DARKTRACE

Evolving threats call for evolved thinking

ANNUAL REPORT / 2022

HIGHLIGHTS

Financial Highlights

/ REVENUE IN FY 2022
$415.5m
45.7% GROWTH
FY 2021: $285.1m RESTATED[2]

/ GROSS PROFIT IN FY 2022
$370.6m
44.4% GROWTH
FY 2021: $256.6m RESTATED[2]

/ OPERATING PROFIT IN FY 2022
$7.6m
$42.4m IMPROVEMENT
FY 2021: $(34.8)m RESTATED[2]

/ CASH AND CASH EQUIVALENTS AT 30 JUNE 2022
$390.6m
14.1% GROWTH
FY 2021: 342.4m

Strategic KPIs

/ ANNUAL RECURRING REVENUE (ARR)[1] AT 30 JUNE 2022
$514.4m
42.6% GROWTH
FY 2021: $360.7m

/ REMAINING PERFORMANCE OBLIGATIONS (RPO)[1] AT 30 JUNE 2022
$1,003.9m
31.5% GROWTH
FY 2021: $763.2m

/ ADJUSTED EBITDA[1] IN FY 2022
$91.4m
$57.9m IMPROVEMENT
FY 2021: $33.5m RESTATED[2]

/ NET ARR RETENTION RATE[1] AT 30 JUNE 2022
105.5%
FY 2021: 103.1%

Other Key Highlights

/ NUMBER OF EMPLOYEES AT 30 JUNE 2022
2,000+
28.7% GROWTH
AT 30 JUNE 2021: 1,600+

/ FREE CASH FLOW (FCF)[1] IN FY 2022
$99.5m
290.2% GROWTH
FY 2021: $25.5m

/ ONE YEAR CONSTANT CURRENCY ARR GROSS CHURN[1] AT 30 JUNE 2022
6.5%
AT 30 JUNE 2021: 7.5%

/ CASH INFLOW BEFORE FINANCING ACTIVITIES IN FY 2022
$71.9m
107.7% GROWTH
FY 2021: $34.6m

/ NUMBER OF CUSTOMERS AT 30 JUNE 2022
7,437
32.1% GROWTH
AT 30 JUNE 2021: 5,629

/ RESEARCH AND DEVELOPMENT (R&D) COSTS IN FY 2022
$44.3m
53.6% GROWTH
FY 2021: $28.8m

1. See "Alternative Performance Measures Definitions" in Strategic Performance Review (page 40) for the meanings of non-IFRS measures and other key performance indicators.
2. There was a restatement of revenue from FY 2022 to FY 2021. Refer to **page 35** and note 1 in the consolidated financial statements for more details.

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CHAPTER 1
STRATEGIC REPORT

Darktrace Cyber AI Research Centre / Cambridge UK

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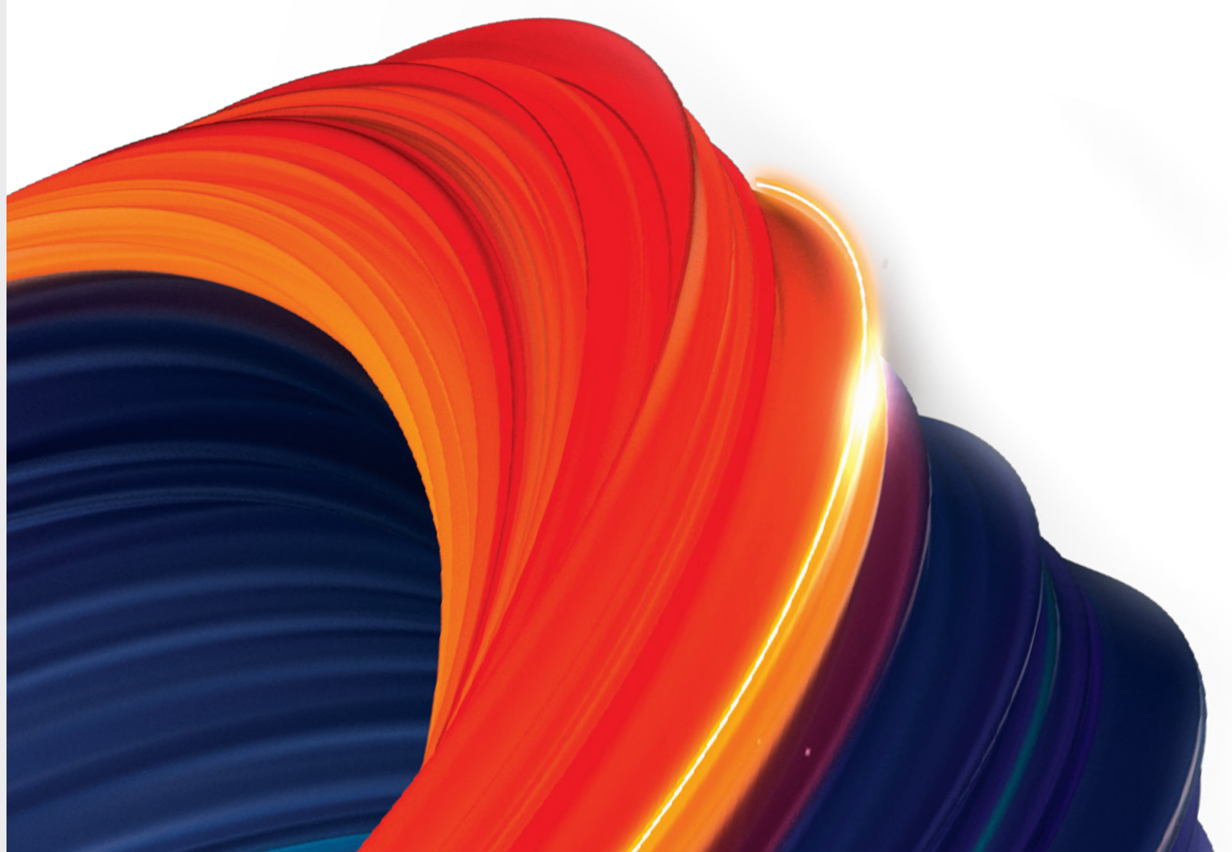


/ Darktrace: A Global Leader in Cyber Security AI

Our Mission: to Free the World of Cyber Disruption.

Darktrace was founded in 2013 by a group of mathematicians and cyber defence experts who recognised that protecting organisations only on the basis of historical attacks was futile. By bringing together deep mathematical expertise and problem solving with an advanced and sophisticated understanding of the cyber threat landscape, they developed the AI models that underpin Darktrace's unique offerings to our customers and continue to innovate in support of the broad technology vision contained in the Cyber AI Loop™.

Breakthrough innovations at Darktrace's Cyber AI Research Centre™ in Cambridge, UK have resulted in the filing of over 115 patent applications and the research published by our teams contribute fresh insights and innovative thinking to the cyber security community as we work together to ensure defenders retain the upper hand over the attackers.

Rather than study historical attacks and build security solutions based on what has happened in the past, Darktrace's technology continuously learns and updates its knowledge of the unique behaviours of the organisation we are seeking to protect. Through the first-ever Cyber AI Loop, Darktrace deploys a continuous security capability, underpinned by novel artificial intelligence, that can autonomously spot and respond to in-progress threats within seconds. The Cyber AI Loop is built on a deep, interconnected understanding of the enterprise which is continuously evolved based on the feedback captured through its AI models.

Today, we employ over 2,000 people around the world and protect over 7,400 customers globally from advanced cyber threats. Our customers range from global enterprises and small-to-midsize organisations to critical infrastructure providers and governments.

Across every industry sector

We serve customers ranging from global enterprises and small-to-midsize businesses to critical infrastructure, industrial organisations and the public sector.

- Technology
- Governments
- Critical Infrastructure
- Global Retailers
- Financial & Insurance
- Healthcare
- Telecommunications

CHAIR STATEMENT

In our first full year as a publicly listed company, I am pleased to report that Darktrace plc has delivered a strong performance. We have consistently outperformed against all our key metrics since IPO and have achieved our key objectives during the year. We delivered a robust set of full-year results, grew our customer base by 32.1% to over 7,400 organisations, continued to bring talent into the business with our headcount now at more than 2,000 employees globally and completed our first acquisition, Cybersprint, in March 2022.

/ World-Leading AI Technology

Darktrace's proprietary Self-Learning AI technology differentiates us from others in the cyber security industry. Our success has been built on a determination to approach cyber security through a fundamentally different lens, which thwarts threats already inside an organisation based on its understanding of what 'normal' looks like. Rather than learning from historical data, Darktrace DETECT™, powered by Self-Learning AI, continuously learns how an organisation operates, which enables it to identify deviations from the norm that may signal threats, including the novel, unpredictable attacks that are missed by other defences. Darktrace RESPOND™, our autonomous response technology, acts as a micro-decision-making AI engine, disarming threats like ransomware before they escalate into a crisis.

Darktrace Cyber AI Analyst™ takes this a stage further by automatically investigating in the background every security event surfaced by Darktrace DETECT™. Using Explainable AI supported by natural language processing, Cyber AI Analyst produces clear reports that help human teams prioritise where they should focus. All of these capabilities support the Cyber AI Loop, the AI engines creating a feedback system in which each product continuously and autonomously hardens the entire system.

Our acquisition of Cybersprint, an attack surface management company, enabled us to accelerate the launch of our new product family, Darktrace PREVENT™, in July 2022 – the third component of the Cyber AI Loop and a significant development for our long-range technology vision. With PREVENT™, we can help our customers to proactively spot vulnerabilities before attackers get to them, and subsequently harden the business' defences inside and out to ensure these vulnerabilities are not exploited. PREVENT™ includes two new products – Darktrace PREVENT™/End-to-End™ (E2E™) and PREVENT™/Attack Surface Management (PREVENT™/ASM™). Based on the understanding of 'self' for a business, these products will allow us to get into the mindset of an attacker, using AI to analyse the critical pathways within a business, based on its understanding of all the theoretical routes an attacker might take, and then prioritise and wrap protection around the vulnerabilities that matter the most. With PREVENT™, we are making the job of a cyber-attacker much harder.

In the longer term, we believe these technologies may be applied to adjacent opportunities to support risk reduction, compliance and IT.

/ The Evolving Threat Landscape

While, globally, 2021 appeared to be a watershed year for the rising number of sophisticated and large-scale cyber-attacks, so far 2022 has proven to be an equally, if not more, significant period in the evolution of the threat landscape. As Russia's invasion of Ukraine has led to rising geopolitical tensions, nations have grappled with the concept of 'cyber warfare' and governments have reassessed their defence strategies as they seek to protect critical national infrastructure and avoid wide-scale shut-downs and disruption. Supply chain risk has come into sharp focus for security and management teams as the world's global networks have faced heightened threat levels at nation-state level and from affiliated proxy groups.

All the while, businesses have continued to adapt to a rapidly digitising society and greater reliance on cloud-based digital infrastructure. The new-normal of hybrid working practices means that organisations need to support employees working in remote work locations and on a variety of devices – which expands the potential attack surface. In this challenging environment, Darktrace has remained focused on its mission to empower organisations to stop cyber disruption from impacting their business operations through a set of interactive capabilities in its Cyber AI Loop, making it possible to continuously optimise and systematically harden security.

EVOLVING THREATS CALL FOR EVOLVED THINKING.

/ Building a Responsible and Sustainable Business

As we continue to grow Darktrace's headcount and expand our global footprint, we are committed to building a responsible and sustainable business. While we are immensely proud of the work we do to protect critical services and infrastructure, we recognise that there are other areas across the cyber security and AI landscape where we can make a positive impact through the sharing of our insights, knowledge and expertise. We will be evolving our contribution to society during the course of the upcoming year. As well as building on our company culture and expanding our people-focused initiatives, we have started to set out the actions we will take to minimise Darktrace's environmental impact.

We believe that a strong and supportive culture is fundamental to long-term success and have put in place a number of initiatives to build on this. We have established an employee forum, chaired by Paul Harrison, our Chair of the Audit and Risk Committee and an independent Non-Executive Director, and have also launched a pilot Leadership Development Programme, which we have delivered alongside an external coaching partner to equip our emerging leaders with the skills to harness their potential.

We were delighted that our innovative approach was recognised by several award bodies, including Go:Tech Awards (for AI and Machine Learning), UK National Cyber Awards (for AI Cyber Product of the Year) and Management Today Business Awards (for Best Use of Innovation in Business). Gartner reported that Darktrace is the market share leader in Network Detection and Response (NDR) at 31.7% in Q1 calendar year 2022, up from 24.5% when compared with the previous year, with the definition of network being extended to include, crucially, cloud and SaaS as well as network. Customers rated Darktrace's email security product at 4.8 out of 5, stars as reported in Gartner Peer Insights Review.

Darktrace's CEO, Poppy Gustafsson OBE, was lauded for her leadership of the business, winning the title of 'CEO of the Year' at the 2021 Digital Masters Awards and named 'Tech CEO of the Year' at the UK Tech Awards 2021.

/ Annual General Meeting

Our Annual General Meeting will be held at 3:00 p.m. on 3rd November 2022. The Chair of the Board and Chairs of the Committees, as well as other members of the Board and members of the management team, will attend in person. It will be a great opportunity for shareholders to meet the Directors in person and ask any business-related questions they have. We look forward to warmly welcoming our shareholders to meet with us and participate in the discussion.

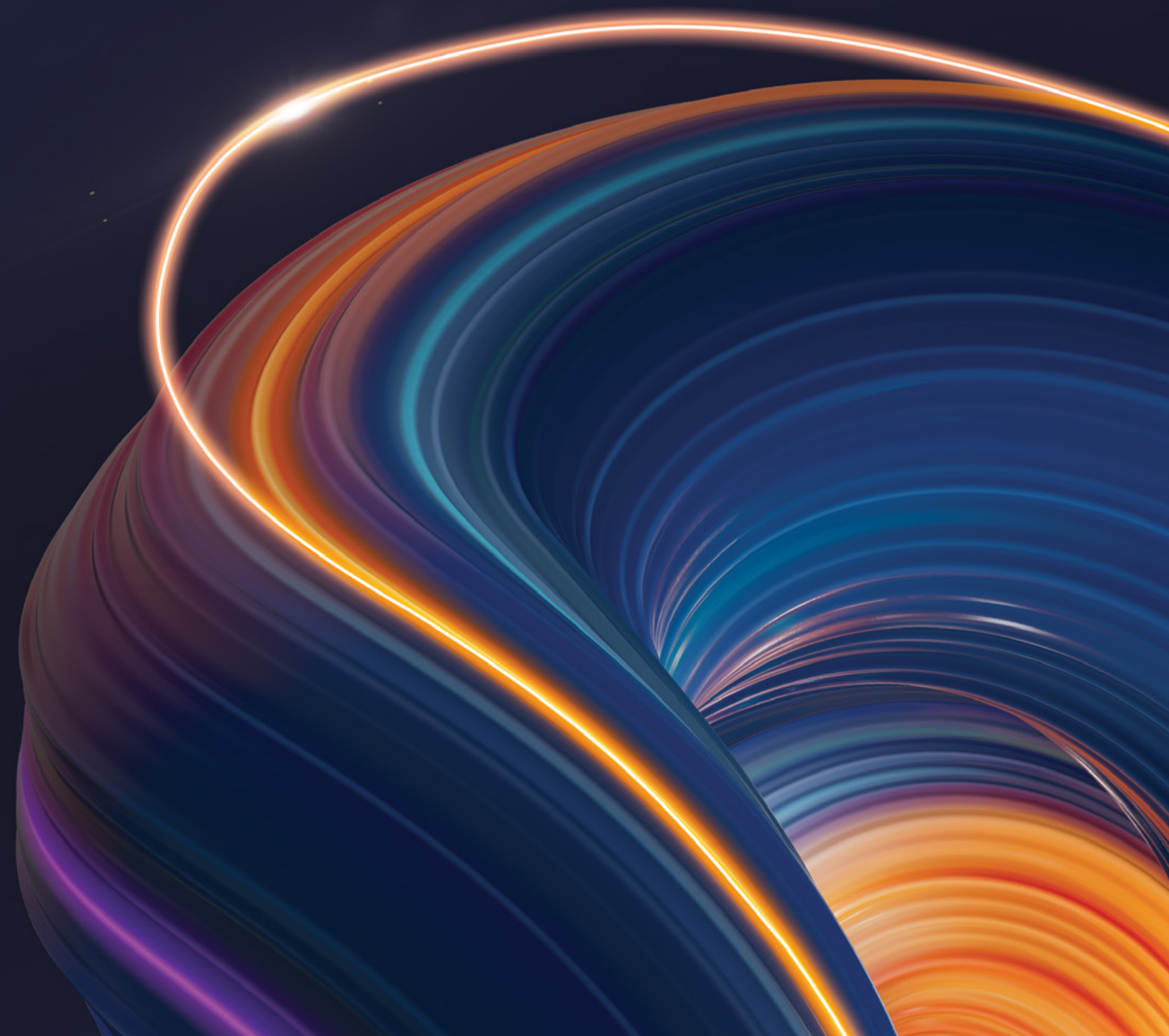
/ Outlook

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.

The Strategic Report from page 4 to 81 has been approved by the Board and is signed on their behalf.

Gordon Hurst
Chair
7th September 2022

WE DELIVERED A ROBUST SET OF FULL-YEAR RESULTS, **GREW OUR CUSTOMER BASE BY 32.1% TO OVER 7,400** ORGANISATIONS, CONTINUED TO BRING TALENT INTO THE BUSINESS WITH OUR HEADCOUNT NOW AT MORE THAN 2,000 EMPLOYEES GLOBALLY AND COMPLETED OUR FIRST ACQUISITION, CYBERSPRINT, IN MARCH 2022.



CEO STATEMENT

It has been a great privilege to lead Darktrace through our first full year as a listed business. We have continued to innovate on our technologies, bring new talent into the business, and expand our customer base – all set against the backdrop of a continuously evolving cyber threat landscape, compounded by the rise in geopolitical tensions, energy insecurity and macro-economic pressures.

With the launch of PREVENT™, the business is moving into a significant new phase of innovation. As I chart the history of Darktrace, our founding chapter was about creating a technology that was reactive – alerting human teams to threats inside their organisation. The next phase was active, as we used our autonomous response technology, RESPOND™, to stop attackers in their tracks and lift human teams out of firefighting mode. Now, as we look ahead, we are turning the page into a third major chapter – one of taking a proactive approach by using our technology to anticipate the attack and helping humans to prioritise vulnerabilities and mitigate business risk. Throughout this journey, every breakthrough innovation has been achieved with the human security team in mind. We have constantly interrogated how we can use our technology to augment human capabilities and support security teams to be more effective and strategic in their roles.

/ Robust Financial and Operational Performance

I am pleased to say that for FY 2022, we grew our annual recurring revenue at FY 2022 rates by 42.6%, to $514.4m, and delivered revenue of $415.5m, representing year-over-year growth of 45.7%. Our adjusted EBITDA has gone up to $91.4m, up from $33.5m in FY 2021, and we delivered a gross profit margin of 89.2%, a 0.8 percentage point reduction year-over-year as increasing hosting fees on cloud-delivered products have not yet been offset by what, over time, should be a reduction in appliance depreciation.

Also marking the year were new innovations supporting an expanded Darktrace technology vision in the face of growing cyber threats. As a result of our expanded product portfolio, in the second half of FY 2022, we conducted a thorough review of our brand and positioning, and subsequently updated our brand proposition, including how we convey the value of our technology and the commitment we make to customers. We are pleased with our new positioning, which we believe better reflects our product portfolio and highlights the contribution we believe our work makes to society. You'll see this new proposition reflected in our brand look and feel, including the launch of an updated website.

/ The State of Cyber Security

Our world runs on digital infrastructure - from the ability to communicate, to our power, water and critical services on the ground, in the air and carried by satellites orbiting the planet. Digital systems and data are the lifeblood of our schools, hospitals and businesses that keep people healthy, create jobs and sustain economies.

Every modern organisation is fighting a very real battle against a constantly evolving cyber threat landscape. In 77% of companies where we install our AI, we find serious threats that have got past existing defences. Over the past year we have seen several cyber-attacks with substantial repercussions on businesses, governments and people around the world. Without doubt, the most-high profile crisis in the last year has been Russia's invasion of Ukraine. While the tools of cyber warfare were continuously deployed in the run up to that crisis, we have yet to see a significant cyber-attack which has had repercussions beyond those borders. However, this precarious geopolitical landscape has heightened the urgency for all organisations and public institutions to do more to proactively mitigate cyber risk, as the threat of nation state attack looms larger than ever and as the consequences of mass-scale cyber conflict are felt more broadly.

Other major cyber events during the period included the identification of Log4Shell, the critical vulnerability in the widely used logging tool Log4j, breaches of prominent global technology companies by the digital extortion gang Lapsus$ and the compromise of various crypto currency exchanges.

Every modern organisation is fighting a very real battle against a constantly evolving cyber threat landscape. **In 77% of companies** where we install our AI, **we find serious threats** that have got past existing defences.

The reality is that today there is no 'one off' cyber event. There is a constant flow of major cyber incidents threatening to impact critical infrastructure and global supply chains, and to inhibit the ability of people and businesses to get on with their day-to-day work and lives. Adversaries continue to innovate, and the next wave of cyber offensive capabilities is already taking shape. It is only a matter of time before the results of that trickle down into the hands of commodity criminals on the dark web.

Against this backdrop, our priority at Darktrace is to deliver best-in-class technology to our customers which defends their most critical digital assets. Whether that business is a multinational corporation with a huge digital footprint or a local business, we seek to help them to continue to deliver their products and services to their customers by protecting their digital ecosystem from those who are seeking to exploit it for personal or political gain.

/ A Relentless Focus on Innovation

The majority of the cyber security industry focuses on understanding the attacker and attack techniques with the intent of stopping them from passing through the perimeter of the business. At Darktrace we see the challenge from a different perspective. Our technology is underpinned by Self-Learning AI, which 'learns' what's normal to an organisation to understand what's not. It uses that understanding to rapidly and autonomously spot and stop attacks, including those never seen before. Based on mathematical models unique to each organisation, Self-Learning AI delivers always-on, continuously evolving security, which is complementary to other defence solutions on the market.

Driving the innovation behind this Self-Learning AI breakthrough technology and the development of the PREVENT™, DETECT™ and RESPOND™ product families is our Cyber AI Research Centre in Cambridge run by our CTO, Jack Stockdale. Teams of mathematicians and cyber intelligence experts examine how AI can be applied to real-world problems to find new paths forward to augment human capabilities. The Cyber AI Research Centre includes experts with 80 master's degrees and 30 doctorates in disciplines from astrophysics to linguistics to data science. Today, we have over 115 patents filed, issued and pending as a result of their efforts.

We have continued to invest in the expansion of this R&D team, where headcount grew by 28.1% over the period. Through the acquisition of Cybersprint, we've gained a second European R&D Centre in The Hague, Netherlands, which we have integrated with our Cambridge-based team. Like ours, Cybersprint is a research-led business, and we're thrilled about how we've been able to leverage their seven years of R&D in attack surface management to accelerate our PREVENT™ product family development. We are delighted to have the talent and expertise of the Cybersprint team on board.

Our Cyber AI Research Centre has now begun to publish research on some of the most pressing questions on cyber security. By sharing insights on topics such as deepfakes, AI in social engineering and self-healing systems, we hope to take a more collaborative approach to research that benefits the wider community and supports our mission to free the world of cyber disruption.

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/ Vision for a Cyber AI Loop

The launch of PREVENT™ in July 2022 was an important step towards achieving our ambitious vision of creating the first-ever AI-driven feedback Loop that autonomously optimises the security ecosystem of an organisation to mitigate cyber risk.

The Loop creates a feedback system in which each capability continuously and autonomously hardens the entire system. The whole is more than the sum of the parts, with AI engines in each product family augmenting all others in the context of constantly changing environments and the data that supports them. PREVENT™, for example, continuously analyses the most disruptive attacks for an organisation and feeds that information back into DETECT™ and RESPOND™.

Having released the DETECT™, RESPOND™ and PREVENT™ product families to the market, we are now turning our attention to HEAL™, the fourth component of the Darktrace Cyber AI Loop, which will focus on the remediation process of restoring assets and systems affected by cyber-attacks to trusted operational states in the aftermath of an attack, improving the cyber resilience of an organisation.

The Cyber AI Loop will transform the way that we protect our customers at Darktrace, and in the longer term, we believe it will bring about a broader, fundamental shift in how the security industry tackles cyber threats.

/ Empowering the Darktrace Community

At the heart of our business lie our customers. We remain focused on bringing more of our world-leading cyber technology to more organisations around the world. We were thrilled to add over 1,800 customers to our roster in FY 2022. We welcomed new customers across a huge range of sectors, including aviation, technology and the media industry. In addition, we have continued to grow our Customer Success team, which is focused on ensuring customers have the best possible experience with Darktrace. This is reflected in the 2.4 percentage point increase in the net ARR retention rate from 103.1% to 105.5% in the period.

During the fiscal year, a reputable research organisation completed an extensive qualitative and quantitative study of cyber security decision makers' experience with Darktrace. The data showed that 90% of customers noted a high satisfaction level with our technologies' effectiveness to identify threats over other solutions. Respondents highlighted our enablement of scalability and the breadth of use cases we are able to address. From the research, we identified areas to further enhance our value proposition, and will use the insights we've gathered to be more targeted with our outreach to prospective customers.

Darktrace has continued to evolve our technology to address a constantly changing environment. We announced that our market-leading RESPOND™ technology now takes action on the endpoint, so that remote workers' devices are protected by Darktrace wherever they are in the world. We also extended our DETECT™ and RESPOND™ capability to zero trust technologies. These integrations allow organisations to accelerate their adoption of zero trust architecture by feeding data into Darktrace's Self-Learning AI engine to identify and neutralise anomalous behaviours. We have also updated products with 80 new features and 70 machine learning models during the period and enhanced our autonomous response capabilities for email security.

> At Darktrace we are focused on offering careers, not just jobs, to those who come to work with us.

Darktrace's partnership with Microsoft, which was announced in May 2021, has enabled organisations to enhance their cyber defence across multi-cloud and multi-platform environments, allowing businesses to benefit from cloud infrastructure while proactively managing risk. Our collaboration with Amazon Web Services (AWS) has continued to flourish, allowing joint customers to benefit from Self-Learning AI via AWS cloud services. We were also delighted to announce our partnership with HackerOne, the leader in Attack Resistance Management, at the Black Hat conference in Las Vegas in August. We are partnering to combine Darktrace PREVENT™/Attack Surface Management technology with the continuous security assessment capabilities of the HackerOne platform in a shared vision to help organisations secure their digital estate through leading technology and a community of ethical hackers.

/ Deepening and Strengthening the Team

Our employees are the driving force behind Darktrace and have brought us to where we are today. As we have continued to grow our headcount rapidly around the world, we have also been looking at how we can build on our company culture and ensure that Darktrace is an exceptional place to work.

At Darktrace we are focused on offering careers, not just jobs, to those who come to work with us. We conducted a company-wide survey to understand better how we could offer more to our employees. I'm pleased to say that the feedback from this survey was strong, with an overall score of 7.8 out of 10 – the average score given across all 21 questions and all participants. This is above the benchmark average of all businesses surveyed by the third-party provider we used to conduct the survey. The key area where employees felt we could do more was in personal growth and training, and we have taken steps to expand and formalise our existing training and development programmes for Darktrace employees, as well as introducing new ones.

/ Looking Ahead

We have achieved a significant amount in our first full year as a publicly listed company. Having consistently outperformed across all of our key metrics, our focus is now on building on this strong performance and pushing the boundaries of how AI can be used to create cyber resilience. We are excited to see new and existing customers benefiting from our new PREVENT™ capability and will continue to drive forward our ambitious vision for a Cyber AI Loop, which will transform the way organisations approach cyber security. We continue to be fundamentally driven by innovation, and our market-leading technology combined with a talented workforce means we are well-placed to capture the large market opportunity ahead of us.

Poppy Gustafsson

Poppy Gustafsson OBE
Chief Executive Officer

7th September 2022

BUSINESS MODEL

1

Darktrace provides market leading cyber security protection unique in its use of Self-Learning AI.

Unique technology: Self-Learning AI

2

This use of Self-Learning AI enables Darktrace to provide a range of cyber security products that can:

- Be developed efficiently and cost effectively by applying the core technology to a wide range of data sources and types
- Maintain themselves, eliminating the need for costly and resource-heavy continual human-powered updating
- Be installed quickly and easily for both prospect trials and customer deployments
- Be equally useful to organisations of any size, industry, geographic footprint and digital complexity

Diverse application of core technology

3

The applicability of Darktrace's products across a wide range of organisations creates a very large Total Addressable Market (TAM) that has enabled:

- An innovative and fast-growing business
- Increasing platform penetration
- A long initial and additional product sales runway

Large TAM supports growth

4

Darktrace's expanding customer base buys products under multi-year subscription contracts, creating:

- A large backlog of contracted revenue for future periods
- High revenue visibility
- Attractive contract and company margins

Multi-year contracts drive margins

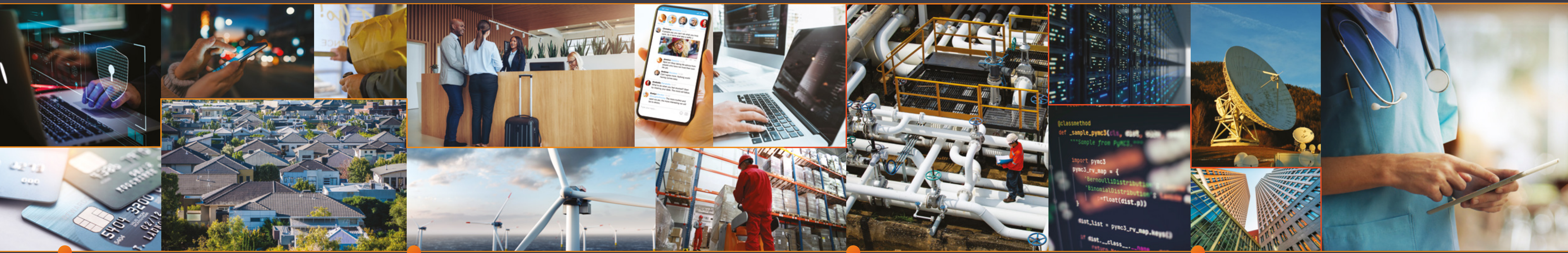
Note: Information on Darktrace Group structure and Countries where the Group operates through a subsidiary can be found on note 32 to the consolidated financial statements on page 196.

THE CHALLENGE OF PROTECTING A GLOBAL, DIGITAL ECOSYSTEM SO COMPLEX AND LARGE REQUIRES A FUNDAMENTAL SHIFT IN APPROACH TO CYBER SECURITY.

/ Cyber Threats Accelerate

The modern world runs on digital infrastructure, and all organisations are facing a fast-moving threat landscape. Businesses, public services and critical infrastructure have undergone a rapid digital transformation over the past few years and are increasingly targeted by attackers looking to monetise stolen data or cause chaos and upheaval in order to achieve their objectives. The rapid impact of these attacks can lead to major operational disruption within seconds, which in turn can lead to damaging reputational and financial impact for the victim.

While there have been several 'stand-out' cyber events over the past year, such as the use of cyber in the Russia/Ukraine conflict, the reality is that there is a constant flow of attacks posing a threat to the world's critical organisations and global supply chains, as demonstrated below.



2019

April 2019 – 540 million records detailing information on Facebook users were leaked via the compromise of two third-party applications hosting Facebook data.

May 2019 – Food delivery service DoorDash suffered a data breach compromising the personal information of 4.9 million users and employees.

July 2019 – 106 million customers were affected when Capital One suffered a data breach. Hackers exposed the private records they illegally obtained, including Social Security numbers and bank account details, on GitHub.

July 2019 – First American Financial Corp. was targeted in a data breach resulting in the release of 885 million customer financial records.

July 2019 – Smart home technology company ORVIBO experienced a data breach resulting in over 2 billion private records being published on an open database.

2020

February and May 2020 – Australian logistics company Toll Group suffered incidents from two distinct forms of ransomware in under 3 months.

March 2020 – Hospitality giant, Marriot International announced a data breach, beginning in January 2020, which compromised the data of 5.2 million guests.

July 2020 – Social media giant, Twitter, was targeted by attackers who successfully compromised the accounts of high-profile users including former U.S. President Barack Obama and current U.S. President Joseph Biden.

October 2020 – German software giant, Software AG, was the target of a double extortion ransomware attack by the operator of Clop Ransomware, resulting in the public release of confidential data when the company refused to pay a $20 million ransom.

December 2020 – Major software provider, Solar Winds disclosed that it was the target of an extensive supply chain attack by suspected nation-state hackers beginning in early 2020. This attack resulted in the compromise of nearly 18,000 of the organisation's prominent customer base, including Microsoft, Cisco, Intel, and parts of United States Federal Government.

2021

April 2021 – Primary Apple supplier, Quanta, experienced a $50 million double-extortion ransomware attack by prominent cyber-criminal group REvil resulting in the compromise of major Apple proprietary data.

May 2021 – American fuel supplier, Colonial Pipeline, suffered an attack by ransomware group DarkSide, leading the company to shut down Operational Technology (OT) systems and pay a $4.4 million dollar ransom to restore its IT network. This attack temporarily disrupted the fuel supply in the south-eastern United States and demonstrated the rising threat to industrial systems and organisations operating critical infrastructure.

December 2021 – Attackers began to target global businesses via Log4Shell, a zero-day vulnerability discovered the Apache Log4j open-source log library which is present in nearly every major enterprise application and system from the world's major software suppliers.

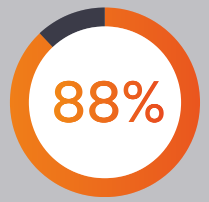
2022

January 2022 – The International Committee of the Red Cross suffered a data breach via a trusted contractor resulting in the theft of sensitive identification data on 515,000 people, including vulnerable populations.

February 2022 – US-based satellite internet provider Viasat's KA-SAT network was targeted in what the company described as a 'multifaceted and deliberate' cyber-attack on the day of Russia's invasion of Ukraine. The attack sent tens of thousands of satellite modems offline, disrupting swathes of Ukraine's – and Europe's – internet and communications. The UK, US and EU attributed this attack to the Russian state, alongside a series of other attacks against Ukrainian critical infrastructure.

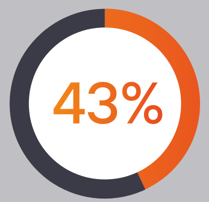
May 2022 – Costa Rica declared a state of national emergency after suffering several ransomware attacks targeting its finance ministry, labour ministry and social security agency.

Note: This timeline reflects information that was obtained from publicly available information such as news sources.

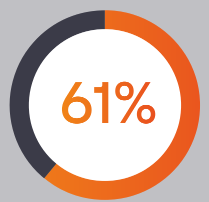


of cyber leaders are concerned about cyber resilience of SMEs in their supply chain

of cyber leaders would find it challenging to respond to a cybersecurity incident due to a skills shortage in their team.



of executives have noted an increase in machine speed attacks



of organisations acknowledge that they will not be able to identify critical threats without AI.

/ Key Trends Contributing to the Evolving Cyber Threat Landscape

Organisations are Rapidly Digitising

Organisations are constantly adapting as technology evolves, and certain trends, such as remote working and the move to cloud-based services and infrastructure, have accelerated in recent years. Data is flowing more freely into and out of organisations, and personal and professional spheres have converged as employees use a greater range of devices, tools and channels to carry out their jobs.

These factors have led to a widening attack surface – or, in other words, an increase in the number and location of access points that can be targeted by attackers.

Leaders are Looking to Mitigate Business Risk

Cyber risk represents a major operational risk for organisations, with the potential to impact productivity, competitive advantage and reputation among other things. Operational risk has grown exponentially as it becomes increasingly difficult to gain visibility into all assets now that non-IT users can engage Software-as-a-Service offerings for business purposes so easily. Tracking and patching vulnerabilities for new and aging systems is a constant effort. Continued integration of suppliers and partners can make it challenging to determine who bears the responsibility of protecting assets. Software supply chain attacks have also brought to light the level of trust being granted to entire software ecosystems. Within this context, business leaders and CISOs are looking for solutions which can prevent business disruption, lower costs, maintain compliance and even improve productivity through the automation of manual tasks that human security teams might otherwise have to carry out.

Attackers Continue to Innovate

Cyber-attackers are constantly innovating and becoming more professional in their approach. Franchise models are emerging among cyber-criminal groups, as seen recently with the dispersion of Russian-affiliated ransomware group, Conti, after which its affiliates or franchisees continued to mount operations. Many attacks are financially motivated and seek to monetise data or assets through malicious malware such as ransomware. Cyber criminals are increasingly using state-of-the-art hacking techniques and tools, including automation and AI, which often trickle down from the nation-state level into the hands of hackers on the dark web. Adversaries are often indiscriminate in the kinds of organisation they attack, often targeting smaller entities with less robust defences in place as a bridgeway into bigger organisations.

Zero-day Attacks on the Rise

A 'zero-day attack' exploits a weakness within a piece of software or application that is either unknown, or for which a patch has not yet been released. The plethora of different applications that are now commonplace in the workplace exacerbates the challenge of identifying such attacks.

A notable, real-world example of a zero-day attack was the exploitation of Log4Shell in late 2021, a critical vulnerability in the open-source logging tool Log4j, used by millions of computers worldwide. As Log4j is one of the many building blocks used in the creation of modern software, the vulnerability had colossal ramifications, with the potential to impact almost every organisation in existence.

Cyber security approaches that rely on an understanding of past and known attack methodologies may struggle to identify and remediate zero-day attacks such as Log4Shell, as by definition they are targeting previously unknown defects. Similar vulnerabilities have surfaced in the past and will appear in the future – and without complete visibility over the organisation and autonomous, machine speed response using AI, security teams will be fighting a losing battle.

Insider Threats

Insider threats or attacks, which originate from within an organisation, are notoriously difficult to spot but can have a devastating impact on business operations. Whether a disgruntled employee with malicious intentions or someone who has fallen victim to a spear-phishing email, insiders often go unnoticed due to their privileged access and knowledge of company workings, making it more difficult to detect the breach.

Changes to digital infrastructure and the move to hybrid working have exacerbated the issue for organisations, with the migration to the cloud making it more difficult to identify insider threats and employees using personal devices for work purposes leading to a greater risk of exfiltration via mobile phones or personal laptops.

To address these risks and protect valuable assets such as intellectual property, organisations require technology which does not rely on what previous attacks look like and can detect and respond to the subtle anomalies which point to malicious activity inside of the business.

Cyber Security Professionals in Short Supply

Organisations around the world are grappling with a vast cyber security skills gap. Latest figures from (ISC)², the leading global cyber security members' association, show that there is a cyber security workforce gap of more than 2.72 million positions, and that the global cyber security workforce needs to grow 65% to effectively defend organisations' critical assets. Organisations are struggling to scale to the cyber security challenges they face, and are seeking more efficient, less labour-intensive security products such as AI-driven software.

Critical National Infrastructure Targeted

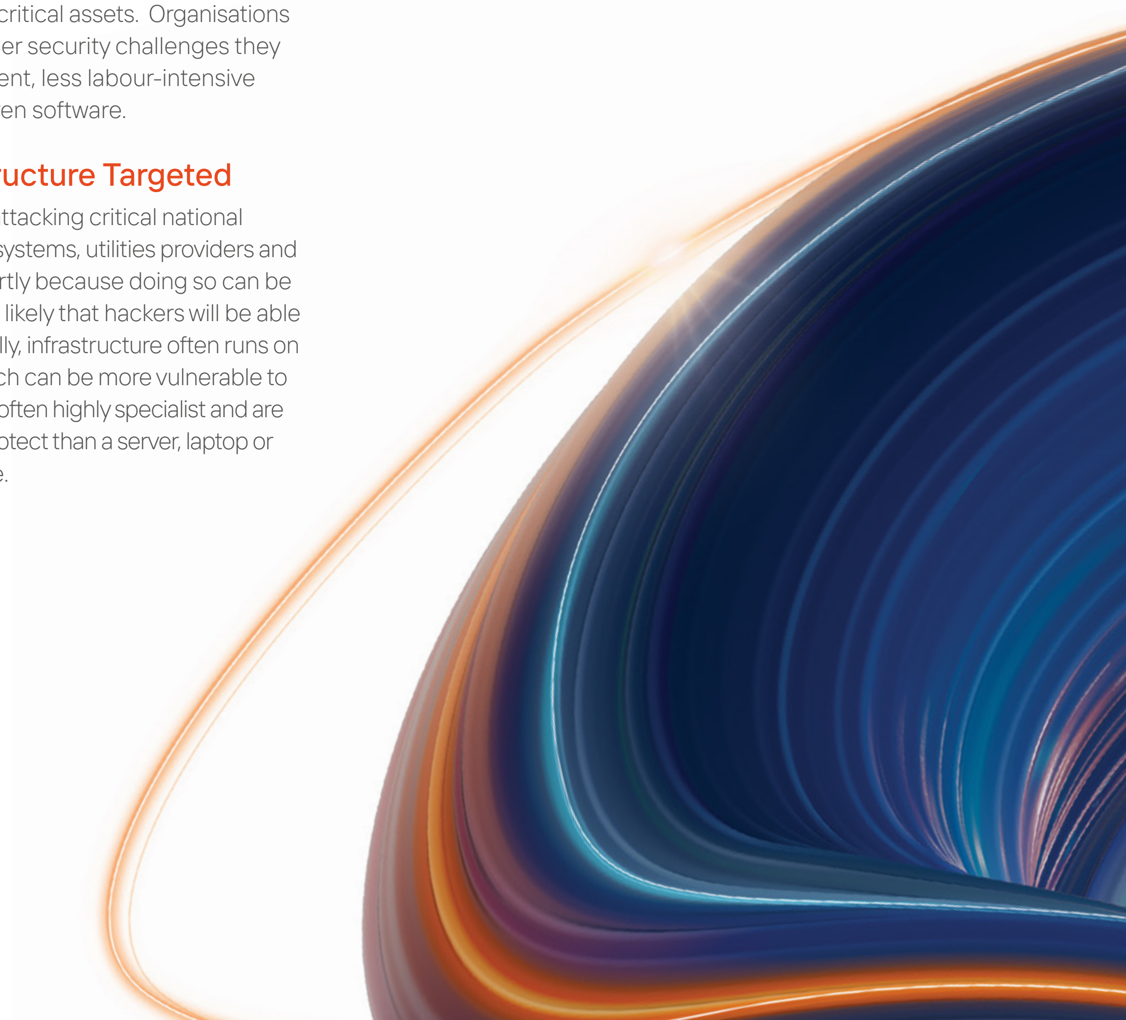
Cyber attackers are increasingly attacking critical national infrastructure such as healthcare systems, utilities providers and transportation services. This is partly because doing so can be highly disruptive – making it more likely that hackers will be able to profit from the attack. Additionally, infrastructure often runs on legacy systems and networks which can be more vulnerable to a cyber-attack. These systems are often highly specialist and are therefore much more difficult to protect than a server, laptop or other relatively ubiquitous device.

Supply Chain Attacks on the Rise

Supply chain attacks, which target critical data or systems via a third-party supplier, have been multiplying. Increasingly interconnected organisations are intertwined with global supply chains, over which they have little control. Businesses are only as strong as their weakest link and are paying more attention to the potential vulnerabilities or weak points that exist within the networks of their suppliers.

OT and IT Environments Converging

As many industries have embraced digital transformation over recent years, the convergence of IT and OT (Operational Technology) has helped organisations to maximise productivity and introduce greater transparency into operational processes. However, it has also presented opportunities for threat actors to exploit vulnerabilities in these interconnected systems, and attacks are increasingly 'spilling over' from traditional IT into the OT sphere. Protecting these areas in isolation is not sufficient – it requires technology which can illuminate the entire enterprise.



(ISC)2 CYBERSECURITY WORKFORCE STUDY, 2021 https://www.isc2.org/-/media/ISC2/Research/2021/ISC2-Cybersecurity-Workforce-Study-2021.ashx
Global Cybersecurity Outlook 2022, World Economic Forum
Global Cybersecurity Outlook 2022, World Economic Forum
'Reinventing Cybersecurity with Artificial Intelligence', Capgemini Research Institute

/ Traditional Security Approaches Can No Longer Keep Up

The security industry is fixated on stopping breaches – an unsolvable problem. Much of the industry is built on the premise of walls, even when many attacks originate from the inside. Humans are depended on to follow the rules within organisations – but humans are fundamentally fallible. Mistakes are inevitable and can lead to both internal and external attacks.

Another legacy approach is the notion of 'signatures' – the idea of looking at past attacks and identifying key attributes that reliably indicate it as 'malicious' activity. The reality is that attackers are innovative and are constantly finding new ways around existing security tools, making these kinds of signature, or rules-based approaches, increasingly redundant.

/ Darktrace's Self-Learning AI Technology Addresses the Shortcomings of Traditional Cyber Security Solutions.

Most cyber security vendors claiming to use AI typically rely on identifying threats based on historical attack data and reported techniques. Darktrace Self-Learning AI is the only solution that learns from the organisation's data, detecting cyber-threats not because it has seen them before, but because they represent a departure from the organisation's normal activity.

We explain how our technology works in-depth on page 22-31.

/ Darktrace Total Addressable Market (TAM)

Darktrace's AI platform can be applied to companies of almost all sizes, across all sectors and geographies and is complementary to traditional security solutions. As a result, the Group approaches its TAM both by using a bottom-up approach based on addressable global companies and their potential adoption of Darktrace's offering, as well as a top-down approach based on the overall cyber security market size.

Darktrace estimates that its current bottom-up TAM amounts to approximately $47 billion, reflecting a substantial global greenfield opportunity for Darktrace to capitalise on to sustain its strong growth. There are approximately 150,000 companies that would benefit from our technology – 20 times our current installed base. Within our customer base, our view of the significant penetration opportunities available to the Group is unchanged. That is, expanding our coverage to our customers' entire digital estate, upselling our full product suite, and the opportunity to complete the closed loop platform offering already on our roadmap. Factoring in our reported constant currency ARR of $514.4m at 30th Jun 2022 at FY 2022 rates, there is a clear path to a $47bn opportunity.

The Group also takes into account a top-down TAM approach considering the overall Information Security and Risk Management market, which Gartner, a global research and advisory company, estimates to amount to approximately $155 billion in 2021. The Information Security and Risk Management market comprises Cloud Security, Network Security Equipment, Data Security, Integrated Risk Management, Security Services, Infrastructure Protection, Identity Access Management, Application Security, and Other Information Security Software. Gartner estimates the total market will grow at a compound annual growth rate of 11.0% from 2021 to 2026 on a constant currency basis.

Finally, Darktrace's growth opportunities are not constrained to cyber security markets. Its Self-Learning AI technology has the potential to be applied beyond cyber security. Whilst the deployment of AI has been mostly focused on the consumer space until now, we believe there will be growth opportunities in the broader Enterprise AI market in the future.

Realising our Potential

The size and value of our addressable markets

Darktrace Bottom-up TAM Value	Darktrace Top-Down TAM Value	Beyond Cyber Security
$47bn*	$155bn	

7,437
The number of companies currently benefiting from Darktrace's technology.

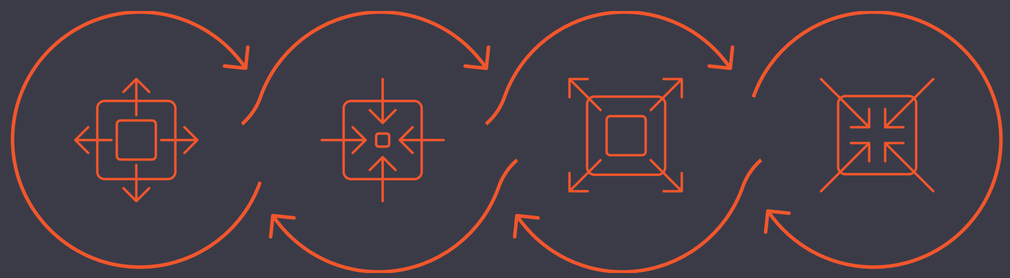
>150,000
The number of companies that could potentially benefit from Darktrace's technology.

> THE BEAUTY OF DARKTRACE'S AI IS THAT IT CAN BE APPLIED TO COMPANIES OF ALMOST ALL SIZES, ACROSS ALL SECTORS AND GEOGRAPHIES AND IS COMPLEMENTARY TO TRADITIONAL SECURITY SOLUTIONS.
>
> / Poppy Gustafsson OBE, Chief Executive Officer, Darktrace

*As disclosed in Darktrace's prospectus, bottom-up TAM is calculated using FY 2022 ARR scaled up to our addressable enterprises globally, assuming all customers take our entire suite of products, across their entire digital estate, and our near term product road map disclosed at IPO.

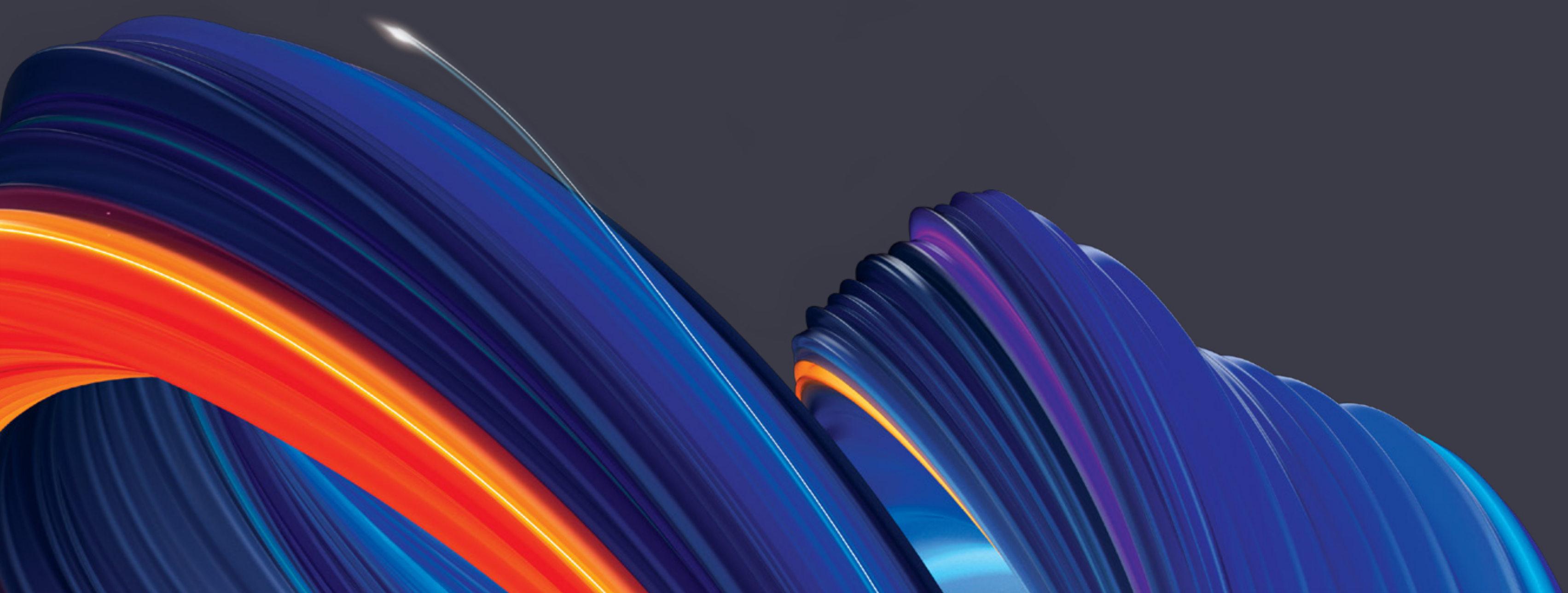
/ Darktrace Self-Learning AI

Darktrace takes a fundamentally different approach to the challenge of cyber security. Our Self-Learning AI technology 'learns' an organisation of any size – public or private – from the inside out. In the ever-changing digital environment, it continually learns and updates its knowledge of how an organisation operates from moment to moment, making it possible to spot novel attacks and insider threats that get past other defences, building an organisation's cyber resilience over time. Our technology uplifts the security team, bolstering human skills with the power of autonomous AI speed and execution at scale. This means security teams can improve decisions and outcomes based on full visibility into the digital ecosystem.



/ Cyber AI Loop

Darktrace has set out an ambitious technology vision being delivered in a continuous Cyber AI Loop for autonomous, end-to-end and always-on security. The loop is made up of four key product families: PREVENT™ (launched in August 2022), DETECT™, RESPOND™ and HEAL™ (due to be rolled out in calendar 2023). All product capabilities in the Cyber AI Loop access the core Self-Learning AI. Taken as a whole, the Cyber AI Loop functions as a continuous feedback system in which each capability optimises and autonomously hardens the entire system.



Comprehensive

The Cyber AI Loop is the first-ever set of dynamically related capabilities working together autonomously to create a continuous feedback loop to PREVENT™, DETECT™, RESPOND™ and HEAL™ from cyber-attacks.

Always on, Everywhere Data Lives

Four AI-powered product families – PREVENT™, DETECT™, RESPOND™ AND HEAL™ - operate wherever you need them across the entire digital ecosystem - whether on external data, or internally in cloud infrastructure or applications, email systems, endpoints, the corporate network or industrial systems.

Powered by Self-Learning AI

The entire end-to-end solution in the AI Cyber Loop accesses the core Self-Learning AI technology, which provides full visibility into the ever-changing digital ecosystem.

A Virtuous Feedback Cycle

Mathematic models autonomously drive cyber security unique to any organisation. AI engines in each product family augment all others in the context of constantly changing environments and the data that supports them. The sum total systematically improves an organisation's cyber resilience while taking preventative action to harden security.

Risk Reduction

This holistic set of cyber security capabilities addresses a critical need to reduce business risk, typically seen in the costs to restore function, lost productivity and ability to compete, fines and judgements and tarnished reputations. As risk from cyber-attacks accelerates, there is growing demand for cyber security to be part of business strategy.

The Human and Machine

As the digital infrastructure grows in size and the attack surface expands, the need for autonomous, always-on, AI-driven security magnifies. Darktrace lifts up security teams by elevating decisions, while autonomously working continuously in the background to deliver at the scale and speed of the enterprise. Darktrace Cyber AI Analyst™ with Explainable AI – a natural language processing capability – creates the interface between the AI technology and human decision-making.

FREEING THE WORLD OF CYBER DISRUPTION

Cyber-threats by highly organised attackers continue to escalate in numbers and sophistication. With security teams consumed with daily firefighting, the best way for organisations to protect themselves is with superior AI technology to get ahead of attackers.

84% OF ENTERPRISES IN NORTH AMERICA AND UK / IRELAND ARE MOST LIKELY TO USE **AI TO AUTOMATE THEIR SECURITY POSTURE.**

IDC 2022

59% OF CYBER LEADERS WOULD FIND IT CHALLENGING TO RESPOND TO A CYBER SECURITY INCIDENT DUE TO THE SHORTAGE OF SKILLS WITHIN THEIR TEAM.*

WORLD ECONOMIC FORUM

Evolving Threats Call for Evolved Thinking

2013	2013	2014/2016	2019	2022	2023
AI RESEARCH CENTRE	**SELF-LEARNING AI**	**DETECT + RESPOND**	**CYBER AI ANALYST**	**PREVENT**	**HEAL**
/ Focuses on pure AI research / Solves challenges through applied AI / Delivers breakthrough discoveries in Self-Learning AI as foundation of Darktrace technology	/ Moves AI to the data / Tracks every nuance of change across a dynamic, digital ecosystem / Makes micro-decisions as it learns the business, not the threat	/ Analyses thousands of data points for every digital asset to ask: Is this normal? / Identifies unusual behaviour to spot unknown and unpredictable attacks / Places a digital lock on threats in seconds autonomously	/ Uses Explainable AI / Runs autonomous investigations / Delivers in-context reporting, greatly reducing time-to-meaning	/ Hardens security by blocking paths to high-value assets / Delivers continuous around-the-clock testing / Prioritises risks	/ Assists and automates remediation and recovery / Restores assets to trusted operating states / Supports quick and confident decisions

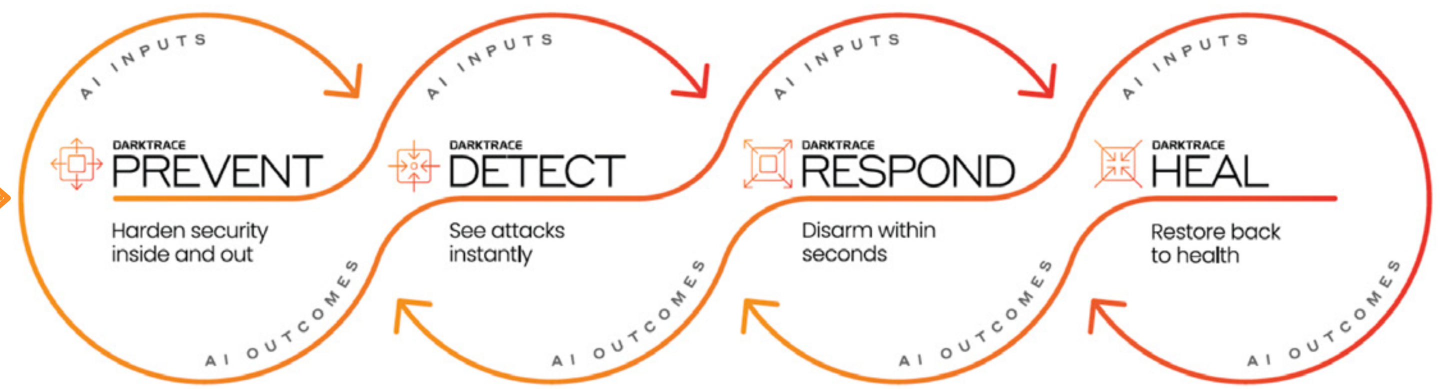
7400+ CUSTOMERS

ATTACKS EXIST. FEAR DOESN'T HAVE TO.

The Darktrace Cyber AI Loop represents a fundamental shift in how we think about cyber security and artificial intelligence. This always-on, feedback system, supported by Self-Learning AI, creates a virtuous cycle in which each capability strengthens and hardens the entire security ecosystem.

Cyber AI Loop

Continuous feedback and a deep, interconnected understanding of the enterprise.



Comprehensive Protection Wherever You Need It

Darktrace technology works for organisations of all sizes and can be brought to any environment, protecting email and cloud services, endpoints, zero trust technologies, and IT/OT networks.

Cloud | Apps | Email | Endpoint | Network | Zero Trust | OT

Google Cloud · Dropbox · slack · zscaler · CROWDSTRIKE · Office 365 · box · aws · okta · DUO · Microsoft Azure · PAS · Google Workspace · cisco · SentinelOne

Rather than looking at each of these areas in isolation, Darktrace's cross-platform visibility and analysis gives it the context it needs to understand the full picture of a cyber-attack.

LIFTING UP THE SECURITY TEAM

Our complete, always-on cyber solution elevates human decisions as AI engines work continuously and autonomously across the digital ecosystem to deliver at the scale of the enterprise.

Helps People Do What They Do Best ... AI Does The Rest.

SECURITY OPERATIONS CENTRE
/ Reduce investigation time by 92% with AI Analyst
/ Contain incidents with Darktrace/ RESPOND
/ MSSP

THREAT HUNTING
/ Complete, granular visibility across the organisation
/ Bespoke detections for priority initiatives

CHIEF INFORMATION SECURITY OFFICER
/ Benchmark security posture over time across threat categories
/ High level visibility into recent top threats in the organisation

SECURITY ENGINEERS
/ Leverage threat intelligence to augment AI modelling
/ Integrate into existing stack to operationalise workflows and autonomous response

THREAT & VULNERABILITY
/ Actionable, prioritized risk mitigation recommendations
/ Visual attack path modelling via explainable AI

CHIEF RISK OFFICER/ BOARD
/ Concise scoring of common and custom operational risks

The State of Being Secure

AUGMENTS HUMANS | COMPLIES WITH REGULATIONS | HARDENS SYSTEMS | IMPROVES VISIBILITY | MINIMISES DISRUPTION | PRIORITISES RISK | DELIVERS REAL-TIME RESPONSE

"PREVENT IS AN INCREDIBLY HELPFUL WAY TO UNDERSTAND RISK, PARTICULARLY WHEN COMPARING CHANGES OVER TIME. UNDERSTANDING VULNERABILITIES IS ONE THING, BUT ACTUALLY BEING ABLE TO DIGEST AND PRIORITISE THEM IS EVEN BETTER

VIXXO

"DARKTRACE COMBATS SOME OF THE MOST SOPHISTICATED RANSOMWARE ATTACKS AND IT DOES THAT IN A TIMELY MANNER. THIS IS THE FUTURE OF SECURITY.

Sun Life

* https://www3.weforum.org/docs/WEF_Global_Cybersecurity_Outlook_2022.pdf

"IN THIS NEW ERA OF CYBER, ATTACKS ARE GETTING STRONGER AND MORE FREQUENT. OUR MISSION IS TO FREE THE WORLD OF CYBER DISRUPTION. WE BELIEVE THE SOLUTION BEGINS WITH SELF-LEARNING AI.

Jack Stockdale
/ Co-founder and CTO, Darktrace

DARKTRACE

/ Products

DARKTRACE PREVENT™ / HARDEN SECURITY INSIDE AND OUT

As a result of the hard work of the Cyber AI Research Centre in FY 2022, and accelerated by the acquisition of Cybersprint in March this year, Darktrace launched two new products as part of the new PREVENT™ product family in July 2022. These capabilities give security teams unprecedented, proactive tools to predict and prevent complex cyber-attacks.

Darktrace / PREVENT

PREVENT / ASM: Attack Surface Management

PREVENT / E2E: Attack Path Modelling; Pentest Augmentation; Breach & Attack Simulation; Security Awareness Training; Cyber Risk Prioritisation

AI Outcomes feed back into Darktrace DETECT + RESPOND to harden systems.

PREVENT / ASM

Darktrace PREVENT/Attack Surface Management™ learns what is unique to the organisation from the entire global internet. It identifies blind spots and vulnerabilities digitally exposed to the outside world - offering an outside-in perspective on the attack surface.

The outcomes from PREVENT™ feed into the DETECT™ and RESPOND™ functions so that the technology ecosystem continuously learns from the threat landscape and hardens the environment to compensate for risk – all autonomously.

PREVENT / E2E

Darktrace PREVENT/End-to-End™ delivers a set of five capabilities based on new AI algorithms developed by researchers at the Darktrace AI Research Centre. These advances now function as an interconnected set of capabilities to help organisations pre-empt attacks.

Attack Path Modelling – A revolutionary approach to mapping the most impactful attack paths through your organisation in real-time. Darktrace Self-Learning AI supports by providing a continuous understanding of the most vulnerable - and valuable - paths across your entire digital ecosystem.

Pretesting Augmentation – Does what traditional human and conventional pen testing cannot: continuous, around-the-clock testing of all potential pathways, and analysis of every touchpoint across the entire digital ecosystem.

Breach & Attack Simulation – Simulates and emulates how an adversary might attack. Security teams can deploy harmless "attacks" that simulate malware, phishing, spoofing, and other common threats. Automatically monitors for unsafe testing by auto-switching to a theoretical attack if necessary.

Security Awareness Training – Identifies users who are exposed or potentially prone to phishing, allowing IT teams to tailor training based on real-world data. The product mimics the best attackers to test human defences and incident response processes.

Cyber Risk Prioritisation - Enables the security team to harden defences with a prioritised list of vulnerabilities - complete with suggestions how to improve them. Combined with Darktrace DETECT™ + RESPOND™, it autonomously implements countermeasures to ensure critical vulnerabilities and attack paths can't be exploited and cause damage.

DARKTRACE DETECT™

/ SEE ATTACKS INSTANTLY

Powered by a bespoke, continuously evolving understanding of an organisation, Darktrace DETECT™ delivers instant visibility into threats – even those using novel malware strains or new techniques.

The DETECT™ product family learns what makes an organisation unique, from the ground up and without any prior assumptions, enabling it to identify what constitutes a threat. This understanding allows it to detect subtle patterns that reveal deviations from the norm, making it possible for the security team to identify attacks in real time, not after the damage has been done.

Darktrace DETECT™ analyses millions of data points for every digital asset to ask: Is this device behaving normally? For every connection and behaviour, DETECT asks hundreds of questions to determine whether that activity constitutes a threat. DETECT then generates simple outputs that human security teams can quickly and easily understand to get to the bottom of an incident. The solution feeds data into Darktrace RESPOND™ for breakthrough, AI-powered security that disarms threats that could disrupt operations.

Darktrace DETECT™ works across the entire digital ecosystem, wherever an organisation's data resides – from cloud infrastructure and applications to email systems, endpoints, zero trust technologies, on-prem networks and Operational Technology (OT).

DARKTRACE RESPOND™

/ DISARM WITHIN SECONDS

When a threat is detected, Darktrace RESPOND™ kicks in and disarms an attack in seconds. It leverages Darktrace's understanding of an organisation to pinpoint signs of an emerging attack, interrupting malicious or dangerous activity, while letting normal business continue.

This stands in contrast to automated response solutions that pre-define threats, and often either quarantine a device completely – interrupting normal business – or fail to do anything at all. Darktrace's nuanced, bespoke understanding of the organisation enables RESPOND™ to work with precision, targeting actions tailored to the threat.

Because Darktrace RESPOND™ doesn't rely on pre-programming, threat characteristics are not defined in advance. This enables it to neutralise novel cyber-attacks that have never been seen before on the first encounter and before damage spreads.

Darktrace RESPOND™ takes action either via integrations into an organisation's existing security controls, enabling it to leverage and supercharge existing investments, or through native response mechanisms. Integrations allow Darktrace's autonomous response capabilities to reach every corner of the business – from email, cloud systems and IT and OT networks to endpoints and zero trust technologies.

The solution acts within boundaries set by security professionals and, for example, can be set to act only at certain times, on certain devices or in response to certain events.

The AI technology runs autonomously at all times, elevating humans from making micro-decisions about individual events to making "decisions about decisions" – setting parameters for Darktrace RESPOND™ to act, and then allowing the AI to do the heavy lifting.

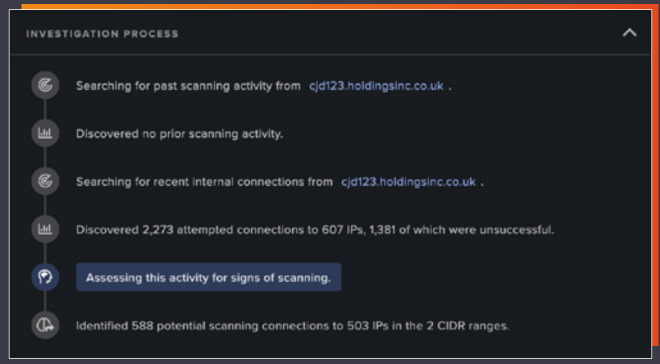
DARKTRACE HEAL™ / RESTORE BACK TO HEALTH

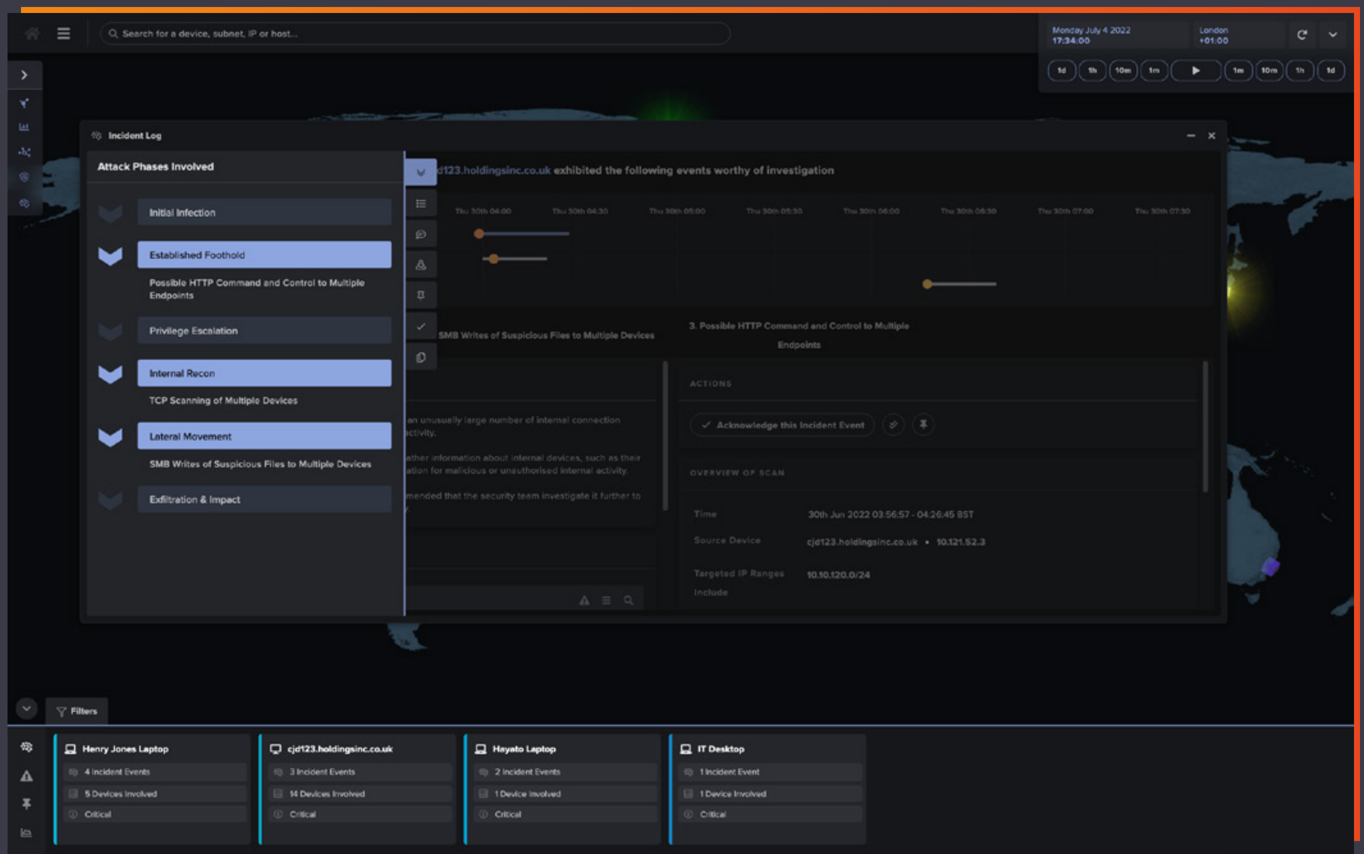
Due to be rolled out in calendar year 2023, the Darktrace HEAL™ product family will allow organisations to increase cyber resilience through AI assistance and automation of remediation and recovery planning, decisions, actions and communications.

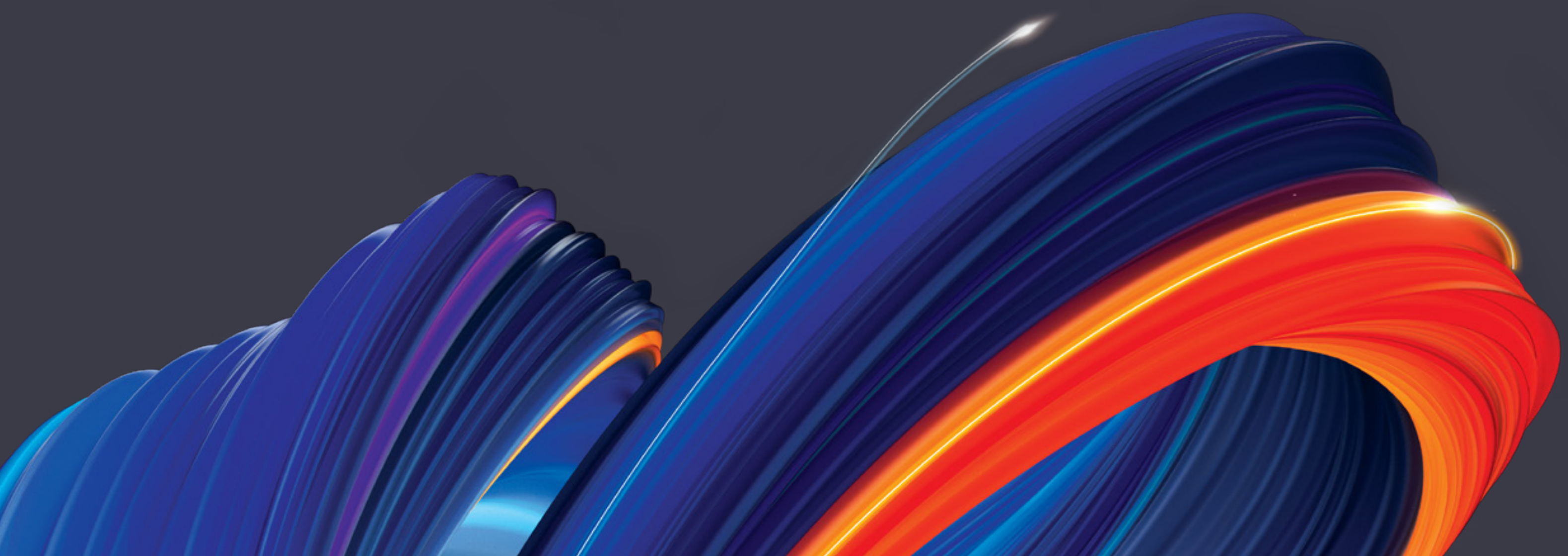
Based on groundbreaking technology from the Darktrace AI Research Centre, the HEAL™ solution will break the mould by enabling organisations to restore assets and systems affected by cyber-attacks to trusted operational states.

CYBER AI ANALYST™
/EXPLAINABLE AI

Darktrace Cyber AI Analyst™ with Explainable AI – a natural language processing capability – creates the interface between the AI technology and human decision-making. Trained on an ever-growing data set of expert cyber analysts, Cyber AI Analyst combines human expertise with the speed and scale of AI. It performs the heavy lifting on behalf of human teams, connecting the dots between dozens of singular events and reducing them to a handful of high priority incidents for human review.







/ Our Coverage Areas

AI Brought to your data wherever it resides

Darktrace technology can be brought to any environment, protecting cloud infrastructure – from AWS to Microsoft Azure – the full range of cloud applications, endpoints, zero trust technologies and IT/OT networks.

Embrace the Benefits of Cloud, Without Taking on the Risks

Delivers the only cloud cyber security solution that learns 'on the job', adapts as an organisation evolves and autonomously responds to the full range of threats in the cloud.

Interrupt SaaS Application Misuse

Understands users' patterns across every application an organisation uses to spot behaviour that doesn't belong, from compromised credentials to malicious insider

Neutralise the Full Range of Email Attacks

Understands an organisation's users and how they email, building a picture of the human behind the communications. Deployed in minutes, contextual knowledge enables the AI to take targeted action, stopping threats that others miss.

Protect your Workforce, Wherever they are

Analyses rich, host-level data via Darktrace agents or EDR integrations, enhancing threat protection across the dynamic workforce, on or off the VPN.

Shut Down Network Threats Instantly

Learns normal 'patterns of life' to discover unpredictable cyber-threats across the corporate network, and then takes targeted action to minimise disruption. Detects and responds to ransomware at every stage.

Complement and Enhance Zero Trust Policies

Validates the organisation's zero trust policies and informs future decision-making with always-on, real-time visibility into every system and asset.

Light up your Industrial Environment

Passively learns repetitive as well as evolving ICS behaviour to protect the business from known and unknown OT and hybrid IT/OT threats. Protocol agnostic.

/ Customer Case Studies

AAA Washington

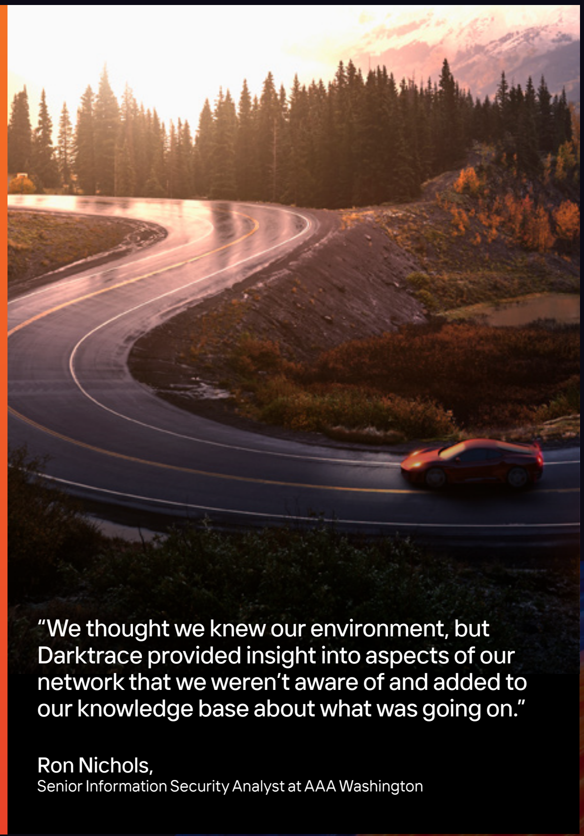
/ Founded over 100 years ago

/ One of the world's largest membership organisations (50m+ members)

/ Serves more than 1 million members in Washington

American Automobile Association (AAA) Washington is a privately held member association and service organisation that has provided road, travel, and insurance services for over 100 years. AAA Washington has trusted Darktrace DETECT™ since 2019. When the company moved to a hybrid, remote working model they extended RESPOND™ coverage to SaaS and Endpoints. For over two years, Darktrace has not taken an autonomous action that was undesirable, which has continually increased the organisation's trust in autonomous action.

PRODUCTS USED: DARKTRACE DETECT™



"We thought we knew our environment, but Darktrace provided insight into aspects of our network that we weren't aware of and added to our knowledge base about what was going on."

Ron Nichols,
Senior Information Security Analyst at AAA Washington

Blue Bird Group

/ Largest taxi operator in Indonesia

/ 2,000+ employees

/ 23,000+ drivers

/ Serves millions of customers every month

Bluebird Group, which was established in 1972 and is listed on the Indonesian Stock Exchange, operates as the most recognisable taxi brand throughout Indonesia's major cities and tourism spots, as well as providing executive shuttle transportation, rental cars, containers, charter buses, and logistics services. As its services have become increasingly digitized through apps and online payment services, Bluebird sought a technology which could protect its digital estate in the face of a rising level of attacks against the sector. Darktrace's RESPOND™ capability stood out to Bluebird when compared to other solutions because of its ability to autonomously stop in-progress attacks whilst allowing normal business operations.

PRODUCTS USED: DARKTRACE RESPOND™

"Bluebird is committed to putting safety and security at the heart of our business, from the consumer experience through to our IT ecosystem. By adopting Darktrace's AI, we have bolstered the ability of our security team to keep pace with the evolving threat landscape and are protecting our customers and employees from cyber-threats with cutting-edge technology."

Sigit Djokosoetono,
CEO at PT Blue Bird Tbk, part of Bluebird Group

Australian Grand Prix Corporation

/ Promotes and hosts two of the largest sporting events in Australia

/ Formula 1 race attended by 419,000+ spectators in 2022

/ The most prestigious categories of two and four-wheel motor racing in the world

Based at Albert Park, Melbourne, Australian Grand Prix Corporation is responsible for staging the Formula 1 Australian Grand Prix and the Australian Motorcycle Grand Prix. The Formula 1 Australian Grand Prix is among the largest sporting events held in Australia, and each year AGPC coordinates the importing, assembly and dismantling of a complex and increasingly IT-driven infrastructure of grandstand, lighting, safety, media and sporting equipment. Faced with the security challenge of an annual surge of onboarding and off-boarding during their busy seasons, AGPC chose Darktrace's DETECT™ and RESPOND™ capabilities to defend the iconic Australian sporting events from the world's most advanced cyber threats.

PRODUCTS USED: DARKTRACE DETECT™ & RESPOND™

"When we host the Australian Grand Prix, we have the eyes of the world on us. Over a 16 week period we design and assemble a complex network to support international media, sporting and governing bodies, then welcome hundreds of thousands of spectators. We needed a system that could detect threats across the whole ecosystem and take targeted responses to keep things running smoothly. That's why we chose Darktrace's DETECT and RESPOND.."

Clint Watson,
Division Manager, Technology at Australian Grand Prix Corporation

American Kidney Fund®

FIGHTING ON ALL FRONTS

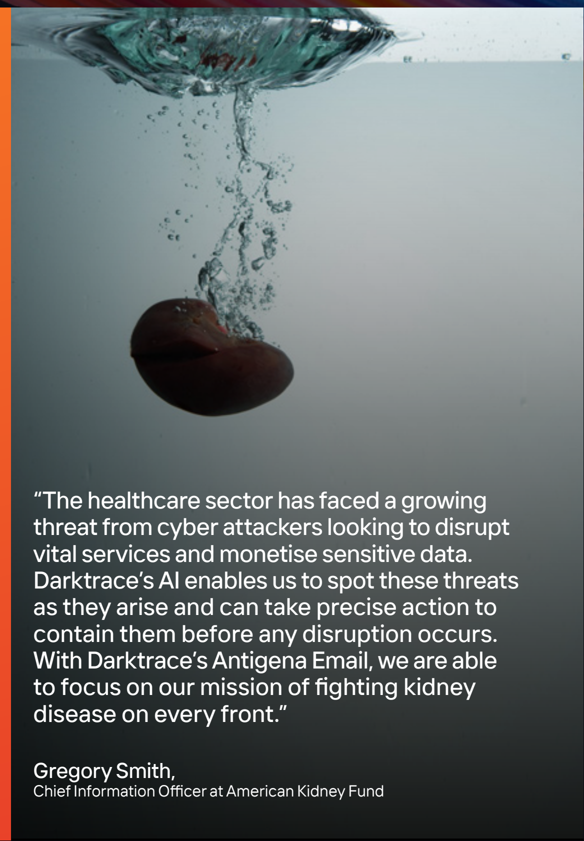
/ Supported 80,000+ kidney patients to date

/ Facilitates 157 transplants every month

/ Connects 19 million people with vital kidney information resources

America's leading kidney non-profit, the American Kidney Fund (AKF) exists to fight kidney disease on all fronts. The organisation manages the distribution of millions of dollars in aid, including providing $450,000 in disaster relief funds. But AKF was facing the challenge of how to secure their email inboxes from frequent phishing attempts and malicious emails attempting to deliver malware payloads. In June 2021, AKF selected Darktrace's RESPOND™ capability for Email after pitting the solution against several other cyber security offerings because of its ability to detect threats, tailor responses depending on threat level, and examine granular detail.

PRODUCTS USED: DARKTRACE RESPOND™



"The healthcare sector has faced a growing threat from cyber attackers looking to disrupt vital services and monetise sensitive data. Darktrace's AI enables us to spot these threats as they arise and can take precise action to contain them before any disruption occurs. With Darktrace's Antigena Email, we are able to focus on our mission of fighting kidney disease on every front."

Gregory Smith,
Chief Information Officer at American Kidney Fund

CFO STATEMENT

/ 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.

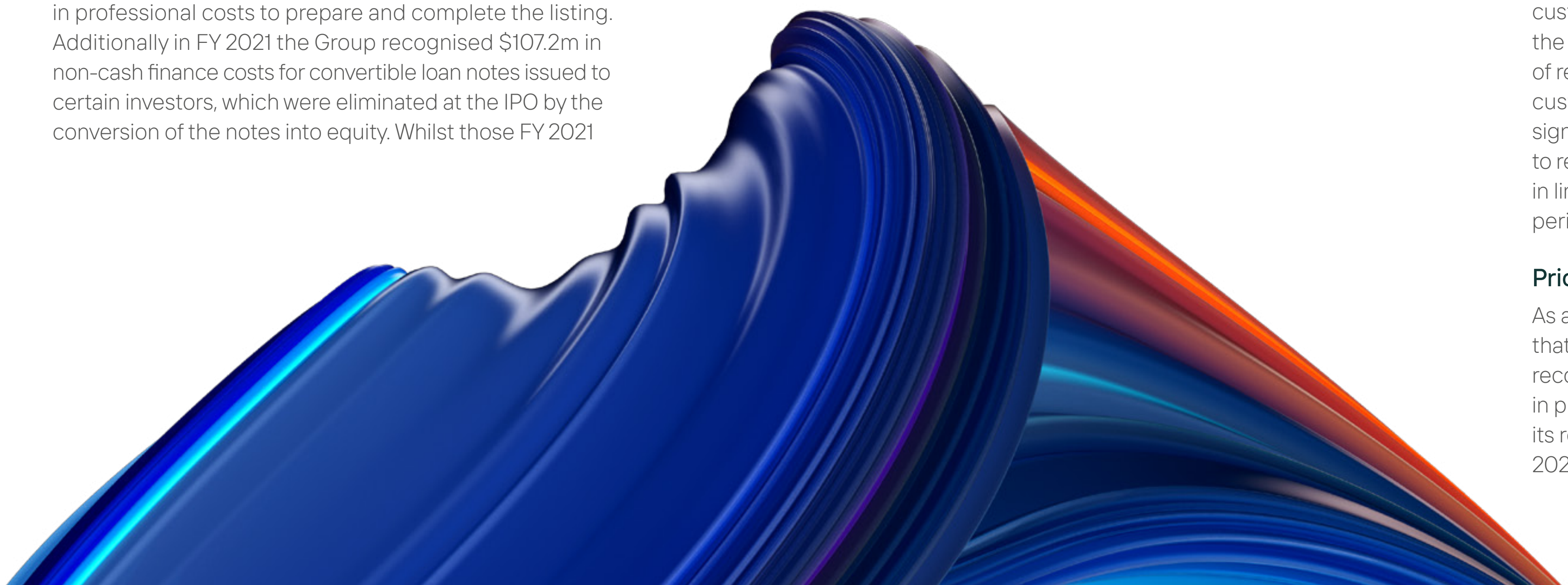
	FY 2022	FY 2021 Restated	% Change
Revenue ($'000)	415,482	285,101	45.7%
Gross margin (%)	89.2%	90.0%	n/a
EBIT or operating profit/ (loss) ($'000)	7,602	(34,754)	n/a
Adjusted EBIT or operating profit/(loss)* ($'000)	49,816	3,818	1,204.8%
Net profit/ (loss) ($'000)	1,457	(145,828)	n/a
EBITDA* ($'000)	63,787	6,551	873.7%
Adjusted EBITDA* ($'000)	91,412	33,484	173.0%
Cash inflow/(outflow) before financing activities ($'000)	71,878	34,610	107.7%

See "Alternative Performance Measures Definitions" in Strategic Performance Review (page 40) 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 $(34.8)m in the prior year.



$'000	FY 2022	FY 2021 Restated	% Change
Sales and Marketing Costs			
Other operating costs	(195,593)	(159,133)	22.9%
Travel and entertainment	(4,165)	(1,518)	174.4%
Facilities costs	(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
Total sales and marketing costs	**(232,772)**	**(188,936)**	**23.2%**
Research and Development Costs			
Other operating costs	(28,293)	(15,752)	79.6%
Travel and entertainment	(363)	(55)	560.0%
Facilities costs	(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%
Total research and development costs	**(44,262)**	**(28,814)**	**53.6%**
Other Administrative Expenses			
Other operating costs	(57,546)	(58,748)	-2.0%
Travel and entertainment	(2,992)	(229)	1,206.6%
Facilities costs	(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
Total other administrative expenses	**(81,167)**	**(75,859)**	**7.0%**
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 2022 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 recognising in FY 2022, 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 transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at month end exchange rates, most precisely with the movement in balance of account receivables, account payables and bank balances each month.

Reconciliation of Key Alternative Performance Measures

	FY 2022 $'000	FY 2021 Restated $'000
Net Profit/ (Loss)	1,457	(145,828)
Taxation	3,856	1,967
Finance income	(518)	(50)
Finance costs	2,807	109,157
Operating profit/(loss)/ EBIT*	7,602	(34,754)
Depreciation & Amortisation	56,185	41,305
EBITDA*	**63,787**	**6,551**
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)	-
Adjusted EBITDA*	**91,412**	**33,484**
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)
Net cash inflow from operating activities	**140,244**	**59,892**
Capitalised research and development	(1,292)	(2,691)
Property, plant and equipment purchased	(31,863)	(22,641)
Lease costs capitalised	(7,572)	(9,059)
Free Cash Flow*	**99,517**	**25,501**

* See "Alternative Performance Measures Definitions" in Strategic Performance Review (page 40) 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 $23.1m 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 Statement of Financial Position

$'000	FY 2022	FY 2021 Restated	% change
Total Assets			
Goodwill	38,164	-	100.0%
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%
Total Liabilities			
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%
Equity			
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 and 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.

Catherine Graham

Catherine Graham
Chief Financial Officer

7th September 2022

/ Alternative Performance Measures

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 on page 41) 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

EBIT	Earnings before interest and taxes, or EBIT is the Group's operating profit or (loss).
Adjusted EBIT	Adjusted EBIT is the Group's EBIT adjusted to remove uncapitalised share-based payment (SBP) charges and share option-related employer tax charges.
EBITDA	EBITDA is the Group's earnings before interest, taxation, depreciation and amortisation.
Adjusted EBITDA	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.
Annual Recurring Revenue (ARR)	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.
Net constant currency ARR added	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.
One-year constant currency ARR gross churn rate	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.
Net constant currency ARR retention rate	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.
Average contract ARR	Average contract ARR is defined as the total ARR at the measurement date, divided by the number of customers at that measurement date.
Constant currency rates	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.
Number of customers	Count of contracting entities that are generating ARR at the measurement date.
Remaining performance obligations (RPO)	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.
Free Cash Flow (FCF)	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.

APMs do not have a standardised meaning and therefore might not be comparable to similar measure presented by other entities.

/ 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 CFO Statement above.

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.

42.6%
ARR INCREASE
over the prior year

/ Annual Recurring Revenue (ARR)

$'000	30-Jun-22	30-Jun-21
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.

	30-Jun-22	30-Jun-21
Less than $100,000	48.3%	51.3%
Greater than $100,000	51.7%	48.7%

/ Net ARR Added

$'000	FY 2022	FY 2021
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 return to 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

	30-Jun-22	30-Jun-21
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.

6.5%
GROSS CHURN RATE DECREASE
over the prior year

/ Net ARR Retention Rate

	30-Jun-22	30-Jun-21
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 percentage point 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.

105.5%
NET ARR RETENTION RATE

/ Average Contract ARR

$	30-Jun-22	30-Jun-21	% Change
Average contract ARR	69,165	64,073	7.9%

Average contract ARR at 30 June 2022 has increased by 7.9% to $69.2k 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

$'000	FY 2022	FY 2021 Restated	% Change
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

$'000	FY 2022	FY 2021 Restated	% Change
Adjusted EBIT	49,816	3,818	1,204.8%

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

/ EBITDA

$'000	FY 2022	FY 2021 Restated	% Change
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.

$91,412
ADJUSTED EBITDA

/ Adjusted EBITDA

$'000	FY 2022	FY 2021 Restated	% Change
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

$'000	FY 2022	FY 2021	% Change
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 typically expected 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

	30-Jun-22	30-Jun-21	% Change
Number of customers	7,437	5,629	32.1%

7,437
NUMBER OF CUSTOMERS

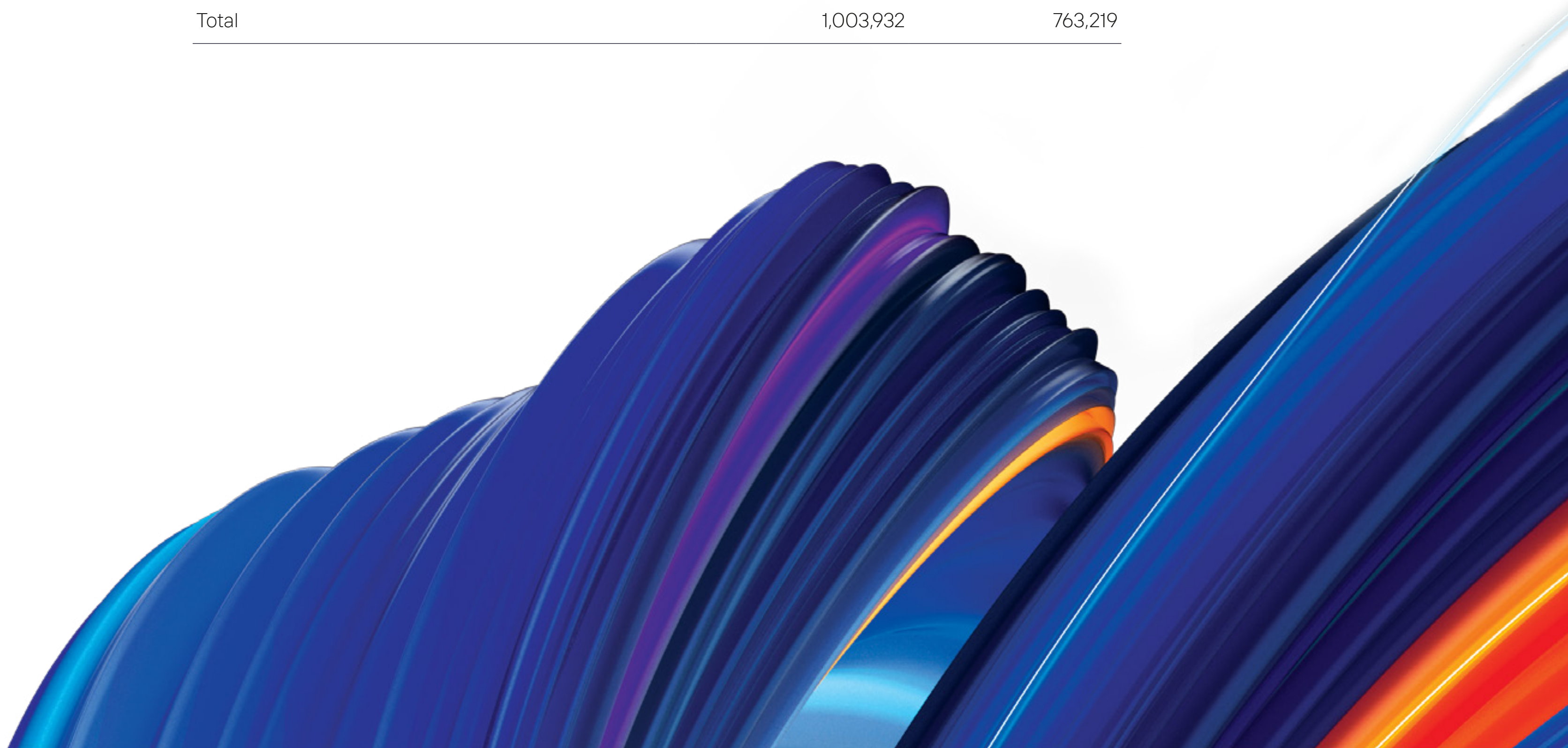
Darktrace added an additional 1,808 net new customers in the year, a growth of 32.1%, which paralleled the 42.6% increase in constant currency ARR. Growth in new customers is the key driver of net ARR added, and the correlation to the increase in constant currency ARR is the result of the distribution 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)

$'000	30-Jun-22	30-Jun-21	% Change
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.

$'000	30-Jun-22	30-Jun-21
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
Total	1,003,932	763,219



VIABILITY STATEMENT

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.

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 associated with the Group's revolving credit facility with Silicon Valley Bank. Indeed, in constructing these scenarios the Directors have assessed the viability of the Group's operations while considering 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.

/ Viability Period

The Directors have reviewed the period in which to frame the viability assessment and determined a three year period of assessment to be most appropriate. This period aligns considerations of viability with the Group's internal planning framework and revenue visibility; reflecting the fact that customer contracts are typically three years in length and that the lifespan of Darktrace's technologies and services is open-ended. Furthermore, this period is in line with the Company's peers in the sector, and reflects the Group's early-stage, high-growth and fast-changing financial profile.

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.

> We are proud to advance the power of artificial intelligence to keep critical data and systems secure, particularly at a time when cyber-attacks are getting more and more sophisticated.
>
> / Poppy Gustafsson OBE, CEO, Darktrace

Beverly McCann, Principal Analyst Consultant

/ Viability Scenario Frameworks

To assess the viability of the Group throughout this period, the Directors have built upon the analyses supporting the Going Concern Assertion and extended these to varying degrees so as to represent plausible yet severe scenarios the Group may encounter over the viability period of three years, testing throughout the threshold at which the Group's continued operations might become unviable. The scenarios are outlined in detail below.

The base case which the scenarios are measured against represents the Group's FY 2023 budget and the Directors forecasts for FY 2024 – FY 2025, which represent a broad continuation of the trends and assumptions that formed the Group's FY 2023 operating budget. These trends reflect the strong sales trends exiting FY 2022 against the uncertainties inherent in the current global economic environment. This includes the already realised impacts of exchange rate movements on its revenue recognition, as well as considering the potential impact these economic concerns may have on customer behaviour. Furthermore, the Group is bridging from FY 2022, where travel and entertainment, facilities and other costs were suppressed by pandemic restrictions, to FY 2023, where restrictions have been released and these costs are returning, with that impact heightened further by inflationary pressures across its cost structure. The Directors consider these factors to be temporary and do not believe they will have any impact on its long-term economic model, which as previously disclosed, anticipates adjusted EBIT margins in the mid-20%s.

In the event that scenarios such as those tested were to occur, the Directors would have a number of options available to maintain the Group's financial position including cost reduction measures and the arrangement of additional financing. The fourth and final scenario – which combines the prior three standalone scenarios together as one extreme scenario – explores which cost mitigation actions are at the Group's disposal, and the impact of different cost saving levers on the business and how the Group could remain viable even in this particularly extreme scenario. Without these cost mitigation actions the Group would not remain viable in the period. No other scenarios include elements of cost mitigation, instead demonstrating the extent to which the Group could remain viable despite the disruptions outlined in each respective scenario, enabling the Group to continue to invest for growth/recovery during the periods of disruption.

SUMMARIES OF FOUR SCENARIOS AFFECTING DARKTRACE'S VIABILITY

1. Revenue/ARR Scenario

Significant reputational event (for example: a major security breach) or disruption to salesforce productivity for an extended period.

2. Cost Scenario

Significant macro event (for example, a pandemic) with recessionary impact leads to material cost inflation for entire period.

3. Balance Sheet Scenario

Significant macro event(s) and recessionary impact lead to changes in customer payment terms and increased customer insolvencies for an extended period.

4. Combined Worst-Case Scenario

Combination of all scenarios, impacting the Group's revenue/ ARR profile, costs, and balance sheet profile.

These four scenarios are addressed in more detail on the following pages.

Principal considerations relating to four potential scenarios and how they could affect Darktrace's viability.

1. Revenue/ARR Scenario

Significant reputational event (e.g. data breach) or disruption to salesforce productivity for an extended period of time. Gradual and limited recovery after sustained a no-growth period of 12 months. Group continues to invest for growth and recovery throughout; no active cost saving measures.

Principal Considerations

- Impact[s] to employees, retention, company culture
- Material deterioration in trends of ARR upsell, churn, and downsell trends (for existing ARR). Zero new logo ARR growth
- Corresponding impact to revenues
- Product and customer strategies
- Salesforce restructuring and customer success trends
- Route to market
- Covenant compliance
- Damage containment, actions for reputational repair
- The overall impact to total net ARR added across the viability period is a 47% decline relative to the base case forecast, with ARR at the end of the period representing a 27% decline relative to the base case forecast. Meanwhile total revenues across the period declined 19% relative to the base case forecast

2. Cost Scenario

Significant macro events (e.g. global health pandemic or recession) with material inflationary impact leads to material cost inflation for entire period, above those that are already forecast. Increased competition from new/existing market disruptor leads to material increases to hiring and compensation costs and heightened employee churn which remain in effect for entire period of consideration. Group continues to invest for growth, no active cost saving measures.

Principal Considerations

- Impacts to employees, retention, company culture
- Forecast churn rates for all employees were increased relative to base case churn levels by at least 20%, with particular focus given to increased salesforce churn, which was increased by 25% vs base case assumptions for the entire period
- Material wage and overall compensation inflation (particularly for technical personnel) considered
- Supply chain and deployment risks considered
- Extended periods of general cost inflation considered, with additional increases to key unit costs (e.g. appliances, hosting)
- Covenant compliance considered
- Overall total expected net operating costs for the Group throughout the period increased by c10% relative to the base case forecast

3. Balance Sheet Scenario

Significant macro events and recessionary impact lead to changes to customer payment terms and increased customer insolvencies for extended period of time. Group continues to invest for growth, no active cost saving measures.

Principal Considerations

- Impacts to employees and retention
- Company culture
- Customer insolvencies and viability
- Bad debt provisions were tripled vs the base case forecast for the entire period
- Relationships with creditors and customer invoicing profiles
- Collection rates modelled to drop to a materially lower rate than at any point during the worst of the COVID-19 uncertainty
- Covenant compliance
- No changes to cost and revenue/ARR profiles of Group
- The overall impact of this scenario is a c43% reduction in cash & equivalents relative to the base case forecast by the end of the viability period

4. Combined Worst-Case Scenario

Combination of all scenarios, impacting the Group's revenue/ARR profile, costs, and balance sheet profile. Exploration of cost saving measures required to remain viable

A combination of the three aforementioned scenarios would leave the Group with negative headroom by 31 October 2024, resulting in potential breach of covenants. In order for the Group to remain viable and in compliance with its covenants in the combined, worst case scenario, active cost saving measures of varying degrees would need to be enacted.

Principal Considerations

- Impacts to employees, retention, company culture
- Material deterioration in trends of new logo ARR growth, ARR upsell, churn, and downsell trends (existing ARR)
- Supply chain and deployment risks
- Wage and cost inflation
- Payment terms, customer and creditor relationships
- Covenant compliance
- An exploration of cost saving measures available
- The combination of the three prior scenarios without any cost mitigation actions would leave the Group with negative cash headroom by 31 October 2024, resulting in a potential breach of covenants. The following actions are illustrative of the magnitude of costs savings the Group would likely need to make for the Group to remain viable throughout the period:
- A gradual reduction to non-sales related target headcount, reducing forecast total headcount at Fiscal Year End (FYE) for FY 2023/FY 2024/FY 2025 by 9%/10%/10% respectively; a 50%/40%/30% reduction in forecast discretionary senior management compensation in respective fiscal years FY 2023/FY 2024/FY 2025; a 25% reduction to annual travel & entertainment base case forecast costs throughout the period; a c21% reduction to annual forecast marketing spend throughout the period

In each variation of the three (non-combined) scenarios, the Group is forecast to have sufficient resources to continue to meet its liabilities as they fall due, and for each of the revenue/ARR, cost, and balance sheet scenarios, active cost saving actions were not instigated as part of the analysis. In the event that any of these adverse scenarios were to occur in reality, controllable mitigating actions are available to the Group should they be required.

When the scenarios are combined into an extreme 'worst case' scenario the Group does not remain viable in the period without any cost saving mitigations. Indeed, in the unmitigated 'worst case' scenario the Group turn cash negative by October 2024 and would therefore likely be at risk of breaching its covenants around this time. In such a scenario, as with the others, the Directors would have at their disposal a number of balanced and controllable mitigating actions, which once instigated would enable the Group to maintain sufficient cash headroom to remain viable throughout the period and in compliance with its covenants.

/ Macroeconomic Environment

Each of the scenarios outlined above has been considered with respect to the ongoing impact of the current uncertainties inherent in the current global economic environment as well as COVID-19 or a potentially similar global health crisis. It is noted that the Group is not at any point planning for any rent holidays in the event that employees are unable to work from the company's offices. Meanwhile, the commercial performance of the Group remained largely unaffected by COVID-19, as evidenced by the strong fiscal years 2021 and 2022, and the Directors are of the view that the current turbulent geopolitical background is making long-term cyber risk an even higher priority for Chief Information and Security Officers and senior executives. Indeed, the Directors are confident that the Group will continue to be able to pivot to the technological needs of customers at times of heightened uncertainty and workforce disruption, and is of the view that security will remain a structural growth industry for the foreseeable future.

/ Confirmation of Longer-term Viability

Based on the assessments as outlined above, in accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period they deem to be appropriate and confirm that 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.

Development Team

> We are proud to offer innovative solutions at the cutting edge of AI and cyber security emerging from the groundbreaking R&D stemming from our Cyber AI Research Centres
>
> / Jack Stockdale OBE, Co-founder and CTO, Darktrace

/ The Darktrace Risk Management Process

Darktrace subscribes to the Enterprise Risk Management (ERM) approach to managing its risk profile. The ERM framework is aligned to ISO 3100, an internationally recognised risk framework. The appropriate management of risk is important for Darktrace to meet its corporate objectives and to develop its future competitive advantage.

The Board's role is to maintain oversight of the key business risks, including Principal and Emerging risks, and ensure that the Audit & Risk Committee and Risk Management Committee are managing risks effectively. Where appropriate the Board will challenge these committees and management to ensure the effectiveness of Darktrace's risk management approach and strategies.

Darktrace's ERM framework ensures a consistent approach to the identification, management and oversight of risks. This enables meaningful comparisons of these risks and the development of mitigation strategies across the business, which is essential to Darktrace achieving its strategic objectives. Over the past year, the ERM Framework has matured and distilled a risk aware culture within Darktrace.

A hierarchical approach to the relationship of the various risk registers exists, as shown in the below diagram, and takes into account the various levels of risk and their escalation to the appropriate ownership and governance.

Risk owners are required to maintain regular review of risks and risk reports are reviewed by the risk management committee.

Monitoring and review is then conducted on a quarterly basis or as required to ensure that the Senior Risk Officer can provide up to date Risk Information to the Audit & Risk Committee.

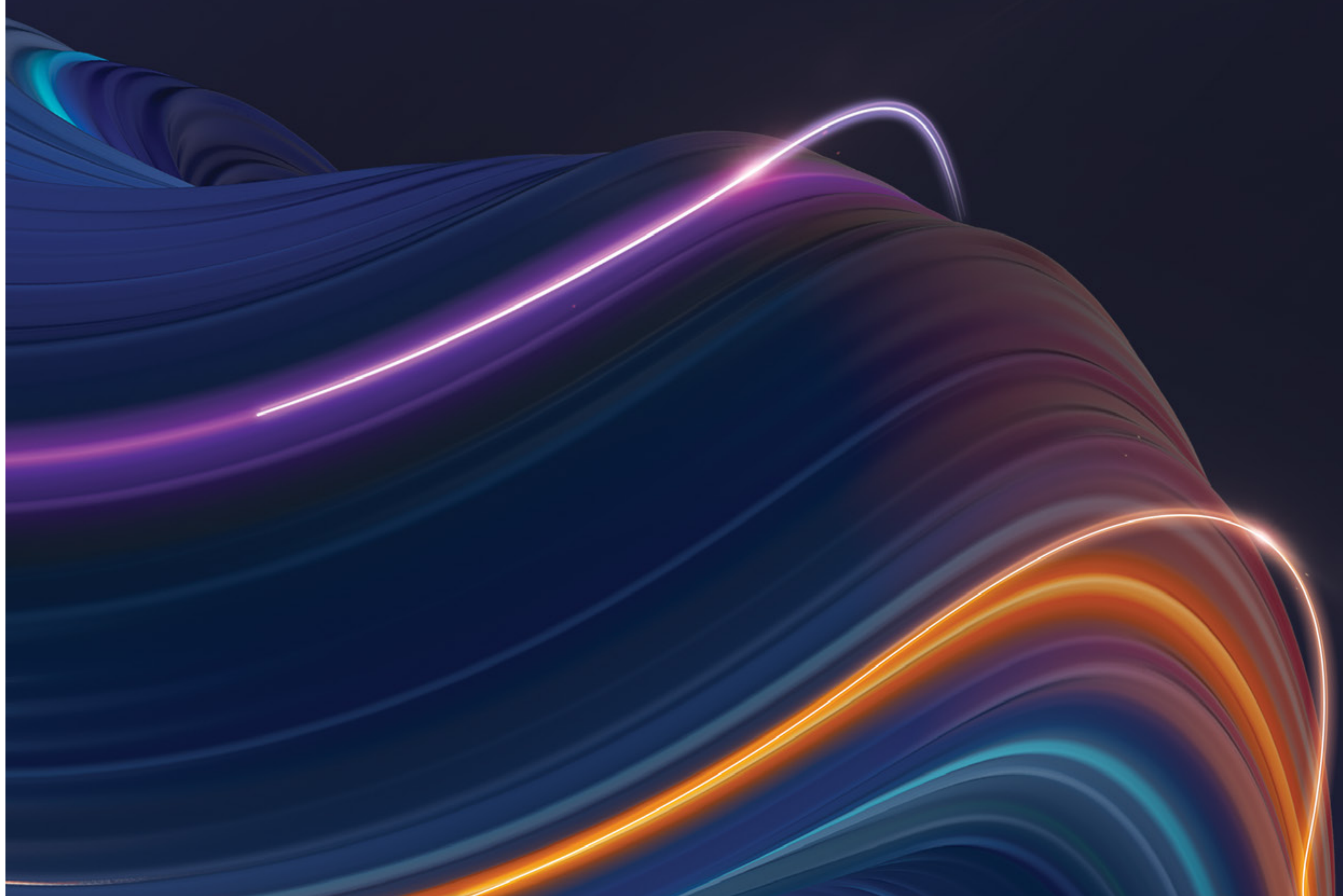
Within the risk assessment framework, risk levels are monitored for change, be it an increase or decrease in the level of risk over time, with management actions modified in response to such changes.

All Principal risks are reported to the Audit & Risk Committee. Risk Owners are integrated into the review cycle through the Risk Management Committee, meetings occur monthly for the main business units and bi-monthly or quarterly for the support areas (e.g. HR, Commercial, etc). The Owner for each Category is accountable for ensuring that the Risk Register is maintained and up to date for the purpose of their review.

Risk Reviews assess whether the risk is being managed or mitigated appropriately. This process is regularly re-visited with each business activity so that new risks come under management, existing risks are managed to a point of acceptability (within our risk appetite) and risks that no longer apply are removed from management view. The interpretation of 'regular' is dependent on the situation surrounding the risky activity and advice from the Risk Management Committee is sought if the regularity of application is not apparent. All employees involved within the risk assessment process must undergo Risk Management training.

Figure 1: Overview of Darktrace Risk Hierarchy, Governance and Ownership

> EVERY BREAKTHROUGH INNOVATION HAS BEEN ACHIEVED WITH THE HUMAN SECURITY TEAM IN MIND. WE HAVE CONSTANTLY INTERROGATED HOW WE CAN USE OUR TECHNOLOGY TO AUGMENT HUMAN CAPABILITIES AND SUPPORT SECURITY TEAMS TO BE MORE EFFECTIVE AND STRATEGIC IN THEIR ROLES.
>
> Poppy Gustafsson OBE, CEO, Darktrace



/ Risk Governance

The Board

The Board has overall responsibility for risk management and setting the Group's risk appetite. It monitors the risk environment and assesses the appropriateness of risks to the business and any mitigating or management strategies.

Audit & Risk Committee

The Audit & Risk Committee assists the Board in overseeing the risk management framework and any matters of significance affecting financial reporting, risk and internal controls.

The specific responsibilities of the Audit & Risk Committee related to risk management is to assess the adequacy of the internal control framework including accounting and risk management controls based on information provided or obtained.

The Audit & Risk Committee meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

The Senior Risk Officer convenes and aligns the meetings of the Risk Management Committee to the same frequency to ensure that risks have been reviewed and risk reporting can feed into Board meetings.

Outside of the formal meeting programme, the Audit & Risk Committee Chair maintains a dialogue with the Senior Risk Officer.

Risk Management Committee

The Risk Management Committee is assembled from members of the Senior Management Team invited to collaborate by the Senior Risk officer.

The Risk Management Committee is responsible for identifying and oversee risks within their Category areas and to ensure that the One Trust System is regularly updated to reflect current recognised risks, risk classifications and any remediations activities.

The committee convenes periodically, aligned to the requirements for reviewing and reporting organisational risk to ensure that up to date information can be provided to the Audit and Risk Committee.

The responsibilities of the Risk Management Committee in relation to risk management include:

- The setting of the risk appetite and risk tolerance levels (i.e., acceptance of risk ratings) for the corporate level risks of the business.
- Documenting policies and procedures for the risk management activity.
- Employee training in respect of the policies and procedures to be followed.
- Appropriate reporting of risk management issues to senior management and the Board.
- Monitoring compliance with the endorsed risk management framework.
- Delegating authority to management, where appropriate.
- Reporting on significant risks to the Board of Directors, Audit & Risk Committee and, where appropriate, government bodies.

Membership of the Risk Committee contains representatives from across the business, both functionally and geographically.

/ Principal and Emerging Risks

Principal Risks

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

1. Technology and products,
2. Market and competitive environment,
3. People and partners, and
4. Brand and reputation.

The Principal risks are outlined in the next pages.

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.

RISK NAME	RISK DESCRIPTION	RISK TREND ANALYSIS
Cyber attack or systems failure	The Group could be negatively impacted by the failure of its systems or compromise of its data, through cyber attack, cyber intrusion, insider threats or otherwise.	The threat landscape posed is ever changing and Darktrace's profile has risen since the IPO. Multiple security projects have been implemented to treat the risk, however given the moving nature of the threat posed the risk is still in a steady state and remains unchanged.
Intellectual Property Theft or Exposure	The Group may be unable to adequately protect its intellectual property proprietary rights and prevent others from making unauthorised use of its platform and technologies, which could harm the Group's financial results.	Current processes for IP protection remain unchanged. The Group is currently reviewing current patent registrations and plan to aggressively patent more R&D technology.

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.

RISK NAME	RISK DESCRIPTION	RISK TREND ANALYSIS
Unable to develop Darktrace products to mitigate evolving cyber threat landscape	If the Group is unable to develop and enhance its platform to adapt to the increasingly sophisticated nature of cyber attacks, it could negatively impact the Group's business, results of operations, financial condition and prospects.	The continuous investment and growth within R&D and the product offering has seen the risk impact trend downwards. This is further supported via the validation testing and the acquisition of Cybersprint to bolster Darktrace product in tackling the increasingly sophisticated nature of cyber attacks.
Unable to meet customer requirements within the product line.	The Group may be unable to develop and enhance its platform to meet the changing cyber protection demands of its customers (e.g. customer features requests, integrations, Darktrace service improvements, etc.)	This risk is assessed to be steady. However, Darktrace has significantly restructured its customer success teams to deliver outstanding customer service as this allows greater feedback from customers and the understanding of their requirements. Along with R&D, a new feature request and triage process has been implemented to enhance Darktrace product line. This allows customer feedback received by any customer facing service. As the new restructured CSM teams and new feature request process embed and mature within the organisation it is assessed in future this risk will trend down.
Insufficient Customer Support Resources	Failure by the Group or, in certain markets, its channel partners, to maintain sufficient levels of customer support could have a material adverse effect on its business, results of operations, financial condition and prospects.	The structural changes to the teams, the improvement projects to customer engagement/support and the use of a dedicated partner to manage customers has seen the of impact and likelihood of the risk trend down.

Key

New risk identified since last annual report · Risk increased · Risk stable · Risk decreased

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.

RISK NAME	RISK DESCRIPTION	RISK TREND ANALYSIS
Reliance on Partners and Resellers to generate new business	The Group relies on channel partners, including resellers and referral partners, to generate a significant portion of its revenue. If the Group fails to maintain successful relationships with its channel partners, or if its channel partners fail to perform, its ability to market, sell and distribute its solution will be limited, and its business, financial position and results of operations will be harmed.	The risk is currently steady. The Partner Program, the supporting processes and Partner Team have been enhanced and continue to be improved. This includes the facilitation of onboarding of quality partners. It is assessed that the risk will be observed to trend down in the near future once the new improvements are fully realised.
Reliance on outsourced hosting for services	The Group relies on third-party data centres, such as Amazon Web Services ("AWS"), and its own data servers to host and operate an increasing number of deployments of or offerings in its Cyber AI Platform, and any disruption of or interference with its use of these facilities may negatively affect its ability to maintain the performance and reliability of its Cyber AI Platform which could cause its business to suffer.	Darktrace's ISO 27018 certification has enhanced and verified our cloud DR and BC plans that are reliant on third-party data centres. This has reduced the likelihood of any disruption or interference to our cloud-based offerings.
Employee retention and recruitment	The Group relies on the performance of highly skilled personnel including the senior management team. The Group's future success depends, in part, on its ability to continue to identify, hire, develop, motivate, and retain highly skilled personnel for all areas of the organisation, particularly technical professionals.	Current risk is at a steady state. A number of initiatives have been initiated under the People Pillar or by the HR department. These range from employee engagement, training and development, new reward and benefits schemes, enhanced Family leave, enriched wellbeing and mental health support services for all employees globally, etc. to retain employees. Recruitment initiatives have also been established to recruit the talent required by Darktrace. All these initiatives are launched in a time where employees or potential employees are reassessing their priorities requirements for employment.
COVID-19	The global COVID-19 outbreak and the global response to this outbreak could affect the Group's business and operations.	Threat of COVID-19 still apparent globally and to our employees. However, the mitigation and monitoring controls put in place by Darktrace have minimized the impact to business operations.

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.

RISK NAME	RISK DESCRIPTION	RISK TREND ANALYSIS
Brand and Reputation	If the Group is unable to maintain and enhance its brand or if the Group's reputation and business is harmed by news or social media coverage it could negatively impact the Group's business, results of operations, financial condition and prospects.	The risk is currently steady. The Group is focused on building and maintaining strong relationships with key business and technology journalists globally, with a particular focus on the UK, to build resilience in the face of media scrutiny.

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.

Figure 2: Darktrace Emerging Risks

Inherent Risk Impact Key

Potential Impact to the business, colour corresponds to the expected impact. **High** **Medium** **Low**

Key

New risk identified since last annual report | Risk increased | Risk stable | Risk decreased

Key

New risk identified since last annual report | Risk increased | Risk stable | Risk decreased

RISK NAME	RISK DESCRIPTION	IMPACT ASSESSMENT
Pandemics	Pandemics can have a significant effect on the whole economic and financial landscape and could adversely affect demand for the Group's Cyber AI Platform. The globalized style of living, including the speed of global travel, enable pandemics that occur today to be spread more rapidly. Future pandemics could possibly have a disruptive impact on the business's operations including reduction in available work force and key personnel as well impacts on sales initiatives due to travel restrictions. Pandemics may also disrupt the operations of the Group's customers and partners for an indefinite period of time, all of which could negatively impact the Group's business, results of operations, financial condition and prospects.	High
Legal & Regulatory Uncertainty	Current regulatory trends have prompted companies to re-examine the effectiveness of their governance and oversight. Conduct regulation continues to gain prominence and is one key example of where this risk can emerge. Furthermore, over-regulation, mis-regulation but also non-regulation have been identified as risks in some areas, UK SOX being a current uncertainty.	Medium
Artificial Intelligence	Ethical, social and market aspects linked to (Artificial Intelligence) AI are getting more prominent that could lead to a negative outlook on AI related services. AI related legislation continues to move forward, such as the EU AI Regulation, which could impose significant obligations impacting businesses across many, if not all, sectors of the economy.	Medium
Market Product Saturation	Darktrace is at the forefront of Cyber AI products. As the Groups reputation grows, more imitation products will appear on the using the same core product principals. This could potentially lead to an over saturation of the market, with cheaper and inferior product lines, that consumers may opt to purchase due to tight financial security focused budgets. This could in turn, lead to an over competitive market for Darktrace to operate in.	Medium
Climate Change Transition	Transition risks arise as the world aims to adapt to the warming climate and reduce the emission of greenhouse gases (especially CO2). As Darktrace implements its ESG strategy the transition risks posed to the Group may include, increased stakeholder concern or negative stakeholder feedback, changing customer behaviour, costs to transition to lower emissions technology, enhanced emissions-reporting obligations, etc.	High
Climate Tipping Points	In the climate system, most of the feedback mechanisms are of a gradual nature while tipping points arise where a critical threshold is crossed leading to a system change. Tipping points can trigger an acceleration of climate warming, permafrost or glacial thawing. Sudden and non-linear changes are hard to predict and require a good understanding of climate systems and feedback loops. With emissions and warming continuing at near the highest IPCC projections, the risk of tipping points being triggered may increase in the long-term. In combination with the concentration of assets and people in exposed areas, such tipping points could aggravate economic and insured losses.	High
Cyber Risk	The volume and sophistication of malicious cyber activity has increased substantially. The Cyber threat is an ever changing landscape and due to the nature of Darktrace, its business and its customers Darktrace poses itself as a key target for any nefarious threat actors.	Medium
Extreme Weather	Extreme weather refers to phenomena that are at the extremes of the historical distribution and rare for a particular place and/or time, making their behaviour difficult to assess. The effects and mechanisms are hard to isolate and fully describe. This presents challenges for measurement and modelling. Climate change is predicted to trigger more frequent severe events, especially floods, wildfires, heat- and cold waves. Severe events could affect Darktrace employees, assets, and supply chain.	High

Key

Inherent Risk Impact

Potential Impact to the business, colour corresponds to the expected impact.

High Medium Low

RISK NAME	RISK DESCRIPTION	IMPACT ASSESSMENT
Employee Wellness	Mental health is not just the absence of mental illnesses, but rather a complete mental ability and state of wellness. Accordingly, it is fundamental to be mentally healthy to be able to perform everyday activities. Yet, 20% of the world's population suffer from a mental illness at some point in their lives. Mental stress and isolation caused by the COVID-19 pandemic outbreak will most likely exacerbate this trend.	Medium
Resource Management	Any resource (clean air, raw materials, minerals, water, fuels) on which our global economy depends can suffer from scarcity if it is not managed sustainably. As the global economy continues to grow - driven in large part by rapid industrialisation and growth in developing countries - and the world's population increases, demand for natural resources increases, putting pressure on limited resources. The limited resources could affect delivery of Darktrace's products.	Medium
Modern Slavery	Organisations face increasing pressure to ensure they are not party to or associated with any form of people exploitation, including at the input / service providers in their supply chains. Newly-introduced laws and regulation could potentially increase litigation risks associated with modern slavery.	Medium
Supply Chain	Hyper-optimisation of supply chains due to improvements in technology and global logistics may increase vulnerabilities to disruption and concentrations of risk. The emerging regulatory system of corporate liability for human rights and other ESG issues, particularly with regard to supply chains, will be a key feature of international business in the coming years. Further risks arise from increased complexity resulting from the rise in interconnectivity.	High
Macroeconomic Downturn	Private and official economic forecasts have recently started to highlight growing regional risks but perhaps understate the extent to which they multiply each other. The macroeconomic environment was already challenging before Russia's invasion of Ukraine, marked by persistent inflation and supply chain bottlenecks, which remain largely unresolved. The potential macroeconomic downturn extends from risks that are difficult to plan against, including contagion effects from war in Europe, aggressive Central Bank tightening, and continued COVID-19 pressure on growth in major global markets.	Medium
Evolving Sociopolitical Expectations	Faced with the changing expectations of their stakeholders, businesses are under increasing pressure to take a position on social and political issues. However, businesses can be reluctant to engage with controversial topics, fearing a negative backlash from their employees, customers and investors. Not only are audiences increasingly expecting companies to take a stand on societal issues, but responses most often come from younger stakeholders.	Low
Post-pandemic Talent	Historically high employee churn rates, within all industries, indicates that employees are willing to pursue better value propositions, particularly related to flexibility and pay. Constant turnover can lead to a degradation of workplace culture and loss of institutional knowledge. Finally, organisations may also face a lack of skilled workers to deliver on strategic initiatives, such as digital transformation, if unable to attract and retain high potential employees.	Medium
Inflationary Pressures	Inflation is at multiyear high, which can drive lower profitability in organisations. Inflation though is an outcome of many other factors across the current economic situation. The recent surge in prices reflect a group of interconnected challenges, many of which stem from the realities of managing through the pandemic. The inflation pressures also affect the business from a recruitment and retention of staff perspective due to inflationary pressures on salaries and costs within the business.	High

Key

Inherent Risk Impact

Potential Impact to the business, colour corresponds to the expected impact.

High Medium Low

Darktrace is committed to having the highest standards of corporate governance, a positive impact on society and reducing its impact on the environment. The following sections set out our commitment to the Environment, Society and Governance in more detail.

/ Environment - De-carbonisation

Near Term Target 2030

37.8% reduction in scope 1 & 2 emissions and 63.0% reduction in tonnes of CO2 of scope 3 emissions per dollar of gross profit by 2030

Net Zero 2040

90.0% reduction in scope 1 & 2 emissions and 97.0% reduction in tonnes of CO2 of scope 3 emissions per dollar of gross profit by 2040, and neutralising residual emissions.

2021 - 139
2022 - 115

Carbon tCO2/$m revenue

2021 - 24
2022 - 24

Carbon tCO2/FTE

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_2 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.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

RACE TO ZERO

BUSINESS AMBITION FOR 1.5°C

Carbon Footprint

All figures presented are market-based GHG emissions – that is emissions calculated using emission factors specific to the energy tariffs that we use, or using residual mix factors.

Scope 1 and 2 Emissions

Emissions within our direct control relate to the use of electricity, natural gas, district heating and refrigerants within our offices.

In the current financial year this increased from 507 tCO2e to 726 tCO2e as a result of an increase in office footprint and headcount due to business growth, as well as the impact of more of our workforce returning to offices after the COVID-19 pandemic.

This expansion is set to continue for the foreseeable future and the business will mitigate the carbon footprint of the growing office base through the following actions:

- Continue with the hybrid working strategy that was rolled out in FY 2021, thereby reducing office space requirements per FTE
- Ensuring that all new office spaces meet 100% electrification and best practice environmental criteria, and where relevant fitting out to gold SKA rating
- Where possible looking to use electricity that is generated from renewable sources or where not possible purchasing renewable energy certificates

Scope 3 Emissions

Scope 3 accounts for 98% of our carbon footprint in FY 2022 and, as they are not within our direct control, are harder to influence. Emissions relating to our value chain broadly fall into three categories; employee travel, operations and products, and supply chain.

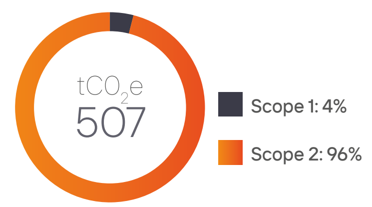
The largest proportion of the footprint is purchased goods and services at 20,036 tCO2e (FY 2021: 18,034), this footprint has increased in line with business growth. We are in the process of working with key suppliers in our supply chain to improve data quality in order to better understand what currently drives their emissions. We will encourage suppliers to make a commitment to de-carbonisation in line with our own, supporting their de-carbonisation efforts where we can. Where available, we will look to transition to more environmentally friendly products and services as well as considering environmental credentials when taking on new suppliers.

Capital goods has increased from 8,546 to 10,791 tCO2e, again this is due to business growth, with the major contributor being IT capex and building expenses from our London office fit-out. Increasing the percentage of cloud deployments to customers and leveraging the inherent low carbon footprint of our data centre providers will mitigate this going forwards. Again, we will also work with key suppliers in our supply chain to improve data quality and factor their de-carbonisation plans into our strategy.

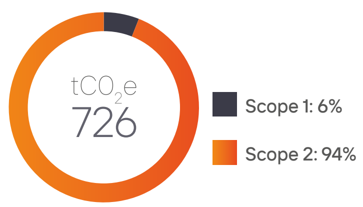
Downstream assets emissions are driven by the energy use associated with the devices required for software deployment. Their footprint has increased from 5,711 to 7,751 tCO2e due to business growth and a direct correlation with IT capex. We will work to improve the energy efficiency of these devices where feasible.

Transportation and distribution of our appliances is another area with a large carbon footprint at 2,982 tCO2e (FY 2021: 2,730). Emissions from this have decreased by 8%, despite our continued business growth, due to a reduction of carbon-intensive air freight. Darktrace are currently in discussions with our major distribution partners with a view to using more environmentally friendly forms of transport, including green freight tariff's that offset transportation emissions.

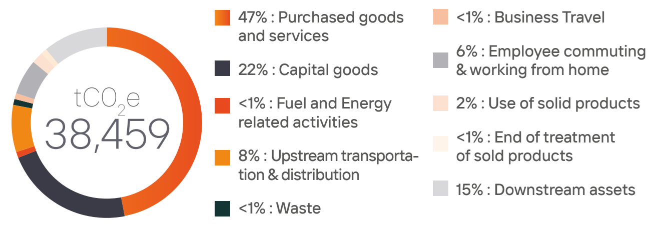
FY 2021 Scope 1 and 2 Emissions (tCO_2e)



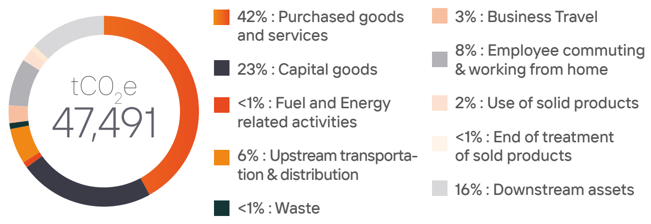
FY 2022 Scope 1 and 2 Emissions (tCO_2e)



FY 2021 Scope 3 Emissions (tCO_2e)



FY 2022 Scope 3 Emissions (tCO_2e)



Darktrace's carbon footprint for FY 2022 was 48,217 (FY 2021: 38,996) tCO2e. This is made up of 726 (FY 2021: 507) tCO2e scope 1 and 2 emissions and 47,491 (FY 2021: 38,459) tCO2e of indirect scope 3 emissions.

Climate Action - How Darktrace will Achieve Net Zero

As part of developing our de-carbonisation strategy we have developed a roadmap of actions to reduce our global scope 1, 2 and 3 emissions in order to meet our near-term targets and achieve net zero by 2040.

We will pursue the following objectives and actions in the short term to improve our performance and embed our ambitions within our strategy.

Improve Data Quality and Measurement

We will improve our data quality and measurement to better understand our carbon footprint and underlying drivers of emissions in order to more precisely guide our decarbonisation efforts. This will involve working with internal stakeholders as well as external suppliers to gather more accurate data, and to calculate service and product-specific emissions.

Design Sustainability within our Buildings and Facilities

We will ensure that the emissions associated with our buildings and facilities are decarbonised by the procurement of renewable electricity tariffs or the purchase of renewable energy certificates. At the same time we will guide improvements in how our buildings operate through energy efficiency measures, certifications and their electrification.

Refining our Employee Travel Policies

With COVID-19 restrictions lifting, the rate of our employee travel is rising again, which calls for a need to formally embed sustainability considerations into our travel policies. Focus will be placed on reducing our flights emissions per FTE.

Reshape our Operations, Products and Supply Chain

As architects of cyber-security solutions, it is very important that we appropriately consider the design of our hardware and software. We will explore de-carbonisation actions across the whole operational lifecycle of our solutions, from transportation and distribution to the design of our hardware and cloud-based systems, and the use of our services by our customers.

Formalise our Supplier Engagement Process

We will collaborate on our sustainability ambitions internally and with our key suppliers, and look to incorporate sustainability considerations into screening and procurement processes.

Any residual emission after our de-carbonisation program will ultimately be offset in our net zero year or sooner.

Darktrace's SECR Compliant Directors Statement

Darktrace recognises that our operations have an environmental impact and we are committed to monitoring and reducing our emissions year-over-year. We are also aware of our UK reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Darktrace has operational control of all of its subsidiaries for which the data presented here also includes.

2021-22 Performance

Darktrace has increased its overall carbon footprint on a market basis by 24%. The main performance changes are:

1. Building emissions increased by 43% in FY 2022, mainly due to offices occupancy numbers rising post COVID-19 pandemic.
2. Business travel emissions increasing by 510%, similarly impacted by the end of the COVID-19 pandemic travel bans, with flights having the highest emissions increase.
3. More hardware was purchased and sold across FY 2022, resulting in a rise in downstream assets (36% increase) and sold products (63% increase) emissions.
4. Capital goods emissions rising by 26%, due to more building expenses and IT hardware procurement.
5. Transportation and distribution emissions reduced by 8%, which is mainly due to a reduction in air freight.

Energy and Carbon Action

In the period covered by this report, Darktrace has undertaken the following energy and emissions reduction initiatives:

- Drafting of our inaugural net zero strategy with our commitment to net zero by 2040 and related action plan for de-carbonisation.
- Darktrace has commissioned a significant refurbishment of its new London office and set the target of achieving a RICS gold SKA rating for its design and build consultant. In the current year we are pleased to say that the Design Stage achieved a SKA Gold rating. Once complete the project will receive its final overall SKA rating, which we expect to happen in FY 2023.

2021-22 Results

The methodology used to calculate our greenhouse gas emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)
- The relevant conversion factors have been sourced from Defra 2020 and Defra 2021 for UK sites and IEA for international sites.[1]

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from global business activities fall within the reporting period 1st July 2021 to 30th June 2022, using the reporting period of 1st July 2020 to 30th June 2021 for comparison.

[1]Based on IEA data from the IEA (2020 and 2021) Emissions factors, www.iea.org/statistics. All rights reserved; as modified by Darktrace Plc.

Global greenhouse gas emissions and energy use data for the period 1 July 2021 to 30 June 2022		FY 2021	FY 2022	Percentage change
Emissions data by activity	**Activity**			
Scope 1 emissions tCO2e	Natural Gas	18	46	156%
	Refrigerants	1	-	-100%
Scope 1 Subtotal		19	46	142%
Scope 2 emissions tCO2e	Electricity	457	652	43%
	Heat & Steam	30	28	-7%
Scope 2 Subtotal (Market-based)		487	680	40%
Scope 2 emissions tCO2e (Location-based)	Electricity	420	566	35%
	Heat & Steam	30	28	-7%
Scope 2 Subtotal (Location-based)		450	594	32%
Scope 3 emissions tCO2e	Purchased goods & services	18,034	20,036	11%
	Capital goods	8,546	10,791	26%
	Fuel and energy related activities	104	211	103%
	Upstream transportation & distribution	2,982	2,730	-8%
	Waste	30	47	57%
	Business travel	213	1,299	510%
	Employee commuting & working from home	2,223	3,625	63%
	Use of sold products	616	1,002	63%
	End of life treatment of sold products	0.05	0.08	60%
	Down stream assets	5,711	7,751	36%
Scope 3 Subtotal		**38,459**	**47,492**	**23%**
Total gross emissions tCO2e (market based)		**38,965**	**48,218**	**24%**
Total gross emissions tCO2e (location based)		**38,928**	**48,133**	**24%**
Intensity Metrics	Emissions per million of revenue tCO2e/$m	139	115	-17%
	Emissions per employee tCO2e/FTE	24.4	24.1	-1%
Energy (kWh)	**This includes Electricity, Natural Gas, Heat & Steam and Employee cars as per SECR Guidance.**	**1,539,189**	**2,338,041**	**52%**

		FY 2021			FY 2022			Percentage change		
		UK	Global (exc. UK)	Total	UK	Global (exc. UK)	Total	UK	Global (exc. UK)	Total
Market-based emissions (tCO2e)	Scope 1 and 2 and employee cars	122	430	552	292	486	778	+139%	+13%	+41%
Energy usage (kWh)	This includes Electricity, Natural Gas, Heat & Steam and Employee cars as per SECR Guidance.	395,644	1,143,545	1,539,189	1,009,216	1,328,825	2,338,041	+155%	+16%	+52%

/ Task Force On Climate-Related Disclosures

Our Approach

The world has recognised that significantly cutting global carbon emissions is essential to managing the climate crisis. This is a generational challenge for which businesses have a significant part to play. Darktrace recognises that climate change poses a significant risk to the world and the business and has therefore established an Environment, Societal and Strategy (ESG) Team to ensure that Darktrace has identified climate related issues that may affect Darktrace's overall strategy, financials and performance.

The Financial Stability Board created the Task Force on Climate related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.

This is our first TCFD disclosure, and in preparing to comply with this years TCFD reporting requirements, we have integrated the climate-related issues into our governance, strategy, risk management and performance measurement frameworks. We have also conducted our first scenario analysis to inform a more comprehensive understanding of potential climate-related risks and opportunities applicable to our business under multiple climate scenarios. An inherent risk assessment has initially been completed with a further residual risk assessment exercise to be completed at a later date. Darktrace view the physical and transition impacts as relatively low currently, given our industry sector, with no significant impact on current strategy. However we will continue to evolve our approach and reporting in future years.

For LR 9.8.6(8) requirements, each section heading has the overview of our progress made toward the disclosure recommendations. Darktrace has made disclosures consistent with the majority of the TCFD recommendations, where the disclosures fall short, this is identified within the start of each TCFD pillar; Governance, Risk Management, Strategy, and Metrics and Targets.

Governance

TCFD disclosure recommendations	Disclosure location	Compliance
a. Describe management's role in assessing and managing climate-related risks and opportunities	Management's Role (page 65)	Compliant
b. Describe the Board's oversight of climate-related risks and opportunities	Board Oversight (page 64)	Compliant

Board Oversight

The Board has oversight and approval of Darktrace's strategy, including Darktrace's commitments to reduce our environmental impact and progress toward net zero emission by 2040 (see Climate Action - how Darktrace will achieve net zero section for how Darktrace will achieve this target). The board is supported in this by the ESG Strategy Team (see Management's Role section for further information) and Audit and Risk Committee. Together, the ESG Strategy Team and Audit and Risk Committee have overall responsibility for ensuring that climate-related issues are considered when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestiture.

The Audit and Risk Committee supports the Board by overseeing the Group's risk management framework, evaluating the Climate related risks and opportunities and assisting the Executive Management team with developing and implementing the operational plans required to strategically manage climate risks.

As the Environmental Strategy (Climate Action) matures and progresses the management team will ensure the Board is updated with progress against goals and targets related to addressing climate issues for users to understand how the board exercises its governance of the matter. This will be communicated via board papers on a bi-annual basis.

The board takes into account our inaugural de-carbonisation strategy as well as our TCFD scenario analysis in setting and guiding strategy as well as any major decision making and plans of action.

Figure 3: Pictorial representation of Darktrace's governance structure for climate related risks and opportunities

Management's Role

Reporting to the board, the ESG Strategy Team is accountable for the delivery of the Net Zero strategy. The ESG Strategy Team is chaired by the General Counsel and includes direct input from departmental heads.

Environmental risks are embedded within our Enterprise Risk Management (ERM) Framework. The ERM Framework is overseen by the Audit & Risk Committee. See the Risk Management section for more details.

Strategy

TCFD disclosure recommendations	Disclosure Location	Compliance
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Climate Related Risks and Opportunities Analysis (page 68) Scenario Selection (page 66)	Compliant
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	High level Risk Analysis (page 67) Climate Related Risks and Opportunities Analysis (page 68)	Partial Compliance – Full financial planning impact will be performed as part of the residual risk assessment.
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Climate Related Risks and Opportunities Analysis (page 68) Strategy Resilience (page 68)	Partial Compliance - The residual risk will be assessed, by understanding the current processes and controls Darktrace has in place as mature our net zero strategy and therefore the full financial impact. This will ensure that we are creating resilience through the business and a more climate related risk aware business.

For an initial assessment we focused on the four key Principal Risk areas and the impact the scenarios would have on those areas. An inherent risk assessment has initially been completed with a further residual risk assessment exercise to be completed at a later date. Darktrace has identified 13 climate-related risks and seven climate-related opportunities that we have assessed to have the potential to impact the business across three timelines and three scenarios.

The risks identified are those that could have an effect on our operations, strategy, and financial planning if they are not managed appropriately. Climate related opportunities, when taken, will improve not just our financial performance, but also reduce our impact on the planet.

Scenario Selection

The three scenarios chosen, have been developed by NGFS . While developed primarily for use by central banks the scenarios are also useful to the broader private sector. See Figure below for more details.

1. Orderly <2˚C	2. Disorderly <2˚C	3. Hot House World >3˚C
Scenario: Netzero 2050 achieved global warming is limited to 1.5˚C through stringent climate policies and innovation, reaching global net zero CO_2 emissions around 2050	**Scenario:** Net Zero 2050 achieved; but with higher costs due to divergent policies introduced across sectors leading to a quicker phase out of oil use.	**Scenario:** Net Zero 2050 not achieved. Assumes all pledge policies even if not yet implemented and only currently implemented policies are preserved.
Impact: • High level of transition risk risks compared to other scenarios • Physical risks are reduced due to positive action compared to other scenarios	**Impact:** • Higher level of transition risk risks compared to other scenarios • Physical risks are limited compared to other scenarios	**Impact:** • Limited transition risks compared to other Scenarios • Physical risks are the highest compared to other scenarios

Scenario Rationale

- Meet the TCFD recommendations for considering the different climate-related scenarios, including 2˚C or lower.
- Modelled against a 30-year timeline. This considers the Paris Agreement of a 2050 net zero target.
- Scenarios are modelled against the NGFS Climate Scenarios. The NGFS Scenarios have been developed to provide a common starting point for analysing climate risks to the economy and financial system.
- Considers the impact of physical and transition risks.

Figure 4: NGFS Scenarios and selection rationale

Timeline

Climate change will impact the business and its customers over a span of decades (short, medium and long term). For this, Darktrace has taken the approach to analyse the risks across three timelines:

1. SHORT (2022 – 2025)
2. MEDIUM (2026 – 2035)
3. LONG (2036 – 2050)

High Level Risk Analysis

The analysis performed for the climate related risks and opportunities is high level as we mature our climate-related risk analysis. However, the analysis conducted has taken into consideration the short, medium and long term impacts of the risks identified and crossed referenced against our key principal risk areas to ascertain how the impact of climate related risks and opportunities may impact Darktrace (for more information see the Climate Related Risks and Opportunities Vs Climate Scenarios section).

In summary, Darktrace consider that the physical and transition risks and impacts were relatively low in the short term given our industry sector, with no significant impact on current strategy, products or operations. However as emerging risks these will continue to be monitored and assessed and our approach evolved as necessary in future years.

Principal Risk Area	Physical Risks	Transition Risks	Climate Related Opportunities
	• Rising sea levels • Rising mean temperatures • Resource scarcity • Fire • Flooding	• Policy and regulation • Technology & Vendors • Market sentiment • Reputation • Litigation • Taxation • Offset	• Use of lower-emission sources of energy • Brand and public perception • Recruitment • Increase demand in Darktrace cloud solutions • Market valuation • Use of more efficient modes of transport • Product diversification
Market and Competitive Environment	Severe physical events may lead to shifts in market expectations and could result in sudden repricing, higher volatility and losses in some markets.	Transition risks may see consumers preferring to choose eco forward products as part of their own ESG strategies.	Improvement in market valuation as a result of changing investor expectations with regard to climate change and increase in demand for net-zero products.
Brand and Reputation	Darktrace's products may be disrupted due to physical damage to its property and data centres as a result of extreme weather events. This could potentially lead to downtime and potential reputational harm.	Changing consumer sentiment regarding climate issues can lead to reputation and liability risks for Darktrace as a result of using unethically resourced materials for products.	Increase in Brand impact and reputation due to net zero strategies, resulting in Darktrace being in a better competitive position.
People and Partners	Physical risk, such as acute events, may directly impact Darktrace employees and our partners. This may lead to an increase in vendor/supplier pricing.	Climate forward policy and regulation will inadvertently impact the business and the choice of partners that support the business, this may lead to increase in vendor/supplier pricing.	Benefits to workforce management and planning (e.g., improved health and safety, employee satisfaction) resulting in lower costs and making Darktrace more attractive to potential and current employees.
Technology and Product	Acute physical weather may directly impact Darktrace's capability of resourcing product elements and subsequent delivery of products from affected areas.	Transition risk drivers may generate an abrupt repricing of product supporting technologies and the choice of more green supporting vendors.	Increased reliability of supply chain and ability to operate under various conditions and the use of greener technology vendors.

See Physical risk impact on Darktrace Section for more details on Risk identified

See Transition risk impact on Darktrace Section for more details on Risk identified

See Opportunity impact on Darktrace Section for more details on Risk identified

DARKTRACE

Strategy Resilience

As the move to low-carbon economy continues and the rise in global temperature, the analysis conducted for the climate related Physical & Transitional, and Opportunities enables Darktrace to build resilience and plan for a worst-case scenario.

The inherent risk assessment conducted established that the Transition risks could potentially be the most impactful under Scenario 1 (Orderly) and Scenario 2 (Disorderly), however their full impact would be felt within different timelines. Scenario 3 (Hot House World) would potentially have the most financial impact due to the Physical Risks posed. For Scenario explanation and rationale see Figure 4.

Going forward, the residual risk will be assessed, by understanding the current processes and controls Darktrace has in place as we mature our net zero strategy and therefore the residual impact. This will ensure that we are creating resilience through the business and a more climate related risk aware business.

Climate Related Risks and Opportunities Analysis

Note: inherent risk assessment is in this TCFD section is in relation to each other and not in relation to the wider risk assessment contained in the Risk section

Physical Risk Impact on Darktrace

Increase in temperature and frequency of extreme weather events (e.g. heatwaves, storms) leads to higher energy consumption for cooling and product supply chain, in addition to damaging equipment and harming people's wellbeing.

Climate Physical Risk	Risk Impact	Climate Scenario	Timeline		
			Short (2022-2025)	Medium (2026-2035)	Long (2036-2050)
Rising Sea levels	Sea level rise and potentially threaten Darktrace offices, employee homes and customer locations.	1	Low	Low	Medium
		2	Low	Low	Medium
		3	Low	Medium	High
Rising mean temperatures	Rising temperatures can put pressure on cooling systems that Darktrace services rely upon.	1	Low	Low	Medium
		2	Low	Medium	Medium
		3	Low	Medium	High
Resource scarcity	Product supply chain affected by lack of resources to build technology required for Darktrace services and potentially driving demand and price upwards.	1	Medium	Medium	Medium
		2	Medium	Medium	High
		3	Medium	High	High
Fire	Wildfires can impact Darktrace supply lines and disrupt systems that Darktrace rely upon to provide our services.	1	Low	Low	Medium
		2	Low	Medium	Medium
		3	Low	Medium	High
Flooding	Flooding could potentially impact service quality and disrupt systems that Darktrace rely upon to provide our services.	1	Low	Low	Medium
		2	Low	Low	Medium
		3	Low	Medium	Medium

The table above shows how climate related risks and opportunities can affect Darktrace's Principal Risk areas and the potential financial implications. For more information on the principal risk areas see the Risk section (pages 52 to 59).

Key

Climate Scenario

1. Orderly <2˚C   2. Disorderly <2˚C   3. Hot House world >3˚C

Inherent Risk Impact

High   Medium   Low

Transition Risk Impact on Darktrace

Growing external pressures and demands for action negatively impact revenues from those companies late to react and trigger an increase in taxation and energy prices.

Climate Physical Risk	Risk Impact	Climate Scenario	Timeline		
			Short (2022-2025)	Medium (2026-2035)	Long (2036-2050)
Policy and regulation	Climate related regulation and policies can cause disruption within the business as the business shifts to ensure compliance with new legislations.	1	Medium	High	High
		2	Low	Medium	High
		3	Low	Low	Low
Technology & Vendors	Substitution of existing products and services with lower emissions options.	1	High	Medium	Medium
		2	Low	Medium	Medium
		3	Low	Low	Low
Market sentiment	Changing customer behaviour and potential loss of customers if perceived by the customers the technology organisations are not seen to be reducing their impact on the environment.	1	Low	Low	Low
		2	Low	Low	Low
		3	Low	Low	Medium
Reputation	Increased stakeholder/ customer concern or negative stakeholder/ customer feedback	1	Low	Low	Low
		2	Low	Medium	Medium
		3	Low	Medium	High
Litigation	Increase in stakeholder class actions against companies due to lack of climate action.	1	Low	High	High
		2	Low	Medium	High
		3	Low	Low	Medium
Taxation	Increasing carbon taxes on purchased products (border carbon adjustments/ higher production costs).	1	Low	High	High
		2	Low	Medium	High
		3	Low	Low	Low
Offsets	Emission offset costs increasing, thus increasing Darktrace's cost to meet net zero targets.	1	Low	Medium	Medium
		2	Low	Low	Medium
		3	Low	Low	Low

Key

Climate Scenario

1. Orderly <2˚C   2. Disorderly <2˚C   3. Hot House world >3˚C

Inherent Risk Impact

High   Medium   Low

Opportunity Impact on Darktrace

A shifting business landscape in a net zero world opens new opportunities to capture new business, employees diversification of green technology use.

Climate Physical Risk	Risk Impact	Climate Scenario	Timeline		
			Short (2022-2025)	Medium (2026-2035)	Long (2036-2050)
Use of lower-emission sources of energy	Use of green energy production for all offices.	1	High	Medium	Low
		2	Low	High	Medium
		3	Low	Low	Low
Brand and public perception	Better competitive position to reflect shifting consumer preferences.	1	High	High	High
		2	Medium	High	High
		3	Medium	Medium	Medium
Recruitment	Darktrace's climate strategy can synergize with potential employee ethos for climate change.	1	High	Medium	Low
		2	Low	High	Medium
		3	Low	Low	Medium
Increase demand in Darktrace cloud solutions	Increased revenue through demand for lower emissions products and services, enabled through cloud delivery	1	High	Medium	Low
		2	Low	High	Medium
		3	Low	Low	Low
Market valuation	Improvement of market valuation as a result of changing investor expectations regarding climate change.	1	High	High	Medium
		2	Low	High	Medium
		3	Low	Low	Low
Use of more efficient modes of transport	Reduced exposure to GHG emissions and changes in cost of carbon	1	Medium	Medium	Medium
		2	Low	Medium	Medium
		3	Low	Low	Low
Product diversification	Increased revenue through new solutions to adaptation needs	1	High	High	High
		2	Low	High	High
		3	Low	Low	Low

Key

Climate Scenario

1. Orderly <2˚C
2. Disorderly <2˚C
3. Hot House world >3˚C

Inherent Risk Impact

High · Medium · Low

Risk Management

TCFD DISCLOSURE RECOMMENDATIONS	DISCLOSURE LOCATION	COMPLIANCE
a. Describe the organisation's processes for identifying and assessing climate-related risks.	ERM Framework Integration (page 71)	Compliant
b. Describe the organisation's processes for managing climate-related risks.	ERM Framework Integration (page 71) Identified (page 71) Evaluation (page 71) Treatment (page 71) Monitoring (page 71)	Compliant
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Identified (page 71) Evaluation (page 71) Treatment (page 71) Monitoring (page 71)	Compliant

ERM Framework Integration

Climate-related risks have been fully integrated within the ERM Framework. As part of the integration of the potential impact relating to financial and strategic was considered, relating to climate-related events.

The risk management process was applied to the different climate related scenarios. See the Risk Section for more details on the ERM Framework.

Potential climate-related risks and opportunities were sourced from the following areas:

1. Climate change research papers, available trusted data and publications
2. TCFD guidance on climate-related risks and opportunities
3. Existing identified Environmental categorised risks already identified
4. Software/IT sector literature relating to climate-related risks and opportunities

Climate-related identified risks were presented to the Risk-Steerco for approval to move forward into the evaluation and treatment stages as outlined by the approach in the Risk section.

Evaluation

Evaluating the materiality of the risks and opportunities, the three NFGS scenarios were considered, in terms of their impact and likelihood to the business across three different timelines.

Treatment

The formation of the ESG strategy team represents the start of the Risk Treatment Plan. The initiatives discussed within Climate Action section (page 62) also form part of the risk treatment plan. The treatment strategies identified will be assessed for their effectiveness as part of the ERM cycle.

Monitoring

Scenarios will be reassessed annually as part of the ERM cycle to assess if the climate related risk treatment plans and the identified risks are still viable for the current situation. Climate-related risk will also continue form part of our Emerging Risks and monitored by the Audit and Risk Committee.

Metrics and Targets

TCFD DISCLOSURE RECOMMENDATIONS	DISCLOSURE LOCATION	COMPLIANCE
a. Disclose the metrics used by the organisation to assess climate- related risks and opportunities in line with its strategy and risk management process.	Metrics (page 62)	Compliant
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Carbon Footprint (page 61) Climate Related Risks and Opportunities Analysis (page 68) Scope disclosures (page 72)	Compliant
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Targets (page 72) Carbon Footprint (page 61)	Compliant

Metrics

Metrics and targets are important in effective management of climate-related risks and opportunities. We have carried out a full assessment of our carbon footprint in the current year and set ambitious science based targets to reduce it. In order to track our progress, as well as using our overall carbon footprint, we use two intensity metrics to evaluate our de-carbonisation progress, Emissions per million of revenue ($tCO_2e/\$m$) and Emissions per employee (tCO_2e/FTE). These can be seen in our greenhouse gas emissions table that forms part of our SECR disclosure on page 63.

Scope Disclosures

Darktrace calculates and discloses emissions from our Scope 1 and Scope 2, in compliance with SECR regulations. Darktrace also discloses emissions for certain Scope 3 categories. Further detail about our GHG methodology and emissions is provided as part of the Environment De-carbonisation section on page 60.

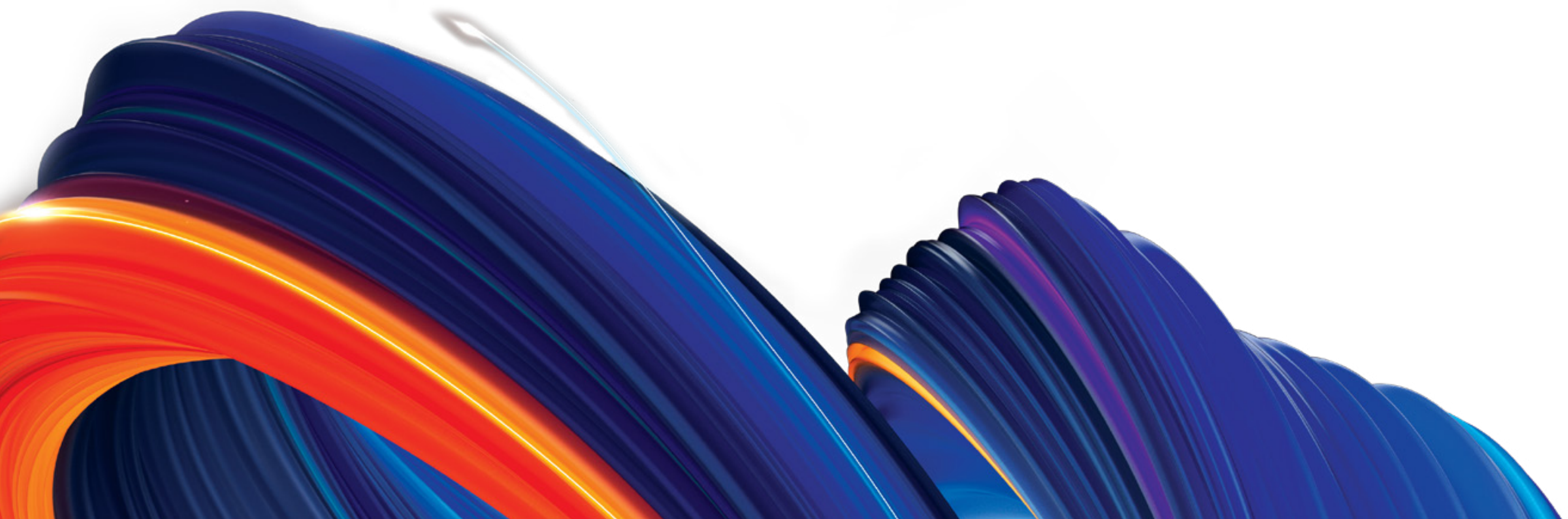
Targets

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_2e of scope 3 emissions per dollar of gross profit by 2030.

For further information on our de-carbonisation strategy see the Environment De-carbonisation Section on page 60.

Jack Stockdale (CTO), and Matt Dunn (CTO, Europe)



> Our success has been built on a determination to approach cyber security through a fundamentally different lens, which thwarts threats from within an organisation based on its understanding of what 'normal' looks like.
>
> / Gordon Hurst, Chairman, Darktrace

/ Society

Darktrace's mission is to protect businesses, public services and critical infrastructure from the most sophisticated cyber threats. We strive to have a positive impact on society by empowering organisations of all shapes and sizes to defend their critical assets in the face of an evolving cyber threat landscape. Our customers span across all industry sectors, including critical national infrastructure, government bodies and charitable organisations. Darktrace is committed to conducting its business responsibly and sustainably.

In addition to the work Darktrace does with its customers and suppliers, it also focuses on making a wider contribution to society in several key areas. These include contributing to the development of the cyber skills system, promoting women in technology and developing a charitable giving program, explored elsewhere in this report on page 78.

Protecting Critical Infrastructure and Public Services

As a leader in cyber security, Darktrace is committed to strengthening organisations' ability to defend themselves from a range of adversaries, including cyber criminals, nation-state attacks and malicious insiders, in order to protect the companies and public services that we rely on.

From energy providers to transport services, water suppliers through to government systems – all organisations with a digital footprint are at risk of cyber-attack. Darktrace works across public and private sectors, small business and not-for-profits.

Supplier Engagement

The group has fostered excellent relationships with its key suppliers, mostly in relation to the provision of appliances to deliver preloaded software. The Group has worked with its key suppliers on Brexit and COVID-19 contingency plans and has the appropriate credit lines in place with them to support the growth of the business.

Darktrace's process for contracting with suppliers includes checks to remain vigilant to any risk of modern slavery and human trafficking. These may include (but are not limited to):

- **Due Diligence.** It is a requirement that staff engaged in the process of selecting suppliers conduct reasonable checks to ensure that suppliers and partners are held to account over modern slavery. Darktrace may also require the suppliers and partners to provide a copy of relevant policies and their employee handbook. Where necessary, verification of the working conditions of staff and contractors may be required.
- **Contractual Commitments.** There are appropriate protections in Darktrace's agreements with suppliers. Where necessary, there is a written requirement for suppliers to implement effective systems and controls to prevent slavery from affecting any part of the business or supply chain. Darktrace may also require suppliers and partners to provide a summary of the steps they take to prevent modern slavery, including details of any relevant staff and supplier policies conducted on their suppliers.
- **Termination.** Darktrace may also terminate a supplier's contract at any time should any instances of modern slavery come to light

Customer Engagement

The Group focuses on developing and then delivering a world leading Cyber AI platform. The business measures both the total number of customers and the number of new customers added within the period to ensure that it is developing products that new customers want to buy. The Group closely monitors customer engagement through its KPIs on net annual recurring revenue retention rate and gross annual recurring revenue churn rate. These KPIs are a useful indicator of the Group's successful engagement with its customers. The Group has invested in the last year in growing its customer success function, with the aim of reducing gross annual recurring revenue churn rate.

Modern Slavery

Darktrace is opposed to slavery, servitude, compulsory or forced labour and human trafficking in all its forms (together "Modern Slavery"). As part of Darktrace's commitment to tackle Modern Slavery and in support of its Modern Slavery Policy, Darktrace will run an awareness campaign for all staff across the business, with guidance and training on what to do if they suspect any form of modern slavery in the business or its supply chain. Darktrace's Modern Slavery policy is available to all employees as part of the employee handbook and Darktrace will continue to provide education, information and guidance to its employees as part of its ongoing commitment. We will also bolster our due diligence efforts with vendors and suppliers, consistent with that commitment.

Employee Handbook

Darktrace has a comprehensive Employee Handbook governing subjects such as equal opportunities, equality and diversity, anti-harassment and bullying, grievances, the environment, conflicts of interest, anti-bribery and corruption, modern slavery, whistleblowing and maintaining a professional environment. Darktrace keeps the Employee Handbook under continuous review and will update it regularly. Darktrace conducts business in an honest and ethical manner and is committed to acting fairly and with integrity. Specifically, Darktrace takes a zero tolerance approach to bribery and corruption and will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates.

Human Rights

Whilst Darktrace has no specific policy in place regarding human rights we track and aim to comply with applicable requirements of law (including, for instance, Modern Slavery, as discussed above). We are committed to treating our employees equitably, and as such all employment policies and practices are equally applied to all Darktrace people. Further details on the Darktrace Employee Handbook are provided above. We also provide staff with trainings on our policies and intend to expand upon these trainings in the coming year.

Privacy

Darktrace's data protection processes and policies (internal and customer and supplier facing) are designed to govern the way it processes personal data safely and securely in accordance with applicable legislative and regulatory requirements. Darktrace continually monitors and updates its processes and systems relating to the storage and processing of personal data including updating its customer facing agreements and reviewing processes around employee and customer data.

EMPLOYEE SPOTLIGHT

LIZZIE MARTIN / SENIOR TECHNICAL MANAGER / LONDON, UK

After five years at Darktrace, I was delighted to be the employee representative for our 'People' related initiatives in 2021/2022. I've been with Darktrace since we were only around 300 people strong, so it's been amazing to see the team grow to over 2,000 people today, across the globe!

I have been lucky to have the opportunity to work with our employees to ensure we are driving forward initiatives that will make Darktrace an exceptional place to work. This has included strengthening our training and personal development offering in particular, through initiatives such as launching a pilot Leadership Development Programme and formalising our coaching scheme.

It's been great to be part of the drive to ensure we have an open dialogue across the business and can best meet the needs of our people.

People and Culture

Darktrace is a business with innovation and creativity at its heart. It is proud not only of its technology teams and their inventions, but also of its culture, which has been built by its people, and which champions collaboration, bravery and boldness.

Since its inception, Darktrace has sought to defy the status quo. This is the driving force in everything Darktrace does: from its ground-breaking advances in artificial intelligence to recruiting and retaining the best talent for its workforce.

Darktrace recognises the need to continually develop its culture as it grows as a business and has recently appointed David Walden as its first Chief People Officer in May 2022 to join the Darktrace leadership team. David's role will oversee, and build on, the work Darktrace is doing to support its teams all over the world. Part of this will be to follow through on the insights garnered from engaging in a company-wide conversation about how it can do so. The results of the survey are outlined next.

Company-Wide Survey

Darktrace has gathered feedback as part of a company-wide survey to understand how it can improve its offer to employees and ensure they are happy, fulfilled and able to develop all the skills they need to progress in their careers.

Engagement with the survey was very high at 79.4%, right at the top of the benchmark bracket for similar employee surveys, and Darktrace scored 7.8 out of 10 overall – the average score given across all 21 questions and all participants. This is above the benchmark average of all businesses surveyed by the third-party provider used to conduct the survey.

Darktrace's highest scores in the survey were in 'Relationships' and 'Meaning & Purpose'. This was hugely positive, demonstrating that many Darktrace colleagues feel they can foster strong relationships at work, and are proud to be playing a part in driving forward Darktrace's purpose and mission.

The area where employees felt Darktrace needed to improve most was in 'Personal Growth'. While Darktrace still scored well in this area, it recognises that there is room for improvement and has taken steps to expand and formalise some of its existing training and development programmes for employees, as well introducing some new ones, all of which are covered under 'Skills, Training and Careers'.

EMPLOYEE SPOTLIGHT

GERMAINE TAN / DIRECTOR OF ANALYSIS FOR APAC / SINGAPORE

I started my career at Darktrace in 2017 as a Cyber Analyst in Singapore – the second analyst in the team there. As the team grew rapidly, I took on more customer facing responsibilities and soon progressed to Director of Analysis for Singapore, and subsequently for the entire APAC region.

I love the customer facing aspects of my role – speaking to CISOs and understanding how security teams in different parts of the world carry out their security functions. I work closely with other departments internally and enjoy a certain level of trust with my colleagues which I believe would be hard to find elsewhere.

The support along the way has been incredible. I have been given the confidence to make my own decisions and grow my own team. I've enjoyed watching Darktrace grow as a business too – and being part of that growth. I look forward to seeing what the next five years will bring!

EMPLOYEE SPOTLIGHT

PAULINE DAME / PRODUCT OWNER, THE HAGUE / NETHERLANDS

As a product owner, I work on making the product vision come true. I help to define the functional requirements for new product features and support the communication of product changes internally and externally. In my role I get to work with lots of teams across the business to ensure that different stakeholder groups are provided will all the product information they need. Since joining Darktrace, I have been given the opportunity to extend my role to product owner of Darktrace PREVENT/End to End™, which I am extremely excited about. I have been passionate about PREVENT/E2E™ since the first demo I saw and I am delighted that I will be able to contribute to its success.

I have been enjoying getting to know the different teams at Darktrace. I have met so many smart and motivated people across the organisation already and I am impressed with the pace at which things are happening. I look forward to what lies ahead!

Skills, Training and Careers

Darktrace is focused on offering careers, not just jobs, to its employees. Darktrace recruits graduates from a wide range of talent pools, allowing it to hire the best and brightest candidates from a variety of academic backgrounds and disciplines and train them up in-house so that they are equipped to excel.

Darktrace's dedicated training team provides comprehensive training and onboarding for all new staff, as well as ongoing support with learning and professional development. Darktrace provides internal training on a wide variety of topics such as management techniques and HR practices. Last year, it launched a new training portal which provides ongoing training opportunities for all Darktrace staff as their careers progress.

Leadership Development Programme

Darktrace launched a pilot Leadership Development Programme which it has delivered alongside an external coaching partner to support its team leads in maximising their own potential and that of their teams. This will become a key element of our staff training and development in the future.

Coaching Programme

To meet the strong appetite for a professional coaching programme, Darktrace formalised its inaugural coaching scheme, matching a first cohort of 70 people with coaches from within Darktrace. The programme was a great success and the second cohort has been matched with coaches.

SME Mentorship Programme

Darktrace has paired some of its cyber technologists and analysts with its subject matter experts in a Subject Matter Expert mentorship programme. This structured mentorship provides its customer facing technical teams with greater opportunities to gain exposure to the wider business and gain valuable experience in client facing project work.

Darktrace Academy

Darktrace Academy is a vision for the future of Learning & Development for all its global employees. It will offer employees the opportunity to further their careers with bespoke training which is suited to the person's needs and ambitions. All staff will be able to utilise the Academy for their professional development throughout their career at Darktrace. Darktrace has started to build a new internal learning platform, which will allow experts within the company to publish carefully curated "Learning Paths" that employees can follow to support their development.

CASE STUDY / CYBER SKILLS PROGRAMME IN PARTNERSHIP WITH CYBERFIRST

- Darktrace partners with CyberFirst, a programme led by the National Cyber Security Centre (NCSC) aimed at inspiring young people to develop cyber security skills and learn more about careers in the industry.
- Through this partnership, Darktrace offers a cyber skills programme to undergraduate UK students which offers exposure to Darktrace's Cyber Technology and Cyber Analyst roles, with a view to permanent technical positions being offered where applicable.
- Over summer 2021, Darktrace took on the first cohort of CyberFirst interns for an eight-week internship, providing students in their first or second year of university training in the foundations of cyber security.
- The students had the opportunity to work with and meet a number of different experts from different functions of the business, to gain as broad an experience of working life as possible.

Employee Engagement

As a global technology business focused on innovation, fostering a collaborative culture is of the utmost importance to Darktrace and it is vital that Darktrace staff are able to share their thoughts, ideas and visions with each other.

As well as conducting a company-wide survey, Darktrace continued to run monthly global webinar sessions and regular social events across all regions. The company intranet, which was refreshed last year, offers Darktrace staff access to training materials and features such as 'Thoughts from the CEO', which is regularly updated by Poppy Gustafsson OBE, as well as regular updates on other topics such as People, Policy and Analyst Insights.

Darktrace staff are also encouraged to take advantage of the 'Suggestion Box' on the Company intranet, which a team of senior managers responds to on an individual basis. This can include ideas or suggestions from employees on any topics, such as initiatives and events Darktrace could consider or on its broader impact as a company. Darktrace has already implemented many of the suggestions made by its employees.

Darktrace has launched two charitable giving programmes. The first, quarterly giving, allows employees to nominate and vote for a charity which will receive a one-off donation from Darktrace. The second, matched giving, results in the business matching employee fundraising efforts for their own chosen charities.

Darktrace has also established an Employee Forum, which is comprised of individuals representing a broad cross-section of Darktrace's geographical territories and departments. The Forum is overseen by Paul Harrison, who sits on Darktrace's Board as an independent non-executive director. Through the Forum, employees can express their views and ideas on a range of topics, which are then put to the Board for consideration.

Incentives

The Group provides a market competitive package to all employees with an element of reward through incentive payments linked to the achievement of stretching performance targets. This reward philosophy applies to all levels of the business.

Darktrace also offers a comprehensive package of benefits to our employees around the world, including private healthcare, a generous pension plan and competitive benefits packages across the different localised regions we operate in. Darktrace appointed its first Global Benefits & Reward Director in November 2021, with a remit to continually enhance its global benefits offering.

Creating a Diverse and Inclusive Environment

Equal Opportunity

Darktrace is committed to creating a culture in which diversity and equality of opportunity are promoted actively and in which unlawful discrimination is not tolerated. Darktrace recognises that having a diverse range of people contributing to the business is crucial for its success.

Darktrace strives to create an environment in which staff are able to identify and share good practice, celebrate success and encourage positive attitudes towards diversity.

Responsibility for ensuring the effective implementation of the Diversity & Inclusion policy sits with the Board. All leaders and managers are required to demonstrate their commitment to promoting equality and diversity, and to promote the same levels of behaviour across the workforce. We regularly provide our employees and managers with trainings to outline our policies and commitment and enable managers to discharge their responsibilities in accordance with our polices against harassment and discrimination.

Monitoring

As Darktrace has a responsibility to monitor diversity, we do this within the guidelines of our data protection and equal opportunities monitoring policies and using data collected during our onboarding process during which employees are able to self-declare their gender or ethnicity status.

Women in Technology

Darktrace is passionate about encouraging more women to pursue careers in science, technology, engineering and mathematics (STEM). Darktrace recognises that women are under represented in this sector and is committed to empowering the brightest talent to flourish within the organisation.

Darktrace is proud to be led by a female senior leadership team, and today its workforce is made up of a third women. This representation is mirrored within the Board of directors who have 3 females in a Board of 9 and the Executive Management Team who hold 4 C-Suite positions in a team of 11, and this is against the backdrop of an industry average of typically less than half that. A strong presence of senior female role models in the organisation has been a key factor in building that workforce, although we recognise there will always be more that we can do to improve diversity in our global workforce.

WISE - WOMEN IN SCIENCE AND ENGINEERING

wise

Darktrace partners with WISE – a social enterprise which works to promote the participation of women in STEM

EMPLOYEE SPOTLIGHT

WILLEM VAN ZWIETEN / TEAM LEAD DATA SCIENCE & DEVELOPMENT & OPS / THE HAGUE, NETHERLANDS

I joined Darktrace in March 2022 through the acquisition of Cybersprint. Having led the Data Science team at Cybersprint, I was offered the opportunity to lead all technical development teams at Darktrace working on our attack surface management (ASM) capability - part of our Darktrace PREVENT™ product family.

My role includes overseeing and growing the Development, Data Science and Ops Engineering teams at our R&D Centre in The Hague, and helping them to integrate with the R&D team in Cambridge. I'm able to combine my technical, leadership, management and business skills and have found this really rewarding.

I have been welcomed with open arms at Darktrace and have truly felt part of the company since day one. It's exciting to be part of the Darktrace family and am looking forward to all the opportunities still ahead of us.

Darktrace's Advisory Council

Advisory Council

Darktrace's Advisory Council members are world-leading experts in their respective fields who support the Darktrace executive team by providing their insights on key industry and global trends.

The Advisory Council's members are:
Lord Evans of Weardale KCB
Professor Nick Jennings CB FREng
Alan Wade
Rt Hon Amber Rudd
Robert S Webb QC

7th September 2022

/ Non-financial Information Statement and Section 172 (1) Statement

The Board considers that the Board, both as a whole and its individual members, have acted in a way that would be most likely to promote the success of the Group, for the benefit of its members as a whole, whilst having regard to the interests of its other stakeholders in the decisions made by the Board during the year. The directors confirm that the meetings and considerations of the Board, which underpin its decisions, incorporate appropriate regard to the matters detailed in section 172 of the Companies Act 2006.

The Board and each director acknowledge that the success of Darktrace's strategy is reliant on positive engagement with all the Group's stakeholders. We believe we are stronger and can each achieve our common goals working in collaboration and having regard to each other. Darktrace has a global and diverse community of stakeholders, each with its own interests in and expectations of the Group. Due to the scale and geographic spread of our businesses, stakeholder engagement mostly takes place at an operational level and the Board is therefore reliant on management to help it fully understand the impact of the Group's operations on its stakeholders.

The Board considers the Group's key stakeholders to be its customers, its people, its shareholders, its partners and suppliers, the environment and the wider community in which the Group operates.

The engagement methods used to engage with these stakeholder groups and the outcomes are set out below and in other relevant sections which should be read in conjunction with this Statement:

- CEO Statement, page 10 – this sets out the key relationships the Group depends on and the key decisions made by the Board and how they are intended to support the long term strategy of the Group.
- Principal and Emerging Risks, page 54 – this section identifies threats to the stakeholder relationships, and environmental trends, which could disrupt the long-term success of the Group.
- ESG, page 60 – this explains Darktrace's commitment to reducing its impact on the environment, setting out the steps taken to set a baseline and the targets set for the future.
- Society, page 74 – this sets out the commitments and current known engagement outcomes with several of our stakeholder groups.

During the year, the Board considered information from across the Group's businesses in the form of presentations from management and reports and took part in discussions which considered, when relevant, the impact of the Group's activities on its key stakeholders. These activities, together with direct engagement by the Board and individual directors with the Group's stakeholders, helped to inform the Board in its decision-making processes.

As a Board, the collective role of the directors is to act as responsible guardians and stewards of the Group. In so doing, the Board ensures that the Group is optimally positioned to achieve its long-term sustainable aims and deliver value for its stakeholders. The Board recognises that balancing the needs and expectations of stakeholders is important, but it often must make difficult decisions based on competing priorities where the outcome is not positive for all of the Group's stakeholders. Decisions are not taken lightly, and the decision-making process has been structured to enable directors to evaluate proposed business activities and the likely consequences of its decisions over the short, medium, and long term, with the aim of safeguarding the Group so that it can continue in existence, fulfilling its purpose and creating value for all stakeholders.

Customers

How we engage – the Group has constant engagement with our customers across the globe. As detailed in the Society section earlier (page 75), customer engagement is closely monitored through KPIs that correlate to successful engagement. One of the outcomes of this engagement is the investment made to grow the customer success function to elevate our engagement further.

People

How we engage – more information can be found in the People section (page 78) though our highlights are (i) the creation of the employee forum and (ii) the appointment of Paul Harrison to the employee forum. As a result of these changes the Board has a better understanding of the employee community, which is provided directly by a non-executive Board member.

Shareholders

How we engage – our Investor Relations team support the CEO, CFO and Chair and other Board members on regular engagement with our significant shareholders.

Partners and Suppliers

How we engage – our key suppliers have excellent relationships with us and we ensure the stability of these relationships by establishing appropriate credit lines that support our growth. We have supplier due diligence checks in place and are working to evaluate and, where appropriate, improve our checks and supplier on boarding process.

Wider Community

Darktrace is keenly aware of its responsibility to the wider community and we are committed to protecting critical infrastructure and public services by ensuring the public sector, not-for-profits and small businesses can be strengthened by Darktrace's services and software.

Environment

How we engage – our environmental impact is monitored, assessed and reported, and we look for ways to improve. The environment impact was a key focus of the fit-out of the London and New York offices. Further information is available in the Environment De-carbonisation section.

Board Decisions and Stakeholder Engagement

The following are examples of decisions taken by the Board where the impact on various stakeholders have been considered:

Strategy

Acquisition of Cybersprint – customers, investors, employees, partners & suppliers.

Liquidity arrangements – employees, partners & suppliers.

Employee Forum creation and appointment of Paul Harrison as NED representative - employees.

London Lease – employees, environment.

New York Lease – employees, environment.

Board committee membership/board evaluation/appointment of new NED – investors, employees, partners & suppliers.

Ongoing sponsorship of McLaren – customers, investors, employees, partners & suppliers.

Further details of how the Board and the directors have fulfilled their section 172 duties can be found throughout the Strategic and Governance reports as referenced against section 172 (1) (a) to (f) below.

Section 172(1) (a) to (f)

A director of a Group must act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

You can read about the policies that underpin these broader corporate responsibilities as signposted by the symbols in our following non-financial information statement.

/ Other Statutory Information

Listing Rules Disclosures

For the purpose of the FCA's Listing Rule 9.8.4C R, there are no applicable information to be disclosed.

/ Non-Financial Information Statement

This section of the report constitutes Darktrace's non-financial information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The table below, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Ethics and Governance

Governance and leadership – pages 84 – 131

Risk management – pages 54 - 57

Supporting our customers in a new era of cyber threat – page 75

Supplier and customer engagement – pages 74 - 75

Modern Slavery – page 75

Anti bribery and corruption – page 75

Environment

Direct and indirect GHG emissions – pages 60 - 72

Environmental strategy – page 65

Social

Community engagement – page 80

Women in Technology – page 78

Protecting critical infrastructure and public services -page 74

People

People and Culture – page 76

Employee engagement – page 78

Diversity – pages 75, 78

Modern slavery – page 75

The principal risks relating to the environmental matters (including the impact of the Company's business on the environment), the Company's employees, social matters, respect for human rights, and anti-corruption and anti-bribery matters are set out on page 75.

CHAPTER 2
GOVERNANCE

CHAPTER 2 - GOVERNANCE INDEX

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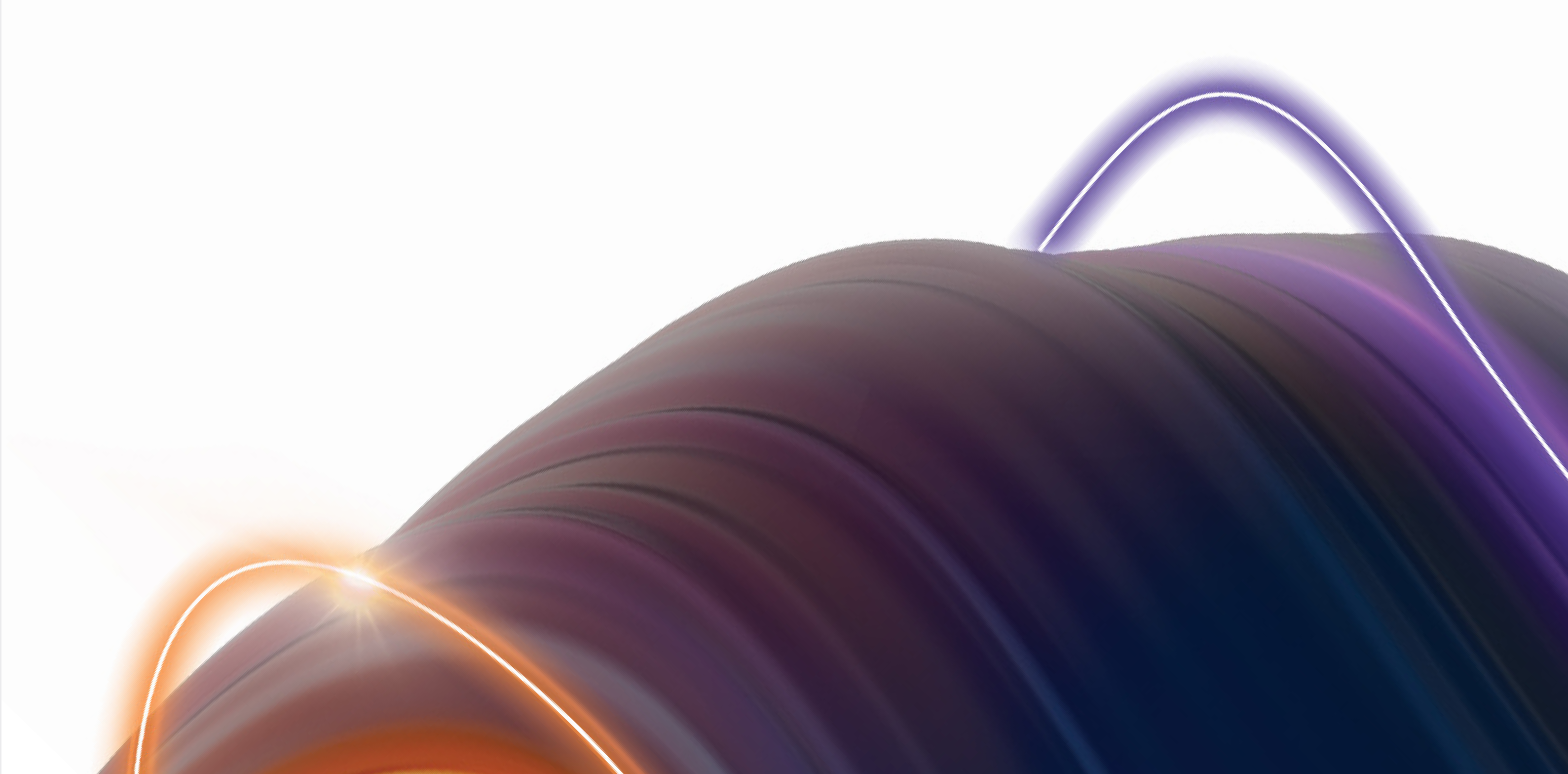
> Our priority at Darktrace is to deliver best-in-class technology to our customers which defends their most critical digital assets.
>
> / Poppy Gustafsson OBE, CEO, Darktrace



Later in this Corporate Governance Report:

1. An introduction to our Board is given in the biographies of our Directors on the next pages.
2. More detail on the role and activities of the Board starts on page 91.
3. Lord Willetts, the Chair of the Nominations Committee, reports on its work commencing on page 96.
4. Paul Harrison, the Chair of the Audit & Risk Committee, reports on its work commencing on page 98.
5. Sir Peter Bonfield reports on the remuneration of the Directors in his capacity as Chair of our Remuneration Committee, commencing on page 106.

/ UK Code Compliance

This Corporate Governance Report, including the sections that follow, sets out how the Company has applied the main principles of good governance contained in the UK Corporate Governance Code for the financial year 2021/2022. The Board considers that the Company has been compliant with the Code provisions that applied during this period, and will comply with those that apply after, with the following exception:

- Code Provision B.1.2 recommends that at least half the members of the Board, excluding the Chair, should comprise Non-Executive Directors determined by the Board to be independent. For the purposes of assessing compliance with the Code, the Board considers that Lord Willetts, Sir Peter Bonfield, Paul Harrison, are independent of management and free from any business or other relationship that could materially interfere with the exercise of their judgement;
- the Board also considers that I, as Chair of the Company, was independent at the time of appointment; and
- as well as our two Executive Directors, we have three other Non-Executive Directors who were nominated by major shareholders and are therefore not considered to be independent for the purposes of the Code.
- We are in the process of hiring an additional independent Non-Executive Director. Whilst the Board is therefore not fully compliant with this part of the Code we have taken significant steps towards adding another independent member of the Board and hope to complete this before the end of the next financial year.

I look forward to reporting to you next year on how our governance arrangements continue to develop. This will include another report on the evaluation to be undertaken of the effectiveness of our Board and on any actions we undertake in response to this. We view measurement of performance, targeting improvement and reporting results to be as important for us as a Board as it is for our business.

On behalf of the Board

Gordon Hurst

Gordon Hurst
Chair
7th September 2022

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.

/ Gordon Hurst, Chair at Darktrace

THE BOARD

Our Board comprises a diverse range of directors with a wide variety of complementary skill sets and experience.

Poppy Gustafsson OBE – Chief Executive Officer, N

Ms. Gustafsson co-founded Darktrace in 2013 and has served as the CEO of the Group since 2016. Under her leadership, the Group has experienced significant growth and global expansion, and listed on the London Stock Exchange in 2021. She was named CEO of the Year at the 2021 Digital Masters Awards and Tech CEO of the Year at the UK Tech Awards 2021. Together with Darktrace CTO Jack Stockdale, Poppy was awarded an OBE for services to cyber security in 2019. She is a qualified chartered accountant and holds a BSc in Mathematics from the University of Sheffield, where she was also awarded an honorary degree in Doctor of Science in recognition of "outstanding achievement in the field of Cyber Security" in 2022.

Catherine Graham – Chief Financial Officer

Ms. Graham joined the Group as its Chief Financial Officer in February 2020, was appointed to the Board of the Company at incorporation of the Company and is the Company's Chief Financial Officer. Ms. Graham has more than two decades of professional experience in financial disciplines and has served at the helm of several businesses throughout periods of rapid growth and capital structure evolution. Previously at 2U, a global leader in education technology, Ms. Graham has extensive experience in developing and maturing hyper-growth technology companies. In 2015, she was named as Northern Virginia Technology Council's 'Public Company CFO of the Year' and was included in the Washington Business Journal's 2018 list of 'Women Who Mean Business.' Ms. Graham was instrumental in Darktrace being named as Best Performing Company 2022 at the Megabuyte100 Awards and winning an award for Outstanding Equity Capital Markets Deal of 2021. Ms. Graham holds an MBA from Loyola University Maryland and a BA in Economics from the University of Maryland.

Gordon Hurst – Non-Executive Chair, N, R, I

Mr. Hurst joined the Group on 28 July 2019 as a Director of Darktrace Holdings Limited, and was appointed to the Board of the Company on 1 April 2021. Mr. Hurst has 27 years' experience with Capita plc (LON: CPI), a leading consulting, digital services and software business company, from 1988 until February 2015, including having served as the Group Finance Director on its board since 1996. During this period, Mr. Hurst was instrumental in managing acquisitions, large outsourcing deals, and building a team of commercially-focused finance directors to enable continued development of the business. Since then, Mr. Hurst served as non-executive director of Marston Holdings until March 2020 and is currently non-executive director and chair of the board of Featurespace and the non-executive chair of the PE funded services business, Azets Ltd.

Lord David Willetts, A, R, N, I

Lord Willetts was appointed to the Board of the Company on 1 April 2021. He is currently the President of the Resolution Foundation and the Chair of the UK Space Agency. He is a director of UK Research and Innovation (UKRI), BioTech Growth Trust plc, the Foundation for Science and Technology, SynBioVen Limited, Satixfy UK Limited, and Marchmount Executive Services Limited. Since April 2018 he has served as the Chairman and director of Verditek plc and as the Chairman and director of Tekcapital plc since January 2020, and he was previously an independent director of Surrey Satellites. Lord Willetts has been a trustee of the Booker Prize Foundation since September 2018. Lord Willetts began his career in Parliament as the MP for Havant in 1992 and was appointed Minister for Universities and Science in May 2010. Lord Willetts has previously served as Paymaster General and then in the Shadow Cabinet in a range of roles, including Shadow Secretary of State for Trade and Industry, Shadow Secretary for Education and Skills, and Shadow Secretary for Innovation, Universities and Skills. Lord Willetts has also worked at HM Treasury and in the Number 10 Policy Unit. In addition, Lord Willetts is an Honorary Fellow at Nuffield College, Oxford, and a member of the Council of the Institute for Fiscal Studies. Lord Willetts was educated at King Edward's School, Birmingham and Christ Church, Oxford, where he studied philosophy, politics and economics.

Sir Peter Bonfield CBE, A, R, I

Sir Peter was appointed to the Board of the Company on 1 April 2021. Sir Peter has previously served as the CEO and Chairman of the Executive Committee of British Telecommunications from 1996, when he was appointed, until early 2002. Sir Peter is currently serving as Chairman of NXP Semiconductors in the Netherlands and Truchas Associates Limited, is a director of Imagination Technologies Group Limited, TSMC Taiwan, and is a member of the Longreach Group Advisory Board, Hong Kong. He is also a board mentor of CMI and a senior advisor to Alix Partners. Sir Peter has previously served as Chairman and Managing Director of ICL after its merger with STC, a large telecommunications equipment manufacturer, Deputy Chief Executive of STC plc as well as Chairman and CEO of ICL. Sir Peter's career has also included Chairman of GlobalLogic, Senior Independent Directorship of AstraZeneca, Member of the Citigroup International Advisory Board, Advisor to Apax Partners LLP, Senior Advisor to Rothschild, member of Silent Circle's Advisory Board and Directorships on the Boards of Sony Corporation in Japan, Mentor Graphics Corporation in the USA, Ericsson in Sweden, the Department for Constitutional Affairs and the Ministry of Justice. In total, Sir Peter has been a Board Member of 13 quoted companies around the world. Sir Peter has an Honours Degree in Engineering from Loughborough University and is a Fellow of the Royal Academy of Engineering.

Paul Harrison, A, R, N, I

Mr. Harrison was appointed to the Board of the Company on 1 April 2021. Mr. Harrison is a chartered accountant with over 35 years' business experience. Mr Harrison is the Chief Operating Officer and an Executive Director of Ascential plc.holding these roles since January 2021 though he originally joined Ascential plc as a Board Director and chair of the Audit Committee in February 2016 and held these posts until his appointment as an executive director. From 2016 to 2020 Mr Harrison served as the CFO of Just Eat plc, a FTSE 100 on-line food marketplace business, and also was the interim CEO from April to September 2017. Prior to Just Eat, Mr. Harrison served as CFO of WANdisco plc in California and as Group CFO of one of the largest UK (& FTSE 100) software businesses, The Sage Group plc for 13 years. In addition, Mr. Harrison served from 2007 to 2017 as a Non-Executive Director and, in the last 5 years of his appointment, Senior Independent Director of FTSE 250 recruiter, Hays plc. During this time, Mr. Harrison initially chaired the Audit Committee switching midway through his appointment to chairing the Remuneration Committee. Mr. Harrison has formerly also served as a Governor of Royal Grammar School, Newcastle a large, independent school based in Newcastle upon Tyne.

Vanessa Colomar, S

Ms. Colomar has decades of experience working hands on to lead founders and visionaries in creating and scaling technology companies. Throughout her career she has sat at the intersection of ideas and their development in a variety of roles, spanning media, politics, technology, business, academia and the law. Vanessa is a co-founder of Invoke Capital which forms, funds and develops fundamental technologies, often disrupting established methodologies and developing multi-billion pound businesses in the process. Invoke capital was the seed investor in Darktrace a leading AI cybersecurity company and was instrumental in getting the company up and running from inception, as well as helping it to scale rapidly prior to it going public on the LSE in 2022. Invoke capital also created Luminance, an AI platform that is changing the way lawyers work with documents and contracts. Invoke was an early investor in the Nasdaq-listed Sophia Genetics, which is transforming personalised medicine and cancer treatment. After graduating from Durham University with a First in modern languages, Vanessa obtained a Masters in journalism in Madrid, where she worked in the International media sector including TV, print and digital before transitioning to technology based businesses. Her areas of expertise are in the practical application and policy implications of Artificial Intelligence and Cyber security. Today, Vanessa is on the board of Darktrace and of Luminance and various charities. Beyond work, she enjoys thinking about the intersection of arts and science, broadening access to the Arts and music education.

Stephen Shanley, S

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

Johannes Sikkens, S

Mr. Sikkens joined the Group on 14 July 2015 as a Director of Darktrace Holdings Limited, and was appointed to the Board of the Company on 1 April 2021. Mr. Sikkens serves as Managing Director and Head of Europe at Summit Partners, a global alternative investment firm with more than $37 billion in assets under management. Mr. Sikkens joined Summit Partners in 2004 and today manages the firm's London office. Mr. Sikkens focuses primarily on investments in the technology sector in Europe. In addition to the Company, Mr. Sikkens currently serves as a director at MUBI Inc., Odoo SA, Mobius Solutions, Ltd., Red Points Solutions, Ltd and Syncron International AB, as an Observer of Ivalua S.A.S., and he is actively involved in Summit's investments in Akeneo, LearnUpon, and Solactive. His previous board and investment experience includes 360T Group, Acturis Limited, Avast (LON: AVST), Flow Traders (Euronext: FLOW), Multifonds , RELEX Solutions, SafeBoot, Siteimprove and Welltec International. Prior to Summit, Mr. Sikkens worked for Scotia Capital and IBM Corporation. Mr. Sikkens holds a BS in Business Administration from the University of Groningen, an MSc in International Business from the University of Groningen, and an MSc in International Finance from the CERAM Graduate School of Management & Technology.

A: Audit & Risk Committee | N: Nomination Committee | R: Remuneration Committee
I: Independent Non-Executive Director | S: Nominee of a Major Shareholder

Darktrace Cambridge Office

REPORT OF THE BOARD

Our Board provides leadership to the Group, sets and monitors the implementation of its strategy and, with its standing Committees, oversees controls, risk management and senior remuneration in the Group. It aims to ensure that the Group has in place appropriate people, financial and other resources to enable value to be maximised for shareholders and other stakeholders over the long-term.

As part of its role, our Board provides both support and constructive challenge to management in the review of proposals, in the monitoring of performance and in the targeting of achievement of the Group's aims, over both the long and shorter terms.

Later in this Governance Report are specific reports from our Nomination, Audit & Risk and Remuneration Committees. This report summarises the role and activities of our Board.

/ Membership of the Board

The Board currently has nine members:

- its Non-Executive Chair, Gordon Hurst, who was independent on appointment;
- two Executive Directors, Poppy Gustafsson OBE (Chief Executive Officer) and Catherine Graham (Chief Financial Officer);
- three independent Non-Executive Directors, three of whom, Lord Willetts, Sir Peter Bonfield and Paul Harrison, who were appointed shortly before the Company's IPO and a fourth independent Non-Executive Director who is anticipated to join the Board in the next financial year; and
- three non-independent Non-Executive Directors, Vanessa Colomar, Stephen Shanley and Han Sikkens each of whom have been nominated by a major shareholder and served since before the Company's IPO.

Further details of our Directors are provided on pages 86 to 88.

The professional diversity of our Directors provides the Board with a broad range of experience of both the Group's business and of other businesses, including in the publicly listed environment. This enables high quality, varied relevant input into Board discussions, enriching debates and allowing carefully considered judgements to be reached, consensus arrived at, and decisions then taken

Poppy Gustafsson OBE, the Chief Executive Officer, and Catherine Graham, the Chief Financial Officer, are both women as is one of the non-independent Non-Executive Directors, Vanessa Colomar. Women make up one third of the board of directors and this has been the case since the Company listed in 2021.

Although not currently compliant against the target Listing Rules requirements on gender and ethnic diversity, and in recognition of that, the Company is actively looking at improving representation at both board level and across senior management through recruitment and new appointments. We will endeavour to ensure full compliance in the coming financial year.

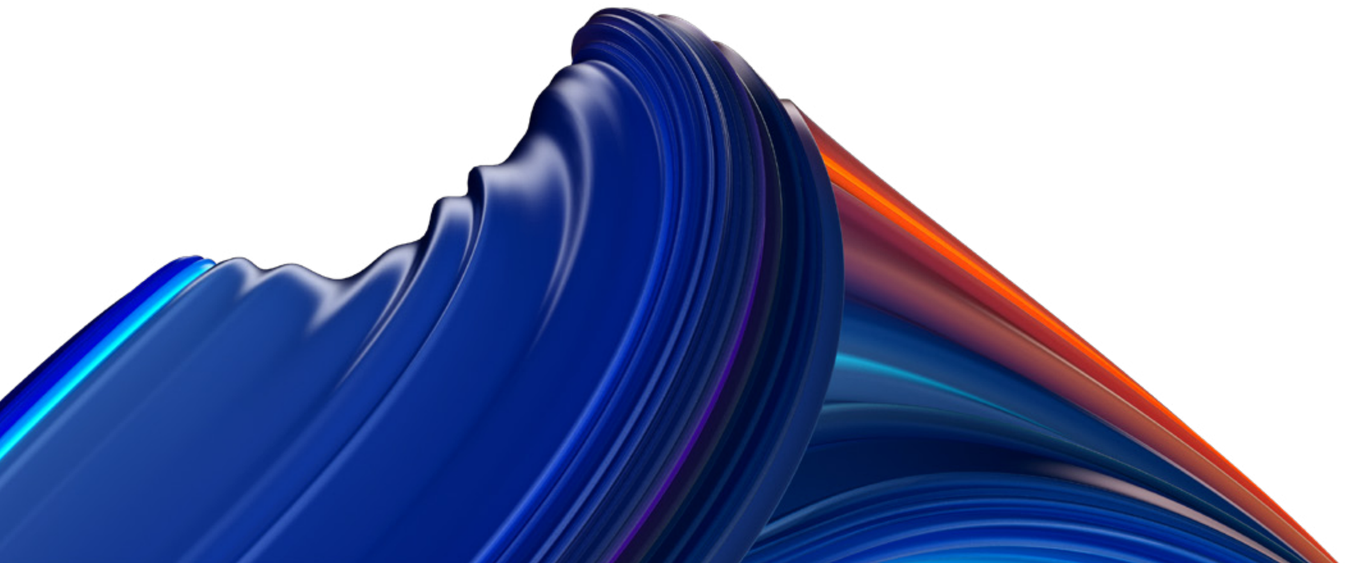
All Directors have a deep interest in helping the Group achieve its long-term objectives. They all devote sufficient time and attention to their Board duties and responsibilities, and they take collective responsibility for the Board's performance. A proper balance of influence is maintained without one person or separate group of people having undue powers of decision-making. All the Non-Executive Directors bring strong and valuable judgement to bear on the Board's deliberations and decision-making process.

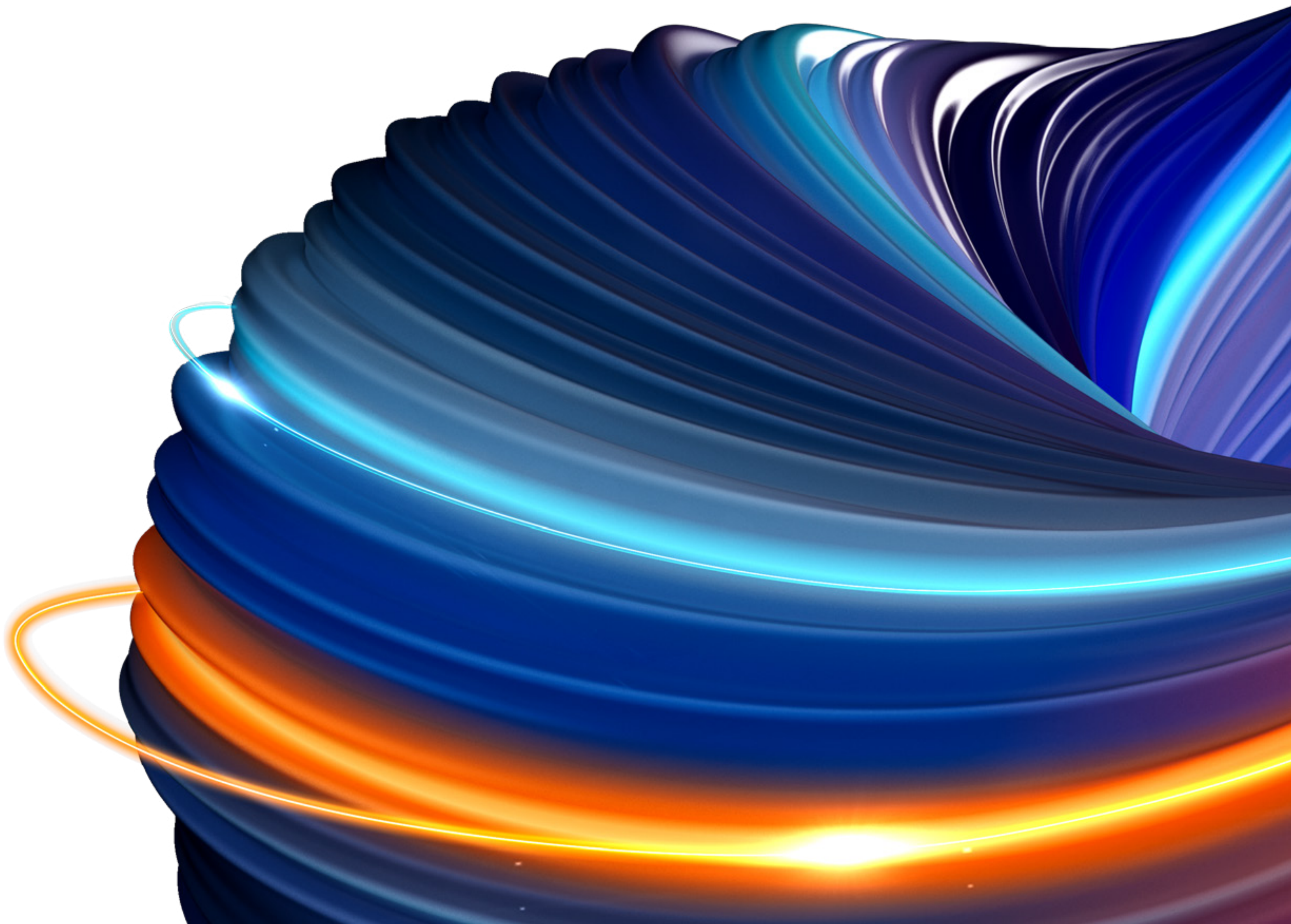
The Board believes that its current structure and membership is appropriate for this stage in the Group's development and represents a good balance of skills and experience necessary to manage the Company and its business in an effective and successful manner and will be strengthened with the appointment of a new Independent Non-Executive Director (for which the search is already underway).

Role of the Board

Key activities of the Board include the following:

Responsibility for the overall leadership of the Company and setting the company's purpose, values and standards, assessing and monitoring the Company's culture and promoting the alignment of culture with purpose, values and standards	The Board and its Committees meet regularly and review matters of strategic importance. This is usually done in the context of a presentation to the Board (supported by papers provided in advance of Board meetings) providing updates on business performance and updates from specific areas of the business. As part of Board discussions of strategic proposals Non-Executive Directors constructively challenge matters when they feel appropriate as part of reaching an overall consensus. In addition, the Board reviews and seeks to identify risks at a strategic level.
Approval of the Group's strategic aims and objectives.	As part of their regular meetings the Board and its Committees receive updates on strategic aims and objectives and performance against those objectives.
Approvals of the annual operating and capital expenditure and budgets and any material changes to them.	This includes regular reviews of the financial performance and requirements of the Group. It also includes regular updates from the CFO and CEO on developing plans and any material changes to existing annual operating and capital expenditure and budgets.
Review of the Group's performance in light of its strategic aims, objectives, business plan and budgets and ensuring that any necessary corrective action is taken.	As well as financial performance, the Board reviews the operational development of the Group and its markets to ensure its strategy remains appropriate and to consider and decide upon any adjustments that may improve this.





/ Board and Committee Meetings

The Board meets at regular intervals through the year both at scheduled meetings and other meetings as required. At these meetings, it reviews:

- minutes of previous meetings;
- progress against previously agreed actions;
- business performance;
- shareholder communications and feedback;
- the Group's industry activity;
- operational matters of particular note for the Board;
- strategic considerations;
- reports of proceedings of Board Committees; and
- governance, legal and regulatory matters.

Further details of the meetings of the Board and of our Directors' attendance at these are given in the adjoining table. Where a Director is unable to attend a particular meeting, full documentation for the meeting is issued to them, their views sought in advance and briefings are provided subsequent to the meeting as required.

Members of management in addition to the Executive Directors may be invited to present relevant matters to the Board where considered appropriate. Executive Directors and members of management may also attend and present on relevant matters at Committee meetings at the invitation of the Committee Chairs.

Directors have the right to request that any concerns they may have are recorded in the appropriate Board or Committee minutes (although no such requests were made during the period). Minutes are circulated for comment by all Directors before being formally approved at the next relevant meeting.

/ Support to Directors

The Directors have access to the Company's management and advisors and may visit the Company's operations. On appointment the Directors received a comprehensive induction facilitated by the Company Secretary and external counsel. This induction included meetings with key members of management, the Company Secretary and external counsel together with briefings on the Group's business, its industry and their duties as directors of a public listed company generally. Directors also receive regular briefings on their obligations and duties from external counsel and will have access to ongoing training as required and the Board is in the process of reviewing the onboarding process and ongoing training.

All Directors also have access to the advice and services of the Company Secretary. The Company Secretary acts as Secretary to each of the Board Committees reporting in these roles directly to their Chairs, and advises through their Chairs on compliance with Board and Committee procedures and applicable laws and regulations relating to governance and other matters. Directors are also able to take external advice at the expense of the Company, should they feel this is necessary.

/ Attendance at Meetings

The numbers of and attendance of current Board and Committee members at meetings and calls since 30 June 2021 is as follows:

Total Meetings	Board	Audit & Risk	Remuneration	Nomination
Gordon Hurst	8*	–	4	2
Poppy Gustafsson OBE	8	5	4**	2
Catherine Graham	8	5	4**	–
Lord Willetts	8	4	4	2*
Sir Peter Bonfield CBE FREng	8	5	4*	–
Paul Harrison	8	5*	4	2
Han Sikkens	7	–	–	–
Stephen Shanley	7	–	–	–
Vanessa Colomar	8	–	–	–

*Denotes Chair status.

**Although not members of the Remuneration Committee Poppy Gustafsson OBE and Catherine Graham are invited to attend part of Remuneration Committee meeting discussions on specific agenda items.

/ Division of Responsibilities

Whilst the Directors take collective responsibility for the management of the Group, the effective operation of the Board in conjunction with management benefits from a clarity of responsibilities. Key elements of this are set out below:

Matters Reserved to the Board

The Board has adopted a formal schedule of matters specifically reserved for its or its Committees' decision which includes, amongst other things,:

- the Group's strategy, which is reviewed by the Board and management when appropriate during the year;
- the business plan and annual operating budget;
- internal controls and risk management, which are reviewed regularly by the Audit & Risk Committee;
- major investments and capital projects, in which the Board monitors their subsequent performance;
- shareholder communications, such as announcements of results, this annual report and the accompanying notice of AGM to shareholders;
- accounting policies, which are reviewed in detail by the Audit & Risk Committee;
- the Board structure, composition and succession planning, which are reviewed in detail by the Nomination Committee;
- Executive remuneration policy and the remuneration of the Chair, which are reviewed in detail by the Remuneration Committee;
- Corporate governance matters including group-wide policies; and
- the remuneration of the Non-Executive Directors.

Subject to such matters reserved for the Board, and any other matters which the Board determines are appropriate for its specific decision as they arise, authority for the operation of the Group is delegated to Executive and other management within a system of defined authority limits. The matters reserved for the Board's decision are reviewed periodically and updated as considered appropriate.

The Chair, CEO and SID

Another important aspect of the division of responsibilities in any listed company is between the roles of Chair and the CEO. At Darktrace, these roles are separate and distinct with a clear division of responsibilities at the head of the Company established, agreed and set out in writing at the time of the IPO and are reviewed annually by the Board:

- the Chair is primarily responsible for managing the Board, facilitating the effective contribution of all Directors, and ensuring effective communication with shareholders, and that all Board members are aware of the views of major investors; and
- the CEO, together with the CFO, has been delegated appropriate responsibilities and authorities for the effective leadership of the senior management team in the day-to-day running of the business, for carrying out the agreed strategy and for implementing specific Board decisions relating to the Group's operations.

In addition, Lord Willetts, as Senior Independent Director, is available to fellow non-executive directors, either individually or collectively, should they wish to discuss matters of concern in an alternative forum. He is also responsible for the appraisal of the Chair which took place during June 2022.

Standing Board Committees

In addition, certain matters have been delegated to three principal Board Committees within clearly defined terms of reference which were approved at the time of the IPO and are reviewed annually by the board. These remits, together with the composition of each Committee, will be reviewed periodically. The current terms of reference for the Audit & Risk, Remuneration and Nomination Committees are available on the Company's website www.ir.darktrace.com/governance/documents. Summaries of the roles of each of these Committees are included later in this Corporate Governance Review.

Performance Reviews and Directors' Development

An informal evaluation of the performance of the Board, its individual Directors and its Committees, and of the Chair, has been undertaken through an evaluation questionnaire provided to each of the Directors. The Board has considered the results of the evaluation, which was generally very positive, acknowledging the strength of the executive directors and recognising the cohesiveness of the Board despite the challenges of interaction being limited to virtual means over much of the period since listing. The search for the new independent Non-Executive Director is underway and the Board will have diversity as a key consideration, including with regard to gender and ethnicity, when selecting the best candidate for this role. While the Board continues to develop its processes accordingly, the addition of a new Director will be an opportunity for the processes around induction to be tested.

The Chair is pleased to confirm that the performance of each of the Non-Executive Directors continues to be effective and to demonstrate commitment to their role. The Committee considers that they each provide distinct and valuable input to the overall operation of the Board.

During the period the Chair held informal discussions with the Non-Executive Directors without the Executive Directors being present.

Shareholder Relations

The Board is committed to maintaining good communications with existing and potential shareholders based on the mutual understanding of objectives. The Chief Executive Officer and Chief Financial Officer, supported by the Head of Investor Relations and the Head of Corporate Development, have regular dialogue with institutional shareholders in order to develop an understanding of their views which is communicated back to, and discussed with, the Board.

Presentations given to analysts and investors along with all results and other regulatory announcements and further information for investors are included on the Company's website at www.darktrace.com. Additional Shareholder Information is also set out on page 206.

Shareholders are able to contact the Company through the Company Secretary or the Head of Investor Relations.

In addition to the Chair of the Board, Gordon Hurst, Lord Willetts, the Senior Independent Director, serves as an additional point of contact for shareholders should they feel that any concerns are not being addressed properly through the normal channels. He may be contacted through the Company Secretary.

Annual General Meetings

All shareholders are encouraged to attend, and have the opportunity to ask questions at, the Company's Annual General Meetings and at any other times by contacting the Company. As well as the Chair, CEO and CFO, the Chairs of the Audit & Risk, Nomination and Remuneration Committees will be available at the Annual General Meeting to answer questions relating to the responsibilities of those Committees. All Directors will retire at every AGM and, where considered appropriate by the Board, be proposed for reappointment by shareholders.

The Notice convening the 2022 AGM to be held on 3 November 2022 will be issued along with this Annual Report at least 21 working days in advance of the meeting to provide shareholders with the appropriate time to consider matters. Separate resolutions will be proposed on each substantially separate matter. The results of the proxy votes on each resolution will be collated independently by the Company's registrars and will be published on the Company's website after the meeting.

On behalf of the Board

Gordon Hurst

Gordon Hurst
Chair
7th September 2022

REPORT OF THE NOMINATION COMMITTEE

The Nomination Committee comprises me, Lord Willetts as its Chair as well as Gordon Hurst, Chair of the Board, who was considered independent on appointment, and Poppy Gustafsson OBE our Chief Executive Officer. Paul Harrison, Chair of the Audit and Risk Committee and independent Non-Executive Director was also appointed as a member of the Committee in March, 2022.

The Committee is responsible for evaluating the balance of skills, knowledge and experience of the Directors. It also reviews the composition and structure of the Board and makes recommendations to the Board on retirements and appointments of additional and replacement Directors, including succession planning.

The appointment of our current independent Non- Executive Directors followed a formal, rigorous and transparent recruitment process after assessing the skills and character profile that would be required.

This included candidates meeting ongoing Directors prior to their recommendation for appointment by the Board.

The Committee is in the process of recruiting an additional independent Non-Executive Director and has engaged Nurole to support this process. The position has been advertised on the Nurole platform.

The Committee is searching for an additional independent Non-Executive Director who will strengthen the Board by further increasing the diversity of skills, background and experience amongst the Board Directors.

One of the key considerations on any appointment to the Board relates to diversity. The Board policy will be to continue to seek diversity, including with regard to gender, and ethnicity, as part of the overall selection of the best candidates for Non-Executive Director roles. Any appointments to Executive Director roles will also be made within the Group's aims for its people and culture set out earlier in the Strategic Report.

In accordance with the provisions of the Code, all our Directors will retire at each AGM and, if decided appropriate by the Board, may be proposed for reappointment. In reaching its decision the Board acts on the advice of the Nomination Committee.

In addition to reviewing the independence and diversity of the Board and its committees, the Committee has conducted an informal evaluation during the course of the year through an evaluation questionnaire provided to each of the Directors. The Board has considered the results of the evaluation, which was generally very positive, acknowledging the strength of the executive directors and recognising the cohesiveness of the Board despite the challenges of interaction being limited to virtual means over much of the period since listing. The search for the new independent Non-Executive Director is underway and, while the Board continues to develop its processes in accordance with the evaluation outcomes, the addition of a new Director will be an opportunity for the processes around induction to be tested. The Chair is pleased to confirm that the performance of each of the Non-Executive Directors continues to be effective and to demonstrate commitment to their role. The Committee considers that they each provide distinct and valuable input to the overall operation of the Board.

I look forward to reporting to you again next year on the Committee's progress in these areas and its other activities.

D L Willetts

Lord Willetts
Chair of the Nomination Committee

7th September 2022

REPORT OF THE AUDIT & RISK COMMITTEE

As the Audit & Risk Committee, we assist the Board in its oversight of financial reporting, internal control and risk management. This report summarises our membership and activities over the year.

/ Membership

Our committee comprises three independent Directors, Sir Peter Bonfield CBE, FREng, Lord Willetts and me Paul Harrison as Chair of the Committee.

/ Role and Activities

We have met five times during the year. We considered this frequency of meetings to be appropriate during our first full year since IPO. Catherine Graham, our Chief Financial Officer, and senior representatives of the financial management and risk teams also attend our meetings as do representatives of the external auditors, as appropriate. At our meetings in the past year, we received presentations on, and reviewed and considered the following matters:

- the preparation of the Group's full year accounts including associated presentations from both management and the external auditors;
- the Group's accounting policies, the use of Alternative Performance Measures (in particular with reference to the new added APM: Free Cash Flow and the comparability of its calculation with other companies operating in this industry), significant financial reporting issues, judgements and estimates;
- the Group's system of internal controls, including financial, operational and risk management, supplementing at a more granular level the Board's consideration of strategic risks;
- key internal policies including anti-bribery and related policies and whistleblowing arrangements;
- plans for the establishment of the internal audit function in the Group reporting directly to the Committee and drawing on and developing control and risk management procedures already being undertaken, (as a relatively young company Darktrace had not established an internal audit function prior to its IPO and the Committee has continued to work with management on the plans for the establishment of the internal audit function);
- Enterprise Risk Management;
- ERP system review;
- whether the Annual Report taken as a whole provides a fair, balanced and understandable assessment of the Group's position and prospects and whether it provides the necessary information to assess the Group's performance, business model and strategy, the ultimate decision on which is taken by the Board, as set out in the Directors' responsibility statement in the Directors' report on page 137;
- the remuneration and proposed reappointment of the external auditors; and
- the independence, objectivity and effectiveness of the external auditors.

The Committee also meets privately with the external auditors at least once per year and did so prior to its recommendation to the Board on approval of the Annual Report.

/ Significant Risks

Prior to each meeting of the Audit & Risk Committee at which they are to be considered, management produces a paper providing details of any significant accounting, tax, HR and legal issues. Members of the Management team are also invited to attend these meetings where further guidance is required. The significant issues considered by the Audit Committee in respect of the 2022 Annual Report are as follows.

Significant Issues the Committee has Considered	How the Issue was Addressed
Revenue Recognition 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 performance period and therefore using the input method under IFRS 15, it is appropriate to recognise revenue on a straight-line basis. The Group does not have any variable 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 have software product deployments. The revenue from these contracts is recognised at the point in time when the training or appliance is delivered. Management have assessed that the Darktrace contracts contain a single combined solution, with its services being delivered to end users equally over the period of the contract, because the products and ancillary services are significantly integrated to provide a single output. As raised during the IPO, there is a challenge raised that the training element included in some contracts is a separate performance obligation, delivered once at the beginning and not over the total contract term. On review management determined that it is an immaterial portion of the revenue on any single contract and in total, but that it would disclose this in the financial statements. During the second half of FY 2022, the Group made enhancements to its revenue reporting systems as part of a program to continuously improve its systems, processes, and controls. These enhancements, strengthened by additional exception reporting and manual controls, allowed it to analyse contracts at a greater level of granularity, and improved the control environment around the contract revenue recognition process.	Darktrace management provided the Committee with an update on its work to improve its systems, processes, and controls. Particularly with respect to the revenue reporting systems enhancements implemented during the second half of the year, the Committee made additional inquiries to ensure that the report had been adequately tested, to confirm accuracy and integrity of the data before management recommended the adjustments that resulted in re-stated FY 2021 financial statements. The Committee further enquired as to the nature of the contract revenue differences identified and was shown that no differences in total revenue were identified for these contracts, only timing differences. Furthermore the Committee asked for confirmation of the accuracy of the revenue adjustment made and were shown that it is factual and not estimated. The Committee also challenged the assessment of the materiality of the revenue adjustment and thoroughly explored the impact that making or not making that adjustment had relative to the materiality threshold for FY 2021 retained earnings. It resolved that reflecting the adjustment was the appropriate treatment in the circumstances.

Significant Issues the Committee has Considered	How the Issue was Addressed
Revenue Recognition (Continued) Using its enhanced revenue reporting systems, and a part of its FY 2022 close process, Darktrace determined that for certain contracts, a portion of revenue it was recognising in FY 2022 should have been recognised in prior periods. It identified a group of contracts for which a portion of revenue that should have been recognised in prior periods, remained in deferred revenue. Darktrace concluded that $3.8m of revenue it had been recognising in FY 2022, 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 for the impacts of this adjustment. No differences were identified in the total revenue associated with 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. Further, no contract related KPIs for either FY 2021 or FY 2022 by this adjustment. 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. The total cash flows from operating, investing, and financing activities for FY 2021 remain unchanged.	
Cybersprint Acquisition On 22 February 2022 Darktrace entered into a definitive agreement to acquire 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) to be paid 75% in cash and 25% in equity. The completion date of 1 March 2022 is when control has been obtained.	The Committee has reviewed the results of the Purchase Price Allocation performed for the Business combination and the assets, including goodwill, recognised. Management has involved an expert (RSM) for the fair valuation of the assets acquired and the accounting treatment of the business combination. As a result of the Purchase Price Allocation (PPA) performed in accordance with IFRS 3 - Business combinations - the following assets and related values were recorded at acquisition: - Goodwill - $40.9m - Software - $9.6m - Customer relationship - $0.9m The principal asset with definite a useful life acquired was software ($9.6m) which 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. 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.

Significant Issues the Committee has Considered	How the Issue was Addressed
	The significant proportion of residual goodwill is aligned with expectations for the sector. Given the relatively insignificant customer relationships acquired and the fact that the technology acquired has significant obsolescence over time, a significant proportion 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. The Committee reviewed RSM's reports and assessed the PPA exercise. Having regard to the rationale for the acquisition and the approach adopted elsewhere in the sector the Committee concluded that the PPA had been appropriately assessed.
Goodwill Impairment Review Goodwill is not amortised but is reviewed for impairment at least annually. It is monitored by management at the level of the operating segment identified ie. the CGUs existing as at 30 June 2022. Management identified two CGUs as at 30 June 2022: - Cybersprint CGU: includes the cash flows derived from the use of the existing technology acquired. This CGU benefits from the acquisition by Darktrace in terms of cost efficiencies/synergies. - Darktrace CGU: includes the cash flows from all other assets within the group. It benefits from the Cybersprint acquisition leveraging its customer relationship for products developed by the Netherland R&D centre.	The Committee has requested more details on the results of the impairment test performed on goodwill. The Committee reviewed a paper, prepared by management specifically addressing the goodwill impairment review. The goodwill is allocated to both CGUs as it would be arbitrary to allocate it separately to each of the CGUs identified. The recoverable amount of both 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. The Group has performed sensitivity analyses using reasonably possible changes in the long-term growth rates 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. The Committee critically challenged the assumptions underlying the goodwill impairment review and concluded that they were reasonable in the circumstances and that the conclusion that no impairment charge shall result was appropriate.
Deferred Tax Asset (DTA) Recognition At 30 June 2022 the Group has significant tax losses in the UK available for offset against future taxable profits. Darktrace has unrecognised deferred tax assets of approximately $93.2m (30 June 2021: $97.2m) mainly related to losses carried-forward, as there is insufficient convincing other evidence that the losses will be utilised in the foreseeable future.	The Committee challenged the outlook period used as a base for assessing for the recoverability of the DTA. Management considers that 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 over the next two years, this is less clear when considering a longer period. In particular, whilst from a cash flow perspective given the very strong cash position, a 3-year period for a viability analysis is considered appropriate, the profitability is sensitive to changes that depend much more on the current and future macroeconomic environment and in particular the current economic crisis affecting Countries after the start of the war in Ukraine. Two years was therefore considered by the Committee, to be a period where convincing other evidence is appropriate to determine if the profitability expected would allow the recoverability of the current unrecognised DTA. No DTA recognised in the year as a result of this analysis.

Significant Issues the Committee has Considered	How the Issue was Addressed
Going Concern The Group and parent company'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 and parent company's ability to continue as a going concern. In particular, the Directors have reviewed detailed trading forecasts taking into account the Group and parent company's financial position, recent performance, and risk management policies in concluding on the Group and parent company's continuing viability. The Directors have further reviewed liquidity and covenant forecasts for the Group and parent company for the period to 30 September 2023 as part of their assessment of going concern.	The Committee reviewed a paper, prepared by management, which addressed the viability statement and the going concern assumption. In adopting the going concern basis for preparing the financial statements, the Committee (and, in turn, the Board) 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 Committee (and the Board) 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.

Significant Issues the Committee has Considered	How the Issue was Addressed
Share-Based Payment The performance period for the vesting of the 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. The Remuneration Committee considered 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. As the effect of the modification is to increase the value of the award to the employees (e.g., by removing the 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 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 Committee requested an update on the share-based payments valuations and in particular, on the modification of the top-up awards. Consistently with the previous years, management has involved an expert (BDO LLP) for the valuation of the modification of the Top-Up Awards. The modification of the Top-up awards took place in May and June 2022 and has resulted in a material increase in the fair value of these awards. While the modification of the awards for employees other than executives is subject to a valuation using a Monte Carlo model, the Committee noted there is not a high degree of estimation uncertainty given the short life of the modified awards and relatively low sensitivity of the inputs to the model. Following its review, the Committee concluded that appropriate accounting treatment has been adopted by management in regard of the top-up awards.

/ Fair, Balanced and Understandable

The Committee assessed whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee reviewed the processes and controls that underpin its preparation, ensuring that all contributors, the core reporting team and senior management are fully aware of the requirements and their responsibilities. This included the financial reporting responsibilities of the Directors under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as well as considering the interests of other stakeholders which will have an impact on the Company's long-term success. The Committee reviewed the Annual Report to enable input and comment. This work enabled the Committee to provide positive assurance to the Board to assist them in making the statement required by the 2018 UK Corporate Governance Code.

/ Internal Controls and Risk Management Environment

The Board is ultimately responsible for the operation of an effective system of internal control and risk management appropriate to the business.

The Company has complied with the FRC's revised Internal Control Guidance for Directors on the Code published in 2005 (the Turnbull guidance) in the period from the end of the last financial year to the date on which these financial statements were approved.

Day-to-day operating and financial responsibility rests with senior management and performance is closely monitored on a monthly basis.

Set out below is further comment on the areas of internal control and risk management.

/ Internal Control Environment

The following key elements comprise the internal control environment which has been designed to identify, evaluate and manage, rather than eliminate, the risks faced by the Group in seeking to achieve its business objectives and ensure accurate and timely reporting of financial data for the Company and the Group:

- an appropriate organisational structure with clear lines of responsibility;
- systems of control procedures and delegated authorities which operate within defined guidelines, and approval limits for capital and operating expenditure and other key business transactions and decisions;
- a robust financial control, budgeting and rolling forecast system, which includes regular monitoring, variance analysis, key performance indicator reviews and risk and opportunity assessments at Board level;
- procedures by which the Group's consolidated financial statements are prepared, which are monitored and maintained through the use of internal control frameworks addressing key financial reporting risks arising from changes in the business or accounting standards;
- an experienced and commercially focused legal function that supports the Group's operational and technical functions;
- established policies and procedures setting out expected standards of integrity and ethical standards which reinforce the need for all employees to adhere to all legal and regulatory requirements;
- an experienced and qualified finance function which regularly assesses the possible financial impact of the risks facing the Group; and
- an ongoing risk management programme.

/ Risk Management Framework

As part of the IPO process the Company implemented a robust enterprise risk management framework and risk assessment methodology that follows a sequence of risk identification, assessment of probability and impact, and assigns an owner to manage mitigation activities. A register is kept of all corporate risks and is monitored by senior management and reported to the Audit & Risk Committee.

The risk register and the methodology applied is the subject of continuous review by senior management which includes the ongoing process of categorising and prioritising risks already identified in addition to reflecting new and developing areas which might impact business strategy.

The Audit & Risk Committee will continue to review the risk register throughout the year and assess the actions being taken by senior management to monitor and mitigate the risks. Those risks which are considered to be the principal risks of the Group are presented on pages 52 to 59.

/ Review of Effectiveness

The Audit & Risk Committee, on behalf of the Board, has reviewed the effectiveness of the internal control systems and risk management processes in place, taking account of any material developments. The Committee has been notified of the new controls or process improvements implemented in the treasury process by enhancing the segregation of duties and adding additional controls in tax and payroll posting. Since March 2022 revenue accounting has been produced using the revised revenue report, which is fully systemised with new logic and additional controls and processes surrounding it. This new report and the new month end automated close processes have led to both month end efficiencies and a clear audit trail for all month end reports. Financial checklist implemented in January for the onboarding of vendors and additional controls have been established around the purchase order process to implement independent verification on new vendors.

The Audit & Risk Committee will continue to review the ongoing development of the internal control systems and risk management processes (including the implementation of the new ERP system).

/ Independence and Performance of the Auditors

The Audit & Risk Committee has developed and recommended to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. This was approved by the Board on 18th May 2022.

During the year, the Auditors have provided non-audit services to the Company in relation to the half-year report review for the six-month period ended 31 December 2021.

The fees paid for these other services during the year represented 5.7% of the fees paid for the statutory audit and audit-related assurance services together. Further details of these amounts are included in note 9 of the accounts.

The Audit & Risk Committee has primary responsibility for conducting the tender process and making recommendations on the appointment, reappointment and removal of the auditors, and approving the terms of engagement and the remuneration of the external auditor. The company will be required to change its audit firm for the year ending 25 July 2038, at latest. This is compliant with the requirements of the Statutory Audit Services for Large Companies Market Investigation Order 2014. The Company will be required to change its audit firm for the year ending 25 July 2038, at the latest.

The audit was last tendered in 2018 and Grant Thornton UK LLP has been in place as the Company's auditor for nine years. Auditors are required regularly to report on and confirm their independence in their role. Whilst we do not consider it necessary to have a policy for the rotation of the external audit firm given the short period of time since the Company's IPO, we plan to keep this possibility under review in the coming years and will continue to comply with the audit tender rules applying to the Company.

On behalf of the Audit & Risk Committee

Paul Harrison

Paul Harrison
Chair of the Audit & Risk Committee

7th September 2022

REPORT OF THE REMUNERATION COMMITTEE

As Chair of the Board Remuneration Committee, I am pleased to present on behalf of the Committee the Report on Directors' Remuneration (the 'Report') for the year ended 30 June 2022.

Our current Remuneration Policy (the 'Policy') and our Remuneration Report minus the Policy were both approved by shareholders at the 2021 Annual General Meeting ('AGM'), with over 99% support for each resolution. I would like to take this opportunity to thank shareholders for the support received.

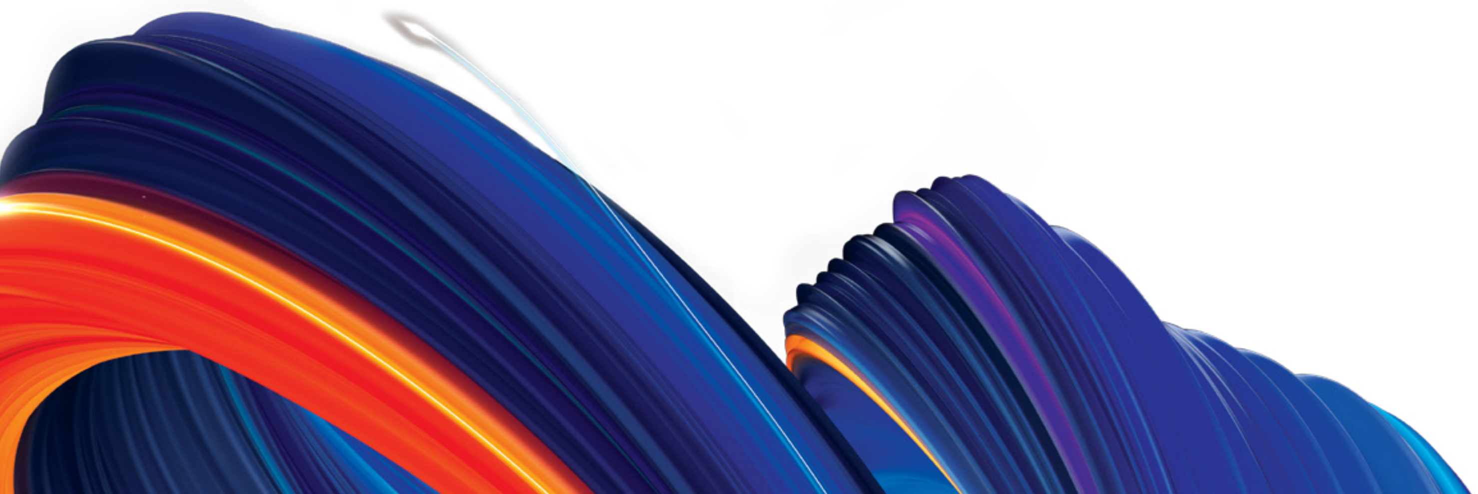
This Report is divided into three sections:

1. this Annual Statement, which summarises the work of the Committee and our approach to Directors' remuneration;
2. the approved Remuneration Policy, which provides the framework for the Directors' remuneration; and
3. the Annual Report on remuneration, which is put to shareholders as an advisory shareholder vote, with the Annual Statement and sets out the remuneration outcomes for the financial year ended 30 June 2022 and the proposed remuneration for the upcoming year.

/ Role of the Remuneration Committee

The Committee comprises of me as the Committee Chair, Lord Willetts and Paul Harrison all of whom are independent Non-Executive Directors and Gordon Hurst the Chair of the Board who was considered independent upon appointment, and provide a balance of skills and experience. The full terms of reference of the Committee are available on the Company's corporate website at www.darktrace.com. In summary, the Committee's scope is as follows:

- to develop the Group's policy on executive remuneration and monitor its ongoing appropriateness;
- to determine the remuneration for the Executive Directors and the senior management plus the Chair of the Board;
- oversee the remuneration of our wider workforce and ensure that our policy for the senior team is consistently structured; and
- oversee the operation of the Group's share schemes.



/ Business Performance

Following the successful Initial Public Offering ('IPO') in FY 2021, FY 2022 was a year of strong financial and strategic performance within the context of exceptional market volatility and geopolitical uncertainty.

The underlying performance of the business has given rise to a record set of results. For example, FY 2022 revenue grew by 45.7% year-over-year, adjusted EBIT of $49.8m was achieved with an 89.2% margin. Further, ARR balance of $514.4m, represents 42.6% YoY growth, providing confidence in the Darktrace group's ability to sustain its strong performance. These results have been achieved during exceptionally challenging market conditions. The results were significantly ahead of market forecasts, demonstrating management's ability to execute and outperform the ambitious growth targets set out at IPO.

Further details on our overall performance during FY 2022 are set out in the CFO Statement on pages 34 to 39.

/ Remuneration in FY 2022

All decisions on Directors' remuneration in FY 2022 were taken within the framework of the Policy approved by shareholders.

/ Fixed Remuneration in FY 2022

The base salaries of the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO') remained unchanged from the levels set at IPO at £475,000 and £375,000 respectively. During FY 2022 the Executive Directors also received pension contributions of 4% of salary which aligns to the wider UK workforce rate.

/ Annual Bonus in FY 2022

Both Executive Directors participated in the Annual Bonus with a maximum opportunity of 150% of salary. Performance was assessed against Net Annual Recurring Revenue ('ARR') Added (50%), Gross Churn (30%) and strategic targets (20%).

As a result of the exceptionally strong financial and strategic performance of the business the Annual Bonus outcome for both Executive Directors is 99.7% of maximum. In respect of the financial targets the maximum target for Gross Churn was exceeded (6.5% against a maximum target of 7.0%), while Net Annual ARR Added (excluding any ARR added from the Cybersprint acquisition) fell just short of the maximum target ($152.4m against a maximum target of $153m). The Committee was pleased with progress made against the strategic plan and in particular driving the evolution of salesforce and other corporate structures to support effective growth and scale with specific focus on the Accelerator and Enterprise Teams resulting in maximum payment of the non-financial element of the Bonus.

The Committee reviewed the formulaic outcome of the Annual Bonus and considered whether it is appropriate taking into account overall performance of the business and wider stakeholder considerations. Financial performance has been very strong with significant achievement against the Group's strategic plan. Noting this and annual bonus payments to the wider workforce also reflecting the Group's strong performance the Committee determined that the high level of formulaic payment is appropriate and there are no circumstances requiring the Committee to exercise discretion. The Committee, in reviewing the Annual Bonus payments, also noted overall positioning of the Executive Directors' package with relatively modest base salaries from which annual bonus opportunity is determined as a multiple of salary and weighting to incentive pay. In considering alignment with shareholders the Committee noted share price volatility over the year reflecting external factors outside of management's control but also the significant increase in share price from admission and TSR of the Company over FY 2022 of 50% compared to the FTSE as a whole of 9%. In line with the Remuneration Policy, one-third of the bonus will be invested in shares subject to a two-year holding period during which clawback will continue to apply.

Full details of the Annual Bonus performance targets and achievement against these targets can be found on page 125.

/ Award Incentive Plan Granted in FY 2022

The CEO and CFO received their first normal annual grant under the AIP on IPO for FY 2022 over shares with a value of 250 per cent of base salary for the CEO and 200 per cent of base salary for the CFO. Therefore no further awards were made during FY 2022.

/ Award Incentive Plan Vesting Determined by Performance Periods Ending in FY 2022

No normal annual AIP awards vested based on performance periods ending during the year. The first vesting of normal grants under the AIP will take place in FY 2024.

/ Pre-IPO Incentives

As disclosed in our FY 2021 Report and the IPO prospectus, our CEO and CFO held "growth share" awards under our pre-IPO legacy incentive schemes. These awards formed a key part of our pre-Admission growth strategy and aligned with market norms of companies seeking to IPO. A proportion of these growth shares vested on IPO and all legacy growth shareholders, including the CEO and CFO were granted a rollover award in the form of a conditional share award, with vesting on the first anniversary of IPO (the "Rollover Growth Share Awards"). A share price performance condition was set for the vesting of these conditional awards, requiring a share price of £2.50 for threshold vesting rising to £5.00 for maximum vesting.

The averaging period for assessing share price performance, set on grant of the awards, was the 30-days ending on the first anniversary of admission. As shareholders will be aware, the Darktrace share price has been very volatile as a result of a number of external factors and even though the 30-day averaging period was set to ensure smoothing of any volatility, the Committee realised that a much longer measurement period was needed to ensure that the share price used to determine vesting reflects management's performance and the underlying performance of the business. After careful consideration, the Committee therefore applied discretion and extended the performance averaging period to 12 months ending on the first anniversary of admission.

The average share price over the 12-month performance period to the first anniversary of admission was £5.19 pence, resulting in 100% of the award vesting for both the CEO and CFO. This compares to a share price over the 30- day period to the first anniversary of admission of £4.21 which would have resulted in 68% of the total award vesting.

The Remuneration Committee considered whether the formulaic outcome of the extended 12 month averaging period is appropriate in all the circumstances. As part of its considerations the Committee noted that Total Shareholder Return over the 12 months from IPO for the FTSE 350 is 9%, compared to Darktrace at 50%.

The Committee also noted that a number of employees below the Board also received rollover awards on IPO that relate to the legacy growth share arrangements and the Committee has determined the same level of vesting of their awards so that the outcome for all rollover award holders is the same.

To ensure an element of ongoing retention, the vesting period for the Rollover Growth Share Awards was extended so that 50% of the award vested on 2 August 2022 and 50% will vest on 31 October 2022. In addition, the Executive Directors are also required to retain their shares until the first anniversary of the October 2022 vesting date, except for sales to pay taxes on vesting.

I have started engagement with the Company's largest investors to explain the Committee's approach in determining the vesting of the Rollover Growth Share Awards. Overall feedback is that our investors understand and are supportive of the approach taken, noting that the awards are part of the Company's pre -IPO incentives and the exceptionally volatile share price. Investors will note that these awards are not part of the forward looking post admission Directors' Remuneration Policy but part of the legacy pre-admission incentive arrangements. The Committee would also like to assure shareholders that the incentive arrangements entered into since IPO as part of our forward looking remuneration Policy follow market norms and investor expectations as will the Committee's approach to determining vesting.

/ Remuneration for FY 2023

Executive Directors

The Committee reviewed the Executive Directors' base salaries and approved a 5% increase. The Committee's review took account of the external market, the modest positioning of the Executives' salaries against the market and the wider workforce increase of 7%. The increase results in base salaries of £498,750 and £393,750 for the CEO and CFO respectively.

The FY 2023 Annual Bonus structure and maximum opportunity levels (150% of salary for both Executive Directors) remain the same as for FY 2022. The Committee has reviewed the Annual Bonus measures and considered whether these need to evolve to continue to support the business strategy. During 2022 the business worked hard on its ESG strategy and the Committee is pleased to focus the 20% non-financial element of the Annual Bonus on key objectives relating to our people and our communities. The financial measures are unchanged with net ARR Add (50%) and Gross Churn (30%).

The FY 2023 AIP grant will be 250% and 200% of base salary for the CEO and CFO respectively consistent with the award made for FY 2022. Performance will be assessed against Total Shareholder Return relative to the FTSE 350 Index (80%) and Constant Currency Net Annual Recurring Revenue (ARR) (20%). The FY 2022 AIP grant was based entirely on relative TSR. The Committee carefully considered appropriate financial metrics for the FY 2023 award and determined that an element of the award should be based on Constant Currency Net Annual Recurring Revenue. The Committee is comfortable that ARR is used in both our Annual Bonus and AIP noting that it is a key metric for our business and for our shareholders, that it determines just 20% of the AIP award and because it is measuring annual performance in our Annual Bonus but longer term 3-year CAGR in our AIP awards. ARR is measured on a constant currency basis noting investor expectation that longer term currency fluctuations are managed by the business but also that it is not possible to hedge revenue and ARR.

/ Wider Employee Context

As a recently listed business we continue to evolve our employee value proposition. As we have described earlier in our ESG section of this report, during the year we established our employee forum with engagement led by Paul Harrison our non-executive director for employee engagement and supported by our Chief People Officer and Global Head of People and Policy. There is a full agenda of areas for discussion in FY 2023 which includes explaining the alignment of executive remuneration to our wider workforce reward. The Committee continues to take an active interest in the pay and benefits offered to employees across the whole of our workforce as well as other related workforce policies and practices. The Committee's agenda for the year ahead includes time for further discussion and debate on this important matter.

/ Closing Remarks

We have closed FY 2022, the first full financial year since listing, with strong performance against our financial KPIs and business strategy. The Committee is satisfied that the remuneration outcomes for FY 2022 demonstrate a strong link between pay and performance reflecting the culture of our business, and that the operation of policy for FY 2023 continues to support the growth of the business.

On behalf of the Committee, thank you for reading this report and I look forward to receiving your support at the AGM on 16 November 2022 in relation to the advisory resolution to approve this Annual Statement and the Annual Report on Remuneration (Resolution 14).

On behalf of the Remuneration Committee

Sir Peter Bonfield, CBE, FREng
Chair of the Remuneration Committee

7th September 2022

We have closed FY 2022, the first full financial year since listing, with strong performance against our financial KPIs and business strategy

/ Sir Peter Bonfield, CBE, FREng, Chair of the Remuneration Committee

/ Overview of Operation of Remuneration Policy for FY 2023

	CEO **Poppy Gustafsson OBE**	**CFO** **Catherine Graham**
Annual Base Salary	£498,750 (5% increase on FY 2022)	£393,750 (5% increase on FY 2022)
Pension and Benefits	Executive Directors receive a contribution to pension arrangements in line with that available to the majority of the workforce in the country of employment. This is currently equal to 4% of base salary. Benefits include family private health cover and life assurance cover and for the CFO as a US tax payer, an allowance towards the cost of tax and accounting advice.	
Annual Bonus	**Maximum opportunity:** 150% of base salary	**Maximum opportunity:** 150% of base salary
	Performance conditions: 50% constant currency Net Annual Recurring Revenue Added, 30% on constant currency Gross Churn and 20% strategic targets relating to Employees and Communities Structure: One third earned will be invested in shares with a 2 year holding period, the remaining two thirds will be paid in cash	
Award Incentive Plan ("AIP")	**Award level:** 250% of base salary	**Award level:** 200% of base salary
	Performance conditions: 80% Relative TSR vs FTSE 350 index (excluding investment trusts) and 20% constant currency Net Annual Recurring Revenue three year CAGR Structure: 3-year performance period and post-vesting holding period such that there is a period of 5 years from the date of grant to the earliest opportunity to dispose of shares (except to pay taxes on vesting of an award)	
Minimum Share Ownership Guidelines	In-employment: 200% of base salary Post-employment: the lower of shares held on cessation of employment and shares to the value of 200% of base salary, for 2 years post-cessation of employment.	

/ Directors' Remuneration Policy

The full Directors' Remuneration Policy approved by shareholders at the 2021 AGM can be found in the 2021 Annual Report and Accounts. The Policy has been included for reference and has been updated where appropriate for clarity

This Directors' Remuneration Policy which has been prepared in accordance with the Large and Medium-sized Companies and Groups Accounts and Reports Regulations 2008 (as amended) (the "Regulations") was approved by shareholders at the 2021 AGM. Details of voting can be found later in this report. The Policy applies from the 2021 AGM for a three year period.

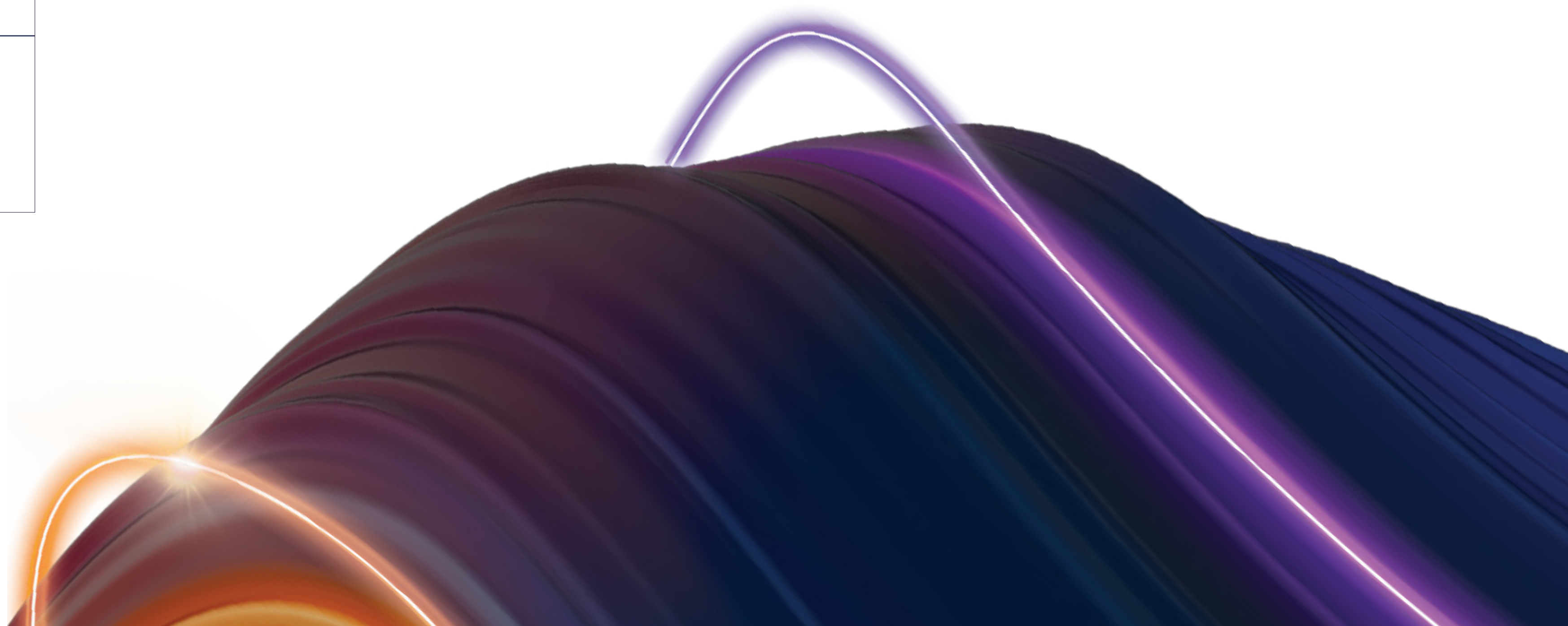
The Directors' Remuneration Policy has been designed to encourage long-term, sustainable growth, provide market competitive overall remuneration for the achievement of stretching performance targets aligned to the business strategy and to enable the cascade of incentives throughout the business to ensure that employee incentives overall are linked to the Company's performance and provide alignment between employees and shareholders. The policy further provides a framework for the Company to provide market competitive rewards to enable the business to attract and retain the best talent.

The Committee tested the policy and operation of policy against the following six factors listed in Provision 40 of the UK Corporate Governance Code.

Clarity	The Committee is committed to clear and transparent disclosure of our Directors' Remuneration Policy, its operation and the rationale for decisions made.
Simplicity	Executive Directors receive fixed pay (salary, benefits, pension) and participate in separate short and long-term variable remuneration arrangements. These variable remuneration arrangements align to standard market practice.
Risk	The combination of fixed pay levels ensuring no overreliance on variable pay and reward for short term performance (payable in cash and shares), and long term sustainable performance and shareholder returns ensures incentives drive the right behaviours for the Group, shareholders, customers and employees. The Committee retains the discretion to adjust variable remuneration outcomes where they do not reflect individual or business performance and all awards are subject to malus and clawback.
Predictability	The Remuneration Policy has defined threshold and maximums as set out in our pay scenarios with targets set to determine variable pay.
Proportionality	Remuneration is clearly linked to performance. Where remuneration outcomes do not reflect the performance of the business, the Remuneration Committee retains the discretion to adjust formulaic outcomes.
Alignment to culture	The Remuneration Policy is designed to support our high-performance culture, driving long term sustainable growth and shareholder return and rewarding appropriate short term performance without encouraging inappropriate risk taking. Performance measures are selected to support the achievement of the Darktrace business plan and align to the culture of the business.

Pay Element and Purpose	Operation	Opportunity	Performance Metrics, Weighting and Assessment
Base Salary			
To provide a base level of remuneration to help us acquire, retain and engage top talent ensuring no over reliance on variable pay.	Salaries are set and normally reviewed annually taking into account several factors including (but not limited to): ○ The Executive Directors' role, responsibilities, experience and skills; ○ The remuneration policies, practices and philosophy of the Company; ○ Pay conditions in the Group; ○ Business performance; ○ Market data for similar roles and comparable companies; and ○ The economic environment.	Salary increases will normally be in line with increases made to the wider workforce. Higher increases may be made where appropriate, for example but not limited to where an Executive Director is appointed on a salary lower than the targeted policy to recognise experience gained and performance in role with a view to aligning to market practice. Over time, there is a change to role or there is additional responsibility or complexity.	None
Benefits			
To provide a market competitive level of benefits based on the market in which the Executive is employed	Executive Directors receive benefits which include, but are not limited to, family private health cover and life assurance cover and an allowance towards personal tax and accounting advice. The Remuneration Committee may include other benefits including (but not limited to) car allowance, relocation expenses, tax equalisation and support in meeting specific costs incurred by Executive Directors in carrying out their duties and tax payable through reimbursement of business related expenses.	The maximum will be set at the cost of providing the benefits described.	None
Pensions			
To provide retirement benefits	Executive Directors are eligible to receive a contribution to pension arrangements or cash in lieu.	The maximum amount is that available to the majority of the workforce in the country of appointment (currently 4% of base salary which is the contribution available to the UK workforce).	None

Pay Element and Purpose	Operation	Opportunity	Performance Metrics, Weighting and Assessment
Annual Bonus			
To reward annual performance against financial and non-financial KPIs and to encourage long-term sustainable growth and alignment with shareholders' interests through payment in shares	The Remuneration Committee will determine the Annual Bonus payable after the year-end, based on performance against targets. No more than two thirds of the Annual Bonus will be paid out in cash after the end of the financial year. The remaining amount will be used to purchase shares which the Executive Director is required to hold for two years. Malus and clawback provisions will apply up to the date of the Annual Bonus determination and for three years thereafter. Malus and clawback triggers are set out in a separate section below.	The maximum Annual Bonus opportunity for the Executive Directors is 150% of base salary.	Performance measures will be determined by the Remuneration Committee and set each year in line with Company strategy. Performance will normally be measured over a one-year period. The majority of the bonus will be based on financial performance. For financial targets no more than 25% of the bonus is payable for delivering a threshold level of performance rising on a graduated scale to 100% for maximum performance. Payment for threshold performance to be determined at the time targets are set. In relation to non-financial objectives the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale. Vesting may therefore take place in full if specific criteria are met in full. The Remuneration Committee has the discretion to adjust the formulaic outcome of the bonus if the Remuneration Committee believes it is not a fair and accurate reflection of business performance, wider stakeholder considerations and any other relevant factors.



Pay Element and Purpose	Operation	Opportunity	Performance Metrics, Weighting and Assessment
Award Incentive Plan ("AIP")			
To encourage long-term sustainable growth and to provide alignment with shareholders' interests	AIP awards will be made under the AIP rules. Executive Directors will only be eligible to receive conditional awards and nil cost share options under the AIP (and not the other forms of equity awards that can be granted under the AIP). Awards will normally vest on the third anniversary of the date of grant to the extent performance conditions over a three-year performance period are met and subject to continued employment. The net of tax number of shares that vest will be subject to a holding period such that the period from grant of the award to the end of the holding period is five years and during which the shares cannot be sold. An additional payment may be made equal to the value of dividends which would have accrued on vested shares. The award will be subject to clawback and malus provisions and discretion to adjust formulaic outcome (see Annual Bonus above).	The normal maximum award level will be 250% of base salary per annum, based on the face value of shares at the date of grant. If exceptional circumstances arise, including but not limited to the recruitment of an individual, awards may be granted up to a maximum of 300% of base salary.	Performance measures will be determined by the Remuneration Committee for each award and will measure performance over a three-year (or longer) period. In relation to financial targets not more than 25% of the total award will vest for threshold performance rising on a graduated scale to 100% for maximum performance. In relation to non-financial targets the structure of the target will vary based on the nature of the target set and it will not always be practicable to set targets using a graduated scale and so vesting may take place in full if specific criteria are met in full. The Remuneration Committee has the discretion to adjust the formulaic outcome of the AIP outcome if the Remuneration Committee believes that such outcome is not a fair and accurate reflection of business performance, wider stakeholder considerations and any other relevant factors
All-employee Share Plans			
To provide alignment with group employees and to promote share ownership	The Executive Directors may participate in any all-employee share plan operated by the Company.	Participation will be capped by any HMRC or other limits applying to the respective plan	None

Pay Element and Purpose	Operation	Opportunity	Performance Metrics, Weighting and Assessment
Shareholding Requirement			
To provide alignment with shareholders' interests	**During employment** Executive Directors are required to build up and retain a shareholding equivalent to 200% of their base salary subject to the Remuneration Committee in exceptional circumstances amending this requirement. Until the shareholding requirement is met, Executive Directors will be required to retain 50% of the net of tax shares they receive under any incentive plan. **Post-employment** Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary for a period of two years subject to the Remuneration Committee in exceptional circumstances amending the requirement.	200% of base salary	None
Non-Executive Directors			
To provide an appropriate fee level to attract and retain Non-Executive Directors and to appropriately recognise the responsibilities and time commitment	Non-Executive Directors are paid an annual base fee and additional fees for serving on board committees, acting as Senior Independent Director and as Chair of Board Committees (or to reflect other additional responsibilities and/or additional/unforeseen time commitments). The Chairman of the Board receives an all-inclusive fee. There is no performance based variable pay or pension provided to the Non-Executive Chairman or Non-Executive Directors.	The fee for the Chair of the Board is set by the Remuneration Committee, the Non-Executive Directors' fees are set by the Board (excluding the applicable Non-Executive Directors). Fee level increases will be guided by general increases in Non-Executive Director fees and the increase in salaries for the workforce although higher increases may be appropriate depending on the specific circumstances. The Company will reimburse any reasonable travel and other business related expenses incurred (and related tax, if applicable). There is no increase in Non-Executive Directors' or the Chair's fees for FY 2023.	None

/ Notes to the Remuneration Policy Table

Choice of Performance Measures

Each year the Remuneration Committee will select the most appropriate performance measures and targets for the Annual Bonus and awards under the AIP. The measures selected will be aligned with the Company's strategy and key performance indicators and may also be based on total shareholder return. The Remuneration Committee sets demanding targets for variable pay in the context of the Company's trading environment and strategic objectives and considering the Company's internal financial planning, and market forecasts.

Discretions Retained by the Remuneration Committee

The Remuneration Committee operates the Group's variable pay plans according to their respective rules. In administering these plans, the Remuneration Committee may apply certain operational discretions.

These include the following:

- determining the extent of vesting/ payments based on the assessment of performance;
- determining the status of leavers and, where relevant, the extent of vesting/ payment;
- determining the extent of vesting of awards under share based plans in the event of a change of control;
- making appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- adjusting existing targets if events occur that cause the Remuneration Committee to determine that the targets set are no longer appropriate and that amendment is required so the relevant award can achieve its original intended purpose, provided that the new targets are not materially less difficult to satisfy.

The Remuneration Committee also retains discretion to make non-significant changes to the Remuneration Policy without reverting to shareholders (for example, for regulatory, tax, legislative or administrative purposes).

Malus and Clawback

The Remuneration Committee may, at any time within three years of AIP awards vesting or annual bonus payment, determine that malus or clawback provisions may apply, including in the following circumstances:

1. material financial misstatement;
2. gross misconduct by the participant;
3. an error in available financial information or misleading data which results in an error in calculating the grant or pay-out of an award;
4. significant reputational damage; or
5. corporate failure or failure of risk management

There are robust mechanisms in place to ensure that these provisions are enforceable.

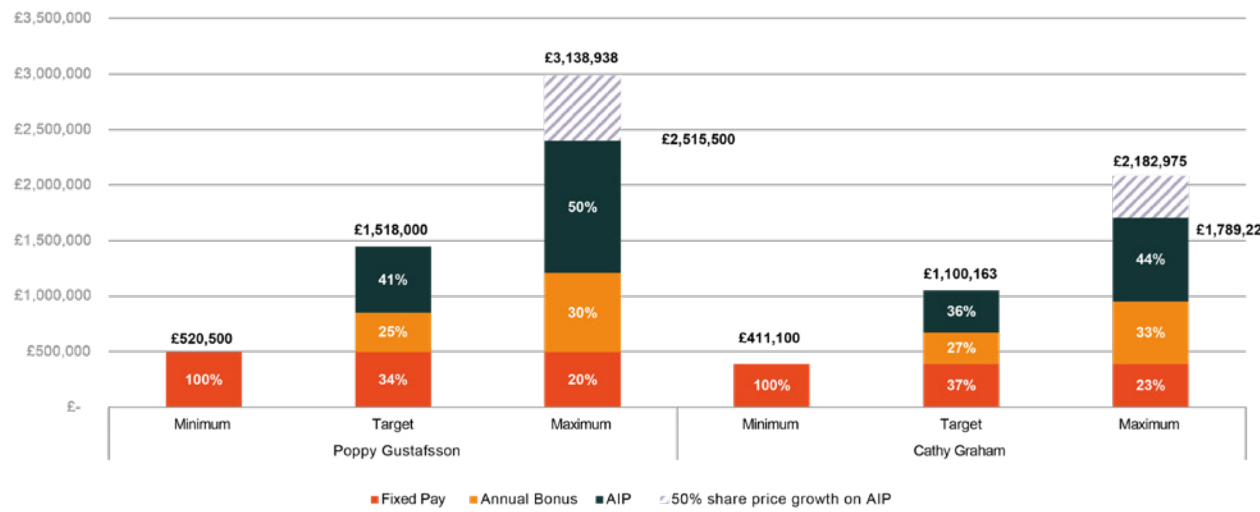
Remuneration scenarios for Executive Directors

The charts below provide an indication of the level of total annual remuneration that would be received by each Executive Director under different scenarios in respect of minimum pay (fixed pay), an assumed on-target and maximum performance based on assumptions set out below.

Minimum: Comprises fixed pay only using FY 2023 base salary, FY 2022 benefits and a 4% base salary employer pension contribution.

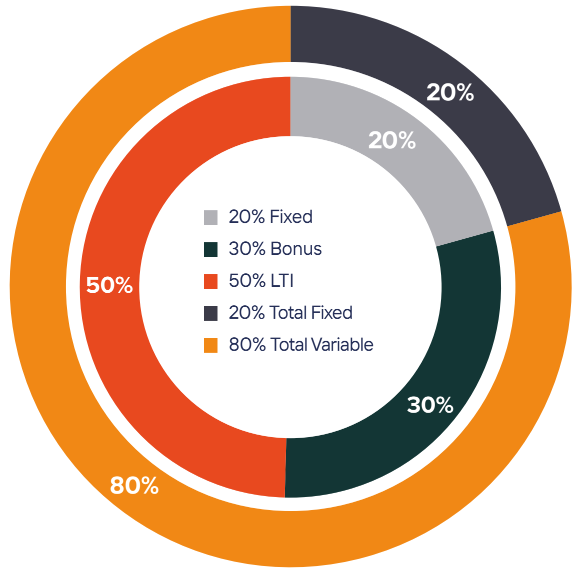
On-Target: Comprises fixed pay plus an Annual Bonus pay-out at 50% of maximum award (i.e. 75% of salary for the CEO and 75% of salary for the CFO) and the FY 2023 AIP award vesting at 50% of face value (i.e. 125% and 100% of base salary for the CEO and CFO respectively).

Maximum: Comprises fixed pay and assumes full pay-out under the Annual Bonus (i.e. 150% of base salary for the CEO and CFO) and the FY 2023 AIP award vesting in full (i.e. 250% and 200% of base salary for the CEO and CFO respectively). The maximum scenario includes an additional element to represent 50% share price growth on the AIP award from the date of grant to vesting.

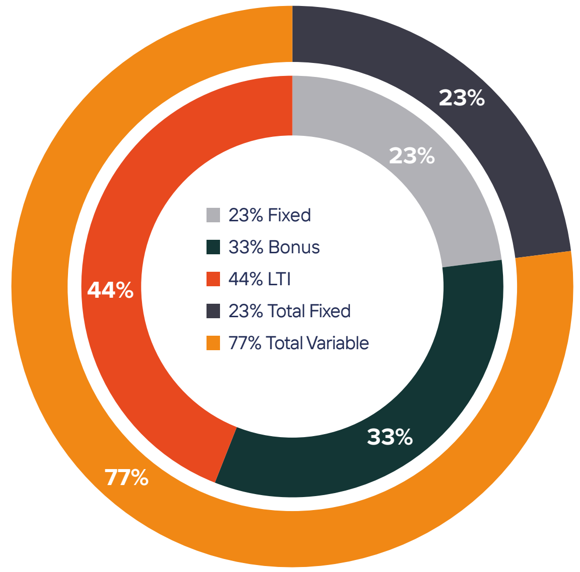


We are a high performing business with a significant amount of performance-based pay at risk as demonstrated below.

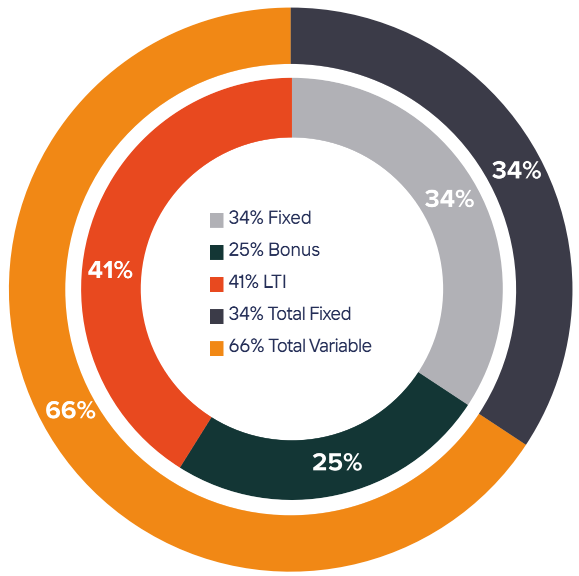
CEO at Max



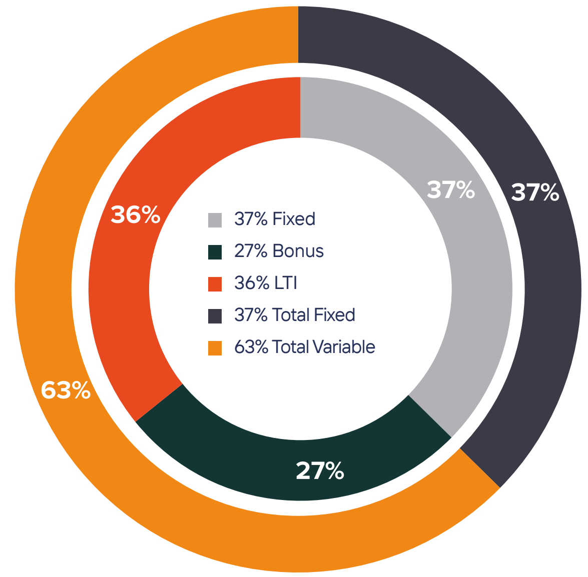
CFO at Max



CEO at Target



CFO at Target



The Remuneration Policy of the Executive Directors and Employees and Consideration of Employment Conditions Elsewhere in the Group

The Company provides a market competitive package to all employees with an element of reward through incentive payments linked to the achievement of stretching performance targets. This reward philosophy applies to all levels of the business and is a key component of the Company attracting and retaining the best talent. In view of the greater potential remuneration, the Executive Directors have a greater proportion of their pay at "risk" and subject to deferral and holding periods. The Committee considers as appropriate market data, the CEO pay ratio and other comparative measurements as relevant.

The Remuneration Committee takes into account wider workforce remuneration and related policies, and the alignment of incentives and rewards with culture when setting and operating the policy for Executive Directors' remuneration and the Remuneration Committee receives regular updates on any changes to wider company remuneration policy.

As set out in the Corporate Governance section, during FY 2022 the Company has established an employee engagement forum with discussions at the forum being led by our Non-Executive Director for workforce engagement. The agenda of topics for discussion for FY 2023 includes the alignment of executive pay with the wider workforce as required under the UK Code.

Consideration of Shareholder Views

In considering the operation of the Remuneration Policy, the Remuneration Committee will take into account the published remuneration guidelines and specific views of shareholders and proxy voting agencies. The Remuneration Committee will consult with the Company's larger shareholders, where considered appropriate, regarding changes to the operation of the Remuneration Policy and when the Remuneration Policy is being reviewed and brought to shareholders for approval. Furthermore, the Remuneration Committee will consider specific concerns or matters raised at any time by shareholders on remuneration. Specific engagement in a year of report will be set out in the Annual Report on Remuneration.

Recruitment Policy

When setting remuneration packages for new Executive Directors, pay will be set in line with the Remuneration Policy outlined above. Several factors will be considered. The geography in which the role competes or is recruited from, the candidate's experience and skills, as well as the remuneration levels of other Executive Director and colleagues in the business. The Remuneration Committee is mindful that the Company should avoid paying more than is necessary to recruit the desired candidate.

Remuneration Element	Policy
External Appointment to the Board	
Salary	Base salary would be set at an appropriate level considering the factors mentioned above
Relocation	If an Executive Director needs to re-locate in order to take up the role, the Company may pay to cover the costs of relocation including but not limited to, actual relocation costs, temporary accommodation and travel expenses.
Buy-out Awards	For external appointments, the Remuneration Committee may (if it is considered appropriate) provide a buy-out award equivalent to the value of any outstanding incentive awards that will be forfeited on cessation of an Executive Director's previous employment. To the extent possible, the buy-out award will be made on a broadly like for like basis. The award will take into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting, the likelihood of vesting and the nature of the awards (cash or equity). Any such buy-out award may be granted under the AIP or the provision available under UKLA Listing Rule 9.4.2. to enable awards to be made outside the AIP in exceptional circumstances.
Annual Bonus	New joiners may receive a pro-rated Annual Bonus based on their employment as a proportion of the financial year and targets may be different to those set for other Executive Directors subject to a maximum annual bonus opportunity of 150% of base salary.
AIP	Grants under the AIP will be made in line with the Remuneration Policy in the year of joining, subject to the maximum award limit of 300% of base salary.
Other Elements	Benefits and pension will be set in line with the Remuneration Policy.
Internal Appointment to the Board	
Other Elements	When existing employees are promoted to the Board, the above policy will apply, from appointment to the Board and not retrospectively. In addition, any existing incentive awards will be honoured and form part of ongoing remuneration arrangements.
Non-Executive Directors	
Other Elements	Fees will be in line with the Remuneration Policy and the fees provided for the other Non-Executive Directors.

/ Service Contracts and Letters of Appointment

Executive Directors

The Executive Directors have a service contract requiring 12 months' notice of termination of employment from either party as shown below and it is the Company's policy to set notice periods not exceeding 12 months:

Executive Director	Date of Appointment	Date of Service Contract	Notice from the Company	Notice from the Individual	Unexpired Period of Service Contract
Poppy Gustafsson OBE	1 April 2021	6 May 2021	12 months	12 months	Indefinite term
Catherine Graham	12 March 2021	6 May 2021	12 months	12 months	Indefinite term

Payment for Loss of Office

In the event of termination for cause (e.g. gross misconduct), the Company is entitled to terminate their employment immediately without notice or payment in lieu of notice.

Treatment of other elements of the Remuneration Policy (including Annual Bonus and AIP), will vary depending on whether an Executive Director is categorised as a "good" or "bad" leaver. The Remuneration Committee has the discretion to determine whether an Executive Director is a "good" leaver, reasons for good leaver treatment include, but are not limited to, death, ill-health, injury or disability and retirement.

The treatment of the various elements of pay on termination of employment are summarised below.

Remuneration Element	Treatment
Salary, Benefits and Pension	• If notice is served by either party, the Executive Director can continue to receive base salary, benefits and pension for the duration of their notice period. The Executive Director may be asked to perform their normal duties during their notice period, or they may be put on garden leave. The Company may, at its sole discretion, terminate the contract immediately, including at any time after notice is served, by making a payment in lieu of notice equivalent to base salary, benefits and pension, with any such payments being paid in monthly instalments over the remaining notice period. The Executive Director will normally have a duty to seek alternative employment and any outstanding payments will be subject to offset against earnings from any new role.
Annual Bonus	• Good leavers will be eligible to receive Annual Bonus at the usual time with performance measured at the usual time. The Annual Bonus will normally be pro-rated for service during the financial year. • Bad leavers will not be eligible to receive Annual Bonus. • The Remuneration Committee has the discretion to apply an alternative treatment to the Annual Bonus where exceptionally it deems it to be appropriate. • Shares that have been awarded as part of the Annual Bonus are beneficially owned by the Executive Director from the date they are acquired and so they are not at risk of forfeiture, other than in relation to clawback. Shares subject to a holding period will normally be released at the normal time.
AIP	• Awards are forfeited on cessation of employment except for "good leavers" (where awards vest subject to performance conditions and are normally scaled back pro rata to the proportion of the performance or vesting period served). The Remuneration Committee has the discretion to apply an alternative treatment to awards where exceptionally it deems it to be appropriate. • Shares subject to a holding period will normally be released at the normal time
Change of Control	• There are no enhanced contractual provisions on a change of control. • AIP awards will vest based on performance and be prorated to the proportion of the performance or vesting period served, with the Remuneration Committee having the discretion to disapply pro rating partially, or in full, and increase or decrease the extent to which an award vests if it deems it to be appropriate, acting fairly and reasonably and taking into account relevant factors.
Other Matters	• The Company may also pay outplacement costs, legal costs and other reasonable relevant costs associated with termination and may settle any claim or potential claim relating to the termination of employment by exercise of its discretion. Payment may also be made in respect of accrued benefits, including untaken holiday. • On termination of employment, the CFO Catherine Graham, is entitled on relocation to the U.S.to reimbursement for the cost of a U.S. healthcare plan substantially similar to the Company's then-current employee sponsored healthcare plan for a period of up to 18 months (or until the CFO obtains a similar employee-sponsored plan, whichever is the earlier).

Legacy Arrangements

Payments may be made to satisfy commitments made prior to the approval of this Remuneration Policy. This includes the matters set out in the Prospectus for example, the legacy incentive arrangements or payments made to satisfy legacy arrangements agreed prior to an employee (and not in contemplation of) being promoted to the Board of Directors. All outstanding obligations may be honoured, and payment will be permitted under this Remuneration Policy.

Chair and Non-Executive Directors

The Chair of the Board and Non-Executive Directors have letters of appointment with the Company for an initial three-year term and, in line with market practice, there is typically an expectation for Non-Executives to serve two three-year terms but they may be invited by the Board to serve an additional three-year term subject to annual re-appointment at the AGM. Appointments are terminable by either party on three months' written notice. The appointment letters provide that no compensation is payable on termination, other than accrued fees as at the date of termination and expenses.

The table below details the appointments for each Non-Executive Director.

Non-Executive Directors	Date of Appointment	Date of Current Letter of Appointment	Notice from the Company	Notice from the Individual
Gordon Hurst (Chair)	1 April 2021	1 April 2021	3 months	3 months
Vanessa Colomar	1 April 2021	1 April 2021	3 months	3 months
Stephen Shanley	1 April 2021	1 April 2021	3 months	3 months
Han Sikkens	1 April 2021	1 April 2021	3 months	3 months
Lord Willetts	1 April 2021	1 April 2021	3 months	3 months
Paul Harrison	1 April 2021	1 April 2021	3 months	3 months
Sir Peter Bonfield CBE FREng	1 April 2021	1 April 2021	3 months	3 months

All Non-Executive Directors are in their initial term.

External appointments

With the approval of the Board, Executive Directors may accept external appointments as a Non-Executive Director and retain the fees.

This section of the annual report describes the operation of the Remuneration Policy during the FY 2022 and sets out how the Policy will be operated in FY 2023. This part of the Annual Report will be subject to an advisory shareholder resolution at our 2022 AGM .

/ Remuneration Committee

Roles and responsibility

The role of the Remuneration Committee is outlined in the Committee's Terms of Reference and is to set the Annual Fee for the Chairman of the Board, determine and establish a remuneration policy for the Executive Directors and Senior Management and to set the remuneration packages for those individuals. When determining remuneration arrangements, the Committee reviews workforce remuneration and related policies and the alignment of incentives and rewards with culture and takes these into account when determining remuneration of the Executive Directors and Senior Management.

Further details on the role and responsibilities of the Remuneration Committee are disclosed in the Terms of Reference which can be found on the Company's corporate website – www.ir.darktrace.com

Remuneration Committee Membership and Meetings

The Remuneration Committee comprises the four independent Non-Executive Directors listed below. The Remuneration Committee Chair has many years of experience both chairing and serving on remuneration committees of listed companies. The Remuneration Committee met 5 times during the year. Meetings were attended by all members of the Remuneration Committee. The Company's General Counsel acts as secretary to the Remuneration Committee and the CEO, CFO and other members of management are invited to attend as appropriate, although no individual is in attendance when their own remuneration is set.

Remuneration Committee Chair	Sir Peter Bonfield CBE FREng
Remuneration Committee Member	Lord Willetts
Remuneration Committee Member	Paul Harrison
Remuneration Committee Member	Gordon Hurst

Key Activities of the Remuneration Committee

During FY 2022, the Remuneration Committee carried out the following activities:

- Determined Annual Bonus for FY 2021;
- Finalised the operation of the Annual Bonus for FY 2022;
- Determined the remuneration for the Executive Committee for FY 2022;
- Reviewed and approved the Remuneration Report for 2021;
- Considered the operation of Annual Bonus for FY 2023;
- Considered performance measures and weightings for the LTIP for FY 2023;
- Reviewed and considered market practice and investor and proxy agency views including the use of ESG measures in incentives;
- Reviewed and determined vesting of the rollover awards granted to legacy growth shareholders;
- Considered wider workforce remuneration and engagement with the workforce on remuneration matters;
- Reviewed and considered the approach to incentivising employees and senior management using long-term incentive awards.

External Advisers

Independent advice was provided to the Remuneration Committee by Korn Ferry, who were appointed in January 2021 by the IPO Committee following a tender process. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Remuneration Committee that it adheres in all respects to the terms of the Code. The fees for the advice provided for FY 2022 were charged on an time and materials basis and came to £83,000 in total. Other than Remuneration Consultancy, Korn Ferry provided no other advice or services to the Company during FY 2022. Taking these matters into account the Remuneration Committee is comfortable that the advice received from Korn Ferry was objective and independent.

/ Audited information

Total Remuneration Payable for FY 2022

The following table sets out the total remuneration for Executive Directors for FY 2022 and also for the period from 29 April to 30 June 2021 being our first Directors' remuneration reporting period following admission.

	Year (note 1)	Salary and fees £000	Benefits £000 (note 2)	Pension £000 (note 3)	Total fixed pay £000	Annual bonus £000 (note 4)	Long-term incentives £000 (note 5 & 6)	Total variable pay £000	Total Remuneration £000	Total Remuneration $000
Poppy Gustafsson OBE	2022	475.0	8.6	19.0	502.8	710.7	10,738.3	11,449.0	11,951.6	15,980.2
	2021	77.4	0.3	3.1	80.8	81.3	-	81.3	162.1	227.5
Catherine Graham	2022	375.0	2.2	15.0	392.2	561.1	8,010.2	8,571.3	8,963.5	11,984.9
	2021	63.3	0.3	2.5	66.1	49.7	-	49.7	115.8	162.5

1. 2021 shows the remuneration for the period 29 April to 30 June 2021 only being our first Directors' remuneration reporting period following admission. 2022 is remuneration for FY 2022.
2. Benefits total represents the taxable value of benefits paid. Benefits provided to Executive Directors include family private health cover and life assurance cover and for the CFO as a US tax payer, an allowance towards personal tax and accounting advice and other professional and legal fees.
3. Executive Directors receive a pension contribution of 4% of base salary.
4. The table shows for 2021 annual bonus for the period from 29 April to 30 June 2021 being our first Directors' remuneration reporting period following admission. The total amount for the year is £246k for the CEO and £235k for the CFO. This bonus is based on earnings for the period and differences arise on FX.
5. In the LTIP column the vesting value of the CEO and CFO's legacy pre-admission equity incentive awards is shown. Reference should be made to the Remuneration Committee Chair's Annual Statement and the section in the Remuneration Report below which sets out the detail of these awards. As the performance period for these awards ends in FY 2022 they are required to be reported as FY 2022 remuneration. The increase in value of these awards as a result of the increase in share price is £1.31785 per share being the difference between the grant value of £2.50 per share and the value used to determine the vesting value of £3.81785 per share which is the average of the two share prices used to value the award (50% vested on 2 August 2022 and uses this share price and 50% will vest on 31 October 2022 for which the average share price for the last three months of FY 2022 has been used.

The following table sets out the total remuneration for the Non-Executive Directors for FY 2022 and for the period from 29th April 2021 to 30 June 2021 being our first Directors' remuneration reporting period following admission.

	Year (note 1)	Fees £000 (note 3)	Total Remuneration £000 (note 2)	Total Remuneration $000
Gordon Hurst	2022	215	215	287.8
	2021	48.8	48.8	68.4
Han Sikkens (1)	2022	-	-	-
	2021	-	-	-
Stephen Shanley (1)	2022	-	-	-
	2021	-	-	-
Vanessa Colomar (1)	2022	-	-	-
	2021	-	-	-
Sir Peter Bonfield	2022	20.6	20.6	28.9
	2021	86.3	86.3	115.4
Lord David Willetts	2022	21.6	21.6	30.3
	2021	86.4	86.4	115.4
Paul Harrison	2022	20.6	20.6	28.9
	2021	20.6	20.6	28.9

note: 1 Han Sikkens, Vanessa Colomar, and Stephen Shanley waive their Non-Executive Director fee.

note: 2 2021 amounts relate to the period from 29 April 2021 to 30 June 2021 (the period executives provided qualifying services to Darktrace Plc) and therefore does not reconcile to the amounts disclosed in note 26 of the financial statements which are for the entirety of FY 2021.

note: 3 The Chairman and all other Non-Executive Directors received no other forms of remuneration or benefits other than fees.

Total Pension Entitlements

As set out above, Executive Directors receive a pension contribution of 4% of base salary. No additional benefits are provided to the Executive Directors if they retire early.

FY 2022 Annual Bonus (Audited)

The FY 2022 Annual Bonus measures, targets and performance against them are set out below, with a calculation of the FY 2022 annual bonus payable to the Executive Directors.

Measure	Weighting	Threshold (25% of maximum)	Intermediate payment (80% of maximum) (note 1)	Stretch (150% of salary)	Outcome (note 2)	% of max	Weighted % of max
Constant Currency Net ARR Added	50%	$126.2m	$135.0m	$153.0m	$152.4m	99.3%	49.7%
Constant Currency Gross Churn	30%	9.10%	8.00%	7.00%	6.5%	100%	30%
Strategic objectives	20%		See summary below		See below	100%	20%
						Total	99.7%

note 1: The Committee did not set a target level of performance or payout. An inflection point was set for the FY 2022 annual bonus at which 80% of the maximum bonus is payable, taking into account the level of stretch in the targets for the year.

note 2: The performance of the Cybersprint business which was acquired part-way through the performance period was not included in the bonus calculation.

Strategic Objectives

	To drive the evolution of the salesforce and other corporate structures to support effective growth and scale:	Outcome	Weighted % of max
10%	Assign (hire or transfer) at least 180 employees to the Accelerator Team by 30 June 2022	207	10%
10%	Reduce the percentage of total POVs shipped by the enterprise team to <250 prospects from 39% in Q4 FY 2021 to 28% or less in Q4 FY 2022	27%	10%

Achievement of the above targets will result in payment of the total bonus amount for that element.
If results are below the above targets by 3% or more the payment of this element will be zero.

As noted in the Annual Statement of the Committee Chair, the Committee reviewed the formulaic outcome of the Annual Bonus and determined that the payment is appropriate and there are no circumstances requiring the Committee to exercise discretion.

Executive Director	Maximum opportunity (% of salary)	Bonus outturn as a percentage of max	Bonus outcome (% of salary)	Bonus outcome £000
Poppy Gustafsson OBE	150%	99.7%	149.6%	710.7
Catherine Graham	150%	99.7%	149.6%	560.1

AIP Vesting During FY 2022

There were no normal post admission annual AIP long-term incentive awards vesting based on performance periods ending in FY 2022.

Scheme Interests Awarded During FY 2022

There were no long-term incentive awards granted during FY 2022. The FY 2022 AIP awards were granted on admission. The performance measures and targets for these awards are set out in the FY 2021 Remuneration Report.

Legacy Incentives

As disclosed in the IPO Prospectus and last year's Remuneration Report, the CEO and CFO held growth share awards under the pre admission legacy incentive schemes. All legacy growth shareholders, including the CEO and CFO, were granted a rollover award in the form of a conditional share award (the "Rollover Growth Share Awards") with vesting on the first anniversary of admission. A share price performance condition was set for the vesting of these conditional awards of £2.50 for threshold vesting rising to £5.00 for maximum vesting.

The growth share-awards are not part of the post admission Directors' Remuneration Policy but part of the legacy pre-admission incentive arrangements. However, because the performance period for vesting ended in FY 2022, the vesting value is required to be disclosed in this Remuneration Report.

The performance averaging period set on grant of the awards was the 30-days ending on the first anniversary of admission. As investors will be aware, the Darktrace share price has been very volatile as a result of a number of external factors and even though the 30-day averaging period was set to ensure smoothing of any volatility, the Committee realised 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. The Committee therefore extended the performance averaging period to 12 months ending on the first anniversary of admission.

The average share price over the 12-month performance period to the first anniversary of admission was £5.19 pence, resulting in 100% of the award vesting for both the CEO and CFO.

To ensure an element of on-going retention, the vesting period for the rollover awards was extended so that 50% of the award vested on 2 August 2022 and 50% will vest on 31 October 2022. In addition, the Executive Directors are also required to retain their shares until the first anniversary of the October 2022 vesting date, except for sales to pay taxes on vesting.

Executive	Number of ordinary shares granted	Face value of award at Offer Price (£'000)	Grant date	Vest date	Performance Period	Vesting (% of max)	Number of shares vesting	Value of shares vesting (note 1)
Poppy Gustafsson OBE	2,812,661	£7,032	30 April 2021	50% vesting on 2 August 2022 50% vesting on 31 October 2022.	Ending 6 May 2022	100%	2,812,661	£10,738,318
Catherine Graham	2,098,093	£5,245					2,098,093	£8,010,205

note: 1 The value used for 50% vesting on 1 August 2022 is £3.8180 being the closing share price on that date. The value used for the 50% vesting on 31 October 2022 is £3.8177 being the average share price for the 3 months ending 30 June 2022 because the share price on the actual date of vesting is not known.

Payments to Former Directors and for Loss of Office

No payments were made to former Directors of the Company or in relation to loss of office during FY 2022.

Directors' Shareholding and Share Interests (Audited)

Director	Ordinary Shares Held at 30 June 2022
Poppy Gustafsson OBE	2,944,716
Catherine Graham	306,747
Gordon Hurst	697,368
Han Sikkens	-
Stephen Shanley	-
Vanessa Colomar	4,695,100
Sir Peter Bonfield CBE FREng	49,000
Lord Willetts	49,000
Paul Harrison	49,000

The shareholding and share interests of the Directors' and their connected persons in the shares in the Company as at 30 June 2022 is set out below. Since 30 June 2022 the shareholdings of the CEO and CFO have increased by 727,775 and 542,881 shares respectively as a result of vesting on 2 August 2022 of 50% of the rollover award in the form of a conditional award.

Directors' Shareholding Requirements

During employment, Executive Directors are required to build and maintain a shareholding equivalent to 200% of their base salary. The shareholdings of the CEO and CFO on 30 June 2022 exceed this requirement. The table below summarises each Director's current shareholding, vested share options, and share awards subject to performance conditions and service requirements, and whether or not the shareholding requirement has been met.

Director	Beneficially Owned Shares on 30 June 2022	Vested Shares Subject to Holding Periods	Options Exercised in Year	Vested Unexercised Share Options	Unvested Share Awards Subject to Performance Conditions	Unvested share awards subject to service requirement	Shareholding Requirement (% of Base Salary)	Current Shareholding (% of Base Salary)	Requirement Met
Poppy Gustafsson OBE	2,944,716	-	375,000	-	475,000	3,018,271	200%	1826%	Yes
Catherine Graham	306,747	-	-	-	300,000	2,098,093	200%	241%	Yes
Gordon Hurst	697,368	-	-	-	-	-	-	-	n/a
Han Sikkens	-	-	-	-	-	-	-	-	n/a
Stephen Shanley	-	-	-	-	-	-	-	-	n/a
Vanessa Colomar	4,695,100	-	-	-	-	-	-	-	n/a
Sir Peter Bonfield CBE FREng	49,000	-	-	-	-	-	-	-	n/a
Lord Willetts	49,000	-	-	-	-	-	-	-	n/a
Paul Harrison	49,000	-	-	-	-	-	-	-	n/a

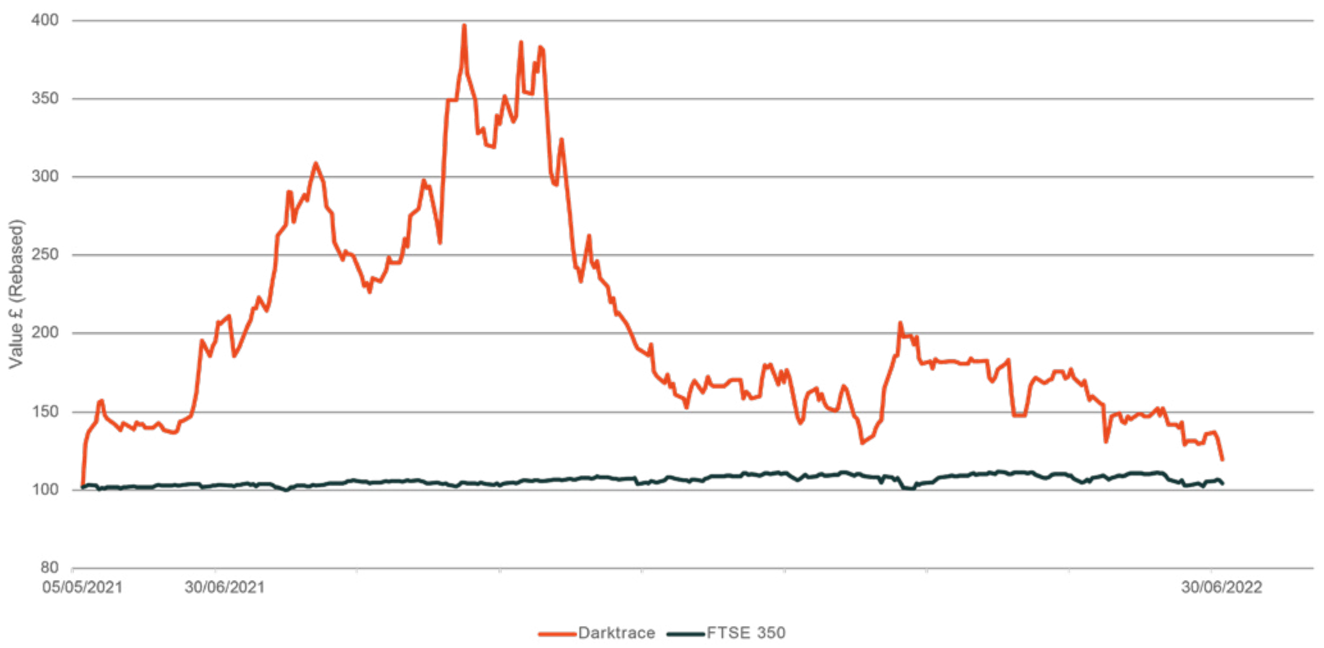
(1) Poppy Gustafsson OBE holds 205,610 ordinary shares which are subject to service-based restrictions. These restrictions will be lifted in three equal tranches on 1 September 2022; 1 March 2023; and 1 September 2023.

(2) Catherine Graham holds 102,249 ordinary shares which are subject to service-based restrictions. These restrictions are lifted in two equal tranches on 10 August 2022; and 10 February 2023.

(3) Post-cessation of employment, Executive Directors must retain shares to the value of 200% of base salary for a period of two years in accordance with the Remuneration Policy.

Performance Graph and Table

Darktrace shares began unconditional trading on the London Stock Exchange's main market on 6 May 2021. The chart below shows the TSR performance of £100 invested in Darktrace from 30 April 2021 at the commencement of conditional trading using the offer price of £2.50 per share to 30 June 2022 against the FTSE350 index. The FTSE350 index is considered an appropriate comparison as Darktrace is a constituent of the index.



	2021	2022
CEO single figure total remuneration (£000s) (Note 1)	162.1	11,951.6
Annual Bonus (as % of maximum opportunity)	100% of salary	99.7%
Long-term incentive vesting (as % of maximum opportunity) (Note 2)	N/A	100%

(1) The single figure of total remuneration for 2021 is for the period 29 April 2021 to 30 June 2021.

(2) The long-term incentive shown as vesting at 100% for 2022 is in respect of the rollover award granted on 29 April 2021, conditional on admission and not a normal annual AIP grant.

Annual Percentage Change in Directors and Employee Remuneration

As the Company was incorporated into the Group on 29 April 2021 and admitted to trading on the London Stock Exchange on 6 May 2021, there is no comparable remuneration to disclose for the prior year. Full disclosure on the percentage change for Director and employee remuneration, in line with Regulations, will commence in next year's report.

CEO Pay Ratio

UK regulation requires companies with more than 250 UK employees to publish a ratio to show CEO pay versus that of its UK employees. We have provided below the ratio for the period from 29 April to 30 June 2021 being our first Directors' remuneration reporting period following admission and also for FY 2022. For the period to 30 June 2021 we used the methodology set out in Option B taking into account availability of data immediately following admission. For FY 2022 and future years we will move to Option A as we believe this provides the most accurate and robust data. As noted elsewhere in this Remuneration Report the CEO and CFO's remuneration for FY 2022 includes the value of their rollover awards that relate to the legacy growth share arrangements, that were granted on 29 April 2021 conditional on admission. These awards are not part of the post admission Directors' Remuneration Policy but part of the legacy pre-admission incentive arrangements. For this reason we have shown the CEO pay ratio including the value of these incentive awards which we are required to do under the remuneration regulations but also without these incentive awards which the Committee believes is a fairer reflection of the remuneration paid to the Directors and Group employees as part of the post admission remuneration structure.

Financial year	Method	Lower Quartile	Median	Upper Quartile
2022 with pre-IPO incentives	A	358:01	271:01	141:01
2022 without pre-IPO incentives	A	36:01	28:01	17:01
2021*	B	22:01	19:01	12:01

*Details provided in respect of period between 29 April to 30 June 2021 being our first Directors' remuneration reporting period following admission.

The total pay and benefits for the CEO and the employees at the percentiles are set out below:

		CEO	Lower Quartile	Median	Upper Quartile
2022	**Basic salary**	475,478	29,771	34,968	45,516
	Total pay and benefits without pre-IPO incentives	1,213,000	33,387	43,891	72,649
	Total pay and benefits with pre-IPO incentives	11,951,618	33,387	44,029	84,568
2021	**Basic salary**	77,331	5,588	7,328	10,574
	Total pay and benefits	161,973	7,271	8,638	13,327

The employee pay figures for 2021 were calculated by reference to the period from 1 May 2021 to 30 June 2021.

The Remuneration Committee is comfortable that the pay ratio shown above excluding the awards relating to pre-IPO incentives is consistent with our pay, reward and progression policies for the Company's UK employees as a whole noting that the vesting of the awards relating to the pre-IPO incentives is not part of the post admission remuneration structure for the Executive Directors or for the Group as a whole.

Exceptionally for 2022 the CEO pay ratio is very high because of the exceptional vesting of the awards relating to the pre-IPO incentives, it should also be noted that a number of employees below Board also received pre-IPO incentives.

Variable pay for our Executive Directors forms a significant part of their overall remuneration package with actual payments under the variable elements varying from year to year. In addition, our post admission long-term incentive awards will not start to vest until 2024. Therefore, it is anticipated that the CEO pay ratios will vary due to the variable nature of the CEO remuneration structure.

Relative Importance of Spend on Pay

The table below shows the Company's expenditure on employee pay compared to distributions to shareholders for the period 29 April to 30 June 2021 being our first Directors' remuneration reporting period following admission and for FY 2022.

	2021 £m	2022 £m
Distribution to shareholders	0	0
Total employee pay	17.6	131.3

/ Implementation of Remuneration Policy in FY 2023

Executive Director Remuneration

Annual Base SalaryThe annual base salaries for the Executive Directors have been increased by 5% effective from 1 July 2022. The workforce average increase in the UK was 7%.

- Chief Executive Officer £498,750
- Chief Financial Officer £393,750

Pension and Benefits

Executive Directors will continue to receive an employer pension contribution of 4% of base salary and other benefits, which align with those provided in FY 2022.

Annual Bonus

The maximum Annual Bonus opportunity is 150% of base salary for the CEO and CFO.

Performance continues to be based 80% on financial metrics comprising 50% on constant currency Net Annual Recurring Revenue Added and 30% on Constant Currency Gross Churn. The remaining 20% of the annual bonus is based on strategic targets relating to employees and communities.

The Remuneration Committee considers the specific financial performance targets and specific targets for the strategic element to be commercially sensitive, and they are not therefore disclosed at this time. There will be full retrospective disclosure of the specific targets in next year's Annual Report with performance against them.

Award Incentive Plan ("AIP")

The FY 2023 AIP grant will be 250% and 200% of salary for the CEO and CFO respectively. The performance measures, weightings and targets for this award are set out below.

Measure	Weighting	Threshold (25% of maximum)	Stretch (100% of the award)
Relative TSR vs. FTSE 350 (excluding investment trusts)	80%	Median	Upper quartile and above
Constant currency Annual Recurring Revenues	20%	18% CAGR	28% CAGR

Non-Executive Director Remuneration

Non-Executive Director fees are to remain unchanged for FY 2023. A fee was introduced during FY 2022 for the role of Non-Executive Director for employee engagement.

Non-Executive Director	Annual Fee FY 2023	Annual Fee FY 2022
Chair of the Board	£215,000	£215,000
Non-Executive Director base fee	£60,000	£60,000
Member of any Board Committee	£7,500	£7,500
Audit Committee Chair's fee	£7,500	£7,500
Remuneration Committee Chair's fee	£7,500	£7,500
Nominations Committee Chair's fee	£3,750	£3,750
Non-Executive Director for employee engagement fee	£5,000	£5,000

Engagement with Shareholders

The Remuneration Committee Chair has started to engage with the Company's largest investors to explain the Committee's approach in determining the vesting of the pre-IPO legacy rolled over growth share awards. Overall feedback is that investors understand and are supportive of the approach taken, noting that the awards are part of the Company's pre-IPO incentive arrangements, the exceptionally volatile share price and that the incentive arrangements for the business going forward and the Committee's approach to determining vesting will follow market norms.

Statement of Voting at General Meeting

At the Company's first AGM held on 24 November 2021 both the Directors' Remuneration Policy and Report were approved by shareholders as detailed below:

Resolution	Votes For	% For	Votes against	% Against	Total votes cast	Votes withheld (abstentions)
Approval of the Remuneration Report	314,099,015	99.87%	394,546	0.13%	314,493,561	4,366,512
Approval of the Remuneration Policy	318,389,408	99.88%	393,082	0.12%	318,782,490	77,583

Sir Peter Bonfield, CBE, FREng
Chair of the Remuneration Committee

Approved by the Board on 7th September 2022.

DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and audited financial statements of the Company and the Group for the period ended 30 June 2022.

The Directors' report contains certain statutory, regulatory and other information and incorporates, by reference, the Strategic Report, Corporate Governance Report, Report of the Remuneration Committee and Annual Report on Remuneration.

/ Corporate Details

The Company was incorporated under the UK Companies Act 2006 (the "Act") on 12 March 2021 as a public company limited by shares under the name Srenoog plc with registered number 13264637. The Company was renamed Darktrace plc on 30 March 2021.

/ Strategic Report

The Strategic Report is a requirement of the Act and can be found on pages 4 to 81. The Company has chosen, in accordance with section 414C(11) of the Act, to include the following matters of strategic importance in its Strategic Report that would otherwise be disclosed in the Directors' Report. This information should be read in conjunction with this Directors' Report.

- a fair review of the Group's performance during the year and of its position at the end of the financial period, is set out in the Strategic Report on pages 40 to 45;
- information on principal risks and uncertainties is set out on pages 52 to 59;
- key performance indicators are set out on pages 42 to 45;.
- information on our environmental strategy, greenhouse gas emissions, energy consumption and energy efficiency is set out on pages 60 to 63;
- a summary of the Group's approach to business ethics, employee welfare and practice, environmental and community matters is set out in the ESG sections on pages 60 to 79;

The Corporate Governance Report including the Directors' Remuneration Report summarises the Company's Governance and Directors' remuneration arrangements.

/ Future Development and Prospects

The Company has a strong financial profile and a fast-growing customer base as a result of which it is well-placed to take advantage of a rapidly expanding market. Darktrace is focused on accelerating the deployment of its technology worldwide and investing in long-term growth. The Company has a huge opportunity to capture a growing workforce and a strong management team driving its strategy forward.

Darktrace's unique Self-Learning AI technology, its talented people and a large addressable market put it in a strong position as it looks to the future. In this new era of cyber threat, Darktrace's existing and potential customers have never needed its technology more, and the Company will continue to focus on meeting their needs and helping them to adapt as the threat landscape evolves.

/ Results and Dividends

The audited financial statements of the Group and of the Company for the period under review are set out on pages 154 to 157 and pages 198 to 199 respectively. The Company intends to retain any earnings to expand the growth and development of its business and, therefore, does not anticipate paying dividends in the foreseeable future.

/ 2022 Annual General Meeting ("AGM")

An explanation of the resolutions to be proposed at the AGM, and the recommendation of Directors in relation to these, is included in the circular accompanying this Annual Report to shareholders. Resolutions regarding the authority to issue shares are commented upon under the share capital later in this report.

The Company's AGM will be held at 3pm on 3rd November 2022, and details will be set out in the notice of annual general meeting.

/ Research and Development

The Group has over 2,000 employees, with approximately 314 employees working in research and development. Research and development costs were $44.3m for the financial year ended 30 June 2022. These are the costs associated with the Group's efforts to develop new products for its platform, expand the features of its platform, and ensure the platform's continuing reliability, availability and scalability. These costs are primarily made up of the labour and related costs remaining after capitalisation of allowable labour and related development costs, and the amortisation of such costs capitalised in prior periods. Given the Group's rapid growth, for each of the periods presented, the value of costs being capitalised to the statements of financial position have been between two and three times the value of the amortisation of such costs capitalised in prior periods recorded as research and development costs in the statement of comprehensive income. Additionally, research and development does contain allocated overhead costs, primarily rents and other facilities costs that are allocated on a per employee basis.

/ Change of Control

In the event of a takeover, a scheme of arrangement (other than a scheme of arrangement for the purposes of creating a new holding company) or certain other events, unvested executive Director and employee share awards may in certain circumstances become exercisable. Such circumstances may, although do not necessarily, depend on the achievement of performance conditions or the discretion of the Remuneration Committee. The Company does not have any agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover.

The Group has facility agreements with its bank lenders which contain provisions giving those lenders certain rights on a change of control of the Company.

Save as otherwise disclosed above, there are no other significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control following a takeover bid.

/ Financial Instruments

The Group's financial risk management is controlled by a central treasury department ("Group treasury") under policies approved by the Board. Group treasury identifies and evaluates financial risks in close co-operation with the Group's CFO and other Executive Directors and Senior Managers. The Board authorises written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

In addition, the overall risk framework and strategy for the Group is included within the Strategic Report on pages 52 to 59.

/ Employment of Disabled Persons

Our policy for the employment of disabled persons is to provide equal opportunities with other employees to train for and attain any position within the Group and is set out within our Equality and Diversity policy.

/ Stakeholder and Employee Engagement

Details of the Company's stakeholder and employee engagement is described in the ESG section of the Strategic Report. In addition, Darktrace has established an employee forum as a critical part of its employee engagement and it is through this and a designated NED that employees' views can be put forward to the Board.

/ 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.

/ Substantial Shareholdings

As at 30 June 2022, the Company had been notified in accordance with the Disclosure and Transparency Rules of the UK Listing Authority, or was aware, of the shareholders holding, or were beneficially interested in, 3% or more of the Company's shares at that date.

See information provided at page 206.

/ Directors

The Directors of the Company who served throughout the period and up to the date of signing of this Annual Report (except where noted) were:

- Gordon Hurst (Chair) (appointed 1 April, 2021)
- Poppy Gustafsson OBE (CEO) (appointed 1 April, 2021)
- Catherine Graham (CFO) (appointed 12 March, 2021
- Lord Willetts (Senior Independent NED) (appointed 1 April, 2021)
- Sir Peter Bonfield (appointed 1 April, 2021)
- Paul Harrison (appointed 1 April, 2021)
- Stephen Shanley (appointed 1 April, 2021)
- Han Sikkens (appointed 1 April, 2021)
- Vanessa Colomar (appointed 1 April, 2021)

Certain key matters in connection with the Directors are shown below:

- The business of the Company is managed by its Directors who may exercise all powers of the Company subject to the provisions of the Articles of Association of the Company (the "Articles"), the Act, and such directions as may be given by the Company at a general meeting by special resolution.
- Unless otherwise determined by ordinary resolution, the number of Directors at any time must not be more than 15 and must not be less than two. Directors may be appointed by ordinary resolution of shareholders or by the Board either to fill a vacancy or as an additional director provided that the Director is willing to act as a Director. A Director need not be a shareholder of the Company. No person other than a Director retiring at a general meeting will, unless recommended by the Directors, be eligible for appointment to the office of Director at any general meeting unless a member has notified the Company in advance in accordance with the Articles of his or her intention to propose such person for appointment and that person has signed a notice in writing indicating his or her willingness to be appointed. Under the Articles, a Director is required to retire at each annual general meeting but will be eligible for re-election and a Director who is re-elected will be treated as continuing in office without a break. A Director who is not re-elected shall cease to be a Director at the close of the meeting at which he or she retires. If the Company, at any meeting at which a Director retires in accordance with the Articles, does not fill the office vacated by the retiring Director, the retiring Director, if willing to act, shall be deemed to be re-elected unless a resolution is passed at the meeting not to fill the vacancy or to elect another person in the retiring Director's place or unless the resolution to re-elect the resigning Director is put to the meeting and not passed. The Company may by special resolution, or by ordinary resolution of which special notice has been given in accordance with the Act, remove any Director before his or her period of office has expired. The Directors may remove a Director from office by giving him or her notice to that effect signed by or on behalf of not less than three-quarters of the other Directors or their alternates.
- Biographical details of the current Directors are set out on pages 86 and 88.
- The Company has made qualifying third party indemnity provisions for the benefit of its Directors (and directors of the Company's subsidiaries) in relation to certain losses and liabilities that they may incur in the course of acting as Directors of the Company, its subsidiaries or associates, which remain in force at the date of this report. In addition, the Company has in place appropriate directors' and officers' liability insurance. This cover also extends to employees of the Group who serve on the board of the Company's subsidiaries.
- No member of the Board had a material interest in any contract of significance with the Company or any of its subsidiaries at any time during the year, except for their interests in shares and in share awards and under their service agreements and letters of appointment disclosed in this Directors' Report and in the Report of the Remuneration Committee commencing on page 106.
- No member of the Board has waived or agreed to waive any emoluments from any Group company. The Independent Non-executive Directors of the company have waived their fee.
- The Directors' remuneration arrangements are summarised in the Directors' Remuneration Report.

/ Directors' Interests

The interests in the share capital of the Company of the Directors are as follows:

Poppy Gustafsson OBE	3,678,101
Catherine Graham	1,156,375
Gordon Hurst	828,508
Vanessa Colomar	4,695,100
Sir Peter Bonfield CBE,FREng	49,000
Paul Harrison	49,000
Lord Willetts	49,000

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

/ Share Capital

Certain key information relating to the Company's shares is shown below:

- The Company's shares as at 30 June 2021 comprised 697,630,127 ordinary shares of £0.01 each which rank equally in all respects, 50,000 redeemable preference shares of £1.00 each and 120,063 deferred shares of £0.01 each. Details of the shares issued and repurchased by the Group during the period are set out in note 22 in the Notes to the Group Financial Statements.
- Every holder of an ordinary share is entitled to receive notice of all general meetings of the Company and to attend, speak and vote on any resolution proposed at a general meeting of the Company. At a general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before, or immediately after the declaration of the result of, the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by: (i) the chairman of the meeting; (ii) at least five shareholders present in person or by proxy having the right to vote on the resolution; (iii) a shareholder or shareholders presents in person or by proxy representing in aggregate not less than 10% of the total voting rights of all the shareholders having the right to vote on the resolution (excluding any voting rights attached to any shares in the Company held in treasury); or (iv) a shareholder or shareholders present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all the shares conferring that right (excluding any voting rights attached to any shares in the Company held in treasury). On a show of hands, every holder of an ordinary share or authorised corporate representative present has one vote and every proxy present has one vote except if the proxy has been duly appointed by more than one member and has been instructed by (or exercises his discretion given by) one or more of those members to vote for the resolution and has been instructed by (or exercises his discretion given by) one or more other of those members to vote against it, in which case a proxy has one vote for and one vote against the resolution. On a poll, every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.
- Neither holders of redeemable preference shares nor holders of deferred shares is entitled to receive notice of, or attend and vote at, any general meeting of the Company and shall not be an eligible member for the purposes of any written resolution of the Company.
- The Board may, in its absolute discretion, refuse to register any instrument of transfer of a certificated share: (i) which is not fully paid up (provided that where shares of the same class have been admitted to official listing by the Financial Conduct Authority, such refusal does not prevent dealings in that class of shares from taking place on an open and proper basis); or (ii) on which the Company has a lien. The Board may also refuse to register any instrument of transfer of a certificated share unless it is (a) left, duly stamped (if stampable), at the office, or at such other place as the Board may decide, for registration; (b) accompanied by the certificate for the shares to be transferred and such other evidence as the Board may reasonably require to prove the title of the intending transferor of his or her right to transfer the shares; and (c) in respect of only one class of shares.
- The Group has an employee benefit trust (the "EBT") and operates employee share plans as set out in the Report of the Remuneration Committee commencing on page 26 and in note 22 of the financial statements. If the EBT holds less than 5% of the Company's ordinary share capital (after deducting any shares held as nominee for beneficiaries under the EBT), the trustees of the EBT shall abstain from voting the shares. However, if the EBT holds more than 5% of the Company's ordinary share capital (after deducting any shares held as nominee for beneficiaries under the EBT), the trustees will be required to vote the shares in excess 5% by appointing the chairperson at a general meeting as a proxy to vote those shares pro rata to the other votes cast for and against the relevant resolutions at the meeting, to ensure that the voting power of the EBT does not disproportionately impact on shareholder voting. The EBT will not hold more than 10% of the Company's ordinary share capital, without prior shareholder approval.
- Save as described above, shares acquired through the Company's employee share plans rank pari passu with all other shares in issue and have no special rights.
- The Company is permitted, pursuant to the terms of the Articles, to allot shares in the Company or to grant rights to, subscribe for, or to convert any security into, shares of the Company on such terms and conditions it may determine. The Company is permitted, subject to the Act, to purchase all or any of its shares of any class, including any redeemable shares.
- Save as described under the Agreements described below, the Company is not aware of any agreements or control rights between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Further information regarding the Company's share capital including the changes to this during the year is set out in note 22 to the financial statements.

/ Articles of Association

The Articles were adopted by special resolution on 29 April 2021. Any amendment to the Articles may be made in accordance with the provisions of the Act, by way of special resolution.

/ Shareholder Agreements/Lock-Up Arrangements

The Company entered into shareholder agreements with certain shareholders to help ensure that the Company will be capable of operating and making decisions independently for the benefit of shareholders as a whole.

On 30 April 2021, the Company entered into separate shareholder agreements with KKR Dark Aggregator L.P. ("KKR"), Summit DT Equity Holdings 3 LP and Summit DT CLN Holdings 4 ("Summit") and Angela Bacares, Michael Lynch, Sushovan Hussain, Peter Menell, Vanessa Colomar, Andrew Kanter, Philip Pearson, James Loxam, Charlotte Golunski, Elizabeth Harris, Maha Kadirkamanathan, Ruth Angus, Ella Mamelok, Adam Guthrie and Graham Sills (the "Invoke Shareholders") (KKR, Summit and the Invoke Shareholders together, the "Significant Shareholders") (the "Shareholder Agreements"), pursuant to which, among other things, each of KKR, Summit and the Invoke Shareholders (acting jointly) has the right to nominate one non-executive director to the Board for so long as they and their respective associates are entitled to exercise, or to control, directly or indirectly, 10% or more of the voting rights attaching to the issued share capital of the Company.

Each of the Significant Shareholders has confirmed to the Company its compliance with the terms of its respective Shareholder Agreement in the period from 1 July 2021 to 30 June 2022 (being the period from entry into the Shareholder Agreements until the end of the period under review in this Directors' Report).

/ Financial Risk Management

Details of financial risk management are disclosed earlier in this Directors Report on page 133 and in note 27 of the financial statements.

/ Corporate Governance

The Company is committed to high standards of corporate governance. Its application of the principles of good governance in respect of the UK Corporate Governance Code for the period under review is described in the Corporate Governance Report on pages 84 to 95 and the Corporate Governance Report forms part of this Directors Report.

The Statement of Directors' Responsibilities in respect of this Annual Report and the financial statements appears on the next page.

/ Political Donations

The Company did not make any political donations or incur any political expenditure during the year ended 30 June 2022 and 30 June 2021.

/ Greenhouse Gas Emissions

Information on the Group's greenhouse gas emissions, energy consumption and energy efficiency is set out in the ESG section on pages 60 to 63.

/ Related Party Transactions with Directors

Details of related party transactions with Directors are disclosed in the Financial Statements on note 26.

/ Overseas Branches

Darktrace has no branches outside the UK but Darktrace Holdings Limited has a branch in Dubai which was established in 2019.

/ 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.

/ 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.

/ Disclosure of Information to Auditors

Each of the Directors of the Company at the time when this Report was approved confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given in accordance with section 418(2) of the Act.

/ Auditors

Grant Thornton UK LLP, the Group's auditors, have indicated their willingness to continue in office and, on the recommendation of the Audit & Risk Committee and in accordance with Section 489 of the Act, a resolution to re-appoint them will be put to the 2022 AGM.

By order of the Board

James Sporle

James Sporle
General Counsel & Company Secretary

7th September 2022

CHAPTER 3
FINANCIAL STATEMENTS

Darktrace Cambridge Office / Cathy Graham (CFO)

CHAPTER 3 - FINANCIAL STATEMENTS INDEX

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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.

/ Catherine Graham, Chief Financial Officer, Darktrace

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF DARKTRACE PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Darktrace plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the notes to the consolidated financial statements including a summary of significant accounting policies, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and challenging the underlying assumptions in management's base case scenario for the period to 30 September 2023, including corroborating to supporting documentation where appropriate;
- obtaining management's downside scenarios, which reflect management's assessment of uncertainties, and evaluating the assumptions regarding reduced trading levels, increased costs base and decreased collection rates of trade receivables, under each of these scenarios;
- obtaining management's reverse stress test, which reflects management's assessment of an implausible scenario of how the base case scenario can be broken, which would result in a material uncertainty related to going concern, and assessing whether this represents an implausible scenario;
- assessing whether the assumptions are consistent with our understanding of the business obtained during the course of the audit and the changing external circumstances arising from the changing global economic environment;
- evaluating the accuracy of management's historical forecasting and the impact of this on management's assessment;
- reviewing post year end minutes of meetings of the board of directors and all of its committees to ensure any post year end events have been factored into management's forecasts; and
- reviewing the appropriateness of disclosures in respect of going concern made in the financial statements.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the parent company's business model including effects arising from macro-economic uncertainties such as Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the Group's and the parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Grant Thornton

Overview of our audit approach

Overall Materiality:

Group: $4,000,000, which represents approximately 1% of the Group's revenue.

Parent company: $3,000,000, which represents approximately 1% of the parent company's net assets.

Key Audit Matters Were Identified as:

- Occurrence and accuracy of revenue recognition and completeness of deferred revenue (same as prior year); and
- Accuracy of goodwill and other acquired intangible assets (new).

Our auditor's report for the year ended 30 June 2021 included two key audit matters that have not been reported as key audit matters in our current year's report. These relate to:

- Accuracy of share-based payment expense; and
- Accuracy and presentation of convertible loan note finance cost.

We do not consider these to be key audit matters this year, due to the following reasons:

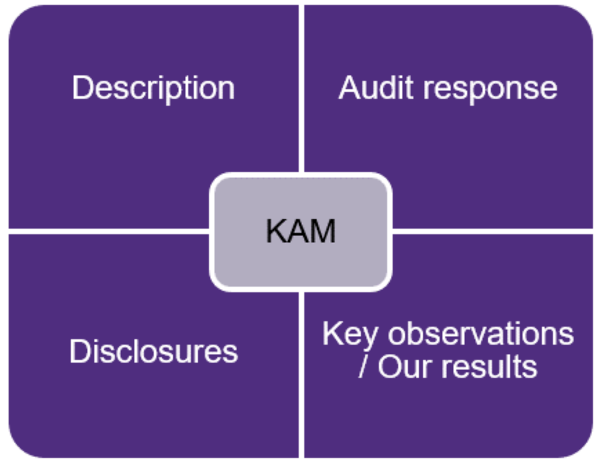
For accuracy of share-based payment expense, the two most significant judgements highlighted in the prior year were; the grant date and share price used for the IFRS 2 valuation of new Award Incentive Plan ("AIP") awards granted on the IPO. This is no longer relevant to the current year issuances, and the share price used to calculate the provision for social security costs on share-based payments. We have re-assessed the risk over the provision and our judgement is that the likelihood of error is reduced as the amount is based on supportable inputs that do not require significant judgement. This has therefore been removed as a significant risk in the current year.

For accuracy and presentation of convertible loan note finance cost, the convertible loan note was converted into share capital in the prior year and therefore no longer exists, and further had no impact on profit or loss in the current year. We therefore consider this item to no longer be a key audit matter in relation to the current year.

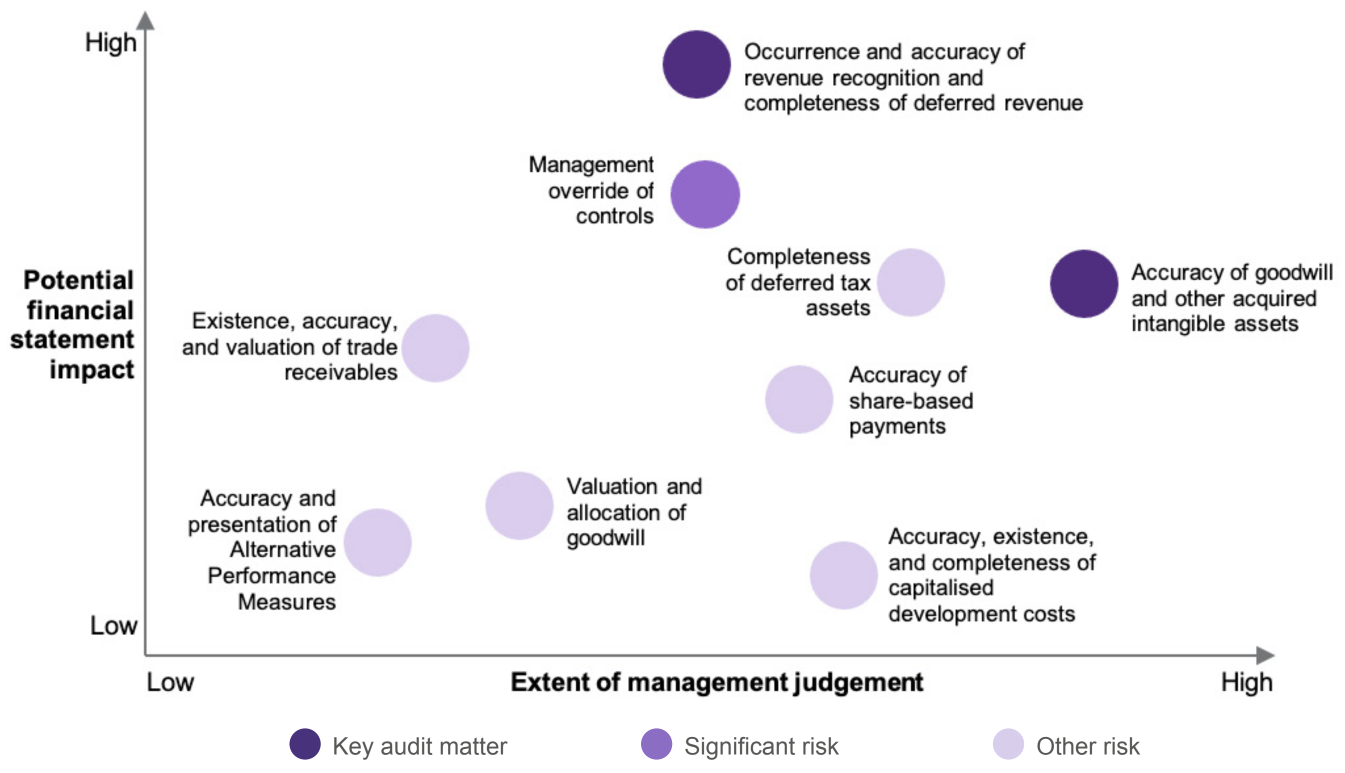
We performed a full-scope audit of the financial information of the parent company and the other significant component (Darktrace Holdings Limited) using component materiality, and an audit of one or more account balances, classes of transactions or disclosures (specific-scope audit procedures) of two further components (Darktrace Inc. and Darktrace SAS) to gain sufficient appropriate audit evidence at group level. This gives a coverage of 92% of the Group's total assets and 100% of the Group's revenue. We performed analytical procedures on the financial information of the remaining 13 components in the Group during the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Occurrence and accuracy of revenue recognition and completeness of deferred revenue We identified the occurrence and accuracy of revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Linked to this is a significant risk over the completeness of deferred revenue at the year end. The Group has reported revenues of $415.5m (2021: $285.1m), and deferred revenue at the year-end of $251.9m (2021: $184.1m). The nature of the Group's revenue involves the processing of multi-year contracts which are recognised over time. The audit team's assessment is that the vast majority of revenue transactions are non-complex, with no judgement applied over the amount recorded as revenue recognised equates to the value of the service, spread evenly over the period of each contract. We have therefore focused our significant fraud risk on revenue recognised on new contracts entered into within the year and revenue recognised on pre year ended 31 June 2022 contracts modified during the year, as we consider this to be where the opportunity and incentive for revenue misstatement could occur. Included within this risk, we have made specific consideration for new contracts with partners as contracts through distributor channels are inherently higher risk. Whilst conducting our audit we became aware of a change in revenue report implemented in the year by management, which resulted in a difference in revenue recognised to the date of the change. This change required particular audit attention given the increased fraud risk through its nature to increase revenues during the year.	In responding to the key audit matter, we performed the following audit procedures: - Assessed the revenue accounting policy against the criteria of IFRS 15 to determine appropriate recognition and treatment of revenue including specific considerations around accounting for modifications to contracts and accounting for partner deals, demonstrating that Darktrace operate as the principal in all deals; - Performed an extended walkthrough on a sample basis of the processes and controls implemented in the partner process to ensure consistently applied in the current period; - Used data analytics including visualisations, matching and transactional scoring to identify unusual revenue transactions for further substantive testing; - Performed analytical procedures on revenue trends to identify potentially unusual contracts and deferred revenue, including specific consideration over contracts through partner channels, which we used to inform our selection for direct customer confirmations; - Selected a sample of new contracts entered in the year and agreed to signed customer contract to corroborate key information used in determining recognition of revenue and deferred revenue balances. Agreed each item to appliance delivery information, or to previously existing contracts (where no additional appliances are required for the new contract) or third party hosting portal deployment dates for cloud deployments; - Selected a sample of new contracts and obtained direct confirmations from the end customer in order to corroborate key terms of the contract; - Selected a sample of contracts modified in the year and agreed to signed customer contract pre-modification, and amendment letters, to corroborate key information used in determining recognition of revenue and deferred revenue balances; - Inspected credit notes raised post-period end which relate to the 30 June 2022 year, assessing the size and qualitative nature of these and determining whether they were raised appropriately; - In respect of deferred revenue, for services where revenue is earned over a contractual term, selected a sample of transactions to determine whether the amount of revenue recognised in the year and the amount deferred at the balance sheet date were accurately calculated based on progress of the contract; - Performed a substantive analytical review of the closing deferred revenue balance; - Selected a sample of partner deals from the contract register and receivables listing, and obtained direct confirmations from a end-users to confirm the existence of that end user as well as key contract information such as the commencement date, the term and the existence of the partner relationship; - In order to ensure the change to the revenue report has not resulted in a material misstatement of revenue in the current or prior year, we obtained management's review of the opening balance sheet for deferred revenue by contract and compared it to the actual deferred revenue by contract as at 30 June 2021; and - We selected a sample of variances to test to supporting information and recalculate to ensure accuracy, considering which period the associated revenue should have been recognised in and the appropriate deferred revenue balance. The result of this analysis was an adjustment to the opening deferred revenue balance of $3.8m. A prior period adjustment has been posted by management to reflect this understatement of revenue in the prior year.
Relevant disclosures in the Annual Report 2022 - Financial statements: Note 1 – General information, Note 2 – Accounting policies, Note 6 – Revenue from contracts with customers - Report of the Audit & Risk Committee: page 99	**Our observations** Our audit testing highlighted an adjustment in relation to the change in revenue reporting implemented by management in the year. As a result, a prior period restatement was recognised, increasing revenue in the prior period by $3.8m. We did not identify any material misstatements in relation to the occurrence and accuracy of revenue recognition.
Accuracy of goodwill and other acquired intangible assets We identified the risk of the accuracy of goodwill and other acquired intangible assets as one of the most significant assessed risks of material misstatement due to error. On 1 March 2022 Darktrace plc acquired 100% of the share capital of Cybersprint B.V., a cybersecurity company based in the Netherlands, focused on attack surface management, for consideration of $44.4m. Following management's purchase price allocation exercise for the acquisition performed in line with IFRS 3 'Business Combinations', the following identified intangible assets were recognised at their fair values as of the acquisition date: - software: $9.6m - customer relationships: $0.9m The fair value of net identifiable assets and liabilities acquired totals $3.5m, leading to the recognition of residual goodwill in the amount of $40.9m. As purchase accounting involves management judgement, and the recognition of assets and liabilities at their fair values on acquisition requires estimation, there is a risk that identified intangible assets and residual goodwill have not been recorded accurately.	In responding to the key audit matter, we performed the following audit procedures: - Gained an understanding of the purpose of the acquisition through discussions with management and inspection of due diligence reports; - Obtained management's paper detailing the accounting treatment for the acquisition and the purchase price allocation exercise performed and assessed and challenged the judgements therein, including judgements around the fair value of the consideration transferred and the consideration shares accounted for as post-combination remuneration; - Utilised our internal valuation experts to consider the work of management's independent valuation expert and to assess and challenge the valuation methodologies and key assumptions used in determining the fair value of acquired intangible assets; - Considered and challenged the appropriateness and completeness of the acquisition balance sheet and management's adjustments therein, and the significant proportion of residual goodwill recognised on acquisition; and - Considered the appropriateness of management's purchase price allocation calculations, verifying key inputs to the share purchase agreement and completion accounts, including recalculating goodwill recognised based on the fair values of the consideration transferred and the assets and liabilities recognised on acquisition.
Relevant disclosures in the Annual Report 2022 - Financial statements: Note 2 - Accounting policies, Note 4 - Acquisitions - Report of the Audit & Risk Committee: page 101	**Our results** Our audit testing did not identify any material misstatements in relation to the accuracy of goodwill and other acquired intangible assets recognised on the acquisition of Cybersprint B.V.

We have not identified any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

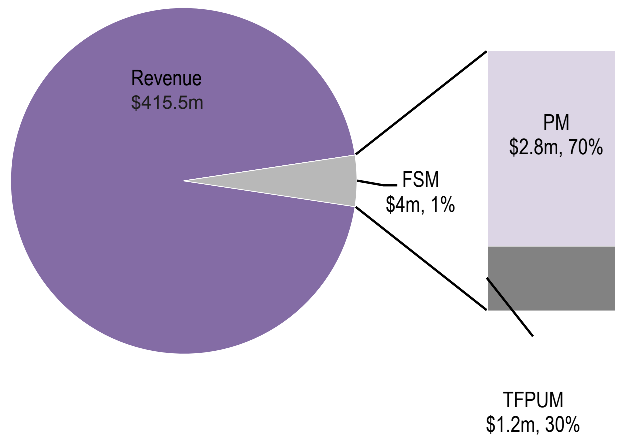
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	$4,000,000, which represents approximately 1% of the Group's revenue.	$3,000,000, which represents approximately 1% of the parent company's net assets.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • Revenue is considered the most appropriate benchmark for the Group because this is a key measure used by the directors to report to investors on financial performance. Profit before tax or adjusted profit before tax have not been used due to the volatility of these metrics as compared to the prior year. • A market-based measurement percentage was chosen which reflected our knowledge of the business from prior year audits and aligns with our firm methodology. Materiality for the current year is higher than the level we have determined for the year ended 30 June 2021 to reflect the increase in the Group's revenue.	In determining materiality, we made the following significant judgements: • Net assets is considered the most appropriate benchmark for the parent company because its principal activity is that of a holding company (with the largest financial statement line items being investments and cash and cash equivalents balances). • A market-based measurement percentage was chosen which reflected our knowledge of the business from prior year audits and aligns with our firm methodology. Materiality for the current year is higher than the level we have determined for the year ended 30 June 2021 to reflect the increase in the parent company's net assets.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	$2,800,000, which is 70% of financial statement materiality.	$2,100,000, which is 70% of financial statement materiality.

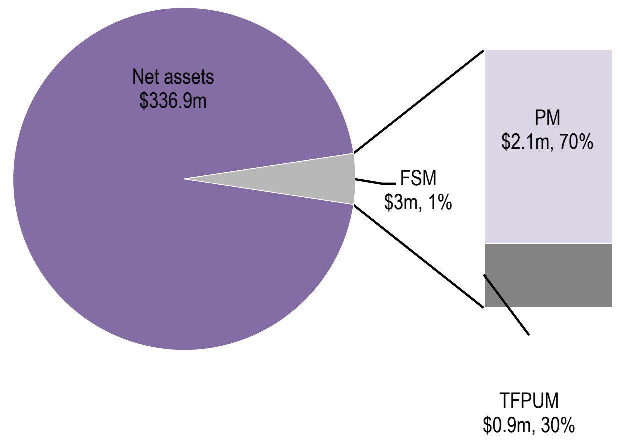
Materiality measure	Group	Parent company
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Whether there were any significant adjustments made to the Group financial statements in prior years; • Whether there were any significant control deficiencies identified in prior years; • Whether there were any changes in senior management of the Group during the year; and • Whether there were any significant changes in business objectives and/or strategy. After considering the above factors we have used auditor judgement to set performance materiality at 70% of materiality, representing an increase from 65% used in the prior year.	In determining performance materiality, we made the following significant judgements: • Whether there were any significant adjustments made to the parent company financial statements in prior years; • Whether there were any significant control deficiencies identified in prior years; • Whether there were any changes in senior management of the parent company during the year; and • Whether there were any significant changes in business objectives and/or strategy. After considering the above factors we have used auditor judgement to set performance materiality at 70% of materiality, representing an increase from 65% used in the prior year.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • Related party transactions, including directors' remuneration, and related disclosures	We determined a lower level of specific materiality for the following areas: • Related party transactions, including directors' remuneration, and related disclosures
Communication of misstatements to the Audit & Risk Committee	We determine a threshold for reporting unadjusted differences to the Audit & Risk Committee.	
Threshold for communication	$200,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	$150,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the group and its environment, group-wide processes and controls, including IT general controls, and assessed the risks of material misstatement at the group level;
- The engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, identifying that the group financial reporting team and systems are centralised in the UK;
- Performed walkthroughs of processes related to key audit matters and evaluated the design effectiveness of relevant controls; and
- The engagement team obtained an understanding of where the use of management experts was required.

Identifying significant components

- Significant components were identified through assessing their relative share of key financial metrics including total revenue, total expenses, and total assets. These metrics were used to identify components classified as 'individually financially significant to the group' and an audit of the financial information of the component using component materiality (full-scope audit) was performed.
- Other components were selected where we determined there to be a specific risk profile in those components and were included in the scope of our group audit in order to provide sufficient coverage over the Group's results. For these components, an audit of one or more account balances or class of transactions (specific scope procedures) was performed. We have changed one of the components within this scope from the prior year for an element of unpredictability.
- All other components of the group were selected as 'neither significant nor material' and analytical procedures performed.

Type of work to be performed on the financial information of the parent and other components (including how it addressed the key audit matters)

- Performance of full-scope audits of the financial information of Darktrace plc and Darktrace Holdings Limited. These full-scope audits included all of our audit work on the identified key audit matters as described above.
- Specific-scope audit procedures were performed on the financial information of Darktrace, Inc. and Darktrace SAS, using component materiality.
- Analytical procedures were performed on the financial information of all other components using Group materiality.

Performance of our audit

- All audit procedures were performed by the Group engagement team and took place in the UK.
- Our full scope and specified audit procedures gave coverage of 92% of the Group's total assets and 100% of the Group's revenue. We performed analytical procedures on the financial information of the remaining 13 components in the Group during the year.

Changes in approach from previous period

- We have changed one of the components within the 'specified audit procedures' scope from the prior year to introduce an element of unpredictability within the audit.

Audit approach	No. of components	% coverage total assets	% coverage revenue
Full-scope audit	2	92	100
Specified audit procedures	2	-	-
Analytical procedures	13	8	-
Total	17	100	100

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report 2022, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and their environments obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's and the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation in the annual report as to how they have assessed the prospects of the Group and the parent company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and the parent company will be able to continue in operation and meet their liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- the directors' statement that they consider the annual report and financial statements as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the parent company's performance, business model and strategy;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the Group and the parent company and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated;
- the section of the annual report that describes the review of the effectiveness of the Group's and the parent company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and parent company through discussions with management. We determined that the most significant frameworks that are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework, being UK-adopted international accounting standards (for the Group), Financial Reporting Standard 101 'Reduced Disclosure Framework' (for the parent company)and the Companies Act 2006, together with the Listing Rules, the UK Corporate Governance Code, and tax legislation in the jurisdictions in which the Group operates, including the application of local sales and use taxes and overseas permanent establishments;
- We enquired of management, the finance team, legal counsel and the board of directors about the Group's and parent company's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the board of directors whether they were aware of any instances of non-compliance with laws and regulations and whether they had any knowledge of actual, suspected alleged fraud;

- We assessed the susceptibility of the Group's and parent company's financial statements to material misstatement due to fraud, consulting with our forensic specialists to inform this assessment, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
  - Enquiring of management, the finance team, legal counsel and the Board about the risks of fraud at the Group and parent company level, and the controls implemented to address those risks.
  - Assessing the design and implementation of controls relevant to the audit that management has in place to prevent and detect fraud, including updating our understanding of the internal controls over journal entries, including those related to the posting of non-standard entries used to record non-recurring, unusual transactions or other non-routine adjustments;
  - Making specific inquiries of each member of the finance team to ascertain whether they had been subject to undue pressure or had been asked to make any unusual postings or modifications to reports used in financial reporting;
  - Undertaking specific keyword searches (including related parties and previously connected entities and individuals) over the journal entry population to identify descriptions that could indicate fraudulent activity or management override of controls. Journal entries by user were evaluated to identify types of entries posted that were not in line with expectations of their role. Additionally, significant journal entries posted in the year impacting certain KPIs of the Group were extracted for testing. All entries noted from these searches were agreed to supporting documentation to corroborate the appropriateness of the posting;
  - Performing specific procedures responding to the risk of fraudulent recognition of revenue as detailed within the key audit matters section, above;
  - In relation to management's assessment of the 'brand and reputation risk' presented on page 57 related to the actions of its people and the nature of its business associations, obtaining an understanding of the roles, activity, and influence of those involved with Darktrace who had connections with those previous business associates. This included inquiries with senior management and legal counsel to ascertain the potential level of involvement and influence;
  - Challenging assumptions and judgements made by management in its significant accounting estimates (as referenced in the key audit matters section above); and
  - Identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other matters which we are required to address

Following the recommendation of the Audit & Risk Committee, we were appointed on 24 November 2021 to audit the financial statements for the year ended 30 June 2022 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 9 years (including a period of 7 years prior to listing) covering the years ended 30 June 2014 to 30 June 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Use of our report

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

Paul Naylor

Paul Naylor

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

8th September 2022

/ Consolidated Statement of Comprehensive Income

	Notes	FY 2022 $'000	FY 2021 Restated $'000
Revenue	6	415,482	285,101
Cost of sales		(44,848)	(28,456)
Gross Profit		370,634	256,645
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	7	1,671	1,365
Operating profit/ (loss)		7,602	(34,754)
Finance costs	8	(2,807)	(109,157)
Finance income	8	518	50
Profit/ (Loss) for the year before taxation		5,313	(143,861)
Taxation	11	(3,856)	(1,967)
Net profit/ (loss) for the year attributable to shareholders of Darktrace plc		1,457	(145,828)
Items that are, or may be, subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		(3,728)	-
Total comprehensive (loss) for the financial year		(2,271)	(145,828)
Earnings per share			
Basic earnings/ (loss) per share	24	$0.002	$(0.283)
Diluted earnings/ (loss) per share	24	$0.002	$(0.283)

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

Catherine Graham

Catherine Graham
Chief Financial Officer

Company No. 13264637

/ Consolidated Statement of Financial Position

	Notes	FY 2022 $'000	FY 2021 Restated $'000
Non-current assets			
Goodwill	12	38,164	-
Intangible assets	13	15,649	7,087
Property, plant and equipment	14	61,001	52,896
Right-of-use assets	15	58,160	29,421
Capitalised commission	16	32,519	22,711
Deferred tax assets	31	1,041	544
Deposits		9,260	6,109
		215,794	**118,768**
Current assets			
Trade and other receivables	17	95,481	76,867
Capitalised commission	16	24,635	16,303
Tax receivable		2,828	1,119
Cash and cash equivalents	18	390,623	342,358
		513,567	**436,647**
Total assets		**729,361**	**555,415**
Current liabilities			
Trade and other payables	20	(81,690)	(51,100)
Deferred revenue	6	(222,419)	(154,505)
Lease liabilities	15	(3,710)	(4,285)
Provisions	21	(15,954)	(22,430)
		(323,773)	**(232,320)**
Non-current liabilities			
Deferred revenue	6	(29,432)	(29,599)
Lease liabilities	15	(60,130)	(30,963)
Provisions	21	(1,338)	(515)
		(90,900)	**(61,077)**
Total liabilities		**(414,673)**	**(293,397)**
Net assets		**314,688**	**262,018**
Equity			
Share capital	22	9,812	9,756
Share premium	22	16,117	224,782
Merger reserve	22	305,789	305,789
Foreign currency translation reserve		(8,126)	(4,398)
Stock compensation reserve	23	74,883	35,723
Treasury shares	22	(11,683)	(761)
Retained earnings		(72,104)	(308,873)
Total equity attributable to equity shareholders of Darktrace plc		**314,688**	**262,018**

/ Consolidated Statement of Changes in Equity

	Notes	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
30 June 2020		**29**	**170,402**	**-**	**(4,398)**	**20,868**	**-**	**(163,045)**	**23,856**
Loss for the year (Restated)		-	-	-	-	-	-	(145,828)	**(145,828)**
Total comprehensive loss (Restated)		**-**	**-**	**-**	**-**	**-**	**-**	**(145,828)**	**(145,828)**
Share purchased for cancellation	22	(2)	(127,061)	-	-	-	-	-	**(127,063)**
Convertible loan conversion	19	1,076	269,016	-	-	-	-	-	**270,092**
Shares issued	22	1,872	238,506	-	-	-	-	-	**240,378**
Transactions cost		-	(13,511)	-	-	-	-	-	**(13,511)**
Share for share exchange	22	6,781	(312,570)	305,789	-	-	-	-	-
Shares held for option holders	22	-	-	-	-	-	(761)	-	**(761)**
Share-based payment charge	23	-	-	-	-	14,855	-	-	**14,855**
Transactions with shareholders		**9,727**	**54,380**	**305,789**	**-**	**14,855**	**(761)**	**-**	**383,990**
30 June 2021 (Restated)		**9,756**	**224,782**	**305,789**	**(4,398)**	**35,723**	**(761)**	**(308,873)**	**262,018**
Profit for the year		-	-	-	-	-	-	1,457	**1,457**
Other comprehensive loss		-	-	-	(3,728)	-		-	**(3,728)**
Total comprehensive profit/(loss)		**-**	**-**	**-**	**(3,728)**	**-**	**-**	**1,457**	**(2,271)**
Shares issued for acquisition	4	34	15,782	-	-	-	-	-	**15,816**
Shares premium cancellation	22	-	(224,782)	-	-	-	-	224,782	**-**
Share buyback	22	-	-	-	-	-	(13,525)	(89)	**(13,614)**
Options exercised	22	22	335	-	-	(6,609)	2,603	10,619	**6,970**
Share-based payment charge	23	-	-	-	-	45,769	-	-	**45,769**
Transactions with shareholders		**56**	**(208,665)**	**-**	**-**	**39,160**	**(10,922)**	**235,312**	**54,941**
30 June 2022		**9,812**	**16,117**	**305,789**	**(8,126)**	**74,883**	**(11,683)**	**(72,104)**	**314,688**

The notes on pages 158 - 197 are an integral part of these financial statements.

/ Consolidated Statement of Cash Flows

	Notes	FY 2022 $'000	FY 2021 Restated $'000
Cash generated from operations			
Profit/ (Loss) for the year after tax		1,457	(145,828)
Depreciation of PPE* and Right of Use Assets	14,15	28,295	24,475
Amortisation of intangible assets	13	6,073	2,729
Amortisation of capitalised commission	16	21,817	14,101
Impairment of capitalised commission	16	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	17	145	3,324
Share-based payment charge		43,740	17,045
Finance costs	8	2,807	109,157
Finance income	8	(518)	(50)
Other operating income	7	(1,671)	(1,365)
Taxation	11	3,856	1,967
Operating cash flows before movements in working capital		**118,585**	**24,334**
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
Net cash flow from operating activities before tax		**145,083**	**61,330**
Tax (paid)	11	(4,839)	(1,438)
Net cash inflow from operating activities		**140,244**	**59,892**
Investing activities			
Cybersprint acquisition	4	(35,728)	-
Development costs capitalised		(1,292)	(2,691)
Purchase of PPE*	14	(31,863)	(22,641)
Finance income	8	518	50
Cash outflow from investing activities		**(68,365)**	**(25,282)**
Financing activities			
Shares issued		7,020	237,427
Share buyback		(13,614)	-
Share issue costs		-	(13,511)
Repurchase of shares	22	-	(127,063)
Convertible loan issuance	19	-	162,821
Repayment of borrowings	25	(1,347)	-
Repayment of lease liabilities	15	(4,837)	(6,259)
Payment of interest on lease liabilities	15	(2,735)	(2,800)
Cash (outflow)/inflow from financing activities		**(15,513)**	**250,615**
Net changes in cash and cash equivalents	18	**56,365**	**285,225**
Cash and cash equivalents, beginning of year	18	**342,358**	**53,944**
Unrealised exchange difference on cash and cash equivalents		(8,100)	3,189
Cash and cash equivalents, end of year	18	**390,623**	**342,358**

*Property, Plant, and Equipment

The notes on pages 158 - 197 are an integral part of these financial statements.

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.

As a part of its FY 2022 close process, Darktrace determined that for certain contracts, a portion of revenue it was recognising in FY 2022 should have been recognised in prior periods. This was discovered when, during the second half of FY 2022, the Group made enhancements to its revenue reporting systems as part of a program to continuously improve its systems, processes, and controls. These enhancements allowed it to analyse contracts at a greater level of granularity and in doing so, it identified a group of contracts for which a portion of revenue that should have been recognised in prior periods, remained in deferred revenue. Darktrace concluded that $3.8m of revenue it had been recognising in FY 2022, 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 for the impacts of this adjustment. 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. The total cash flows from operating, investing, and financing activities for FY 2021 remain unchanged.

The Board supports management's continuous enhancements of its systems, processes, and controls as Darktrace 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 As originally presented $'000	Reduction in deferred revenue $'000	FY 2021 As restated $'000
Deferred revenue (current)	(158,265)	3,760	(154,505)
Net Assets	**258,258**	**3,760**	**262,018**
Equity			
Retained earnings	(312,633)	3,760	(308,873)
Net Assets	**258,258**	**3,760**	**262,018**

Consolidated statement of comprehensive income	FY 2021 As originally presented $'000	Increase in revenue $'000	FY 2021 As restated $'000
Revenue	281,341	3,760	285,101
Gross Profit	252,885	3,760	256,645
Operating loss	**(38,514)**	**3,760**	**(34,754)**
Loss for the year before taxation	**(147,621)**	**3,760**	**(143,861)**
Net loss for the year	**(149,588)**	**3,760**	**(145,828)**
Total comprehensive loss for the year	**(149,588)**	**3,760**	**(145,828)**
Earnings per share			
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 gains 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 have 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 during 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 by 25% and 20% respectively. 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 during 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 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 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 plc Employee Benefit Trust. It is a controlled entity of Darktrace plc, because it 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 / 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 note 3.

Cost of Sales

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

The largest of the deployment costs is depreciation on appliances used to deliver the software to customers under contracts. The depreciation of appliances is apportioned to cost of sales based on the proportion of the Group's appliance pool deployed to customer sites and all appliance depreciation related to customer contracts is recognised in cost of sales. Where the Group deploys software to a contracted customer virtually, the associated hosting costs are also recognised in cost of sales. Cost of sales also includes shipping costs and other costs necessary to deploy the Group's software products.

Operating Cost Apportionment

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

The Group apportions the depreciation of appliances used to run Proof of Value ("POV") demonstrations for prospects (see note 14 for additional detail) to sales and marketing. Similarly, for POVs of virtually deployed products, the associated hosting costs are recognised as sales and marketing costs. Also, pre-sales support staff, whose costs are primarily attributed to Sales and marketing, may also perform post-sales support functions. This work is tracked, and the compensation costs associated with that work are allocated to cost of sales.

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

Share-based payment cost and related share-option related employer tax charges are apportioned on a direct basis depending on the department the employee reports into.

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 13).

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.

Modification of share-based payments

Where the effect of the modification is to increase the value of the award to an employee, the incremental fair value is recognised as a cost. The incremental fair value is the difference between the fair value of the original award and that of the modified award, both measured at the date of modification.

Finance Income and Costs

The Group earns interest on its cash balances through its deposits with banks.

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

All finance costs are recognised in the consolidated statement of comprehensive income as part of finance costs in the period in which they are incurred.

R&D Tax Credit / Government Grants

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

Income Tax

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

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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 five 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 twelve years and is subsequently carried at cost less accumulated amortisation and impairment losses.

Property, Plant and Equipment

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

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

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income. For more details around the critical judgement and significant estimates around appliances see note 3.

Leases

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options as described below.

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

Right-of-use Assets

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

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

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

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

Extension and Termination Options

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

Impairment of Non-Financial Assets

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

Deposits

Deposits are financial assets measured at amortised cost, primarily related to cash deposits in connection to leases for the Group's offices. Where the agreement is for a term longer than one year, the related deposit is classified as long term. Refer to note 17 for accounting treatment of short-term deposits instead.

Trade and Other Receivables

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

The Group has adopted the simplified model of recognising lifetime expected credit losses for all trade receivables on a collective basis as there are shared credit risk characteristics, grouped on basis of geography and days past due. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. See note 17 for a description of the Group's impairment policies.

The Group writes off trade receivables when in its view there is no reasonable expectation of recovery.

Short term deposits represent the short-term portion of deposits mostly related to lease deposits for the Group's offices or future marketing events.

Cash and Cash Equivalents

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

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.

Trade and Other Payables

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

Commission Accruals

For certain sales staff, the second 50% of sales commission is paid at the earlier of full payment of the contract or most frequently, after one year. As payment requires additional service and performance requirements, this cost is not eligible to be capitalised. This cost is accrued over the expected period between the sale and the payment to the sales staff, with the accrual released when the commission is paid or earlier if commission is recouped due to customer defaulting on payments. Estimation of the effect of leavers has been incorporated into the commission accrual calculation in-line with IAS 19 'Employee Benefits'.

Convertible Loan Notes

In July 2020, Darktrace Holdings Limited issued convertible loan notes ("CLNs") to certain existing shareholders. The transaction completed when funds were received in early July 2020. The equity conversion and early settlement feature included in the CLNs' terms constituted an embedded derivative. The CLNs had, therefore, been treated as hybrid instruments. Given the embedded derivative were not closely related to the debt host contract, the derivative was separated from the host and recorded at fair value through the consolidated statement of comprehensive income on initial recognition. The host contract was measured at amortised cost using the effective interest rate over its expected life.

Conversion

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, were recognised in profit or loss. In order to calculate the gain or loss on settlement of CLNs it is necessary to establish the fair value of equity instruments issued, the carrying amount of the financial liability and the fair value of the embedded derivative recognised. Refer to note 19 for more details on the valuation.

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

Borrowing Costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred. In prior year the effective interest rate of the CLNs has been applied to the value of development costs that have been capitalised up until conversion.

Employees Benefits

Short-Term Obligations

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

Post-Employment Obligations - Defined Contribution Plans

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

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

Bonus Plans

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

Termination Benefits

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

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

Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares 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 be 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 Darktrace Employee Benefit Trust for the purpose of issuing shares under the Darktrace plc employee share scheme (see note 22 for further information). Shares issued to employees are recognised on a first in, first out basis.
- Retained earnings: represents retained profits and losses.

Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in U.S. Dollars ("USD") which, since 1 July 2019, has been the functional currency of Darktrace.

Group Companies

Items included in these consolidated financial statements are measured using the functional currency for Darktrace. The functional currency of Darktrace is also the functional currency of most subsidiaries.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Transactions and Balances

Foreign currency transactions are translated into the functional currencies of Darktrace plc and all of its subsidiaries using the exchange rate as at the time of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at month end exchange rates, are generally recognised in the consolidated statement of comprehensive income. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains or losses. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Realised foreign exchange differences relating to working capital balances are included in the relevant lines within the cash flow statement; unrealised foreign exchange differences are reported separately in the cash flow.

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.

3 / 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.

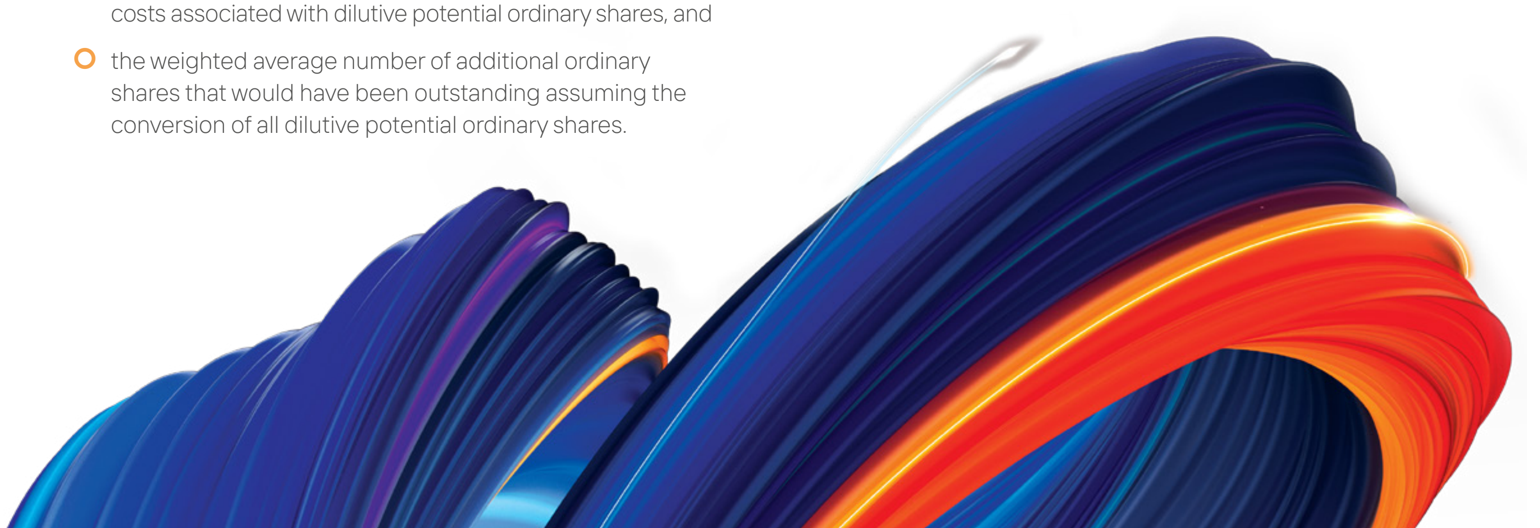
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and for any future periods affected.

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 $93.2 (30 June 2021: $97.2m) mainly related to Darktrace Holdings Limited (note 31), as there is insufficient convincing other evidence that the potential asset 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 the 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 21) represents 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 accrued over the vesting period. 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:

	FY 2022 $'000	FY 2021 $'000
+/- 10% share price value – change in value of provision for the year ($'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 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.

4 / 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).

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.

Acquiree's net assets at the acquisition date	Fair values on acquisition $'000
Intangible assets (note 13):	
- Customer Relationship	930
- Software	9,647
Property, plant and equipment (note 14)	108
Right-of-use assets (note 15)	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)	(248)
Deferred tax assets (note 31)	1,950
Deferred tax liabilities (note 31)	(2,656)
(A) Net identifiable assets and liabilities	**3,487**
Cash consideration relating to business combination	36,140
Equity instruments issued	8,224
(B) Total consideration	**44,364**
Goodwill (B-A)	**40,877**

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 12 for further 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.

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 9 for details.

5 / 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 6 for disaggregated analysis on revenue from contracts with customers.

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

Non-current assets by geographical market	30 June 2022 $'000	30 June 2021 $'000
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**

6 / Revenue From Contracts With Customers

Disaggregation of Revenue

Revenue recognised at a point in time is not significant to the reported results in any year. This includes revenue generated by separate contracts for training and sale of appliances. In the year ended 30 June 2022, 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.

	FY 2022 $'000	FY 2022 % of revenue	FY 2021 Restated $'000	FY 2021 Restated % 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%
	415,482	100%	**285,101**	100%

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 revenue and deferred revenue from contracts with customers.

	30 June 2022 $'000	30 June 2021 Restated $'000
Accrued income	4,152	1,713
Total accrued income	**4,152**	**1,713**
Current deferred revenue	222,419	154,505
Non-current deferred revenue	29,432	29,599
Total deferred revenue	**251,851**	**184,104**

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 16.

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:

Revenue recognised in relation to contract liabilities	30 June 2022 $'000	30 June 2021 $'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:

	FY 2022 $'000	FY 2021 $'000
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
	1,069,030	**780,407**

7 / Other Operating Income

	FY 2022 $'000	FY 2021 $'000
R&D tax credit under HMRC RDEC scheme	1,671	1,365

8 / Finance Costs and Finance Income

	FY 2022 $'000	FY 2021 $'000
Finance costs		
Total interest on financial liabilities measured at amortised cost (CLNs – host contract) – note 19	-	27,239
Fair value movement on derivative (CLNs – embedded derivative) – note 19	-	57,976
Loss on conversion of the CLNs – note 19	-	22,026
Interest on lease liabilities	2,735	2,800
Capitalised borrowing costs	-	(884)
Interest expense	72	-
	2,807	**109,157**
Finance income		
Interest income from cash and cash equivalents	518	50
	518	**50**

Capitalised Borrowing Costs

A 40% capitalisation rate applicable to the CLNs, was used to determine the amount of borrowing costs to be capitalised. This is the weighted average interest rate applicable to the CLNs during the period up to the conversion.

9 / Material Profit or 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.

	FY 2022 $'000	FY 2021 $'000
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 22) 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.

Auditors' remuneration

	FY 2022 $'000	FY 2021 $'000
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
Total audit fees	**1,323**	**865**
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	-
Total non-audit fees	**75**	**2,265**

Corporate finance services and tax advisory services for FY 2021 were attributable mainly to the IPO and the related compliance activities.

10 / Employee Costs

Employee Benefits Expense

Expenses recognised for the Group's employee compensation and benefits is presented below:

	FY 2022	FY 2021
	$'000	$'000
Wages and salaries	175,609	133,300
Social security	20,166	37,205
Pension	3,319	2,066
Employee cost	**199,094**	**172,571**
Share-based payment charge (note 23)	44,018	17,045
Total cost	**243,112**	**189,616**

Total cost is split as follows:

	FY 2022	FY 2021
	$'000	$'000
Cost of sales	12,893	9,490
Sales and marketing	144,866	113,830
Research and development	27,604	24,169
Other administrative	57,749	42,127
Total cost	**243,112**	**189,616**

Share-based payment expense for FY 2022 includes $1.4m, related to equity instruments issued on acquisition. Refer to note 4 for details. Share-based payment expense for FY 2021 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.

The average number of employees, including Executive Directors, during the year was as follows:

	FY 2022	FY 2021
	Number	Number
Sales	1,202	983
Research and development	269	210
Administration and operations	371	247
	1,842	**1,440**

Directors' emoluments and benefits were as follows:

	FY 2022	FY 2021
	$'000	$'000
Emoluments	3,479	3,560
Gains on exercise of share options	1,760	4,940
	5,239	**8,500**

Total amounts payable to the highest paid director were $1,585,972 (2021: $1,624,495) in respect of emoluments. Three Directors were members of the Group's defined contribution pension scheme in 2022.

Information on Directors' remuneration for the year ended 30 June 2022 is set out on pages 106 to 132.

11 / Tax Expense

	FY 2022	FY 2021 Restated
	$'000	$'000
Current tax (credit)/expense:		
Current period	3,454	2,667
Adjustments for prior period	1,612	(156)
Total current tax expense	5,066	2,511
Deferred tax (credit)	(1,210)	(544)
Total tax expense in statement of comprehensive income	**3,856**	**1,967**

The relationship between the expected tax expense based on the UK effective tax rate of the Group at 19% (2021: 19%), and the tax expense recognised in the consolidated statement of comprehensive income can be reconciled as follows:

	FY 2022	FY 2021 Restated
	$'000	$'000
Profit/ (Loss) for year before taxation	**5,313**	**(143,861)**
Tax rate	**19%**	**19%**
Tax using the UK corporation tax rate of 19%	1,010	(27,334)
Effect of tax rates in foreign jurisdictions	831	549
Non-deductible expenses	6,955	24,663
Research and development tax credit	186	259
Current year deferred tax assets not recognised	(5,606)	4,689
Foreign tax deducted at source being expensed	817	145
Fixed Asset Differences - Ineligible depreciation	(1,740)	(14)
(Over)/ under provided in prior years	1,403	(990)
Total tax on profit/(loss) on ordinary activities for the year	**3,856**	**1,967**

The tax charge in the current and prior years primarily relates to overseas tax. With reference to the unrecognised tax asset on losses carried forward please refer to note 31.

12 / Goodwill

	30 June 2022	30 June 2021
	$'000	$'000
Goodwill		
As at 1 July	-	-
Business combination (note 4)	40,877	-
Foreign exchange difference	(2,713)	-
Total	**38,164**	**-**

Goodwill arose upon the acquisition of Cybersprint during the current year, see note 4 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 (VIU), 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.

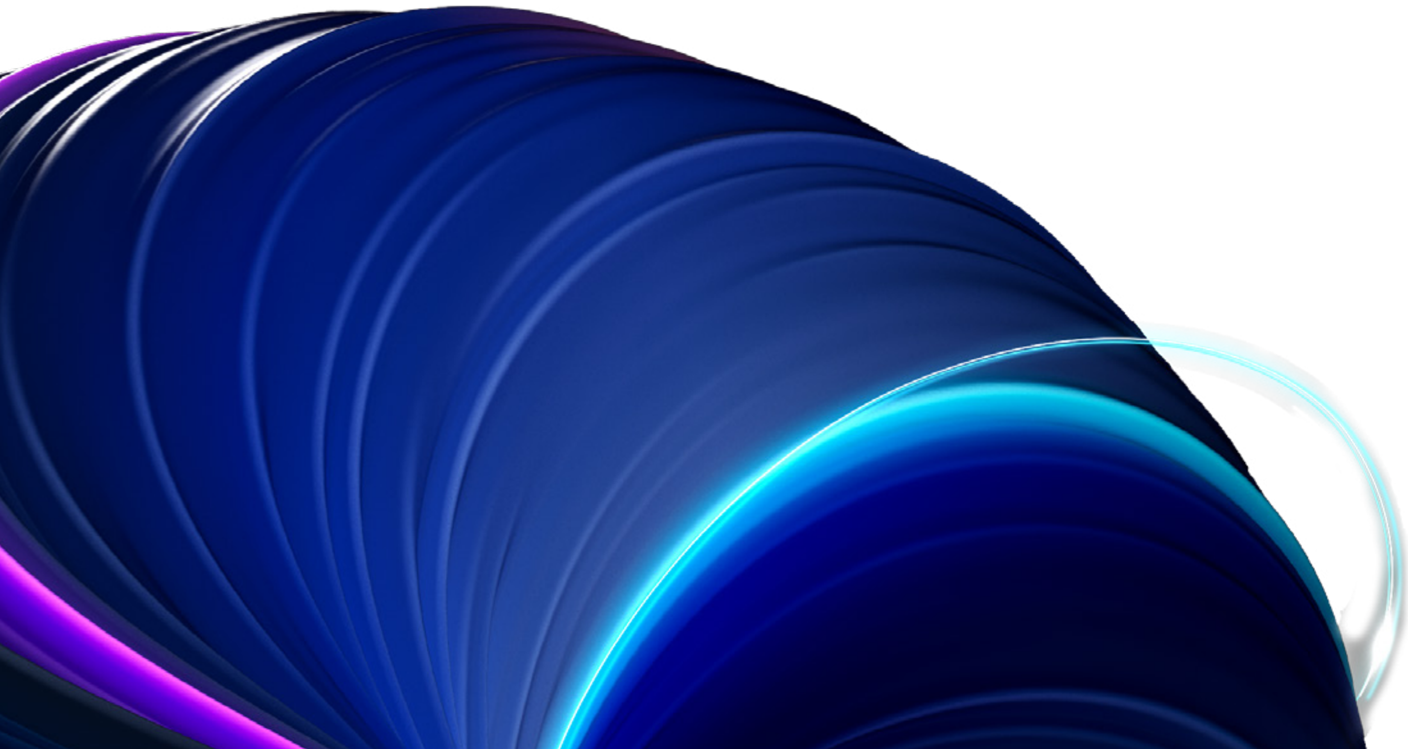
13 / Intangible Assets

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.

	30 June 2022				30 June 2021			
	Customer Relationship	Software	Software under development	Total	Customer Relationship	Software	Software under development	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
Cost								
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 (note 4)	930	9,647	-	10,577	-	-	-	-
Reclassification	-	851	(851)	-	-	5,235	(5,235)	-
Foreign exchange difference	(61)	(640)	-	(701)	-	-	-	-
30 June	869	25,535	1,517	27,921	-	13,286	-	13,286
Amortisation								
1 July	-	(6,199)	-	(6,199)	-	(3,470)	-	(3,470)
Charge for the year	(26)	(6,047)	-	(6,073)	-	(2,729)	-	(2,729)
30 June	(26)	(12,246)	-	(12,272)	-	(6,199)	-	(6,199)
Net book value as at 30 June	**843**	**13,289**	**1,517**	**15,649**		**7,087**		**7,087**

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



14 / Property, Plant and Equipment

	30 June 2022				30 June 2021			
	Leasehold improvements	Equipment	Appliances	Total	Leasehold improvements	Equipment	Appliances	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
Cost								
1 July	-	12,161	92,606	104,767	-	8,910	76,119	85,029
Additions	2,327	4,951	24,585	31,863	-	3,402	20,193	23,595
Business combination (note 4)	-	108	-	108	-	-	-	-
Foreign exchange difference	-	(7)	-	(7)	-	-	-	-
Disposals	-	(630)	(4,890)	(5,520)	-	(151)	(3,706)	(3,857)
30 June	2,327	16,583	112,301	131,211	-	12,161	92,606	104,767
Depreciation								
1 July	-	6,634	45,237	51,871	-	4,214	31,354	35,568
Charge for the year	-	3,391	18,355	21,746	-	2,524	15,923	18,447
Impairment loss	-	-	-	-	-	-	158	158
Disposals	-	(404)	(3,003)	(3,407)	-	(104)	(2,198)	(2,302)
30 June	-	9,621	60,589	70,210	-	6,634	45,237	51,871
Net book value as at 30 June	**2,327**	**6,962**	**51,712**	**61,001**	**-**	**5,527**	**47,369**	**52,896**

Depreciation of appliances is apportioned to cost of sales based on the proportion of the Group's appliance pool deployed to customer sites in each period, and all appliance depreciation related to customer contracts is recognised in cost of sales. Depreciation of appliances used to run POV demonstrations for prospects is apportioned to Sales and marketing based on the proportion of the Group's appliance pool deployed to prospect sites in each period. Where appliances are at client sites or in transit and there is doubt about their recoverability, they are impaired: the impairment for the year amounted to $nil (2021:$0.2m).

The depreciation charges for property plant and equipment have been made in the consolidated statement of comprehensive income within the following functional areas:

	FY 2022	FY 2021
	$'000	$'000
Depreciation		
Cost of sales	14,589	11,639
Sales and marketing	4,945	5,083
Research and development	1,018	431
Other administrative	1,194	1,294
	21,746	**18,447**

15 / Leases

Right-of-use assets capitalised on the consolidated statement of financial position are as below:

	30 June 2022	30 June 2021
	$'000	$'000
Cost		
1 July	49,121	45,083
Additions	35,068	4,038
Business combination (note 4)	239	-
Foreign exchange difference	(11)	-
Disposals	(475)	-
30 June	83,942	49,121
Depreciation		
1 July	19,700	13,672
Charge for the year	6,549	6,028
Disposals	(467)	-
30 June	25,782	19,700
Net book value at 30 June	**58,160**	**29,421**

The depreciation charges for right-of-use assets have been made in the consolidated statement of comprehensive income within the following functional areas:

	FY 2022	FY 2021
	$'000	$'000
Depreciation		
Sales and marketing	3,970	4,121
Research and development	890	877
Other administrative	1,689	1,030
	6,549	**6,028**

Lease liabilities are presented in the consolidated statement of financial position as follows:

	30 June 2022	30 June 2021
	$'000	$'000
Current	3,710	4,285
Non-Current	60,130	30,963
Total	**63,840**	**35,248**

The Group has leases for office space around the world. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability.

The Group must keep the offices it leases in a good state of repair and return the offices in a condition as good as their original condition at the end of the lease. Further, the Group must insure any leasehold improvements made to the offices and incur servicing fees in accordance with the lease contracts.

The following table describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the consolidated statement of financial position:

Year	Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with early break clause
30 June 2021	Office space	20	1-10 years	4 years	8	5
30 June 2022	Office space & cars	30	1-11 years	5 years	8	5

The lease liabilities are secured by the related underlying assets. The table below shows undiscounted lease maturity analysis:

	30 June 2022	30 June 2021
Lease maturity analysis	$'000	$'000
Lease liabilities, short term	7,078	7,797
1 – 2 years	11,179	7,327
2 – 5 years	36,614	22,793
Over 5 years	22,793	13,378
Total liabilities	**77,664**	**51,295**

Amounts Recognised in the Consolidated Statement of Comprehensive Income

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed as incurred. The expense relating to payments not included in the measurement of the lease liability is disclosed below.

The future minimum rentals under non-cancellable leases are as follows:

	FY 2022	FY 2021
	$'000	$'000
Short term leases	2,376	2,482
Low value lease rentals	2,738	251
Total	**5,114**	**2,733**

The Group also holds leases for office equipment such as photocopiers for which it has taken the small value exemption.

Amounts Recognised in the Consolidated Statement of Cash Flows

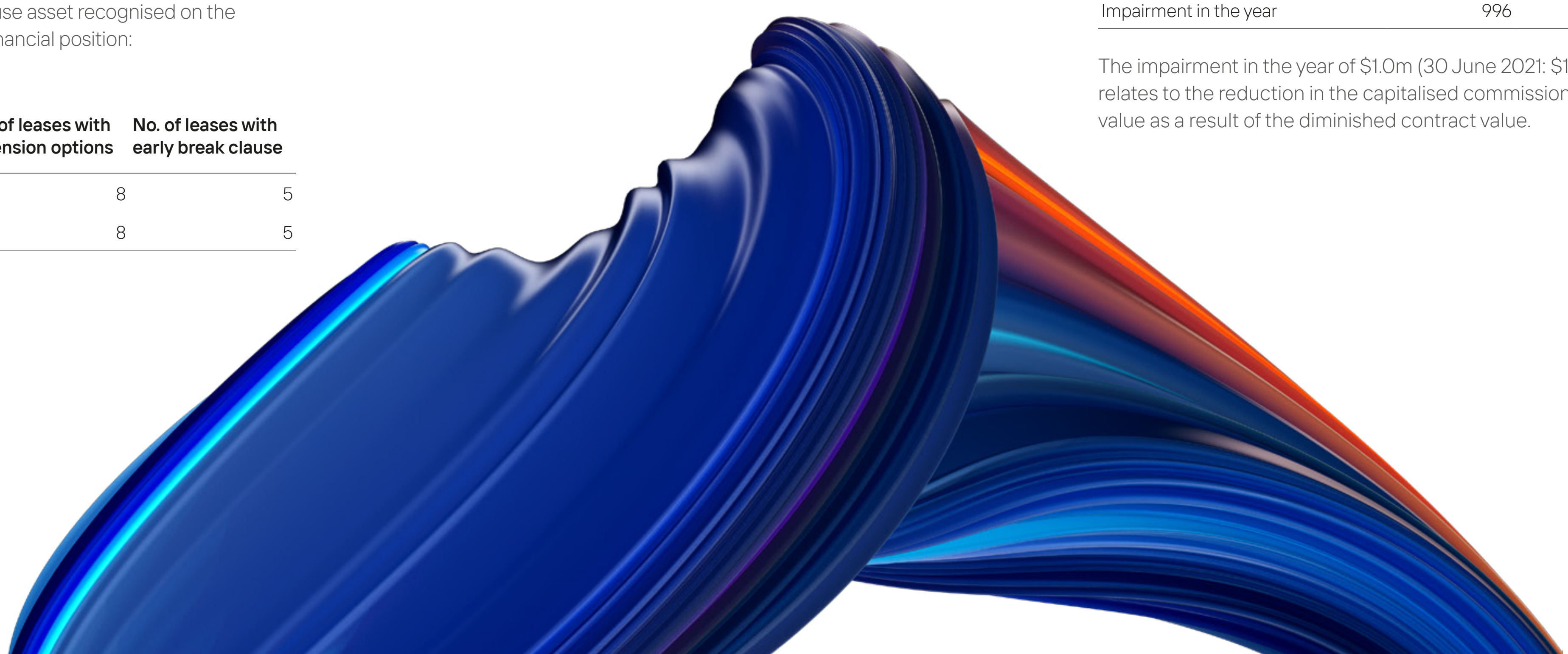
	FY 2022	FY 2021
	$'000	$'000
Cash outflows for leases	4,837	6,259
Cash outflow for interest on leases	2,735	2,800
Total cash outflow	**7,572**	**9,059**

16 / 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.

	30 June 2022	30 June 2021
By Geographic market	$'000	$'000
USA	17,321	6,888
United Kingdom	10,142	5,598
Europe	17,060	9,374
Rest of World	12,631	17,154
	57,154	**39,014**
Current	24,635	16,303
Non-current	32,519	22,711
	57,154	**39,014**
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.



17 / Trade and Other Receivables

	30 June 2022 $'000	30 June 2021 $'000
Trade receivables	63,907	58,482
Prepayments	25,955	15,348
Accrued income	4,152	1,713
Deposits	1,082	707
Other receivables	385	617
Total	**95,481**	**76,867**

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balance.

Prepayment includes $6.2m related to shares issued at acquisition of Cybersprint, treated as remuneration (see note 23).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 12-36 months before 30 June 2022 and 30 June 2021, and the corresponding historical credit losses experienced within these periods. Historic loss rates are adjusted to reflect current and forward-looking information on macroeconomic and other factors affecting the ability of customers to settle the receivables.

The Group has recorded an expected credit loss provision for trade receivables as determined under the requirements of IFRS 9, at 30 June 2022 of $3.1m (30 June 2021: $5.5m).

The movement in the credit loss provision is as follows:

	FY 2022	FY 2021
Expected credit loss provision	**$'000**	**$'000**
At the beginning of the period	5,461	4,605
Charge for the year	1,872	2,571
Reversal on collected amounts	(2,795)	(721)
Amounts written off	(1,419)	(994)
Expected credit loss provision at year end	**3,119**	**5,461**
Receivables written off during the period	2,608	2,468

The expected credit loss for trade receivables was determined as follows:

	up to 30 days $'000	up to 60 days $'000	up to 90 days $'000	more than 90 days $'000	Total $'000
30 June 2022					
Expected credit loss rate	0.23%	2.55%	23.17%	76.29%	4.35%
Gross carrying amount for trade receivables and accrued income	63,464	3,608	1,230	3,399	71,701
Lifetime expected credit loss	(149)	(92)	(285)	(2,593)	(3,119)
30 June 2021					
Expected credit loss rate	0.47%	7.32%	15.18%	73.21%	8.06%
Gross carrying amount for trade receivables and accrued income	55,472	3,730	2,319	6,248	67,769
Lifetime expected credit loss	(262)	(273)	(352)	(4,574)	(5,461)

The net movement in the expected credit loss provision has been included in administrative expenses in the consolidated statement of comprehensive income.

18 / Cash and Cash Equivalents

	30 June 2022 $'000	30 June 2021 $'000
Cash at bank and in hand	156,912	278,208
Deposits at call	233,711	64,150
Cash and cash equivalents	**390,623**	**342,358**

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.

19 / 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:

	1st July 2020 $'000
Value of derivative	79,535
Host loan	83,286
Total loan note value	**162,821**

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 22).

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:

	Host loan $'000	Embedded derivative $'000	CLNs $'000
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.

20 / Trade and Other Payables

Amounts falling due within one year

	30 June 2022 $'000	30 June 2021 $'000
Trade payables	11,206	12,566
Social security and other taxes	15,499	2,130
Accruals	54,985	36,404
Total	**81,690**	**51,100**

Accruals includes:

- $34.1m accrued commission and sales bonus (30 June 2021: $25.2m)
- $8.2m accrued salaries and partner fees (30 June 2021: $6.3m)
- $5.2m accrued hosting fees and professional fees including audit and accountancy (30 June 2021: $3.0m)
- $4.8m accrued marketing and recruitment costs (30 June 2021: $0.7m)
- $1.4m accrued legal fees (30 June 2021: $0.4m)
- $1.2m accrued NI social security on salaries (30 June 2021: $0.8m)

21 / Provisions

			30 June 2022		30 June 2021
	Provision for share-based payment tax	Other provisions	Total provisions	Provision for share-based payment tax	Total provisions
	$'000	$'000	$'000	$'000	$'000
Opening provision	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)	-	-
Closing provision	**15,192**	**2,100**	**17,292**	**22,945**	**22,945**
Current	14,654	1,300	15,954	22,430	22,430
Non-current	538	800	1,338	515	515
Total provision	**15,192**	**2,100**	**17,292**	**22,945**	**22,945**

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 3 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 jurisdictions. 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.

22 / Share Capital and Share Premium

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
1 July 2020	**1,761,619**	**364,264**	**119,288**	**32,225**	**2,277,396**	**29**	**170,402**	**-**
Share cancellation	(177,343)	-	-	-	(177,343)	(2)	(127,061)	-
Shares issued in the period	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	
30 June 2021	**697,630,127**	**50,000**	**120,063**	**-**	**697,800,190**	**9,756**	**224,782**	**305,789**
1 July 2021	**697,630,127**	**50,000**	**120,063**	**-**	**697,800,190**	**9,756**	**224,782**	**305,789**
Share premium cancellation	-	-	-	-	-	-	(224,782)	-
Shares issued in the year	1,581,578	-	-	-	1,581,578	22	335	-
Shares issued for acquisition (note 4)	2,573,648	-	-	-	2,573,648	34	15,782	
30 June 2022	**701,785,353**	**50,000**	**120,063**	**-**	**701,955,416**	**9,812**	**16,117**	**305,789**

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 Prior Year

Share Cancellation

On 14 July 2020 the share capital of Darktrace Holdings Limited was reduced with reference to the shares held by ICP Darktrace Holdings Limited.

CLNs Conversion (note 19)

On 30 April 2021, each of the Convertible Note Holders (note 26) agreed that the CLNs would convert into ordinary shares in Darktrace Holdings Limited on 4 May 2021, two days prior to the admission date.

Share for Share Exchange

On 4 May 2021, after the share conversion of preferred shares and growth shares and the subdivision by 250, each of the shareholders of Darktrace Holdings Limited transferred the Darktrace Holdings Limited shares it held as at the completion date (as stated in Darktrace Holdings' register of members) to Darktrace plc, and Darktrace plc allotted and issued an equivalent number of shares, credited as fully paid, in consideration for the transfer of such shares. The shares were exchanged as follows: one Darktrace plc ordinary share for one Darktrace Holdings' Limited ordinary share and one Darktrace plc deferred share for one Darktrace Holdings deferred share (as applicable).

As the Company 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 be applicable. The value of the merger relief for the Company is $ 55.2m.

As management has used the retrospective presentation method, the equity structure (that is, the issued shares capital) would reflect that of the new entity (Darktrace plc), with other amounts in equity (such as revaluation, retained earnings and 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 ($250.6m).

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 23 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 4).

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).

23 / Share Based Payments

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
Total share-based payment expense	**44,018**	**17,045**

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 4 and note 10 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.

Growth Shares and Option Schemes in Place Before IPO

Darktrace had growth shares and a share option scheme for certain employees. Share options are exercisable at prices determined at the date of grant. All awards vest over three years from the grant date (or contractual commencement date in the case of growth shares) in six-month intervals, (i.e. 1/6 of the Awards will vest every six months over 36 months) subject to continued employment.

Growth shares were equity instruments that allow the holder to participate in the value of a business only where the overall equity value exceeds a hurdle rate. Growth shares were therefore economically similar to vanilla share options where the hurdle acts as a quasi-exercise price. The strike price applying to the options is the same as the hurdle applying to the growth shares. Management's intention is for the terms of the growth shares to mirror the terms of the options. Growth shares in Darktrace Holdings Limited have been converted into ordinary shares in Darktrace Holdings Limited and then exchanged for ordinary shares in Darktrace plc at IPO.

Movements in the number of share options outstanding and their related weighted average exercise prices ("WAEP") are as follows:

	WAEP $	FY 2022 Options Number	WAEP $	FY 2021 Options Number
Outstanding at 1 July	1.56	54,970,631	1.19	55,784,588
Granted	-	-	3.78	9,556,605
Lapsed	4.67	(948,289)	2.87	(140,350)
Exercised	0.46	(15,136,298)	0.32	(7,128,369)
Converted growth shares	-	-	-	(3,101,843)
Outstanding at 30 June	**1.94**	**38,886,044**	**1.56**	**54,970,631**
Exercisable at 30 June	**1.66**	**33,226,669**	**0.52**	**48,251,881**

The table below presents the weighted average remaining contractual life ('WACL') and the price range for the options outstanding at each year end:

	30 June 2022		30 June 2021	
Range of exercise prices	**WACL**	**Options number**	**WACL**	**Options number**
$0.00 to $0.23	2.40	12,712,035	1.40	22,627,078
$0.41 to $0.67	4.19	4,032,118	3.19	6,945,465
$1.37 to $1.45	5.45	2,564,592	4.45	3,654,320
$2.09 to $2.21	5.89	2,270,226	4.89	2,475,711
$2.76 to $2.87	6.98	11,218,529	3.84	12,549,307
$5.20	8.72	6,088,544	3.71	6,718,750
	6.72	**38,886,044**	**3.70**	**54,970,631**

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
- TSR2 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:

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

The following assumptions were used in the valuation of the awards issued at IPO:

	Tranche 1 Performance awards	Tranche 2 Performance awards	Executive Awards	Top Up Awards	Time based awards
Grant date	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21
Share price at grant date	£2.5 ($3.46)	£2.5 ($3.46)	£2.5 ($3.46)	£2.5 ($3.46)	£2.5 ($3.46)
Exercise price	-	-	-	-	-
Fair value per option	£1.5 ($2.08)	£1.59 ($2.20)	£1.59 ($2.20)	£0.77 ($1.07)	£2.5 ($3.46)
Expected life in years	2.17	3.17	3.17	1	N/A
Expected Volatility	40%	40%	40%	50%	N/A
Risk free interest rate	0.03%	0.14%	0.14%	0.00%	N/A
Cancellation rate	10%	10%	10%	10%	N/A
Dividend yield	0%	0%	0%	0%	N/A
Correlation	10%	10%	10%	10%	N/A
Number of awards	450,656	901,313	775,000	19,741,840	151,101

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:

	Tranche 1 Performance awards	Tranche 2 Performance awards	Time based awards	Top up Awards Modifications
Grant dates	23/08/2021 - 28/06/2022	23/08/2021 - 28/06/2022	05/11/2021 - 26/05/2022	14/04/2022 - 17/06/2022
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%
Number of awards	283,450	556,563	2,471,734	18,586,362

24 / 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.

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

Weighted-Average Number of Ordinary Shares (basic)	**FY 2022**	**FY 2021 Restated**
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 (note 22)	-	(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)
Weighted-average number of ordinary shares at 30 June	**643,278,967**	**515,000,541**
Add dilutive effect of share-based payment plans	52,302,067	-
Weighted-average number of shares for calculating diluted earnings per share at 30 June	**695,581,034**	**515,000,541**

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

25 / Changes in Liabilities Arising From Financing Activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Lease liabilities $'000	Convertible loan (host contract) $'000	Convertible loan (embedded derivative) $'000	Loans $'000	Total $'000
1 July 2020	**(35,546)**	**-**	**-**	**-**	**(35,546)**
Changes from financing cash flows					
Proceeds from issue of convertible bonds (note 19)	-	(83,286)	(79,535)	-	(162,821)
Repayment of lease liabilities	6,259	-	-	-	6,259
Interest payment	2,800	-	-	-	2,800
Other changes					
Interest expense	(2,800)	-	-	-	(2,800)
New leases	(4,038)	-	-	-	(4,038)
Change in fair value	-	-	(57,976)	-	(57,976)
Effective interest rate on host loan (note 19)	-	(27,239)	-	-	(27,239)
Loss on conversion (note 19)	-	-	(22,026)	-	(22,026)
Conversion of convertible loan to equity (note 19)	-	110,525	159,537	-	270,062
Foreign exchange movements	(1,923)	-	-	-	(1,923)
30 June 2021	**(35,248)**	**-**	**-**	**-**	**(35,248)**
1 July 2021	**(35,248)**	**-**	**-**	**-**	**(35,248)**
Changes from financing cash flows					
Repayment of loans	-	-	-	1,347	1,347
Repayment of lease liabilities	4,837	-	-	-	4,837
Interest payment	2,735	-	-	-	2,735
Other changes					
Business combination (note 4)	(248)	-	-	(1,347)	(1,595)
Interest expense (note 8)	(2,735)	-	-	-	(2,735)
New leases	(35,068)	-	-	-	(35,068)
Foreign exchange movements	1,887	-	-	-	1,887
30 June 2022	**(63,840)**	**-**	**-**	-	**(63,840)**

Soon after the acquisition, the pre-existing loan with Rabo Bank ($1.3m) acquired through the Cybersprint acquisition has been repaid in full for an amount of $1.3m.

The Group entered a multi-currency $25m Revolving Credit Facility agreement with Silicon Valley Bank on 15 January 2021 with a maturity date of 15 January 2023. Borrowings under the Facility are secured pursuant to various security agreements, mortgages and other collateral granted to the Lender. Interest is charged subject to an all-in floor of 3.75% and the facility contains a letter of credit sublimit of $10m equivalent. No drawdowns have been made on the facility as of 30 June 2022. As at 30 June 2022, letters of credit totalling $4.7m (30 June 2021, $1.0m) have been provided in relation to lease agreements, which reduce the balance available to draw. As at 30 June 2022, $20.3m (30 June 2021, $24.0m) is available to draw on the facility.

Under the terms of the facility the Group must report certain financial covenants. The Group must meet at least one of the following three covenants:

- An Asset Quick Ratio (AQR = current assets to adjusted total liabilities) minimum 1.20 : 1.00
- Minimum trailing-6-month EBITDA of $7.5m
- Unrestricted cash held with Lender > $40m

The Group met all three financial covenants as at 30 June 2022.

26 / Related Party Transactions and Controlling Related Party

The Company and the Group has no ultimate controlling party. There were no related party transactions with Directors to disclose in any of the years presented. Refer to note 10 for directors' remuneration.

Key Management Remuneration

The Group considers the key management personnel to be part of the members of the board (including the executive directors) and three senior managers who exert control over the strategy and direction of the Group.

Their costs in the period were as follows:

	FY 2022 $'000	FY 2021 $'000
Wages and salaries	2,744	1779
Bonus	2,235	842
Social security costs	453	1,152
Pension costs	62	44
Share-based payment charge (note 23)	7,376	2,887
Share-option related employer tax charges (note 21)	2,516	755
	15,386	**7,459**

Short term employee benefits of the Group's key management personnel include salaries and non-cash benefits. Long term benefits include payments to defined contribution pension scheme only.

Immediately prior to admission to the London Stock Exchange, shares were transferred to the non-Executive Directors, in their positions as employees for past services 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. The fair value of the shares at the date of transfer was £2.50 ($3.5) per share resulting in a share-based payment charge of $2.2m.

Other Related Party Disclosures

Other related parties include transactions with companies under common directorship and revenues from investors and affiliated companies.

	Transaction value		Balances outstanding	
	FY 2022 $'000	FY 2021 $'000	30 June 2022 $'000	30 June 2021 $'000
Fees for management support services	-	4,373	-	-
Recharge of staff expenditure	1	153	-	-
Income from recharge of office space	(270)	(596)	-	255
Revenue received	(712)	(490)	(249)	(154)
Recharge of legal fees	-	326	-	-
Hosting fees	7	8	1	1
	(974)	**3,774**	**(248)**	**102**

Income from recharge of office space included income from Luminance Technologies Ltd. This contract has been terminated effective from 3 October 2021.

CLNs Conversion in prior year

The table below summarises the related number of shares issued to the holders when the CLNs were converted on 4 May 2021.

CLNs Holder	% Ownership	Shares Issued
Summit DT CLNs Holdings 4	30.70%	23,791,561
KKR Dark Aggregator L.P.	55.30%	42,824,810
Ten Eleven Growth Fund II, L.P.	9.20%	7,137,468
Hoxton Ventures Fund 1, Opportunities III, L.P.	1.60%	1,226,165
Talis Darktrace Holdings Limited	2.60%	2,035,959
Balderton Capital SFI, S.L.P.	0.60%	459,536
Total	**100%**	**77,475,499**

27 / Risk Management Objectives and Policies

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
30 June 2022							
Trade receivable	980	2,206	16,783	12,746	294	1,233	34,242
Deposits	258	106	214	1,709	74	660	3,021
Cash and cash equivalents	4,211	3,616	10,207	48,244	287	3,092	69,657
Trade payables	(127)	(59)	(1,504)	(2,462)	(114)	(228)	(4,494)
Total	**5,322**	**5,869**	**25,700**	**60,237**	**541**	**4,757**	**102,426**
30 June 2021							
Trade receivable	1,386	1,302	14,485	12,280	30	1,360	30,843
Deposits	125	27	-	2,366	-	472	2,990
Cash and cash equivalents	1,328	2,332	15,045	20,174	600	1,551	41,030
Trade payables	(196)	(52)	(1,442)	(5,529)	(169)	(258)	(7,646)
Total	**2,643**	**3,609**	**28,088**	**29,291**	**461**	**3,125**	**67,217**

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

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

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

Price Risk

The Group has no significant exposure to equity securities price risk.

Credit Risk

Credit risk arises from cash and cash equivalents, contractual cash flows of deposits with banks, lease deposits and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a Group basis. Significant partners are independently rated through credit agencies, if there is no independent rating an internal review is carried out. The Credit manager assesses the credit quality of the partner, taking into account its financial position, as well as experience for customers and partners in the same region. There are no significant concentrations of credit risk, whether through exposure to individual customers or partners, specific industry sectors or regions.

The Group's main financial assets that are subject to the expected credit loss model are trade receivables. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. Refer to note 17 for a trade receivable impairment analysis.

The Board approved Treasury policy governs the credit limits for deposits with banks and financial institutions. Credit ratings and limits are reviewed on monthly basis by Group Treasury. The credit ratings for the deposits classified as cash and cash equivalents ranges from A to A+.

Trade receivables are fully provided where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 6 months past due. The general credit loss provision will begin to be provided from thirty days past due based on the historic default rates adjusted for regional performance. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity Risk

Prudent liquidity risk management involve maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities, to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining both liquid cash and availability under committed credit lines.

Maturity of Financial Liabilities

The table below presents the Group's financial liabilities by relevant maturity grouping, based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 12 months $'000	Between 1 - 2 years $'000	Between 2 - 5 years $'000	Over 5 years $'000	Carrying amount liabilities $'000
30 June 2022					
Trade payables	11,206	-	-	-	11,206
Accruals	15,100	-	-	-	15,100
Lease liabilities	7,078	11,179	36,614	22,793	77,664
	33,384	11,179	36,614	22,793	103,970
30 June 2021					
Trade payables	12,566	-	-	-	12,566
Accruals	6,053	-	-	-	6,053
Lease liabilities	7,797	7,327	22,793	13,378	51,295
	26,416	7,327	22,793	13,378	69,914

28 / Summary of Financial Assets and Liabilities by Category

The carrying amounts of the assets and liabilities as recognised at the statement of financial position date of the years under review may also be categorised as follows:

	30 June 2022 $'000	30 June 2021 $'000
Financial assets at amortised cost		
Deposits	10,342	6,816
Trade receivables	63,907	58,482
Accrued income	4,152	1,713
Cash and cash equivalents	390,623	342,358
Total financial assets at amortised cost	**469,024**	**409,369**

	30 June 2022 $'000	30 June 2021 $'000
Financial liabilities at amortised cost		
Trade payables	(11,206)	(12,566)
Accruals	(15,100)	(6,053)
Lease liabilities	(63,840)	(35,248)
Total financial liabilities at amortised cost	**(90,146)**	**(53,867)**

Accruals include all the financial liabilities at amortised cost, hence exclude payroll accruals in note 20.

29 / 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 consolidated statement of financial position.

	30 June 2022 $'000	30 June 2021 Restated $'000
Capital		
Total equity	314,688	262,018
Less cash and cash equivalents	(390,623)	(342,358)
Total capital	**(75,935)**	**(80,340)**
Overall financing		
Total equity	314,688	262,018
Plus leasing liabilities, borrowings and other financing liabilities	(63,840)	(35,248)
Total financing	**250,848**	**226,770**

30 / Capital Commitments

The Group had no capital commitments at 30 June 2022 or 30 June 2021.

31 / Deferred Tax Assets and Liabilities

At the end of June 2022, the Group has significant tax losses in the UK available for offset against future taxable profits (see note 3 for details). The Group has not recognised a deferred tax asset of approximately $93.2m (30 June 2021: $97.2m) as there is sufficient uncertainty whether the losses will be utilised in the foreseeable future. The tax rate applied considers 25% for UK and 27% for US as these are tax rate expected to be applicable by the time the loss will be unwound.

The unrecognised deferred tax asset is comprised of:

	30 June 2022 $'000	30 June 2021 $'000
Fixed Asset timing differences	(538)	5,461
Short term temporary differences	4,306	6,763
Losses	51,665	31,482
Share-based payments	37,775	53,490
Total	**93,208**	**97,196**

Recognised deferred tax asset and deferred tax liabilities	30 June 2022 $'000	30 June 2021 $'000
Fixed Asset timing differences	(76)	11
Short term temporary differences	1,573	533
Deferred Tax Asset (Business combination)	2,032	-
Deferred Tax Liabilities (Business combination)	(2,488)	-
Total	**1,041**	**544**

Recognised deferred tax asset	30 June 2022 $'000	30 June 2021 $'000
Opening	544	-
(charged)/ credited		
Deferred tax asset recognised on acquisition	1,950	-
Deferred tax liability recognised on acquisition	(2,655)	-
Deferred tax asset movement	1,034	544
Deferred tax liability movement	168	-
Total	**1,041**	**544**

32 / Subsidiaries

As at the 30 June 2022 the subsidiaries of the Group were as follows:

Subsidiary	Country of registration	Registered office	Year of incorporation	Class of share capital	Proportion held
Darktrace Holdings Limited	UK	Maurice Wilkes Building St John's Innovation Park Cowley Road Cambridge	2013	Common shares	100%
Darktrace, Inc	USA	2140 S DuPont Highway, Camden, Delaware 19934, USA	2013	Common shares	100%*
Darktrace Singapore Pte Ltd	Singapore	4 Shenton Way, #28-03 SGX Centre 2, Singapore 068807	2015	Common shares	100%*
Darktrace Australia Pty Ltd	Australia	Level 5 suite 501/83 York St, Sydney NSW 2000, Australia	2015	Common shares	100%*
Darktrace Japan KK	Japan	12-1-605 Okahigashi-cho Hirakata City Osaka, Japan	2017	Common shares	100%*
Darktrace South Africa Pty Ltd	South Africa	22 Wellington Road, Parktown, Gauteng 2193. South Africa	2016	Common shares	100%*
Darktrace Ireland Limited	Ireland	38 Upper Mount Street, Dublin 2, Ireland	2019	Common shares	100%*
Darktrace SaS	France	38 avenue des Champs-Elysees. 75008 Paris	2019	Common shares	100%*
Darktrace Hong Kong Ltd	Hong Kong	31/F Tower Two Time Square, Matheson Street. Causeway Bay, Hong Kong	2019	Common shares	100%*
Darktrace Colombia SaS	Colombia	Cra 16 # 97-46 Torre 1 piso 6, Bogota, Colombia	2019	Common shares	100%*
Darktrace Canada, Inc	Canada	1495 Marine Drive West Vancouver BC V7T 1B8, Canada	2020	Common shares	100%*
Darktrace Mexico, SA De CV	Mexico	Boulevard Manuel Avila, Camacho No 76 PB Colonia: Lomas de Chapultepec Alcaldia: Miguel Hidalgo Ciudad de Mexico C.P. 11000	2020	Common shares	100%*
Darktrace GmbH	Germany	Oskar-von-Millller-Ring 20, 80333 Munich	2020	Common shares	100%*
Darktrace Employee Benefit Trust	Jersey	26 New Street, St Helier, Jersey, JE2 3RA	2021	N/A	N/A
Cybersprint B.V.	Netherlands	Wilhelmina van Pruisenweg 35, (2595 AN) The Hague, the Netherlands	2015	Common shares	100%*
Darktrace Federal Inc.	USA	C/O The Corporation Trust Company, Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, Delaware, United States, 19801	2022	Common shares	100%

*Indirectly owned through Darktrace Holdings Limited.

Darktrace Holdings Limited is the main trading company, responsible for research and development activities and global delivery of Darktrace operations.

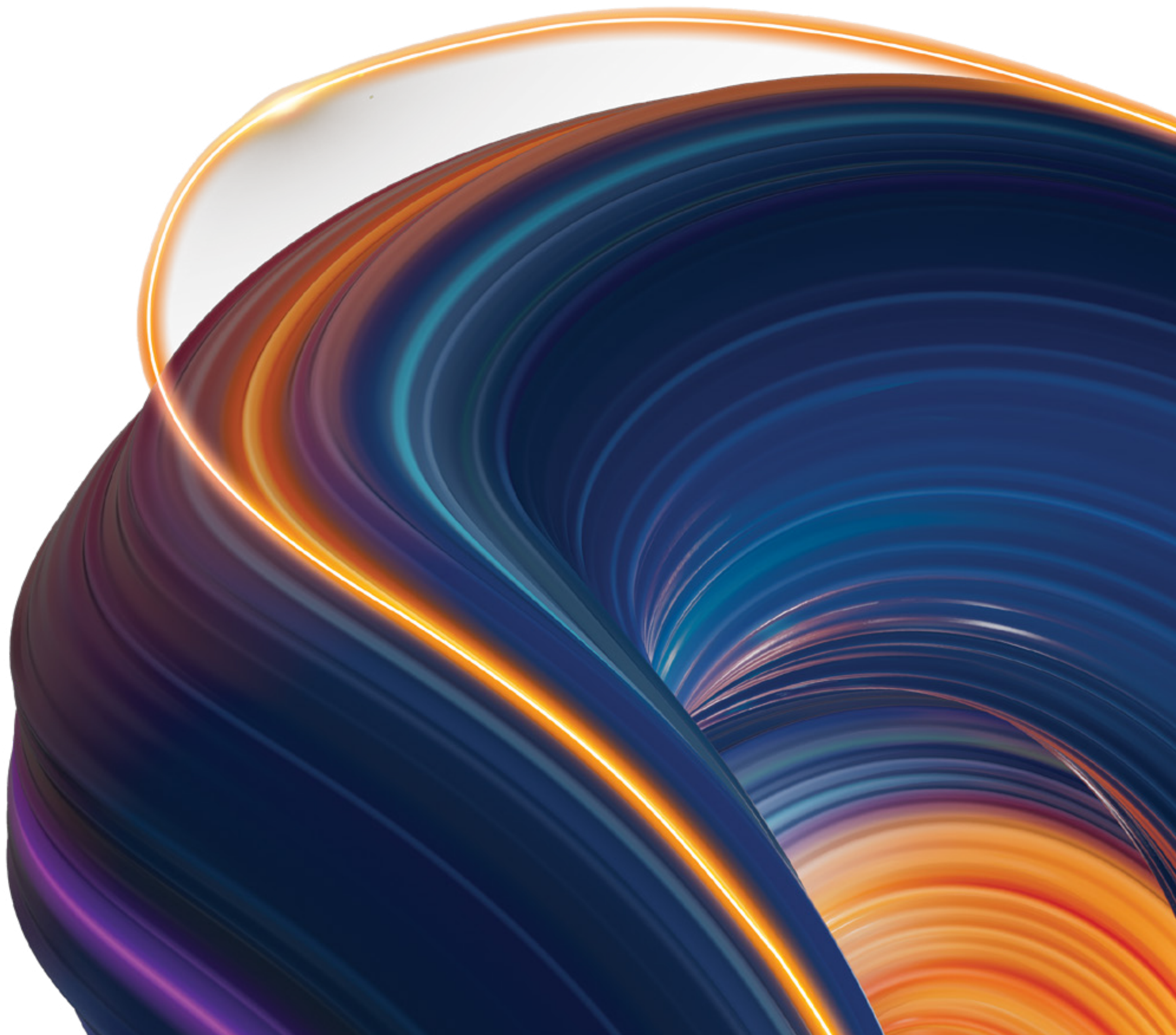
All other subsidiaries provide sales and marketing services, with the exception of Cybersprint. Darktrace Holdings Limited has also had a Branch office in Dubai, since 2019. The registered office address of the Branch is at Level 42, Emirates Towers, Sheikh Zayed Road Dubai, UAE.

Darktrace Federal Inc, a directly controlled subsidiary of Darktrace plc, has been incorporated in April 2022 with the purpose of serving the U.S. Department of Defense (DoD), the Intelligence Community, Federal Civilian Agencies, and the National critical infrastructure sector, allowing them to strengthen their cybersecurity defences with Self-Learning AI.

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 plc 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. Darktrace Employee Benefit Trust holds shares of Darktrace plc for the purpose of fulfilling the requirement of the stock options plan issued before IPO.

33 / 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.



/ Company Statement of Financial Position

	Notes	For the year ended 30 June 2022 $'000	For the period ended 30 June 2021 $'000
Non-current assets			
Investments	4	129,214	68,704
		129,214	**68,704**
Current assets			
Trade and other receivables	5	4,064	9,177
Cash and cash equivalents	6	224,068	208,036
		228,132	**217,213**
Total assets		**357,346**	**285,917**
Current liabilities			
Trade and other payables	7	(20,402)	(550)
Tax payable		-	(45)
		(20,402)	**(595)**
Total Liabilities		**(20,402)**	**(595)**
Net Assets		**336,944**	**285,322**
Equity			
Share capital	8	9,812	9,756
Share premium	8	16,117	224,782
Merger reserve	8	55,160	55,160
Stock compensation reserve	9	50,389	5,660
Treasury Shares	8	(11,105)	-
Retained earnings		216,571	(10,036)
Total equity		**336,944**	**285,322**

As permitted by section 408 of Companies Act 2006, a separate Statement of comprehensive income for Darktrace plc has not been included in these financial statements. Darktrace plc total comprehensive loss for the year amounted to $2.1 million (FY 2021: $10.0 million).

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

Catherine Graham

Catherine Graham
Chief Financial Officer

Company No. 13264637

/ Company Statement of Changes in Equity

	Notes	Share capital $'000	Share premium $'000	Merger reserve $'000	Stock compensation reserve $'000	Treasury shares $'000	Retained earnings $'000	Total equity $'000
12 March 2021		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year		-	-	-	-	-	(10,036)	(10,036)
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**(10,036)**	**(10,036)**
Shares issued	8	1,872	224,782	-	-	-	-	226,654
Share for share exchange with Darktrace Holdings Limited	8	7,884	-	55,160	-	-	-	63,044
Credit to equity for share-based compensation charge		-	-	-	5,660	-	-	5,660
Transactions with owners		**9,756**	**224,782**	**55,160**	**5,660**	**-**	**-**	**295,358**
30 June 2021		**9,756**	**224,782**	**55,160**	**5,660**	**-**	**(10,036)**	**285,322**
Loss for the year		-	-	-	-	-	(2,146)	(2,146)
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**(2,146)**	**(2,146)**
Share premium cancellation	8	-	(224,782)	-	-	-	224,782	-
Shares buyback		-	-	-	-	(13,525)	(89)	(13,614)
Options exercised	8	22	335		(1,040)	2,420	4,060	5,797
Shares issued for acquisition	8	34	15,782	-	-	-	-	15,816
Share-based compensation charge		-	-	-	45,769	-	-	45,769
Transactions with owners		**56**	**(208,665)**	**55,160**	**44,729**	**(11,105)**	**228,753**	**53,768**
30 June 2022		**9,812**	**16,117**	**55,160**	**50,389**	**(11,105)**	**216,571**	**336,944**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 / General Information

Company Information

These financial statements are the separate financial statements for Darktrace plc (the Company). The Company was incorporated on 12 March 2021. The financial statements are presented in US Dollars. Darktrace plc is a public limited company which is listed on the London Stock Exchange and incorporated and domiciled in the UK. Its registered office and principal place of business is: Maurice Wilkes Building, St John's Innovation Park, Cowley Road, Cambridge, CB4 0DS.

Basis of Preparation

The financial statements of Darktrace plc have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention except for certain financial instruments which are measured at fair value, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The following exemptions from the presentation and disclosure requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

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

Going Concern Assumption

The Company meets its day-to-day working capital requirements through its cash reserves. The current economic conditions continue to create uncertainty. The Company's forecasts and projections show that the Company should be able to operate within the level of its current cash reserves. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore adopts the going concern basis in preparing its financial statements.

New Standards, Amendments, IFRIC Interpretations and new Relevant Disclosure Requirements

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 the Company's financial statements.

2 / Summary of Significant Accounting Policies

Investment in Subsidiaries

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

Refer to note 4 for the value of the investment to be recognised as a result of the shares issued to acquire Cybersprint in the current year.

The share-based payment expense related to the subsidiaries' employees service is treated as investment value in subsidiaries. The awards represent capital contribution to the subsidiaries as no payment is expected for the equity-settled share-based payment awarded to their employees.

The Directors have determined that Darktrace plc controls 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 plc 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. The value of the investment in Darktrace Employee Benefit Trust is nil.

Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Investments that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Share Based Payments

The Company operates a number of equity-settled, share-based compensation plans, under which subsidiaries receive services from employees as consideration for equity instruments (options) of the Company. The cost related to the subsidiaries' employees service is treated as investment value in subsidiaries. The awards represent capital contribution to the subsidiaries as no payment is expected for the equity-settled share-based payment awarded to their employees.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in equity.

The total amount to be accounted for as an increase in investment value is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, 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 (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total investment 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 reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the investment value, with a corresponding adjustment to equity. When the options are exercised, the options' original fair value as of the grant date is accounted for as a deduction from equity.

Other Receivables

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

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

Cash and Cash Equivalents

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

Trade and Other payables

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

Financial Liabilities

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

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

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 the Company 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. The difference between the value of investment in Darktrace Holdings Limited and the nominal value of share capital has been recorded in the merger reserve in the equity of the Company as required by section 612 of the Companies Act 2006.
- Treasury shares includes shares bought back by Darktrace plc during the year. Shares issued to employees are recognised on a first in, first out basis.
- Stock compensation reserve: this reserve is used to recognise the grant date fair value of options and awards issued to subsidiaries' employees but not exercised.
- Retained earnings: represents retained profits and losses.

Foreign Currency Translation

Transactions and Balances

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

3 / Key Judgements and Estimates

The preparation of 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 period 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.

Critical Judgement in the Determination of Functional Currency

Darktrace plc is the ultimate parent company and pure holding entity. The Company has no employees of its own and there is a master service agreement in place for which the Company charges a service fee to Darktrace Holdings Limited (on a cost plus basis) for the following:

- Strategic management support service
- Business planning and development support service

The Company has two executive directors (Group CEO and Group CFO). The Company provides financial support to the group as and if required through an intercompany agreement to Darktrace Holdings Limited. There is an unsecured US Dollar and Pound Sterling multi-currency term loan facility of a total principal amount not exceeding $225.0m.

A policy choice exists for an ultimate holding entity as to how to interpret IAS 21 in order to determine its functional currency. The ultimate holding entity might determine that it is acting as an extension of its subsidiaries and, therefore, has the same functional currency as those subsidiaries. Alternatively, the ultimate holding entity might consider all of the primary and secondary indicators and conclude that its functional currency is determined by the currency of its own dividend revenue, its own expenses and the currency of its own financing.

Management considers the Company as an extension of the overall subgroup and therefore considers the functional currency to be that of Darktrace Holdings Limited and its subsidiaries, USD.

4 / Investments in Subsidiary Undertakings

Investments in subsidiaries are stated at cost.

	30 June 2022	30 June 2021
	$'000	$'000
Opening value	**68,704**	**-**
Acquisition of Darktrace Holdings Limited	-	63,044
Capital contribution to Darktrace Holdings Limited for Cybersprint BV acquisition	15,782	-
Capital contribution relating to share-based payments in subsidiaries' employees	44,728	5,660
Carrying value	**129,214**	**68,704**

On 4 May 2021, the Company acquired 100% of the issued share capital of Darktrace Holdings Limited through a share for share exchange agreement. The value of the investment at the transaction date represents the carrying value of Darktrace Holdings Limited at that date.

On 22 February 2022 Darktrace Holdings Limited (subsidiary of Darktrace plc) entered into a definitive agreement to acquire 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. 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.

Share Based Payments

The capital contribution relating to share-based payments relates to share-based payments issued to employees of subsidiary undertakings in the Group. For full details of the Group's share-based payments, refer to note 23 in the consolidated financial statements.

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 plc 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.

5 / Other Receivables

	30 June 2022	30 June 2021
	$'000	$'000
Amounts owed from subsidiary undertakings	601	6,620
Other debtors	1,526	930
Prepayments	1,937	1,627
Total	**4,064**	**9,177**

The carrying value of the receivables is considered a reasonable approximation of fair value due to the short-term nature of the balance. The total amount outstanding at 30 June 2022 relates to other debtors and amount owed from Equiniti Trust (Jersey) Limited, the trustee of the Darktrace plc Employee Benefit Trust. The balance is current and receivable within one year, hence no provision for credit losses deemed necessary.

Prepayments include amounts paid in advance for directors and officers insurance cover.

6 / Cash and Cash Equivalents

	30 June 2022	30 June 2021
	$'000	$'000
Cash at bank and in hand	55,830	153,885
Deposits at call	168,238	54,151
Cash and cash equivalents	**224,068**	**208,036**

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.

7 / Other Payables

Amounts falling due within one year

	30 June 2022	30 June 2021
	$'000	$'000
Amounts owed to subsidiary undertakings	19,663	-
Social security and other taxes	32	43
Other payables and accruals	707	507
Total	**20,402**	**550**

Amounts owed to subsidiary undertakings relate amount due to Darktrace Holdings Limited in relation to options exercised during the year. The amount payable is offset by a receivable balance of $5.7m from Darktrace Holdings Limited in relation to income accounted in relation to the Management Services Agreement entered on 5 May 2021.

8 / Share Capital, Share Premium and Merger Reserve

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	Total number of shares	Share capital $'000	Share premium $'000	Merger reserve $'000
12 March 2021	**1**	**50,000**	**-**	**50,001**	**69**	**-**	**-**
Share for share exchange	567,781,091	-	120,063	567,901,154	7,884	0	55,160
Shares issued at IPO	129,849,035	-	-	129,849,035	1,803	224,782	-
30 June 2021	**697,630,127**	**50,000**	**120,063**	**697,800,190**	**9,756**	**224,782**	**55,160**
1 July 2021	**697,630,127**	**50,000**	**120,063**	**697,800,190**	**9,756**	**224,782**	**55,160**
Share premium cancellation	-	-	-	-	-	(224,782)	-
Shares issued in the year	1,581,578	-	-	1,581,578	22	335	-
Shares issued for acquisition	2,573,648	-	-	2,573,648	34	15,782	-
30 June 2022	**701,785,353**	**50,000**	**120,063**	**701,955,416**	**9,812**	**16,117**	**55,160**

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.

9 / Share Based Payments

Certain group employees have been granted options over the shares in the Company. Refer to the accounting of the investment for details on the awards granted and the related accounting (note 4).

Share options outstanding at the end of the year are the same as per the consolidated financial statements as the Company does not have employees of its own. Therefore, we refer to the disclosure in the consolidated financial statements (note 23).

10 / Capital Commitments

The Company had no capital commitments at 30 June 2022 or 30 June 2021.

11 / Information Included in the Notes to the Consolidated Financial Statements

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the Company.

Please refer to the following:

Note 9 – Auditors' remuneration

Note 23 – Share Based Payments

Note 26 – Key management personnel

Note 26 – Related parties

Note 32 – Subsidiaries

Note 33 – Subsequent events

DARKTRACE PLC INFORMATION

General Counsel & Company Secretary	James Sporle
Company number	13264637
Registered office	Maurice Wilkes Building, St John's Innovation Park, Cowley Road, Cambridge, United Kingdom, CB4 0DS
Website	www.darktrace.com

Corporate Advisers

Bankers	HSBC Bank Plc Silicon Valley Bank
Solicitors	Latham & Watkins LLP
Auditor	Grant Thornton UK LLP
Joint brokers	Jefferies International Limited Joh. Berenberg, Gossler & Co. KG, London Branch
Joint Financial Advisers	Jefferies International Limited Lazard & Co., Limited
Registrar	Equiniti Limited

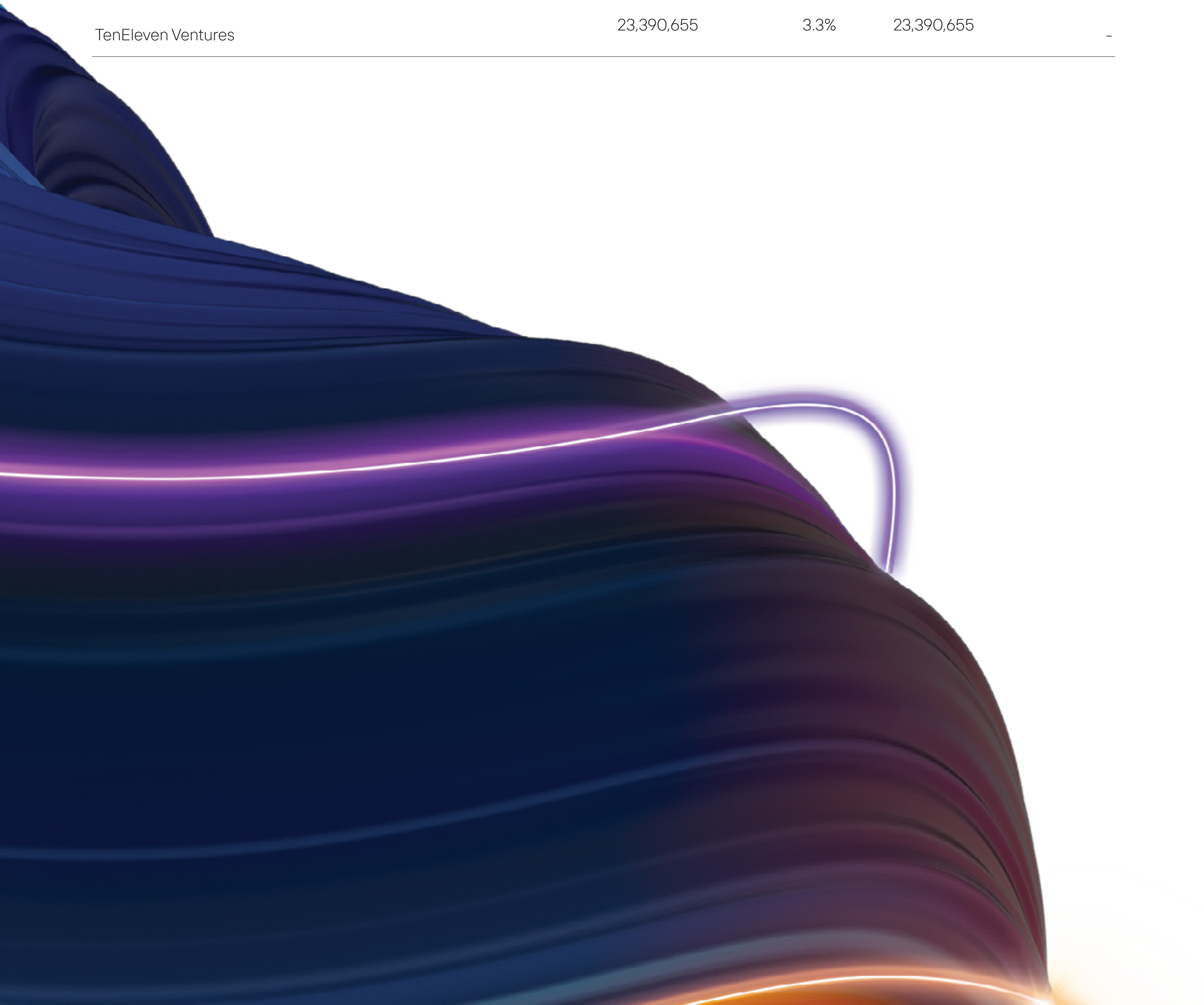
Directors

Mr G Hurst (Chairman) (appointed 1 April 2021)
Ms P Gustafsson OBE (appointed 1 April 2021)
Ms C Graham (appointed 12 March 2021)
Mr P Harrison (appointed 1 April 2021)
Lord Willetts (appointed 1 April 2021)
Sir P Bonfield CBE FREng (appointed 1 April 2021)
Ms V Colomar (appointed 1 April 2021)
Mr J Sikkens (appointed 1 April 2021)
Mr S Shanley (appointed 1 April 2021)

SHAREHOLDERS

Fully diluted shareholding of any party with a 3% or greater shareholding in Darktrace as at 24th August 2022:

Shareholder	Number of shares	% voting rights at 30 June 2022	Number of shares direct	Number of shares indirect
Summit DT Equity Holdings 3 LP	98,034,496	13.7%	98,034,496	-
KKR Dark Aggregator LP	70,633,213	9.8%	70,633,213	-
A. Bacares	56,605,607	7.9%	56,605,607	-
Employee Benefit Trust	49,137,916	6.8%	49,137,916	-
M. Lynch	30,511,750	4.2%	30,511,750	-
Brighton Park Capital Management	30,438,766	4.2%	30,438,766	-
GO ETF Solutions	26,198,588	3.6%	26,198,588	-
TenEleven Ventures	23,390,655	3.3%	23,390,655	-



GLOSSARY

AGM
Annual General Meeting

Adjusted EBIT
Adjusted EBIT is the Group's EBIT adjusted to remove uncapitalised share-based payment (SBP) charges and share option-related employer tax charges.

Adjusted EBITDA
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.

APAC
Asia-Pacific

AI
Artificial intelligence

APMs
Alternative Performance Measures

ARR
Annual Recurring Revenue

Board
The board of directors of the Company

Brexit
The exit of the United Kingdom from the European Union, officially on 31 December 2020

CAGR
Compound Annual Growth Rate

CEO
Chief Executive Officer

CFO
Chief Financial Officer

CGU
Cash Generating Unit

Cybersprint
Cybersprint B.V.

CLNs
Convertible Loan Notes

Company
Darktrace plc

DCF
Discounted Cash Flow

Directors
The Executive Directors, the Nominee Directors and the Independent Directors

EBIT
The Group's operating profit or loss

EBITDA
The Group's EBIT plus depreciation and amortisation

EMEA
Europe, Middle East and Africa

EU
European Union

Executive Directors
The executive Directors of the Company

FCA
The UK Financial Conduct Authority

FCF
Free Cash Flow

FY 2020
Financial year ending 30 June 2020

FY 2021
Financial year ending 30 June 2021

FY 2022
Financial year ending 30 June 2022

FYE
Fiscal Year End

GHG
Green House Gas

Group or Darktrace
Darktrace Holdings Limited and each of its consolidated subsidiaries and subsidiary undertakings, and thereafter, Darktrace plc and its consolidated subsidiaries and subsidiary undertakings from time to time

IFRS
International Financial Reporting Standards, as adopted by the European Union

Independent Directors
The independent Directors appointed to the Board

IoT
Internet of things

KPI
Key Performance Indicator

LATAM
Latin America

NED
Non-Executive Director

OT
Operating Technology

POV
Proof Of Value

R&D
Research & Development

SaaS
Software as a Service

SBP
Share-Based Payments

TAM
Total Addressable Market

TCFD
Task Force on Climate-Related Financial Disclosures

VIU
Value In Use

About Darktrace

Darktrace (DARK.L), a global leader in cyber security AI, delivers complete AI-powered solutions in its mission to free the world of cyber disruption. We protect more than 7,400 customers from the world's most complex threats, including ransomware, cloud, and SaaS attacks. Darktrace is delivering the first-ever Cyber AI Loop, fuelling a continuous security capability that can autonomously spot and respond to novel in-progress threats within seconds. Darktrace has 115+ patent applications filed. Darktrace was named one of TIME magazine's "Most Influential Companies" in 2021.

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DARKTRACE
Evolving threats call for evolved thinking

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