currency translation reserve.
- 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.
- Treasury shares includes shares bought back by Darktrace plc during the year and shares that are held by the Equiniti Trust (Jersey) Limited for the purpose of issuing shares under the Darktrace plc employee share scheme (see note 15 for further information). Shares issued to employees are recognised on a first in, first out basis.
- Retained earnings: represents retained profits and losses.

## **Earnings per Share**

### Basic Earnings per Share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of Darktrace, 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 Key judgements and estimates**

The preparation of consolidated financial statements 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 year end 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 recognised in the period in which the estimates are revised and for any future periods

affected.

The areas involving significant judgements and estimates are:

### **Significant Judgement in Revenue Recognition in Determining one Performance Obligation Exists**

Group revenue is from subscription contracts and is 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 included the deployment of the software (on appliances or virtually), 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 which are highly interdependent with (and are not separately available from) the subscription to product within the Cyber AI platform. Some customers may purchase ancillary services or training, but these are immaterial to the total contract value and are not deemed to impact the assessment of there being only a single performance obligation.

### **Significant judgement in recognition of deferred tax asset**

At 30 June 2022 the Group has significant tax losses in the UK available for offset against future taxable profits. The Group has unrecognised deferred tax asset of approximately \$93.2m (30 June 2021: \$97.2m) mainly related to Darktrace Holdings Limited (note 31 of 2022 Annual Report), as there is insufficient convincing other evidence that the losses will be utilised in the foreseeable future, which is required for recognition under IAS 12 when there is a history of losses.

When assessing if it is probable that future taxable profits will be available, management has determined whether sufficient positive evidence outweighs existing negative evidence. The longer the estimates/forecasts extend into the future, the less reliable they are. Management therefore believes the most appropriate period to be used in order to make the assessment on the future taxable profit is two years. The estimates/forecasts used for the determination of future taxable profits for the UK entity used consistent assumptions to those used elsewhere.

While there is currently not sufficient convincing other evidence on the certainty of sufficient future taxable profits in the UK, which will enable Darktrace Holdings Limited to start utilising its brought forward tax losses, this is less clear when a period longer than two years is considered.

### **Significant Estimate in the Share Price Used to Calculate the Provision for Share-Option Related Employer Tax Charges**

The provision (refer to note 14) represents the best estimate of the amount payable by the Group at year end if all options were exercised at that date. The key input for the calculations is the percentage applicable for each Country and the share price at each period end. The key element subject to change in future periods is the share price, and for this reason the Group has prepared the following sensitivity analysis:

	<b>FY 2022</b>	<b>FY 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
+/- 10% share price value – change in value of provision for the year (\$'000 absolute value)	3,852	2,797

### **Significant Judgement in Assessment of Control of 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 in excess of 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 the asset. It is also management's judgement that the Group's contracts do not contain leases under IFRS 16.

## 5 Acquisitions

On 1 March 2022 Darktrace acquired the entire issued share capital of Cybersprint B.V. ("Cybersprint"), an attack surface management company that provides continuous, real-time insights from an outside-in perspective to eliminate blind spots and detect risks. The acquisition of Cybersprint is aligned with Darktrace's vision of delivering a 'Continuous Cyber AI Loop' and complements its Self-Learning technology and inside-out view.

Darktrace acquired Cybersprint for €47.5m (\$53.7m), paid 75% in cash and 25% in equity.

Following adjustments for cash balances, third party debt and working capital the consideration has been adjusted to \$36.1m cash consideration and \$8.2m equity consideration. In particular, certain shares issued were treated as a remuneration under IFRS 2- Share based payment (note 23 of Annual Report).

In the four months to 30 June 2022 the subsidiary contributed revenue of \$1.4m, with a net loss of \$0.3m to the consolidated statement of comprehensive income. If the acquisition had occurred on 1 July 2021, Group revenue would have been an estimated \$2.3m higher and consolidated net profit would have been \$4.8m lower. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2021.

### Effect of acquisition

The software acquired was valued using an income approach model by estimating future cash flows generated by the technology and discounting them to present value using rates in line with a market participant expectation. As part of the acquisition, goodwill of \$40.9m has been recognised which is not deductible for tax purposes. Since the acquisition date, the goodwill balance has decreased by \$2.7m as a result of foreign exchange effects.

The acquisition had the following effect on the Group's assets and liabilities.

	<b>Fair values on acquisition \$'000</b>
<b>Acquiree's net assets at the acquisition date</b>	
Intangible assets (note 10):	
- Customer Relationship	930
- Software	9,647
Property, plant and equipment (note 14 of 2022 Annual Report)	108
Right-of-use assets (note 15 of 2022 Annual Report)	239
Trade and other receivables	892
Cash and cash equivalents	411
Interest-bearing loans and borrowings	(1,347)
Trade and other payables	(4,267)
Deferred revenue	(2,172)
Lease liabilities (note 15 of 2022 Annual Report)	(248)
Deferred tax assets (note 31 of 2022 Annual Report)	1,950
Deferred tax liabilities (note 31 of 2022 Annual Report)	(2,656)
<b>(A) Net identifiable assets and liabilities</b>	<b>3,487</b>
Cash consideration relating to business combination	36,140
Equity instruments issued	8,224
<b>(B) Total consideration</b>	<b>44,364</b>
<b>Goodwill (B-A)</b>	<b>40,877</b>

### Goodwill

The acquisition of Cybersprint accelerates Darktrace's entry into the fast-moving attack surface

management market, whilst complementing existing offerings in Darktrace's product line. The Cybersprint technology will be integrated into Darktrace's Prevent product line. Darktrace considered building a competing product but ultimately concluded that the time taken, plus the opportunity cost against competitors, warranted acquiring the technology.

The residual economic goodwill reflects the significant opportunity for future growth in integrating Cybersprint development team and selling the technology to new customers and cross-selling to Darktrace's existing customers, as well as further exploiting and developing the current technology over time to improve its functionality and wider synergies deriving from the integration of the two business and development teams. Given the relatively insignificant customer relationships acquired and the fact that the technology acquired has significant obsolescence over time (the UEL has been determined to be five years), a lot of the value of the acquisition derives from future potential of the ongoing technology development and the generation of new customer income streams which are not attributable to any intangible assets at acquisition.

Refer to note 9 for details on goodwill.

#### **Equity instruments issued**

2,573,648 shares in Darktrace plc were issued as consideration to the Sellers (Cybersprint shareholders before acquisition).

The fair value of the acquirer's equity interests issued is determined as consideration for the acquired business. Fair value is the quoted share price, on the acquisition date (£4.59/ \$6.15), multiplied by the number of shares issued for publicly traded shares.

The issuance of 1,235,741 shares to certain employees of Cybersprint is contingent on continued employment. In the event that within three years from completion certain Cybersprint employees (and Sellers) are no longer employed by Darktrace, they will be required to pay a cash penalty to Darktrace in an amount which varies from 89% to 33% of the fair value of the instruments, depending on the employee leaving before completion of the first, second or third anniversary from the Completion date. These shares have therefore been treated as remuneration and have been accounted for as equity-settles share-based payments under IFRS 2. The related share-based payment charge will be expensed over the three-year period from acquisition subject to service conditions. The charge related to the period from acquisition to 30 June 2022 is \$1.4m and the remaining value to be taken in future years of \$6.2m has been included in prepayments at 30 June 2022. See note 10 and note 23 of 2022 Annual Report.

#### **Acquisition related costs**

The Group incurred acquisition related cost of \$0.9m related to legal and professional fees. These costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income. See note 8 for details.

## **6 Operating segment**

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 CODMs 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 7 for disaggregated analysis on revenue from contracts with customers.

The non-current assets presented below exclude any deferred tax assets and deposits.

	FY 2022	FY 2021 Restated
<b>Non-current assets by geographical market</b>	<b>\$'000</b>	<b>\$'000</b>
USA	63,408	32,405
United Kingdom	83,223	37,016
Europe	34,357	17,649
Rest of world	24,505	25,045



205,493      112,115

## 7 Revenue from contract 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. For the period this revenue amounted to \$1.5m (30 June 2021 \$1.1m).

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.

Revenue geographical market	FY 2022		FY 2021 Restated	
	\$'000	% of revenue	\$'000	% of revenue
USA	142,697	34.3%	100,512	35.3%
United Kingdom	69,228	16.7%	51,373	18.0%
Europe	100,244	24.1%	63,025	22.1%
Rest of World	103,313	24.9%	70,191	24.6%
	<b>415,482</b>	<b>100%</b>	<b>285,101</b>	<b>100%</b>

Revenue from customers has been attributed to the geographic market based on contractual location. No single customer accounted for more than 10% of revenue in FY 2022 or FY 2021.

### Contract assets and liabilities related to contracts with customers

The following table provides information on accrued income and deferred revenue from contracts with customers.

	FY 2022	FY 2021 Restated
	\$'000	\$'000
Accrued income	4,152	1,713
<b>Total accrued income</b>	<b>4,152</b>	<b>1,713</b>
Current deferred revenue	222,419	154,505
Non-current deferred revenue	29,432	29,599
<b>Total deferred revenue</b>	<b>251,851</b>	<b>184,104</b>

Accrued income has increased year-over year. This is to reflect the revenue yet to be billed but recognised to match revenue with related expenses within respective years.

Deferred revenue has increased year-over year in line with the increase in revenue and as a result of business combination in FY 2022.

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 11.

### 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:

	FY 2022	FY 2021 Restated
	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	154,505	96,769

### Revenue expected to be recognised

The following are the aggregated amounts of future revenues that relate to contracts that are unsatisfied or partially unsatisfied:

	<b>FY 2022</b>	<b>FY 2021</b>
	<b>\$'000</b>	<b>Restated \$'000</b>
Due within 12 months	477,025	330,006
Due within 1-2 years	330,045	238,110
Due within 2-3 years	196,546	147,435
Due within 3-4 years	60,793	58,904
Due over 4 years	4,621	5,952
	<b>1,069,030</b>	<b>780,407</b>

### **8 Material profit and loss items**

The Group has identified a number of items which are material due to the significance of their nature and or amount. These are listed separately here to provide a better understanding of the financial performance of the Group, if not presented elsewhere in these financial statements.

	<b>FY 2022</b>	<b>FY 2021</b>
	<b>\$'000</b>	<b>Restated \$'000</b>
IPO cost	-	15,250
Other legal and professional fees	10,374	2,359
Brand strategy costs	2,030	-
Credit loss charge	145	3,324
Acquisition costs	916	-

IPO cost includes registration and other regulatory fees, underwriting costs and brokerage fees, amounts paid to lawyers, accountants, investment bankers and other professional advisers, fees and commissions paid to agents, brokers and dealers, printing costs and stamp duties. Most of the costs that are directly attributable to the IPO have been apportioned to equity (note 23 of 2022 Annual Report) considering the portion of shares newly issued at IPO versus the existing shares admitted unless specific allocation has been possible.

Other legal and professional costs include professional and consultancy fees, such as legal, accountancy and audit fees which has increased in FY 2022, which was driven by legal costs of Cybersprint acquisition, maintenance of the intellectual property and general legal corporate advisory.

Brand strategy costs relates costs for Darktrace's new branding and logo change during the year.

	<b>FY 2022</b>	<b>FY 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit of the Group and parent company accounts	700	471
Audit of the accounts of the Company's subsidiaries by the Group auditors and its associates	623	394
<b>Total audit fees</b>	<b>1,323</b>	<b>865</b>
Tax compliance services	-	11
Tax advisory services	-	282
Corporate finance services	-	1,970
Other non-audit services not covered elsewhere	-	2
Audit-related assurance services	75	-
<b>Total non-audit fees</b>	<b>75</b>	<b>2,265</b>

Corporate finance services and tax advisory services for FY2021 were attributable mainly to the IPO and the related compliance activities.

## 9 Goodwill

	FY 2022 \$'000	FY 2021 \$'000
<b>Goodwill</b>		
As at 1 July	-	-
Business combination (note 5)	40,877	-
Foreign exchange difference	(2,713)	-
<b>As at 30 June</b>	<b>38,164</b>	-

Goodwill arose upon the acquisition of Cybersprint during the current year, see note 5 for further details on the acquisition. The asset is allocated to both Cybersprint and Darktrace CGUs combined (corresponding to the single operating segment) and is monitored, therefore at the consolidated group level. IAS 36 requires management to perform impairment tests annually for goodwill and indefinite lived assets. Management performed an impairment test at 30 June 2022.

The recoverable amount of the group of CGUs has been calculated based on its value in use, estimated as the present value of projected future cash flows for the next five years covered by the most recent approved budget and forecasts. Cash flow projections beyond the period covered by the most recent budgets/forecasts, have been estimated by extrapolating the projections based on the budgets/forecasts using the long-term growth rate.

The key assumptions used in the estimation of the recoverable amount are set out below. The value assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

- Discount rate: 12.0%. This rate is calculated as pre-tax rate and reflects both the current market assessment of the time value and the risk of the specific assets.
- Long-term growth rate: 3% This rate is in line with the growth-rate for the primary countries in which the business operates.
- Budget EBITDA growth rate (average for the next five years): 49.8%. The VIU scenario is broadly based on management's forecasts which assume a gradual realisation of the Group's publicly disclosed long-term economic model but adjusted to exclude the expected income that might be derived from future products that have not yet been developed and released for sale.

The Group has performed sensitivity analyses across the group of CGUs, using reasonably possible changes in the long-term growth rates, forecasted cash flows and pre-tax discount rates arising from reasonably possible trading and economic scenarios. The sensitivity analysis showed that no impairment charges would result from these scenarios.

## 10 Intangible assets

Software consists of capitalised development costs being an internally generated intangible asset and acquired software intangible asset from acquisition of Cybersprint (at 30 June 2022 this asset has a net book value of \$8.4m and remaining useful economic life of 4.7 years). The Group has not identified any impairments to the intangibles.

Version 4 of Cyber AI Platform and related products (\$5.5m) was released in December 2019 when the related cost has been reclassified as software and the amortisation started. Version 5 was launched in January 2021 when the related cost (\$5.2m) has been reclassified and amortisation started. Darktrace for Endpoint (\$0.9m) launched in March 2022 when amortisation started.

	Customer Relationship \$'000	Software \$'000	Software under development \$'000	Total \$'000	Customer Relationship \$'000	Software \$'000	Software under development \$'000	Total \$'000
<b>Cost</b>								
As at 1 July	-	13,286	-	13,286	-	8,051	1,468	9,519
Additions	-	2,391	2,368	4,759	-	-	3,767	3,767
Business combination	930	9,647	-	10,577	-	-	-	-
Reclassification	-	851	(851)	-	-	5,235	(5,235)	-
Foreign exchange difference	(61)	(640)	-	(701)	-	-	-	-
As at 30 June	869	25,535	1,517	27,921	-	13,286	-	13,286
<b>Amortisation</b>								
As at 1 July	-	(6,199)	-	(6,199)	-	(3,470)	-	(3,470)
Charge for the year	(26)	(6,047)	-	(6,073)	-	(2,729)	-	(2,729)
As at 30 June	(26)	(12,246)	-	(12,272)	-	(6,199)	-	(6,199)
<b>Net book value as 30 June</b>								
	<b>843</b>	<b>13,289</b>	<b>1,517</b>	<b>15,649</b>		<b>7,087</b>	<b>-</b>	<b>7,087</b>

All amortisation of intangible assets is charged to the consolidated statement of comprehensive income and is included within research and development costs.

## 11 Capitalised commission

Capitalised commissions, which primarily represent approximately 50% of commissions paid to the Group's salesforce and partners, are deemed to be a cost of obtaining a contract and are spread over the expected contract term.

	FY 2022 \$'000	FY 2021 \$'000
<b>By Geographic market</b>		
USA	17,321	6,888
United Kingdom	10,142	5,598
Europe	17,060	9,374
Rest of World	12,631	17,154
	<b>57,154</b>	<b>39,014</b>
Current	24,635	16,303
Non-current	32,519	22,711
	<b>57,154</b>	<b>39,014</b>
Amortisation in the year	21,817	14,101
Impairment in the year	996	1,091

The impairment in the year of \$1.0m (30 June 2021: \$1.1m) relates to the reduction in the capitalised commission asset value as a result of the diminished contract value.

## 12 Cash and Cash equivalents

	FY 2022 \$'000	FY 2021 \$'000
Cash at bank and in hand	156,912	278,208
Deposits at call	233,711	64,150
<b>Cash and cash equivalents</b>	<b>390,623</b>	<b>342,358</b>

Deposits at call are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

### 13 Convertible Loan Notes (“CLNs”)

On 1 July 2020, Darktrace Holdings Limited issued CLNs to investors for a cash consideration of \$162.8m (before transaction costs of c. \$1.0m).

The CLNs was recorded in the consolidated statement of financial position at inception as follows:

	<b>1st July 2020</b>
	<b>\$'000</b>
Value of derivative	79,535
Host loan	83,286
<b>Total loan note value</b>	<b>162,821</b>

Interest expense has been calculated by applying the effective interest rate of 41.6% to the liability component.

According to the CLNs agreement, in case of the underwritten IPO, the amount of conversion securities is equal to accrued entitlement amount divided by the offer price per share. The price offered on IPO was £2.50 (\$3.5) per share according to IPO Committee Minutes dated 29 April 2021. The conversion into equity shares of Darktrace Holdings Limited was based on the nominal value of CLNs including accrued interest of 9% and a discount of 35% implied by the terms.

Each of the Shareholders of Darktrace Holdings Limited transferred the Darktrace Holdings Limited Shares (including those a result of the CLNs conversion) it held as at the Completion Date (as stated in the Company’s register of members) to Darktrace plc immediately prior to, and conditional on, Admission (see note 15).

The table below presents the result of the valuation at the time of conversion and the related finance costs accounted for during the comparative year:

	<b>Host loan</b>	<b>Embedded derivative</b>	<b>CLNs</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
1 July 2020 valuation	83,286	79,535	162,821
Accrued interests	27,239	-	27,239
Fair value movement	-	57,976	57,976
29 April 2021 valuation	110,525	137,511	248,036
Loss on conversion			22,026
Fair value CLNs at conversion (£2.50 equalling \$3.5 per share per 77,475,499 shares)			270,062

All the impact relating the CLNs is in comparative year, with the instrument converted in prior year, hence having no impact and no value is included in the statement of financial position for the current year.

### 14 Provisions

	<b>30 June 22</b>			<b>30 June 21</b>	
	<b>Provision for share-based payment tax</b>	<b>Other provisions</b>	<b>Total Provision</b>	<b>Provision for share-based payment tax</b>	<b>Total provision</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Opening provision</b>	22,945	-	22,945	-	-
Reclassification from accruals	-	-	-	1,418	1,418
Accrual/(release) for the year	(1,526)	2,100	574	21,527	21,527
Utilisation	(6,227)	-	(6,227)	-	-
<b>Closing provision</b>	<b>15,192</b>	<b>2,100</b>	<b>17,292</b>	<b>22,945</b>	<b>22,945</b>

Current	14,654	1,300	15,954	22,430	22,430
Non-current	538	800	1,338	515	515
<b>Total provision</b>	<b>15,192</b>	<b>2,100</b>	<b>17,292</b>	<b>22,945</b>	<b>22,945</b>

The Group accounts for a provision on tax payments when employer has primary liability to pay for social security-type contribution on share-based payments at the time of exercise.

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 which is listed or likely to be listed on a recognised exchange. The Group has accounted for the related provision 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. 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.

Refer to note 4 for details around the sensitivity of the balance to the share price value estimated.

Other provision includes an estimate of tax charges related to new permanent establishments in countries where Darktrace plc does not currently have a subsidiary. The estimate includes an amount representing expected interest and penalty (total estimated penalty and interest amounts to \$0.3m) and is the result of the assessment of the potential historical impact arising as a consequence of Darktrace's continuous international expansion into new jurisdiction. Other provision also includes an amount of \$1.3m in relation to legal claims pending outcome. The recognised provision reflects the Directors' best estimate of the most likely outcome. The matters are currently expected to be considered during FY 2023.

## 15 Share capital and share premium

This note is an extract from the Annual Report: refer to note 22 of the Consolidated Financial Statements in the 2022 Annual Report for details.

Share capital	Number of ordinary shares of £0.01 each	Number of preference shares of £1 each	Number of deferred shares of £0.01 each	Number of growth shares of £0.01 each	Total number of shares	Share capital \$'000	Share premium \$'000	Merger reserve \$'000
<b>1 July 2020</b>	<b>1,761,619</b>	<b>364,264</b>	<b>119,288</b>	<b>32,225</b>	<b>2,277,396</b>	<b>29</b>	<b>170,402</b>	<b>-</b>
Share cancellation	(177,343)	-	-	-	(177,343)	(2)	(127,061)	-
Shares issued in the period	275	-	-	-	275	-	212	-
Growth shares issued in the period	-	-	-	38,325	38,325	-	-	-
Growth shares converted into preference shares	-	-	775	(775)	-	-	-	-
Conversion of preference shares into ordinary	364,264	(364,264)	-	-	-	5	-	-
Share subdivision	485,254,934	-	-	-	485,254,934	-	-	-
Conversion of growth shares into ordinary shares	3,101,843	-	-	(69,775)	3,032,068	43	-	-
Convertible loan conversion	77,475,499	-	-	-	77,475,499	1,076	269,016	-

Share issued at incorporation of Darktrace plc	1	50,000	-	-	50,001	69	-	-
Share for share exchange	-	-	-	-	-	6,734	(312,569)	305,789
Shares issued at IPO	129,849,035	-	-	-	129,849,035	1,803	224,782	-
<b>30 June 2021</b>	<b>697,630,127</b>	<b>50,000</b>	<b>120,063</b>	<b>-</b>	<b>697,800,190</b>	<b>9,756</b>	<b>224,782</b>	<b>305,789</b>
<b>1 July 2021</b>	<b>697,630,127</b>	<b>50,000</b>	<b>120,063</b>	<b>-</b>	<b>697,800,190</b>	<b>9,756</b>	<b>224,782</b>	<b>305,789</b>
Share premium cancellation	-	-	-	-	-	-	(224,782)	-
Shares issued	1,581,578	-	-	-	1,581,578	22	335	-
Shares issued for acquisition	2,573,648	-	-	-	2,573,648	34	15,782	-
<b>30 June 2022</b>	<b>701,785,353</b>	<b>50,000</b>	<b>120,063</b>	<b>-</b>	<b>701,955,416</b>	<b>9,812</b>	<b>16,117</b>	<b>305,789</b>

The preference shares are redeemable preference shares. These preference shares do not carry any voting rights, and are not entitled to any profits of the Company. If there is a return of capital on winding up or otherwise, the assets of the Company available for distribution among the members, the preference shares are second in priority and the holders of preference shares shall share the distribution pro rata to the number of preference shares held. The preference shares may be redeemed by the Company at any time at its option for an amount equal to the redeemable preference share subscription price per redeemable preference share.

All shares rank pari-passu in all respects except 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.

### Transactions in current year

#### Share premium cancellation

The share-premium cancellation received shareholder approval prior to the IPO on 29 April 2021. The share premium was cancelled on 28 September 2021 following the registration of the order of the High Court of Justice (Chancery Division) by the Registrar of Companies. The total amount of share premium at the time of cancellation has been reclassified to retained earnings.

#### Shares issued in the year

During the year certain employees have exercised their options (see note 16 for details on share-based payment transactions). These have been satisfied through the issuance of new shares before the shares buy back happened or if Darktrace Employee Benefit Trust (see below) could not satisfy the request for legal reasons.

#### Shares issued for acquisition

2,573,648 shares in Darktrace plc were issued as part of the business combination (see note 5).

### Treasury Shares

The directors have determined that they control a company called Darktrace Employee Benefit Trust, even though Darktrace plc owns 0% of the issued capital of this entity. Darktrace Employee Benefit Trust holds 43,906,012 shares (30 June 2021 54,866,296) of Darktrace plc for the purpose of fulfilling the grants made under stock option plans in place prior to the IPO. Those shares are treated as treasury shares in the consolidated financial statements.

#### Share buy back

During December 2021 the company purchased 2,460,678 shares on-market to satisfy, in part, Darktrace's pre-existing obligations arising from its share incentive programmes. The shares were acquired at an average price of £4.11 (\$5.47) per share, with prices ranging from £3.90 (\$5.19) to £4.31

(\$5.74). The total cost of \$13.6m, including transaction costs, was deducted from equity. As at 30 June 2022 the company holds 2,038,774 shares (30 June 2021 nil).

## 16 Share based payments

This note is an extract from the Annual Report: refer to note 23 of the Consolidated Financial Statements in the 2022 Annual Report for details.

Share based payment charges have been made in the Consolidated Statement of Comprehensive income within the following functional areas.

	FY 2022	FY 2021
	\$'000	\$'000
Sales and marketing	20,084	6,445
Research and development	6,522	2,730
Other administrative	17,412	7,870
<b>Total share-based payment expense</b>	<b>44,018</b>	<b>17,045</b>

Other administrative share-based payment expense includes \$1.4m related to shares issued at acquisition of Cybersprint, treated as remuneration under IFRS 2 Share-Based Payments (see note 3 and note 15 for details). In the prior year other administrative expenses included \$2.2m related to the shares granted to non-executive directors at IPO at \$nil cost and therefore the distribution falls within the definition of equity-settled share-based payment under IFRS 2 Share-Based Payments and there are no vesting conditions attached to these shares and they vest immediately on distribution.

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 options and growth shares granted up to the IPO and a Monte Carlo Model for the awards granted at IPO. 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 a proxy for exercise price. Therefore, Black-Scholes is still an appropriate model.

### AIP Awards

#### Performance Based Conditional Award (the 'Performance Awards')

Vesting of Tranche 1 is dependent on Darktrace's total shareholder return ('TSR') performance over the period from the Admission Date to the end of the Financial Year 2023, ranked in comparison to the constituents of the FTSE 350 (ex. Investment companies). Tranche 2 vests dependent on the same terms, albeit the measurement period runs from the Admission Date to the end of the Financial Year 2024 (i.e. an additional year). Awards do not incorporate an exercise price.

#### Executive Director Conditional Awards ('Executive Awards')

The Executive Awards carry the same market-based vesting criteria as Tranche 2 of the Performance Awards. Additionally, they have a holding period which determines vested shares must be retained for a period of five years from grant. Awards do not incorporate an exercise price.

#### Top-Up Awards

These awards vest according to a share price performance hurdle measured over a one-year period following the Admission Date. In essence, no shares vest where the closing share price is £2.50 or less, where closing share price is £5, 100% of the shares vest and where the closing share price is between £2.50 and £5 the number of awards vests on a straight-line basis. Awards do not incorporate an exercise price.

#### Time-based Awards

These awards vest according to time only. There is no market-based vesting criteria and awards do not incorporate an exercise price. The value of the time-based awards will simply be the value of the underlying equity.

#### Modification to the Top-Up Awards in the year



The performance period for the vesting of Top-Up awards ended on 6 May 2022 with the original calculation based on the share price for the 30-days up to the 6 May 2022. Management determined that a much longer measurement period was needed to ensure that the share price used to determine vesting of the awards reflects management's performance and the underlying performance of the business. Management offered a modification to the employees to extend the performance averaging period to 12 months ending on the first anniversary of IPO resulting in 100% of the award vesting but extending the service period to 31 October 2022.

The effect of the modification is to increase the value of the award to the employees through removal of market condition and allowing the employee to have the maximum number of shares although with a small extension of the employment period (i.e. vesting period), the incremental fair value increase must be recognised as a cost. The incremental fair value is the difference between the fair value of the original award (measured using the Monte Carlo model) and that of the modified award (time-based award means the valuation is the share price at grant date), both measured at the date of modification. There were no compensation payments for this modification.

The share option schemes and awards are accounted for as equity settled share-based payment transactions.

#### Valuation

The fair value of share-based payments have been calculated using the Monte Carlo option pricing model for the awards granted at IPO. Monte Carlo models are used to simulate a distribution of TSRs/share prices. The model utilises random number generation with the distribution determined by volatility, risk free rate and expected life.

The Performance Awards carry market-based vesting criteria which must be incorporated into the valuation. Vesting is dependent upon the Company's TSR performance ranked against the constituents of the FTSE 350 (ex. investment trusts) ('FTSE Index'). TSR is defined as the change in Net Return Index for a company over a relevant period. The Net Return Index is equal to the index that reflects movements in share price over a period, plus dividends which are assumed to be reinvested on a net basis in shares on the ex-dividend date.

TSR is calculated over the 'Performance Period' using the following formula:  $(TSR2-TSR1)/TSR1$ .

- TSR1 is the Net Return Index at admission date
- TSR 2 is the average Net Return Index over each weekday during the three months period ending on the last day of the TSR performance period.

Given the same market-based criteria applies to both Tranche 2 of the Performance Awards and the Executive Awards, the same model and core inputs are used to value both of these Grants. A correlation coefficient is included to model the way in which the price of a listed company's stock tends to move in relation to the stock of other listed companies. 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.

Time-based Awards vest according to time only. There is no strike price, no market-based vesting criteria and no expectation of dividends. For purposes of the valuation, the fair value of the time-based awards will simply be the value of the underlying equity at the time they were granted.

Movements in the number of share awards outstanding are as follows:

	<b>FY 2022</b>	<b>FY 2021</b>
Outstanding 1 July	21,959,096	-
Granted	3,311,747	22,019,910
Lapsed	(1,055,798)	(60,814)
Exercised	(311,398)	-
<b>Outstanding at 30 June</b>	<b>23,903,647</b>	<b>21,959,096</b>
<b>Exercisable at 30 June</b>	<b>26,000</b>	-

#### **Awards issued in the year and modification of top-up awards**

The table below presents the key assumptions and the price range for the options valued at different grant dates during the year and the incremental fair value for the modified top up awards modified in the year:

	<b>Tranche 1 Performance awards</b>	<b>Tranche 2 Performance awards</b>	<b>Time based awards</b>	<b>Top up Awards Modifications</b>
<b>Grant dates</b>	<b>23/08/2021 - 28/06/2022</b>	<b>23/08/2021 - 28/06/2022</b>	<b>05/11/2021 - 26/05/2022</b>	<b>14/04/2022 - 17/06/2022</b>
Share price at grant date	£3.29 (\$4.04) - £5.78 (\$7.87)	£3.29 (\$4.04) - £5.78 (\$7.87)	£3.63 (\$4.55) - £5.78 (\$7.84)	£3.24 (\$3.97) - £4.11 (\$5.35)
Exercise price	-	-	-	-
Fair value per option	£2.04 (\$2.57) - £5.19 (\$7.07)	£2.16 (\$2.72) - £4.93 (\$6.71)	£3.63 (\$4.56) - £5.78 (\$7.84)	£1.04 (\$1.26) - £1.48 (\$1.94)
Expected life in years	1.01 - 2.00	2.01-3.00	N/A	0.03 - 0.04
Expected volatility	40% - 50%	40% - 50%	N/A	70%
Risk free interest rate	0.34% -2.02%	0.4% - 2.19%	N/A	0.26% - 0.42%
Cancellation rate	10%	10%	N/A	10%
Dividend yield	0%	0%	N/A	0%
Correlation	15% - 20%	15% -20%	N/A	0%
<b>Number of awards</b>	<b>283,450</b>	<b>556,563</b>	<b>2,471,734</b>	<b>18,586,362</b>

## 17 Earnings per share (“EPS”)

### Basic Earnings per Share

The calculation of basic EPS has been based on the following profit/(loss) attributable to ordinary shareholders and weighted-average number of ordinary outstanding.

	<b>FY 2022 \$'000</b>	<b>FY 2021 Restated \$'000</b>
Profit/ (Loss) attributable to ordinary shareholders	1,457	(145,828)

<b>Weighted-Average Number of Ordinary Shares (basic)</b>	<b>FY 2022</b>	<b>FY 2021 Restated</b>
Issued ordinary shares at beginning of the year	697,630,127	531,470,750
Less treasury shares held by Darktrace Employee Benefit Trust	(54,866,296)	-
Effect of share options exercised	985,087	1,472,532
Effect of shares issued during the year	853,182	20,274,078
Effect of share held by Darktrace Employee Benefit Trust	-	(9,169,436)
Effect Conversion of CLNs	-	12,947,960
Effect of share buyback	(1,323,133)	-
Share conversion	-	518,390
Shares cancelled during year	-	(42,513,733)
<b>Weighted-average number of ordinary shares at 30 June</b>	<b>643,278,967</b>	<b>515,000,541</b>
Add dilutive effect of share-based payment plans	52,302,067	-
<b>Weighted-average number of shares for calculating diluted earnings per share at 30 June</b>	<b>695,581,034</b>	<b>515,000,541</b>

	<b>FY 2022</b>	<b>FY 2021 Restated</b>
Basic earnings/(loss) per share	\$0.002	\$(0.283)
Diluted earnings/(loss) per share	\$0.002	\$(0.283)

## 18 Risk management objectives and policies

This note is an extract from the Annual Report: refer to note 27 of the Consolidated Financial Statements in the 2022 Annual Report for details.

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 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 \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	Other \$'000	Total \$'000
<b>30 June 2022</b>							
Trade receivable	980	2,206	16,783	12,746	294	1,223	<b>34,242</b>
Deposits	258	106	214	1,709	74	660	<b>3,021</b>
Cash and cash equivalents	4,211	3,616	10,207	48,244	287	3,092	<b>69,657</b>
Trade payables	(127)	(59)	(1,504)	(2,462)	(114)	(228)	<b>(4,494)</b>
<b>Total</b>	<b>5,322</b>	<b>5,869</b>	<b>25,700</b>	<b>60,237</b>	<b>541</b>	<b>4,757</b>	<b>102,426</b>
<b>30 June 2021</b>							
Trade receivable	1,386	1,302	14,485	12,280	30	1,360	<b>30,843</b>
Deposits	125	27	-	2,366	-	472	<b>2,990</b>
Cash and cash equivalents	1,329	2,332	15,045	20,174	600	1,551	<b>41,030</b>
Trade payables	(196)	(52)	(1,442)	(5,529)	(169)	(258)	<b>(7,646)</b>
<b>Total</b>	<b>2,643</b>	<b>3,609</b>	<b>28,088</b>	<b>29,291</b>	<b>461</b>	<b>3,125</b>	<b>67,217</b>

The aggregate net foreign exchange loss recognised in other administrative expenses are:

	FY 2022 \$'000	FY 2021 \$'000
Net foreign exchange (loss)/gain	(6,502)	845

As shown in the table above, 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.

	FY 2022 \$'000	FY 2021 Restated \$'000
USD/EUR exchange rate +/- 10% (loss)/gain	(2,336) / 2,856	(2,553) / 3,121
USD/GBP exchange rate +/- 10% (loss)/gain	(5,476) / 6,693	(2,663) / 3,255

The Group operates a natural hedging strategy where possible to mitigate its foreign exchange risk.

## 19 Capital management policies and procedures

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.

	<b>FY 2022</b>	<b>FY 2021</b>
	<b>\$'000</b>	<b>Restated \$'000</b>
<b>Capital</b>		
Total equity	314,688	262,018
Less cash and cash equivalents	(390,623)	(342,358)
<b>Total capital</b>	<b>(75,935)</b>	<b>(80,340)</b>
<b>Overall financing</b>		
Total equity	314,688	262,018
Plus leasing liabilities, borrowings and other financing liabilities	(63,840)	(35,248)
<b>Total financing</b>	<b>250,848</b>	<b>226,770</b>

## **20 Post balance sheet events**

As announced at the same time as publication of these results, the preliminary discussions (first announced 15 August 2022) regarding a possible cash offer for the Company have been terminated.