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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended  
September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 001-40777

**Arqit Quantum Inc.**

(Exact name of registrant as specified in its charter)

**Not applicable**

(Translation of Registrant's name into English)

**Cayman Islands**

(Jurisdiction of incorporation or organization)

**Nova North**

**7 Floor**

**11 Bressenden Place**

**London SW1E 5BY**

**United Kingdom**

**Telephone: +44 203 91 70155**

(Address of principal executive office)

**David Williams**

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**7 Floor**

**11 Bressenden Place**

**London SW1E 5BY**

**United Kingdom**

**Telephone: +44 203 91 70155**

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary shares	ARQQ	The Nasdaq Stock Market LLC
Business Combination Warrants	ARQQW	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

- 163,554,269 Ordinary Shares, par value \$0.0001 per share, as of September 30, 2023

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

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## INDUSTRY AND MARKET DATA

In this Annual Report, we present industry data, information and statistics regarding the markets in which the Company competes as well as publicly available information, industry and general publications and research and studies conducted by third parties. This information is supplemented where necessary with the Company's own internal estimates and information obtained from discussions with its customers, taking into account publicly available information about other industry participants and the Company's management's judgment where information is not publicly available.

Industry publications, research, studies and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this Annual Report. These forecasts and forward-looking information are subject to uncertainty and risk due to a variety of factors, including those described under "*Risk Factors*." These and other factors could cause results to differ materially from those expressed in any forecasts or estimates.

## FREQUENTLY USED TERMS

Unless otherwise stated or unless the context otherwise requires, the terms “the Company,” “the registrant,” “our company,” “the company,” “we,” “us,” “our,” “ours,” and “Arqit” refer to Arqit Quantum Inc.

In this Annual Report, unless the context otherwise requires:

“*Arqit*” or “*Company*” means Arqit Quantum Inc., a Cayman Islands exempted limited liability company with registered number 374857 and whose registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

“*Articles*” means the memorandum and articles of association of Arqit.

“*British pounds sterling*” or “*£*” means the legal currency of the United Kingdom.

“*Business Combination*” means the transaction completed on September 3, 2021 pursuant to the Business Combination Agreement, in connection with which Centricus Acquisition Corp. merged with and into Arqit Quantum Inc., with Arqit Quantum Inc. as the surviving entity, following which Arqit Quantum Inc. acquired all of the outstanding share capital of Arqit Limited, with Arqit Limited becoming a wholly-owned subsidiary of Arqit Quantum Inc.

“*Business Combination Warrants*” means Arqit’s 13,038,904 outstanding warrants to purchase its ordinary shares at an exercise price of \$11.50 per share which became exercisable on February 8, 2022.

“*Cayman Companies Act*” means the Companies Act (As Revised) of the Cayman Islands, as may be amended from time to time.

“*Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*COVID-19*” means the disease known as coronavirus disease or COVID-19, the virus known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) and any evolutions or mutations thereof.

“*EAR*” means the Export Administration Regulations of the U.K. Export Control Act 2002, as amended.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended.

“*February 2023 Investor Warrants*” means Arqit’s 7,500,000 outstanding warrants to purchase its ordinary shares at an exercise price of \$2.00 per share, which became exercisable on February 22, 2023.

“*February 2023 Placement Agent Warrants*” means Arqit’s 550,000 outstanding warrants to purchase its ordinary shares at an exercise price of \$2.50 per share, which became exercisable on February 22, 2023.

“*Gartner*” means Gartner, Inc.

“*IFRS*” means International Financial Reporting Standards as adopted by the International Accounting Standards Board.

“*IRS*” means the U.S. Internal Revenue Service.

“*ITAR*” means the International Traffic in Arms Regulations of the Bureau of Industry and Security of the U.S. Department of Commerce.

“*JOBS Act*” means the Jumpstart Our Business Startups Act of 2012, as amended.

“*Nasdaq*” means the Nasdaq Capital Market.

“*NATO*” means the North Atlantic Treaty Organization.

“*NIST*” means the U.S. Department of Commerce’s National Institute of Standards and Technology.

“*ordinary shares*” means the ordinary shares, with \$0.0001 par value per share, of the Company.

“*PFIC*” means passive foreign investment company within the meaning of Section 1297 of the Code.

“*PKI*” means public key infrastructure.

“*QEF election*” means a “qualified electing fund” election under Section 1295 of the Code.

“*Registration Rights Agreement*” means the Registration Rights Agreement dated September 3, 2021 among Arqit, Centricus Heritage LLC, Adam M. Aron, Nicholas Taylor, the shareholders of Arqit Limited prior to the completion of the Business Combination and Heritage Assets SCSP.

“*Sarbanes-Oxley Act*” means the Sarbanes-Oxley Act of 2002.

“*SEC*” means the U.S. Securities Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended.

“*September 2023 Investor Warrants*” means Arqit’s 20,755,677 outstanding warrants to purchase its ordinary shares at an exercise price of \$0.78 per share, which became exercisable on September 12, 2023.

“*September 2023 Placement Agent Warrants*” means Arqit’s 705,128 outstanding warrants to purchase its ordinary shares at an exercise price of \$0.975 per share, which became exercisable on September 12, 2023.

“*U.S. dollar*” or “\$” means the legal currency of the United States.

“*warrants*” means the Business Combination Warrants, the February 2023 Investor Warrants, the February 2023 Placement Agent Warrants, the September 2023 Investor Warrants and the September 2023 Placement Agent Warrants.

**PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

This Annual Report contains our audited consolidated financial statements as of and for the periods ended September 30, 2023, 2022 and 2021 (our “audited consolidated financial statements”). The Company qualifies as a foreign private issuer as defined under Rule 405 under the Securities Act and prepares its financial statements denominated in U.S. dollars in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board (“IFRS”).

## CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

This Annual Report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, the provisions of Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Exchange Act of 1934 (the “Exchange Act”). These forward-looking statements are subject to risks and uncertainties and include information about possible or assumed future results of the business, financial condition, results of operations, liquidity, plans and objectives of the Company. In some cases, you can identify forward-looking statements by terminology such as “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “potential,” or the negative of these terms or other similar expressions. The statements regarding the following matters are forward-looking by their nature:

- that there will be significant market opportunities for the Company’s products as a result of an expected transformation in the cyber encryption industry over the next decade;
- that consumers, businesses and governments across all geographies and industries will likely need to replace the existing cyber encryption technology used in almost all electronic interfaces in order to maintain cyber security;
- that the global addressable market for information security services will be \$289 billion by the end of 2027;
- that new opportunities for growth in demand for the Company’s products are expected in government, defense, telecoms, financial services, Internet of Things and connected car markets;
- that “public key infrastructure” will be vulnerable to quantum computer attack; and
- that quantum computers of sufficient scale to break “public key infrastructure” may be available within a few years.

The preceding list is not intended to be an exhaustive list of all of forward-looking statements in this Annual Report. The forward-looking statements are based on beliefs, assumptions and expectations of the Company of future performance, taking into account the information currently available. These statements are only predictions based upon the current expectations and projections of the Company about future events.

You should not rely upon forward-looking statements as predictions of future events. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, they cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, the Company undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report, to conform these statements to actual results or to changes in expectations.

Important risks, uncertainties, assumptions, and other factors that could cause our actual results or conditions to differ materially from our forward-looking statements include, among others, the items in the following list, which also summarizes some of our most principal risks:

- The Company is an early stage company with a history of losses and will be reliant upon a significant increase in sales and marketing activity in order to become profitable in the future.
- The Company’s limited operating history makes it difficult to evaluate its business and future prospects and increases the risk of your investment.
- The market adoption of the Company’s product is not fully proven, is evolving and may develop more slowly than or differently from the Company’s expectations. Its future success depends on the growth and expansion of these markets and its ability to adapt and respond effectively to evolving markets.
- The Company’s primary distribution channel is through channel partnerships, and therefore the Company is dependent upon maintaining and increasing the number of channel partnerships, and developing annual recurring revenues through those channel partnerships, in order to continue to develop its business.
- If the Company fails to sell or otherwise monetize its satellite currently under construction, it may be required to recognize further impairment losses, write off capitalized satellite costs or incur breakage fees under certain of its contracts related to satellite construction obligations.

- The Company will require additional capital to fund its operations, and if it is unable to obtain such capital, it will be unable to successfully continue to develop its business and commercialize its products.
- The Company is reliant upon the lease of data center capacity and access to fiber optic infrastructure from third parties in order to commercialize its product.
- The complexity of the Company's products could result in unforeseen delays or expenses from undetected defects, errors or reliability issues in software, which could reduce the market adoption of its new products, damage its reputation with current or prospective customers and expose it to product liability and other claims and adversely affect its operating costs.
- The Company may not be able to adequately protect or enforce its intellectual property rights or prevent unauthorized parties from copying or reverse engineering its products or technology. Its efforts to protect and enforce its intellectual property rights and prevent third parties from violating its rights may be costly.
- Third-party claims that the Company is infringing intellectual property, whether successful or not, could subject it to costly and time-consuming litigation or expensive licenses, and its business could be adversely affected.
- Certain of the Company's products contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict its ability to sell its products or expose the Company to other risks.
- The Company's intellectual property applications, including patent applications, may not be approved or granted or may take longer than expected to be approved, which may have a material adverse effect on its ability to prevent others from commercially exploiting products similar to its.
- In addition to patented technology, the Company relies on unpatented proprietary technology, trade secrets, designs, experiences, work flows, data, processes, software and know-how.
- The markets in which the Company competes are characterized by rapid technological change, and competing product innovations could adversely affect market adoption of its products.
- The Company's business depends substantially on the efforts of its executive officers and highly skilled personnel. The Company needs to attract and retain a large number of skilled, specialized and dedicated employees in different jurisdictions in order to grow and manage its business, and if the Company loses the services of existing key employees or fail to achieve its recruitment goals, its operations may be disrupted.
- Failure to comply with governmental trade controls, including export and import control laws and regulations, sanctions, and related regimes could subject the Company to liability or loss of contracting privileges, limit its ability to compete in certain markets or harm its reputation with the governments.
- Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the jurisdictions in which the Company operates may adversely impact its business, and such legal requirements are evolving and may require improvements in, or changes to, its policies and operations.
- Fluctuations in currency exchange rates may adversely affect the Company's business and result of operations.
- The Company's Business Combination Warrants are accounted for as liabilities and the changes in value of the warrants could have a material effect on its financial results.
- Interruption or failure of the Company's information technology and communications systems could impact its ability to effectively provide its products and services.
- If any of the Company's third parties' systems, its customers' cloud or on-premises environments, or its internal systems are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of its business may be harmed, and the Company may lose business and incur losses or liabilities.

- If the Company's network and products do not interoperate with its customers' internal networks and infrastructure or with third-party products, websites, or services, its network may become less competitive and its results of operations may be harmed.

Some of these factors are discussed in more detail in this Annual Report, including under "Item 3. Key Information—Risk Factors," "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects." Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Annual Report as anticipated, believed, estimated or expected.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

### ITEM 3. KEY INFORMATION

#### 3.A. [Reserved]

#### 3.B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

#### 3.C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

#### 3.D. RISK FACTORS

*You should carefully consider the risks described below, together with all of the other information included in this Annual Report, in evaluating us and our shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of our ordinary shares could decline due to any of these risks, and you may lose all or part of your investment. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Annual Report.*

*Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.*

#### **Risks Related to Arqit's Business and Operations**

***Arqit is an early stage company with a history of losses and will be reliant upon a significant increase in sales and marketing activity in order to become profitable in the future.***

Arqit has only just started to generate material revenues through the commercialization of its products. For the years ended September 30, 2021, 2022 and 2023, Arqit generated operating losses of \$172.6 million, \$63.8 million and \$84.4 million, respectively. Arqit intends to continue to invest and to increase investments in sales, marketing and product development, and believes that it will continue to incur operating and net losses until at least the time it is able to fully commercialize its products, but which may occur later than expected or not at all. There can be no assurance that Arqit's products or its sales strategy will be commercially successful. Arqit's potential profitability is dependent upon the successful development and commercial introduction and acceptance of its products, which may not occur. Because Arqit will incur the costs and expenses of commercializing its products before it receives any significant revenues with respect thereto, its losses in future periods may be significant. If Arqit is never able to achieve or sustain profitability, its results of operations could differ materially from its expectations and Arqit's business, financial condition and results of operations could be materially adversely affected.

***Arqit's limited operating history makes it difficult to evaluate its business and future prospects and increases the risk of your investment.***

Arqit began operations in 2017, has a limited operating history, and operates in the post-quantum cryptography encryption industry, which is rapidly evolving. As a result, there is limited information that investors can use in evaluating Arqit's business, strategy, operating plan, results and prospects. Arqit intends to derive most of its revenues from the delivery of its symmetric key agreement product, QuantumCloud™, which is a newly developed technology. It is difficult to predict future revenues and appropriately budget for expenses, and Arqit has limited insight into trends that may emerge and affect its business. If the assumptions Arqit uses to plan and operate its business are incorrect or change, its results of operations could differ materially from its expectations and Arqit's business, financial condition and results of operations could be materially adversely affected.

***The market adoption of Arqit's product is not fully proven, is evolving and may develop more slowly than or differently from Arqit's expectations. Its future success depends on the growth and expansion of these markets and its ability to adapt and respond effectively to evolving markets.***

The market adoption of Arqit's product is relatively new, rapidly evolving, and not fully proven. Accordingly, it is difficult to predict customer adoption and renewals and demand for its products and services, the entry of competitive products, the success of existing competitive products, or the future growth rate, expansion, longevity, and the size of the market for its products. The expansion of and its ability to penetrate these new and evolving markets depends on a number of factors, including: the cost, performance, and perceived value associated with its products, and the extent to which its products improve security and are easy to use for its customers. If Arqit experiences security incidents or disruptions in delivery or service, the market for its products may be negatively affected. If its products do not continue to achieve market acceptance, or there is a reduction in demand caused by decreased customer acceptance, technological challenges, weakening economic conditions, privacy, data protection and data security concerns, governmental regulation, competing technologies and products, or decreases in information technology spending or otherwise, the market for its products may not continue to develop or may develop more slowly than Arqit expects, which could adversely affect its business, financial condition, and results of operations.

***Arqit's primary distribution channel is through channel partnerships, and therefore Arqit is dependent upon maintaining and increasing the number of channel partnerships, and developing annual recurring revenues through those channel partnerships, in order to continue to develop its business.***

Arqit is in the early stages of commercializing its business, and in December 2022 began transitioning its distribution model from an enterprise license model to distribution through channel partners. There can be no certainty over the pace and scale of revenue growth generated from such relationships, which might take longer than anticipated to generate material revenues. In addition, Arqit is dependent upon maintaining its existing, and increasing the number of, channel partnerships in order to continue to develop its business and annual recurring revenues. If revenues from channel partner relationships fail to develop, take longer than expected to develop, or Arqit fails to maintain existing or increase the number of its channel partnerships, the impact could adversely affect its business, financial condition, and results of operations.

***If Arqit fails to sell or otherwise monetize its satellite currently under construction, it may be required to recognize further impairment losses, write off capitalized satellite costs or incur breakage fees under certain of its contracts related to satellite construction obligations.***

In December 2022 Arqit updated its technology strategy to eliminate quantum satellites and the associated ground infrastructure from its core QuantumCloud™ product offering. See "Item 4.B. Business Overview - Satellite Infrastructure." In connection with this update, Arqit is planning to sell or otherwise monetize its quantum satellite currently under construction. In May 2023 Arqit retained an adviser to assist in the process of pursuing the sale of its satellite division amongst other potential transactions. During the fiscal year ended September 30, 2023, Arqit reclassified its satellite assets from "intangible assets" to "assets classified as held for sale", in connection with which it recognized an impairment loss of \$17.6 million. If Arqit fails to sell its satellite currently under construction, it may be required to recognize further impairment losses, write off capitalized satellite costs or incur breakage fees under certain of its contracts related to satellite construction obligations. If such impairment losses or write offs are required or additional expenses are incurred, Arqit's results of operations could differ materially from its expectations and Arqit's business, financial condition and results of operations could be materially adversely affected.

***Arqit will require additional capital to fund its operations, and if it is unable to obtain such capital, it will be unable to successfully continue to develop its business and commercialize its products.***

As of September 30, 2023, Arqit had cash and cash equivalents of approximately \$44.5 million. Although Arqit believes it has sufficient funds to fund its operations for the next twelve months as of the filing of this Annual Report on Form 20-F, it will require additional capital in order to successfully continue to develop its business and commercialize its products. There is no assurance that revenues from Arqit's commercialization of its products will be sufficient to fund its operations in the future, or that additional funds will be available through other sources when required on terms that are acceptable to Arqit, or at all. If Arqit is not able to access the capital required to fund its operations, its business, financial condition and results of operations could be materially adversely affected.

***Arqit is reliant upon the lease of data center capacity and access to fiber optic infrastructure from third parties in order to commercialize its product.***

Arqit leases its data centers and obtains access to fiber optic infrastructure from third parties and will be reliant on the continued operation of these data centers and infrastructure to commercialize its product. While Arqit has electronic access to the components and infrastructure of its cloud platforms that are hosted by third parties, Arqit does not control the operation of these facilities. Consequently, Arqit may be subject to service disruptions as well as failures to provide adequate support for reasons that are outside of its direct control. The data centers or the fiber optic infrastructure Arqit uses to deliver its products may be vulnerable to damage or interruption from a variety of sources, including earthquakes, floods, fires, power loss, system failures, computer viruses, physical or electronic break-ins, human error or interference (including by disgruntled employees, former employees or contractors), and other catastrophic events. Its data centers or the fiber optic infrastructure Arqit uses may also be subject to local administrative actions, changes to legal or permitting requirements and litigation to stop, limit or delay operations. Despite precautions taken at these facilities, such as disaster recovery, business continuity arrangements, and diversity of supply in the Arqit network, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in interruptions or degradations in its services, impede its ability to scale its operations or have other adverse impacts upon its business. In addition, if Arqit does not accurately plan for its infrastructure capacity requirements and Arqit experiences significant strains on its data center capacity, Arqit may experience delays and additional expenses in arranging new data centers, and its customers could experience performance degradation or service outages that may subject it to financial liabilities, result in customer losses and materially harm its business. If Arqit is unable to efficiently and cost-effectively fix such errors at the data centers or fiber optic infrastructure or other problems that may be identified, this could damage its reputation and negatively impact its relationship with its customers. If Arqit is unable to successfully maintain and manage the data centers and the fiber optic infrastructure that Arqit uses, Arqit's business, financial condition and results of operations could be materially adversely affected.

***The complexity of Arqit's products could result in unforeseen delays or expenses from undetected defects, errors or reliability issues in software, which could reduce the market adoption of its new products, damage its reputation with current or prospective customers and expose it to product liability and other claims and adversely affect its operating costs.***

Arqit's products are highly technical and complex and require high standards to implement and may experience defects, errors or reliability issues at various stages of development and commercial implementation. Arqit may be unable to timely correct problems that have arisen or correct such problems to its customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities could result in litigation against Arqit, negative publicity and other consequences. Some errors or defects in its products may only be discovered after they have been tested, commercialized and deployed by customers. If that is the case, Arqit may incur significant additional development costs with respect to its products. These problems may also result in claims, including class actions, against Arqit by its customers or others. Its reputation or brand may be damaged as a result of these problems, customers may be reluctant to buy its products, and Arqit's business, financial condition and results of operations could be materially adversely affected.

***Arqit may not be able to adequately protect or enforce its intellectual property rights or prevent unauthorized parties from copying or reverse engineering its products or technology. Its efforts to protect and enforce its intellectual property rights and prevent third parties from violating its rights may be costly.***

The success of its products and business depend in part on its ability to obtain patents and other intellectual property rights and maintain adequate legal protection for its products. As of the date of this Annual Report, Arqit had 1,966 claims on 41 pending or granted patents in the UK. Arqit relies on a combination of patent, service mark, trademark and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect its proprietary rights, all of which provide only limited protection.

Arqit cannot assure you that any patents will be issued with respect to its currently pending patent applications or that any trademarks will be registered with respect to its currently pending applications in a manner that provides adequate defensive protection or competitive advantages, if at all, or that any patents issued to Arqit or any trademarks registered by it will not be challenged, invalidated or circumvented. Arqit may file for patents and trademarks in the U.S., U.K. and in certain international jurisdictions, but such protections may not be available in all countries in which it operates or in which Arqit seeks to enforce its intellectual property rights, or may be difficult to enforce in practice. For example, the legal environment relating to intellectual property protection in certain emerging market countries where Arqit may operate in the future is relatively weaker, often making it difficult to create and enforce such rights. Its currently-registered intellectual property and any intellectual property that may be issued or registered, as applicable, in the future with respect to pending or future applications may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. Arqit cannot be certain that the steps Arqit has taken will prevent unauthorized use of its technology or the reverse engineering of its technology. Moreover, others may independently develop technologies that are competitive to or infringe its intellectual property.

Protecting against the unauthorized use of its intellectual property, products and other proprietary rights is expensive and difficult, particularly internationally. Arqit believes that its intellectual property is foundational in the area of encryption technology and intends to enforce the intellectual property portfolio that Arqit has built. Unauthorized parties may attempt to copy or reverse engineer its technology or certain aspects of its products that it considers proprietary. Litigation may be necessary in the future to enforce or defend its intellectual property rights, to prevent unauthorized parties from copying or reverse engineering its products or technology to determine the validity and scope of the proprietary rights of others or to block the importation of infringing products into the U.S., U.K. or other jurisdictions in which Arqit seeks to protect its intellectual property rights.

Any such litigation, whether initiated by Arqit or a third party, could result in substantial costs and diversion of management resources, either of which could adversely affect its business, operating results and financial condition. Even if Arqit obtains favorable outcomes in litigation, Arqit may not be able to obtain adequate remedies, especially in the context of unauthorized parties copying or reverse engineering its products or technology.

Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which its products are available and competitors based in other countries may sell infringing products in one or more markets. Failure to adequately protect its intellectual property rights could result in its competitors offering similar products, potentially resulting in the loss of some of its competitive advantage, and Arqit's business, financial condition and results of operations could be materially adversely affected.

***Third-party claims that Arqit is infringing intellectual property, whether successful or not, could subject it to costly and time-consuming litigation or expensive licenses, and its business could be adversely affected.***

Participants in Arqit's industry typically protect their technology, especially embedded software, through copyrights and trade secrets in addition to patents. As a result, there is frequent litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. Arqit may in the future receive inquiries from other intellectual property holders and may become subject to claims that it infringes their intellectual property rights, particularly as Arqit expands its presence in the market, expands to new use cases and faces increasing competition. In addition, parties may claim that the names and branding of Arqit's products infringe their trademark rights in certain countries or territories. If such a claim were to prevail, Arqit may have to change the names and branding of its products in the affected territories and could incur other costs.

Arqit may in the future need to initiate infringement claims or litigation in order to try to protect its intellectual property rights. In addition to litigation where Arqit is a plaintiff, its defense of intellectual property rights claims brought against it or its customers or suppliers, with or without merit, could be time-consuming, expensive to litigate or settle, could divert management resources and attention and could force Arqit to acquire intellectual property rights and licenses, which may involve substantial royalty or other payments and may not be available on acceptable terms or at all. Further, a party making such a claim, if successful, could secure a judgment that requires Arqit to pay substantial damages or obtain an injunction and Arqit may also lose the opportunity to license its technology to others or to collect royalty payments. An adverse determination could also invalidate or narrow Arqit's intellectual property rights and adversely affect its ability to offer its products to its customers and may require that Arqit procure or develop substitute products that do not infringe, which could require significant effort and expense. If any of these events were to materialize, Arqit's business, financial condition and results of operations could be materially adversely affected.

***Certain of Arqit's products contain third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict its ability to sell its products or expose Arqit to other risks.***

Arqit's products contain software modules licensed to it by third-party authors under "open source" licenses. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that open source software infringes the claimants' IP rights. Arqit could be subject to suits by parties claiming infringement of IP rights in what Arqit believes to be licensed open source software. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as, for example, open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that Arqit makes available source code for modifications or derivative works Arqit creates based upon the type of open source software Arqit uses. If Arqit combines its proprietary software with open source software in a certain manner, Arqit could, under certain open source licenses, be required to release the source code of its proprietary software to the public. This would allow its competitors to create similar products with lower development effort and time and ultimately could result in a loss of product sales for Arqit.

Although Arqit monitors its use of open source software to avoid subjecting its products to conditions Arqit does not intend, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that these licenses could be construed in a way that, for example, could impose unanticipated conditions or restrictions on its ability to commercialize its products. In this event, Arqit could be required to seek licenses from third parties to continue offering its products, to make its proprietary code generally available in

source code form, to re-engineer its products or to discontinue the sale of its products if re-engineering could not be accomplished on a timely basis, and Arqit's business, financial condition and results of operations could be materially adversely affected.

***Arqit's intellectual property applications, including patent applications, may not be approved or granted or may take longer than expected to be approved, which may have a material adverse effect on its ability to prevent others from commercially exploiting products similar to its.***

Arqit cannot be certain that it is the first inventor of the subject matter to which it has filed a particular patent application or if it is the first party to file such a patent application. The process of securing definitive patent protection can take five or more years. If another party has filed a patent application to the same subject matter as Arqit has, Arqit may not be entitled to some or all of the protection sought by the patent application. Arqit also cannot be certain whether the claims included in a patent application will ultimately be allowed in the applicable issued patent or the timing of any approval or grant of a patent application.

Further, the scope of protection of issued patent claims is often difficult to determine. As a result, Arqit cannot be certain that the patent applications that Arqit files will issue, or that its issued patents will afford protection against competitors with similar technology. In addition, if its competitors may design around its registered or issued intellectual property, Arqit's business, financial condition and results of operations could be materially adversely affected.

***In addition to patented technology, Arqit relies on unpatented proprietary technology, trade secrets, designs, experiences, work flows, data, processes, software and know-how.***

Arqit relies on proprietary information (such as trade secrets, designs, experiences, work flows, data, know-how and confidential information) to protect intellectual property that may not be patentable or subject to copyright, trademark, trade dress or service mark protection, or that Arqit believes is best protected by means that do not require public disclosure. Arqit generally seeks to protect this proprietary information by entering into confidentiality agreements, or consulting, services or employment agreements that contain non-disclosure and non-use provisions with its employees, consultants, customers, contractors and third parties. However, Arqit may fail to enter into the necessary agreements, and even if entered into, such agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of its proprietary information, may be limited as to their term and may not provide adequate remedies in the event of unauthorized disclosure or use of proprietary information. Arqit has limited control over the protection of trade secrets used by its current or future manufacturing counterparties and suppliers and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, its proprietary information may otherwise become known or be independently developed by its competitors or other third parties. To the extent that Arqit's employees, consultants, customers, contractors, advisors and other third parties use intellectual property owned by others in their work for it, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of its proprietary rights, and failure to obtain or maintain protection for its proprietary information could adversely affect its competitive business position. Furthermore, laws regarding trade secret rights in certain markets where Arqit operate may afford little or no protection to its trade secrets.

Arqit also relies on physical and electronic security measures to protect its proprietary information, but cannot provide assurance that these security measures will not be breached or provide adequate protection for its property. There is a risk that third parties may obtain and improperly utilize its proprietary information to its competitive disadvantage. Arqit may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce its intellectual property rights, and Arqit's business, financial condition and results of operations could be materially adversely affected.

***The markets in which Arqit competes are characterized by rapid technological change, and competing product innovations could adversely affect market adoption of its products.***

While Arqit has invested substantial resources in technological development, and believes that its product is a unique innovation, continuing technological changes in quantum technology and changes in the markets for its products could adversely affect adoption of its products, either generally or for particular applications. Arqit's future success will depend upon its ability to develop and introduce a variety of new capabilities and innovations to its product offerings, as well as to introduce a variety of new product offerings, to address the changing needs of the markets in which Arqit offers its products. Delays in delivering new products that meet customer requirements could damage its relationships with customers and lead them to seek alternative sources of supply. Delays in introducing products and innovations, the failure to choose correctly among technical alternatives or the failure to offer innovative products or configurations at competitive prices may cause existing and potential customers to purchase its competitors' products or turn to alternative technology.

If Arqit is unable to devote adequate resources to develop products or cannot otherwise successfully develop products or system configurations that meet customer requirements on a timely basis or that remain competitive with technological alternatives, its products

could lose market share, its revenue could decline, and Arqit's business, financial condition and results of operations could be materially adversely affected.

***Arqit's business depends substantially on the efforts of its executive officers and highly skilled personnel. Arqit needs to attract and retain a large number of skilled, specialized and dedicated employees in different jurisdictions in order to grow and manage its business, and if Arqit loses the services of existing key employees or fail to achieve its recruitment goals, its operations may be disrupted.***

Competition for highly-skilled personnel is often intense and Arqit may incur significant costs to attract and retain highly-skilled personnel. Arqit may not be successful in attracting, integrating, or retaining qualified personnel to fulfill its current or future needs. As its business grows, Arqit will need to recruit a large number of skilled employees in different jurisdictions in which it operates and expects to expand into in the future. Experienced and highly skilled employees are in high demand, competition for these employees can be intense and Arqit's ability to hire, attract and retain them depends on its ability to provide competitive compensation. Arqit will also need to expend significant time and expense to train the employees that it hires and it may struggle to retain employees, and its competitors may actively seek to hire skilled personnel away from it. If Arqit fails to attract new personnel or to retain and motivate its current personnel, its business and future growth prospects could be adversely affected.

***Failure to comply with governmental trade controls, including export and import control laws and regulations, sanctions, and related regimes could subject Arqit to liability or loss of contracting privileges, limit its ability to compete in certain markets or harm its reputation with the governments.***

Arqit's products are subject to export controls in the U.S., U.K. and other jurisdictions, and Arqit incorporates encryption technology into its product offerings. Some of the underlying technology in Arqit's products may be exported outside of these countries only with the required export authorizations, which may require a license, a license exception, or other appropriate government authorizations, including the filing of an encryption classification request or self-classification report.

Furthermore, its activities are subject to the economic sanctions, laws and regulations of the U.S. and other jurisdictions. Such controls prohibit the shipment or transfer of certain products and services without the required export authorizations or export to countries, governments, and persons targeted by applicable sanctions. Arqit takes precautions to prevent its offerings from being exported in violation of these laws, including: (i) seeking to proactively classify its platforms and obtain authorizations for the export and/or import of its platforms where appropriate, (ii) implementing certain technical controls and screening practices to reduce the risk of violations, and (iii) requiring compliance with U.S. export control and sanctions obligations in customer and vendor contracts. However, Arqit cannot guarantee the precautions it takes will prevent violations of export control and sanctions laws.

As discussed above, if Arqit misclassifies a product or service, export or provides access to a product or service in violation of applicable restrictions, or otherwise fails to comply with export regulations, Arqit may be denied export privileges or subjected to significant per violation fines or other penalties, and its platforms may be denied entry into other countries. Any decreased use of its platforms or limitation on its ability to export or sell its platforms would likely adversely affect its business, results of operations and financial condition. Violations of sanctions or export control laws can result in fines or penalties, including both civil and criminal penalties.

Arqit also notes that if it or its business partners or counterparties, including licensors and licensees, prime contractors, subcontractors, sublicensors, vendors, customers, or contractors, fail to obtain appropriate import, export, or re-export licenses or permits, notwithstanding regulatory requirements or contractual commitments to do so, or if Arqit fails to secure such contractual commitments where necessary, Arqit may also face reputational harm as well as other negative consequences, including government investigations and penalties.

Negative consequences for violations or apparent violations of trade control requirements may include the absolute loss of the right to sell Arqit's platforms or services to the government of the U.S., or to other public bodies, or a reduction in its ability to compete for such sales opportunities. Further, complying with export control and sanctions regulations for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.

Other countries in addition to the U.S. and U.K. also regulate the import and export of certain encryption and other technology, including import and export licensing requirements, and have enacted laws that could limit Arqit's ability to distribute its products or could limit its end-customers' ability to implement its products in those countries. Changes in Arqit's products or future changes in export and import regulations may create delays in the introduction of its platform in international markets, prevent its end- customers with international operations from deploying its platform globally or, in some cases, prevent the export or import of its products to certain countries, governments, or persons altogether. From time to time, various governmental agencies have proposed additional regulation of encryption technology. Any change in export or import regulations, economic sanctions or related legislation, increased export and import controls, or change in the countries, governments, persons, or technologies targeted by such regulations, could result in decreased

use of Arqit's platform by, or in its decreased ability to export or sell its products to, existing or potential end-customers with international operations. If there is any limitation on its ability to export or sell its products, Arqit's business, financial condition and results of operations could be materially adversely affected.

***Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the jurisdictions in which Arqit operates may adversely impact its business, and such legal requirements are evolving and may require improvements in, or changes to, its policies and operations.***

Arqit's current and potential future operations and sales are subject to laws and regulations addressing privacy and the collection, use, storage, disclosure, transfer and protection of a variety of types of data. The primary data privacy laws applicable to Arqit include U.K. General Data Protection Regulation and the U.K. Data Protection Act of 2018. These regimes may, among other things, impose data security requirements, disclosure requirements, and restrictions on data collection, uses, and sharing that may impact its operations and the development of its business. Arqit's products collect, store and process certain information and its products may evolve to collect additional information. Therefore, the full impact of these privacy regimes on its business is rapidly evolving across jurisdictions and remains uncertain at this time.

Arqit may also be affected by cyber-attacks and other means of gaining unauthorized access to its products, systems, and data. For instance, cyber criminals or insiders may target it or third parties with which Arqit has business relationships to obtain data, or in a manner that disrupts its operations or compromises its products or the systems into which its products are integrated.

Arqit continually assesses the evolving privacy and data security regimes and implements measures that Arqit believes are appropriate in response. Since these data security regimes are evolving, uncertain and complex, especially for a global business like Arqit's, it may need to update or enhance its compliance measures as its products, markets and customer demands further develop, and these updates or enhancements may require implementation costs. In addition, Arqit may not be able to monitor and react to all developments in a timely manner and the compliance measures that Arqit adopts may prove ineffective.

Any failure, or perceived failure, to comply with current and future regulatory or customer-driven privacy, data protection, and information security requirements, or to prevent or mitigate security breaches, cyber-attacks, or improper access to, use of, or disclosure of data, or any security issues or cyber-attacks affecting Arqit, could result in significant liability, costs (including the costs of mitigation and recovery), and a material loss of revenue resulting from the adverse impact on Arqit's reputation and brand, loss of proprietary information and data, disruption to its business and relationships, and diminished ability to retain or attract customers and business partners. Such events may result in governmental enforcement actions and prosecutions, private litigation, fines and penalties or adverse publicity, and could cause customers and business partners to lose trust in Arqit, and its business, financial condition and results of operations could be materially adversely affected.

***Fluctuations in currency exchange rates may adversely affect Arqit's business and result of operations.***

Arqit's functional currency is GBP and its reporting currency is U.S. dollars. Accordingly, fluctuations in the value of GBP relative to the U.S. dollar could affect its results of operations due to translational remeasurements. As its international operations expand, an increasing portion of its revenue and operating expenses will be denominated in non-GBP currencies. Accordingly, Arqit's revenue and operating expenses will become increasingly subject to fluctuations due to changes in foreign currency exchange rates. If Arqit is not able to successfully hedge against the risks associated with currency fluctuations, Arqit's business, financial condition and results of operations could be materially adversely affected.

***Arqit's Business Combination Warrants are accounted for as liabilities and the changes in value of the warrants could have a material effect on its financial results.***

In accordance with IFRS 9 – *Financial Instruments* and IAS 32 – *Financial Instruments: Presentation*, Arqit has determined that its Business Combination Warrants should be measured at fair value on its statement of financial position, with any changes in fair value to be reported each period in earnings on its statement of comprehensive income. As a result of the recurring fair value measurement, Arqit's financial statements may fluctuate on an interim basis, based on factors which are outside of its control. Due to the recurring fair value measurement, Arqit expects that it will recognize non-cash gains or losses on its Business Combination Warrants each reporting period and that the amount of such gains or losses could be material.

***Interruption or failure of Arqit's information technology and communications systems could impact its ability to effectively provide its products and services.***

The availability and effectiveness of Arqit's services depend on the continued operation of information technology and communications systems. Its systems will be vulnerable to damage or interruption from, among others, physical theft, fire, terrorist attacks, natural

disasters, power loss, war, telecommunications failures, viruses, denial or degradation of service attacks, ransomware, social engineering schemes, insider theft or misuse or other attempts to harm its systems. Arqit utilizes reputable third-party service providers or vendors for all of its IT and communications systems, and these providers could also be vulnerable to harms similar to those that could damage its systems, including sabotage and intentional acts of vandalism causing potential disruptions. Some of its systems will not be fully redundant, and its disaster recovery planning cannot account for all eventualities. Any problems with its third-party cloud hosting providers could result in lengthy interruptions in its business. In addition, Arqit's services and functionality are highly technical and complex technology which may contain errors or vulnerabilities that could result in interruptions in its business or the failure of its systems.

***If any of Arqit's third parties' systems, its customers' cloud or on-premises environments, or its internal systems are breached or if unauthorized access to customer or third-party data is otherwise obtained, public perception of its business may be harmed, and Arqit may lose business and incur losses or liabilities.***

Arqit's success depends in part on its ability to provide effective data security protection in connection with its platforms and services, and Arqit relies on information technology networks and systems to securely store, transmit, index, and otherwise process electronic information. Because its platforms and services are used by its customers to encrypt large data sets that often contain proprietary, confidential, and/or sensitive information (including in some instances personal or identifying information and personal health information), its software is perceived as an attractive target for attacks by computer hackers or others seeking unauthorized access, and its software faces threats of unintended exposure, exfiltration, alteration, deletion, or loss of data. Additionally, because many of Arqit's customers use its platforms to store, transmit, and otherwise process proprietary, confidential, or sensitive information, and complete mission critical tasks, they have a lower risk tolerance for security vulnerabilities in its platforms and services than for vulnerabilities in other, less critical, software products and services.

Arqit, and the third-party vendors upon which Arqit relies, have experienced, and may in the future experience, cybersecurity threats, including threats or attempts to disrupt its information technology infrastructure and unauthorized attempts to gain access to sensitive or confidential information. Its and its third-party vendors' technology systems may be damaged or compromised by malicious events, such as cyberattacks (including computer viruses, malicious and destructive code, phishing attacks, and denial of service attacks), physical or electronic security breaches, natural disasters, fire, power loss, telecommunications failures, personnel misconduct, and human error. Such attacks or security breaches may be perpetrated by internal bad actors, such as employees or contractors, or by third parties (including traditional computer hackers, persons involved with organized crime, or foreign state or foreign state-supported actors).

Cybersecurity threats can employ a wide variety of methods and techniques, which may include the use of social engineering techniques, are constantly evolving, and have become increasingly complex and sophisticated; all of which increase the difficulty of detecting and successfully defending against them.

Furthermore, because the techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until after they are launched against a target, Arqit and its third-party vendors may be unable to anticipate these techniques or implement adequate preventative measures. Although prior cyberattacks directed at Arqit have not had a material impact on its financial results, and Arqit is continuing to bolster its threat detection and mitigation processes and procedures, Arqit cannot guarantee that future cyberattacks, if successful, will not have a material impact on its business or financial results. While Arqit has security measures in place to protect its information and its customers' information and to prevent data loss and other security breaches, there can be no assurance that Arqit will be able to anticipate or prevent security breaches or unauthorized access of its information technology systems or the information technology systems of the third-party vendors upon which Arqit relies. Despite its implementation of network security measures and internal information security policies, data stored on personnel computer systems is also vulnerable to similar security breaches, unauthorized tampering or human error.

Many governments have enacted laws requiring companies to provide notice of data security incidents involving certain types of data, including personal data. In addition, most of Arqit's customers contractually require Arqit to notify them of data security breaches. If an actual or perceived breach of security measures, unauthorized access to its system or the systems of the third-party vendors that Arqit rely upon, or any other cybersecurity threat occurs, Arqit may face direct or indirect liability, costs, or damages, contract termination, its reputation in the industry and with current and potential customers may be compromised, its ability to attract new customers could be negatively affected, and its business, financial condition, and results of operations could be materially and adversely affected.

Further, unauthorized access to Arqit's or its third-party vendors' information technology systems or data or other security breaches could result in the loss of information; significant remediation costs; litigation, disputes, regulatory action, or investigations that could result in damages, material fines, and penalties; indemnity obligations; interruptions in the operation of its business, including its ability to provide new product features, new platforms, or services to its customers; damage to its operation technology networks and information technology systems; and other liabilities. Moreover, its remediation efforts may not be successful. Any or all of these issues,

or the perception that any of them have occurred, could negatively affect Arqit's ability to attract new customers, cause existing customers to terminate or not renew their agreements, hinder Arqit's ability to obtain and maintain required or desirable cybersecurity certifications, and result in reputational damage, any of which could materially adversely affect its results of operations, financial condition, and future prospects. There can be no assurance that any limitations of liability provisions in Arqit's license arrangements with customers or in its agreements with vendors, partners, or others would be enforceable, applicable, or adequate or would otherwise protect it from any such liabilities or damages with respect to any particular claim.

Arqit maintains cybersecurity insurance and other types of insurance, subject to applicable deductibles and policy limits, but its insurance may not be sufficient to cover all costs associated with a potential data security incident. Arqit also cannot be sure that its existing general liability insurance coverage and coverage for cyber liability or errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against Arqit that exceed available insurance coverage, or the occurrence of changes in its insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could result in its business, financial condition and results of operations being materially adversely affected.

***If Arqit's network and products do not interoperate with its customers' internal networks and infrastructure or with third-party products, websites, or services, its network may become less competitive and its results of operations may be harmed.***

Arqit's network and products must interoperate with its customers' existing internal networks and infrastructure. These complex internal systems are developed, delivered, and maintained by the customer and a myriad of vendors and service providers. As a result, the components of its customers' infrastructure have different specifications, rapidly evolve, utilize multiple protocol standards, include multiple versions and generations of products, and may be highly customized. Arqit must be able to interoperate and provide products to customers with highly complex and customized internal networks, which requires careful planning and execution between its customers, its customer support teams and, in some cases, its channel partners.

Further, when new or updated elements of its customers' infrastructure or new industry standards or protocols are introduced, Arqit may have to update or enhance its network to allow it to continue to provide its products to customers.

Arqit may not deliver or maintain interoperability quickly or cost-effectively, or at all. These efforts require capital investment and engineering resources. If Arqit fails to maintain compatibility of its network and products with its customers' internal networks and infrastructures, its customers may not be able to fully utilize its network and products, and Arqit may, among other consequences, lose or fail to increase its market share and number of customers and experience reduced demand for its products, and its business, financial condition and results of operations could be materially adversely affected.

#### **Risks Related to Ownership of Ordinary Shares and Warrants**

***It may be difficult to enforce judgments obtained against Arqit or its directors and officers in U.S. courts, to effect service of process on it or its directors or officers, and to recover in civil proceedings in the U.K. or elsewhere for U.S. securities law violations.***

The majority of Arqit's directors and executive officers reside outside of the U.S., and most of its assets and most of the assets of these persons are located outside of the U.S. Therefore, a judgment obtained against Arqit, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the U.S. and may not be enforced by courts in other jurisdictions. It may also be difficult for its shareholders to effect service of process on these persons in the U.S. or to assert U.S. securities law claims in original actions instituted in the U.K. or elsewhere. U.K. courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that U.K. is not the most appropriate forum in which to bring such a claim. In addition, even if a U.K. court agrees to hear a claim, it may determine that U.K. law, instead of U.S. law, is applicable to the claim. As a result of potential difficulties associated with enforcing a judgment against Arqit, its shareholders may not be able to collect any damages awarded by either a U.S. or foreign court.

***Because Arqit is incorporated under the laws of the Cayman Islands, you may face difficulties in protecting your interests, and your ability to protect your rights through the U.S. federal courts may be limited.***

Arqit is an exempted company incorporated under the laws of the Cayman Islands. As a result, it may be difficult for shareholders to effect service of process within the United States upon the directors or executive officers of Arqit, or enforce judgments obtained in the United States courts against the directors or officers of Arqit.

The corporate affairs of Arqit are governed by Arqit's amended and restated memorandum and articles of association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by

minority shareholders and the fiduciary responsibilities of the directors of Arqit under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, the decisions of whose courts are of persuasive authority, but are not binding on a court in the Cayman Islands. The rights of Arqit shareholders and the fiduciary responsibilities of Arqit directors under Cayman

Islands law are different from what they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less prescriptive body of securities laws as compared to the United States, and certain states, such as Delaware, may have more fully developed and judicially interpreted bodies of corporate law. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholders' derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like Arqit have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of the register of members of these companies. Arqit directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

The courts of the Cayman Islands are unlikely (i) to recognize or enforce against Arqit judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state, and (ii) in original actions brought in the Cayman Islands, to impose liabilities against Arqit predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

As a result of all of the above, shareholders of Arqit may have more difficulty in protecting their interests in the face of actions taken by our management, members of our board or our controlling shareholders than they would as public shareholders of a United States company.

***The grant and future exercise of registration rights and exercise of outstanding warrants may adversely affect the market price of Arqit ordinary shares.***

Pursuant to the Registration Rights Agreement described elsewhere in this Annual Report, certain shareholders can each demand that Arqit register their registrable securities under certain circumstances and will each have piggyback registration rights for these securities in connection with certain registrations of securities that Arqit undertakes. Arqit will bear the cost of registering these securities.

On October 12, 2021, Arqit's registration statement on Form F-1, which has since been post-effectively amended on Form F-3 (File No. 333-259982 the "Resale Registration Statement") registering the resale by shareholders of 117,925,000 ordinary shares, 6,266,667 Business Combination Warrants and 14,891,640 shares issuable upon exercise of Business Combination Warrants, became effective. The shareholders who registered shares and warrants for resale under the Resale Registration Statement have registration rights under the Registration Rights Agreement. The registration of these securities permits the public sale of such securities. The registration and availability of such a significant number of securities for trading in the public market may have an adverse effect on the market price of Arqit ordinary shares.

In addition, in registered direct offerings in February 2023 and September 2023, Arqit issued a total of 7,500,000 February 2023 Investor Warrants, 550,000 February 2023 Placement Agent Warrants, 20,755,677 September 2023 Investor Warrants and 705,128 September 2023 Placement Agent Warrants. All of Arqit's outstanding warrants are currently exercisable and the shares issuable upon exercise of the warrants have been registered under registration statements. The exercise of a significant number of warrants may have an adverse effect on the market price of Arqit's ordinary shares.

***Certain shareholders that own a significant percentage of Arqit may have interests that conflict with Arqit's or yours in the future.***

Four shareholders of Arqit beneficially own approximately 48.6% of the outstanding Arqit ordinary shares and currently exercisable warrants. See “Beneficial Ownership of Securities.” For so long as these shareholders continue to own a significant percentage of Arqit ordinary shares and warrants, they will be able to significantly influence or effectively control the composition of the Arqit board of directors and the approval of actions requiring shareholder approval through their voting power. Accordingly, for such period of time, these shareholders will have significant influence with respect to Arqit’s management, business plans and policies, including the appointment and removal of Arqit’s officers. In particular, for so long as these shareholders continue to own a significant percentage of the outstanding Arqit ordinary shares, they will be able to cause or prevent a change of control of Arqit or a change in the composition of Arqit’s board of directors and could preclude any unsolicited acquisition of Arqit. The concentration of ownership could deprive you of an opportunity to receive a premium for your Arqit ordinary shares as part of a sale of Arqit and ultimately might affect the market price of the Arqit ordinary shares.

***The price of Arqit's ordinary shares may be volatile.***

The price of Arqit’s ordinary shares may fluctuate due to a variety of factors, including:

- actual or anticipated fluctuations in its interim and annual results and those of other public companies in industry; mergers and strategic alliances in the industry in which it operates;
- market prices and conditions in the industry in which it operates;
- changes in government regulation;
- potential or actual military conflicts or acts of terrorism;
- the failure of securities analysts to publish research about us, or shortfalls in its operating results compared to levels forecast by securities analysts;
- announcements or negative publicity concerning Arqit, its competitors or companies that have completed business combinations with special purpose acquisition companies; and
- the general state of the securities markets.

These market and industry factors may materially reduce the market price of Arqit’s ordinary shares, regardless of its operating performance.

***Reports published by analysts, including projections in those reports that differ from Arqit's actual results, could adversely affect the price and trading volume of its ordinary shares.***

The trading market for the Ordinary Shares is and will be influenced by the research and reports that securities or industry analysts publish about Arqit or its business. Projections by such securities or industry analysts may vary widely and may not accurately predict the results Arqit actually achieves. Arqit’s share price may decline if its actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on Arqit downgrades its stock or publishes inaccurate or unfavorable research about its business, its share price could decline. If one or more of these analysts ceases coverage of Arqit or fails to publish reports on it regularly, its share price or trading volume could decline. While Arqit’s management expects research analyst coverage, if no analysts commence coverage of Arqit, the trading price and volume for its ordinary shares could be adversely affected.

***Arqit's ordinary shares may be involuntarily delisted from trading on Nasdaq if it fails to comply with the continued listing requirements. A delisting of Arqit's ordinary shares could reduce the liquidity of the ordinary shares and may inhibit or preclude its ability to raise additional capital.***

Nasdaq requires Arqit to meet certain financial, public float, bid price and liquidity standards on an ongoing basis in order to continue the listing of its ordinary shares. On October 19, 2023, Arqit received a notification from Nasdaq notifying the Company that it no longer satisfies Nasdaq Listing Rule 5550(a)(2) because for the past 30 consecutive business days preceding the date of the notification, the bid price per share of Arqit’s ordinary shares had closed below the \$1.00 per share minimum bid price required for continued listing on Nasdaq (the “Minimum Bid Price Requirement”).

Under Nasdaq Listing Rule 5810(c)(3)(A), if during the 180 calendar day period following the date of the notification, the closing bid price of Arqit’s ordinary shares is at least \$1.00 for a minimum of 10 consecutive business days, the Company will regain compliance

with the minimum bid price requirement and its ordinary shares will continue to be eligible for listing on Nasdaq absent noncompliance with any other requirement for continued listing.

If Arqit does not regain compliance with the minimum bid price requirement by the end of the initial 180 calendar day period, under Nasdaq Listing Rule 5810(c)(3)(A)(ii), the Company may be eligible for an additional 180-day compliance period if it meets the continued listing requirement for the market value of its publicly held ordinary shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the minimum bid price requirement, and provides written notice of its intention to cure the minimum bid price deficiency during the second compliance period.

If Arqit does not regain compliance with the minimum bid price requirement by the end of the compliance period, its ordinary shares will be subject to delisting. If Arqit's ordinary shares are delisted and it is not able to list its ordinary shares on another national securities exchange, Arqit's shareholders could face significant material adverse consequences, including limited availability of market quotations for Arqit's ordinary shares and reduced liquidity for the trading of its securities. In addition, Arqit could experience a decreased ability to issue additional securities and obtain additional capital in the future.

***Arqit may be a passive foreign investment company, or "PFIC," for U.S. federal income tax purposes. Such classification for any taxable year, could result in adverse U.S. federal income tax consequences for U.S. investors.***

If Arqit were a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder (as defined in the section entitled "Certain Material United States Federal Income Tax Considerations") of Arqit's ordinary shares or warrants, the U.S. Holder may be subject to adverse U.S. federal income tax consequences and may be subject to additional reporting requirements. As of the date hereof, Arqit has not made a determination as to its PFIC status for its most recent taxable year or its current taxable year, and it may be possible that Arqit is a PFIC for either such years. Arqit's possible status as a PFIC is determined on an annual basis based on the composition of its assets, income, activities and market capitalization (which, depending on Arqit's stock price, may fluctuate significantly) in the relevant taxable year and therefore may be subject to change. Accordingly, there can be no assurance that Arqit is not a PFIC for any taxable year. If Arqit is a PFIC during such U.S. Holder's holding period for the ordinary shares or warrants, unless the U.S. Holder makes certain elections, Arqit will continue to be treated as a PFIC with respect to such U.S. Holder, even if it ceases to be a PFIC in future taxable years. U.S. Holders are urged to consult their own tax advisors regarding the possible application of the PFIC rules to holders of Arqit securities. For a more detailed explanation of the tax consequences of PFIC classification to U.S. Holders, see "Certain Material United States Federal Income Tax Considerations — Passive Foreign Investment Company Rules."

#### **Risks Related to Being a Public Company**

***Arqit's management team has limited experience managing and operating a U.S. public company.***

Most of the members of Arqit's management team have limited experience managing and operating a U.S. publicly traded company, interacting with U.S. public company investors, and complying with the increasingly complex laws pertaining to U.S. public companies. Its transition to being a U.S. public company subjects Arqit to significant regulatory oversight and reporting obligations under the U.S. federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from its senior management and could divert their attention away from the day-to-day management of its business. Arqit may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal controls over financial reporting required of U.S. public companies. The development and implementation of the standards and controls necessary for Arqit to achieve the level of accounting standards required of a public company may require costs greater than expected. To support its operations as a U.S. public company, Arqit plans to hire additional employees, which will increase its operating costs in future periods. Should any of these factors materialize, Arqit's business, financial condition and results of operations could be adversely affected.

***If Arqit fails to maintain an effective system of disclosure controls and internal control over financial reporting, its ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a U.S. public company, Arqit is subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the rules and regulations of the applicable listing standards of Nasdaq subject to applicable exemptions as long as Arqit qualifies as Foreign Private Issuer and Emerging Growth Company. Arqit's management expects that the requirements of these rules and regulations will continue to increase its legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly and place significant strain on its personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that Arqit maintains effective disclosure controls and procedures and internal control over financial reporting. In particular, Section 404 of the Sarbanes-Oxley Act requires Arqit to perform system and process evaluation and testing of its internal control over financial reporting to allow Arqit's management to report on the effectiveness of its

internal control over financial reporting and to allow Arqit's independent registered public accounting firm to attest to the effectiveness of such control (once Arqit becomes an accelerated filer). As an emerging growth company, Arqit's management expects to avail itself of the exemption from the requirement that its independent registered public accounting firm attest to the effectiveness of its internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. See "— As an "emerging growth company," Arqit cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make the Arqit ordinary shares less attractive to investors." However, Arqit may no longer avail itself of this exemption when it ceases to be an emerging growth company. At such time, Arqit's independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which its internal control over financial reporting is documented, designed or operating.

For the fiscal year ended September 30, 2022, Arqit identified certain material weaknesses in its internal controls. While Arqit remediated these internal weaknesses during the fiscal year ended September 30, 2023, it cannot assure you that there will not be additional material weaknesses or significant deficiencies in its internal control over financial reporting in the future. Any additional or sustained failure to maintain internal control over financial reporting could severely inhibit Arqit's ability to accurately report its financial condition or results of operations. If Arqit is unable to remediate the material weaknesses or to conclude in the future that its internal control over financial reporting is effective, it could lose investor confidence in the accuracy and completeness of its financial reports, the market price of Arqit's shares could decline, and it could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities. Failure to remedy any material weaknesses in its internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict Arqit's future access to the capital markets.

Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on Arqit's business, results of operations and financial condition and could cause a decline in the trading price of the Arqit ordinary shares.

***As a foreign private issuer, Arqit is exempt from a number of rules under the U.S. securities laws and is permitted to file less information with the SEC than a U.S. company. This may limit the information available to holders of the Arqit ordinary shares.***

Arqit is a foreign private issuer, as such term is defined in Rule 405 under the Securities Act, however, under Rule 405, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter and, accordingly, the next determination will be made with respect to Arqit on March 31, 2024.

As a foreign private issuer, Arqit is not subject to all of the disclosure requirements applicable to public companies organized within the United States. For example, Arqit is exempt from certain rules under the Exchange Act, that regulate disclosure obligations and procedural requirements related to the solicitation of proxies, consents or authorizations applicable to a security registered under the Exchange Act, including the U.S. proxy rules under Section 14 of the Exchange Act (including the requirement applicable to emerging growth companies to disclose the compensation of its Chief Executive Officer and the other two most highly compensated executive officers on an individual, rather than an aggregate, basis). In addition, Arqit's officers and directors are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and related rules with respect to their purchases and sales of its securities. Moreover, while Arqit's management expects to submit interim consolidated financial data to the SEC under cover of the SEC's Form 6-K, it will not be required to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. public companies and will not be required to file quarterly reports on Form 10-Q or current reports on Form 8-K under the Exchange Act. Furthermore, Arqit ordinary shares are not listed on any market in the Cayman Islands and Arqit does not currently intend to list its ordinary shares on any market in the Cayman Islands, Arqit's home country. As a result, Arqit is not subject to the reporting and other requirements of companies listed in the Cayman Islands. Accordingly, there may be less publicly available information concerning Arqit's business than there would be if Arqit were a public company organized in the United States.

***Arqit may lose its foreign private issuer status in the future, which could result in significant additional cost and expense.***

In the future, Arqit would lose its foreign private issuer status if a majority of its shareholders, directors or management are U.S. citizens or residents and it fails to meet additional requirements necessary to avoid loss of foreign private issuer status. Although Arqit's management has elected to comply with certain U.S. regulatory provisions, its loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to Arqit under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If Arqit is not a foreign private issuer, it will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. For example, the annual report on Form 10-K requires domestic issuers to disclose executive compensation information on an individual basis with specific disclosure regarding the domestic compensation philosophy, objectives, annual total compensation (base salary, bonus, and equity compensation) and potential payments in connection with change in control, retirement, death or disability, while the annual report on Form 20-F permits foreign private issuers to disclose compensation information on an aggregate basis. Arqit would also have to mandatorily comply with U.S. federal proxy requirements, and its officers, directors, and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. Arqit may also be required to

modify certain of its policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, Arqit may lose its ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

***Arqit has incurred and expects to continue to incur increased costs and obligations as a result of being a public company.***

As a publicly traded company, Arqit has incurred and expects to continue to incur significant legal, accounting and other expenses that it was not required to incur in the recent past, particularly after it is no longer an “emerging growth company” as defined under the JOBS Act. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act, the JOBS Act, and the rules and regulations of the SEC and national securities exchanges have created uncertainty for public companies and increased the costs and the time that Arqit’s board of directors and management must devote to complying with these rules and regulations. Arqit’s management expects these rules and regulations to increase its legal and financial compliance costs and lead to a diversion of management time and attention from revenues generating activities.

Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management’s attention from its focus on Arqit’s business strategy, which could prevent Arqit from improving its business, results of operations and financial condition. Arqit has made, and will continue to make, changes to its internal controls and procedures for financial reporting and accounting systems to meet its reporting obligations as a publicly traded company. However, the measures it takes may not be sufficient to satisfy Arqit’s obligations as a publicly traded company.

For as long as Arqit remains an “emerging growth company” as defined in the JOBS Act, it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies.” Arqit may remain an “emerging growth company” until September 2, 2026 (the fifth anniversary of the closing of the Business Combination) or until such earlier time that it has more than \$1.235 billion in annual revenues, has more than \$700 million in market value of Arqit’s ordinary shares held by non-affiliates, or issues more than \$1.00 billion of non-convertible debt over a three-year period. Further, there is no guarantee that the exemptions available to Arqit under the JOBS Act will result in significant savings. To the extent Arqit’s management chooses not to use exemptions from various reporting requirements under the JOBS Act, Arqit will incur additional compliance costs, which may impact earnings.

***As an “emerging growth company,” Arqit cannot be certain if the reduced disclosure requirements applicable to “emerging growth companies” will make the Arqit ordinary shares less attractive to investors.***

Arqit is an “emerging growth company,” as defined in the JOBS Act, and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to obtain an assessment of the effectiveness of its internal controls over financial reporting from its independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act. Additionally, to the extent that Arqit ceases to become a foreign private issuer, emerging growth company status would allow it to include reduced disclosure obligations regarding executive compensation in its periodic reports and to be exempt from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Arqit’s management cannot predict if investors will find its Arqit ordinary shares less attractive because it will rely on these exemptions. If some investors find Arqit’s ordinary shares less attractive as a result, there may be a less active market for the Arqit ordinary shares and its share price may be more volatile.

***If Arqit does not develop and implement all required accounting practices and policies, it may be unable to provide the financial information required of a U.S. publicly traded company in a timely and reliable manner.***

If Arqit fails to develop and maintain effective internal controls and procedures and disclosure procedures and controls, it may be unable to provide financial information and required SEC reports that a U.S. publicly traded company is required to provide in a timely and reliable fashion. Any such delays or deficiencies could penalize Arqit, including by limiting its ability to obtain financing, either in the public capital markets or from private sources and hurt its reputation and could thereby impede its ability to implement its growth strategy.

## ITEM 4. INFORMATION ON THE COMPANY

### 4.A. HISTORY AND DEVELOPMENT OF THE COMPANY

The legal name of the Company is Arqit Quantum Inc. The Company is an exempted limited liability company incorporated under the laws of the Cayman Islands on April 26, 2021. The Company's registered office is c/o Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, Cayman Islands, KY1-1104. The address of the principal executive office of the Company is Nova North, 7th Floor, 11 Bressenden Place, London, UK and the telephone number of the Company is +44 (0) 203 91 70155.

Arqit Limited was incorporated in England in 2017. In September 2021, the Company completed the Business Combination pursuant to which the Company merged with and into Centricus Acquisition Corp., with the Company surviving the merger, and the security holders of Centricus Acquisition Corp. (other than those who elected to redeem their ordinary shares) became security holders of the Company, and the Company acquired all of the issued and outstanding share capital of Arqit Limited from the shareholders of Arqit Limited in exchange for ordinary shares of the Company, such that Arqit Limited is a direct wholly owned subsidiary of the Company. Arqit's ordinary shares and Business Combination Warrants trade on Nasdaq under the symbols "ARQQ" and "ARQQW", respectively.

The Company is subject to certain of the informational filing requirements of the Exchange Act. Since the Company is a "foreign private issuer", it is exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and the officers, directors and principal shareholders of the Company are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act with respect to their purchase and sale of equity securities. In addition, the Company is not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. public companies whose securities are registered under the Exchange Act. However, the Company is required to file with the SEC an Annual Report on Form 20-F containing financial statements audited by an independent accounting firm. The SEC also maintains a website at <http://www.sec.gov> that contains reports and other information that the Company files with or furnishes electronically to the SEC.

### 4.B. BUSINESS OVERVIEW

#### Overview

Arqit is a cybersecurity company that has pioneered a unique symmetric key agreement technology which makes the communications links of any networked device or data at rest secure against current and future forms of cyber attack — even an attack from a quantum computer. Arqit delivers its symmetric key agreement technology via its QuantumCloud™.

QuantumCloud™ is a software platform as a service that creates unbreakable software encryption keys that are low cost and easy to use within existing information technology standards with no new hardware and no major software upgrades or "rip and replace" required.

The software has potentially universal application to every edge device and cloud machine in the world. The security proofs for the design aspects of the key-establishment protocols used to enable symmetric key agreement over classical IP network infrastructures within QuantumCloud™ were independently assured in 2022 by the University of Surrey, which is accredited as a Centre of Excellence for Cyber Security by the UK Government's National Cyber Security Centre. Arqit believes that its symmetric key agreement platform is compliant with the NSA Commercial Solutions for Classified Symmetric Key Management Requirements Annex 1.2 which dictates how Government agencies can incorporate quantum-safe symmetric key protections into solutions which use off-the-shelf commercial products to protect classified networks.

Arqit's technology combines world-leading innovation in two areas: the secure distribution of replicated entropy to data centers and a software agent that can be downloaded onto any device and makes the use of symmetric key encryption a scalable business model.

- As part of the background technology that allows Arqit's software agent to operate at end points, identical sets of random numbers ("replicated entropy") must be delivered securely and frequently to data centers. Replicated entropy is an important constituent part of Arqit's QuantumCloud™ product. Arqit developed a proprietary method for the secure distribution of replicated entropy to data centres using classical digital hardware and software elements.
- A second innovation is a small software agent downloaded from the QuantumCloud™ onto any form of device or integrated into any piece of software. By exchanging information with the QuantumCloud™, which moderates a key agreement process with all parties involved in a unique way, this software agent is able to create new symmetric encryption keys in partnership with any other device or cloud machine, or in large groups of devices. Keys are never "delivered", they are created, and so they cannot be intercepted. They are created at the end points in a manner that means they can never be known by a third party, and

can be used once if necessary and replaced infinitely. Once created, the keys cannot be broken even by a universal quantum computer in a usable time period, estimated to be in excess of millions of years.

Arqit began commercializing its products in the fiscal year ended September 30, 2021. Arqit sold its product to select early customers on a master distribution agreement basis, an enterprise license basis and as a platform as a service, including BT plc, AUCloud and Nine23. Arqit announced in December 2022 that it will focus on selling its products on a Platform as a Service basis, primarily through channel partners and distributors, which is expected to generate annual recurring revenue. Arqit platform as a service will be sold as standardized products to specific target markets or a Private Instance to customers to require control of the end-to-end technology. Arqit has announced channel partnerships and distribution agreements with Juniper, Fortinet, AWS, TraxPay, Exclusive Networks, Sierra Nevada Corporation Mission Systems UK, SecureCloud+, DETASAD, Advanced International Electronic Equipment Company, and Carahsoft through which it will sell directly and indirectly to end customers. Arqit is currently engaged in discussions with additional customers, channel partners and distributors.

### **Market Opportunity**

Arqit believes that there will be significant market opportunities for its innovative products as a result of an expected transformation in the cyber encryption industry over the next decade. The need for improved encryption, resulting from weaknesses in existing encryption architectures and the future threat of quantum computers, is an increased concern. Public key infrastructure or “PKI” is currently the most widely-used encryption technology. However, PKI is becoming less secure as new technologies develop, and is not secure against quantum computers, which are expected to be of sufficient scale to break PKI within the next few years.

For example, the U.S. Department of Commerce’s National Institute of Standards and Technology (the “NIST”), which leads efforts on mitigation of the quantum threat to cyber security, published a report in April 2021, “Getting Ready for Post-Quantum Cryptography: Exploring Challenges Associated with Adopting and Using Post-Quantum Cryptographic Algorithms”, in which it expressed concern that the alternatives currently proposed for making PKI stronger do not offer a sufficiently adequate or timely solution. Regarding the near term threat of quantum computers to cyber security, the NIST noted, “all secret symmetric keys and private asymmetric keys that are now protected using current public-key algorithms, as well as the information protected under those keys, will be subject to exposure,” and that “any information still considered to be private or otherwise sensitive will be vulnerable to exposure and undetected modification.”

Therefore, consumers, businesses and governments across all geographies and industries will likely need to replace the existing cyber encryption technology used in almost all electronic interfaces in order to maintain cyber security. Symmetric encryption keys are secure against quantum computers. However, to date there has been no secure way to create and distribute symmetric keys electronically. In regards to available alternatives, the NIST stated, “There are multiple candidate classes for post-quantum cryptography. Unfortunately, each class has at least one requirement for secure implementation that makes drop-in replacement unsuitable.” Separately, in May 2022, the U.S. National Security Agency stated that symmetric encryption keys are recommend for use by federal agencies which wish to become quantum safe.

NIST’s expressed concerns are amplified by the White House National Security Memorandum 10 dated May 4, 2022. The memorandum sets a crucial deadline for government agencies – ensuring quantum-safe security for National Security Systems by the end of 2023. This mandate reflects the urgent need to safeguard classified information against the computational power of quantum computers. Memorandum 10 has made it clear that adoption of symmetric key protections for NSS is the preferred solution. Arqit’s Symmetric Key Agreement platform delivers encryption in a manner that meets the demands of US National Security Memorandum 10 and National Security Agency Commercial Solutions for Classified Symmetric Key Management Requirements Annex version 2.1.

Unlike solutions utilizing Post-Quantum Cryptographic Algorithms proposed by other parties, Arqit believes it has the only commercially available symmetric key encryption system which is the preferred cryptographic architecture of both NIST and The White House.

Arqit believes that it has developed an almost universal solution to previously identified issues with delivery of symmetric encryption keys, particularly scalability and zero-trust. Arqit’s pioneering technology provides a simple, cost-effective and secure way to create and distribute symmetric keys electronically that can be applied universally across geographies, industries and devices, making it well placed to take advantage of this significant upcoming market opportunity.

### **Total Addressable Market**

According to Gartner (Gartner, Inc., Forecast: Information Security and Risk Management, Worldwide, 2021-2027, 3Q23 Update, Published September 29, 2023), it is estimated that the global addressable market for information security services will be \$289 billion by the end of 2027. Arqit believes that every connected service is vulnerable to current and future attacks on PKI, in particular by

quantum computers in the near to mid-term. This vulnerability will affect cyber security on every connected end point, network device and cloud machine globally, and Arqit believes that its product is the only known method to create encryption keys at large scale, high efficiency and low cost through a cloud platform that is secure against quantum computer attack. As a result, Arqit has assumed that the entire information security market represents its total addressable market.

### **Arqit's Technology**

Encryption is the foundation of the communications technology everyone uses. However, the technology we rely on for encryption in most cases was developed over 30 years ago. There are well-known vulnerabilities in this technology today, and near term developments in quantum computing will significantly increase risks.

The origins of encryption are in symmetric encryption keys — long truly random numbers. The number of permutations involved in guessing a 256 digit symmetrical key is estimated to be equal to all of the atoms in the Milky Way. Even a universal quantum computer would take on average more than the age of the universe to perform this guess, because there are no mathematics involved in creating a random number, a quantum computer will offer no meaningful advantage in speeding this up over classical computers.

Therefore symmetric encryption keys are computationally secure, but to date there has been no secure way to create and distribute symmetric keys electronically at mass market scale. As a result, “public key infrastructure” or “PKI” was invented, which involves two parties sharing the performance of a calculation which is difficult to emulate in a practical time period. The internet has driven the adoption of PKI, not because it was the most secure, but because it was flexible enough to be reverse engineered into something that was already created. PKI is a flexible tool, but it is vulnerable to attack, especially given the development of the Internet of Things, cloud-based interfaces and other transformational technologies.

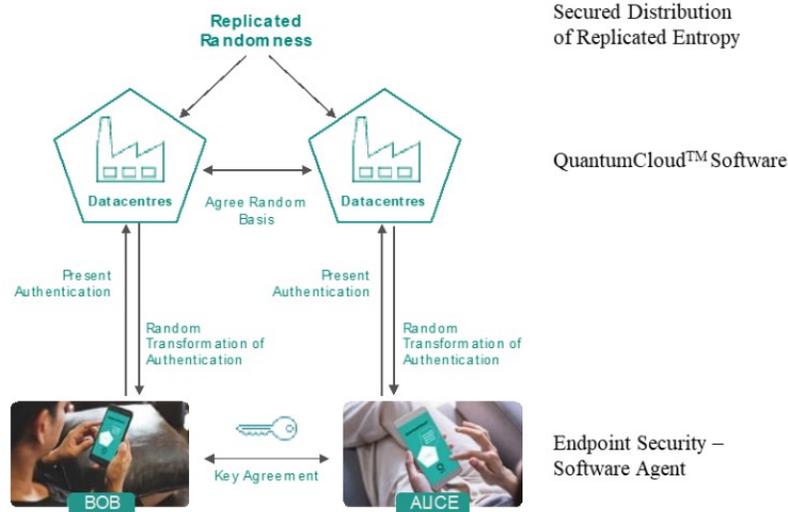
The problem will imminently become more profound because, unlike symmetric encryption keys, PKI will be vulnerable to quantum computer attack. Although quantum computers are currently operating at relatively modest scale, quantum computers of sufficient scale to break PKI may be available within a few years.

The universal and long-term answer to this threat is not to make the mathematics used in PKI more difficult given it is not sustainable or practical to try to defeat an infinitely capable computing machine with math. The answer lies in finding a secure way to create and distribute symmetric encryption keys, which is what Arqit has invented.

Arqit has discovered a way to create symmetric encryption keys at end points when they are needed, at scale, securely, at any kind of end point device and in groups of any size. With Arqit's technology, symmetric encryption keys are never “delivered”, they are created at endpoints, and so their creation cannot be intercepted.

An important element in the creation of Arqit's symmetric encryption keys is replicated entropy distributed at multiple data centers. The replicated entropy is utilized via a software agent on the end point device in the key creation process. Through its proprietary method of distribution, Arqit is able to securely deliver replicated entropy to data centers globally using a set of classical digital hardware and software elements. Distributed replicated entropy is fundamental to the creation at end points of symmetric encryption within Arqit's QuantumCloud™.

Arqit delivers replicated entropy to data centers that host the Arqit QuantumCloud™ system. End point devices that download Arqit's software agent are able to securely authenticate into QuantumCloud™ at different data centers which then moderate a key agreement process by sharing cryptographic information with the end points. From the combination of elements of shared secrets that can be shared by the parties, the end points are then able to create a new shared symmetric encryption key. The end point keys are zero trust, never known by a third party – including Arqit - and they are computationally secure even against a quantum attack. The created symmetric encryption keys can be used inside an AES256 algorithm which is already incorporated in all standard networking software systems, or any other symmetric algorithm, and therefore Arqit's product is very simple to implement. The U.S. National Security Agency has declared that symmetric encryption is the most safe and easiest method to immediately become quantum safe.



Secured Distribution of Replicated Entropy

QuantumCloud™ Software

Endpoint Security – Software Agent

The Arqit technology includes three areas of innovation:

- **Secure Distribution of Replicated Entropy.** Arqit embeds replicated entropy in data centers that host the Arqit QuantumCloud™ system which provides the source for key creation. Arqit is able to securely deliver replicated entropy to data centers globally using a set of classical digital hardware and software elements. Arqit does not distribute keys to data centers, it distributes replicated entropy, which are an input into a key creation process involving other areas of Arqit proprietary classical cryptography.
- **QuantumCloud™ Software.** Arqit’s QuantumCloud™ software shares data across multiple data centers, encrypting each piece of data uniquely using a management layer which never knows the customer data.
- **End Point Security.** Arqit invented a novel form of end point security called “distributed secure communications cryptography” or “DSCC” whereby end points can create initial symmetric key- protected channels and limitless group or session keys. The end points rely on the QuantumCloud™ platform to deliver replicated entropy but create keys themselves, such that the keys are always unknowable by any third party. Arqit’s DSCC invention allows quantum-safe cryptography to be commercialized for the mass market.

**QuantumCloud™ Platform**

QuantumCloud™ is a platform as a service that creates a secure global mesh between different cloud providers and on-premises data centers around the globe. QuantumCloud™ supplies the platform that enables end points to share data securely for the creation of new keys. It also allows Arqit to provide highly secure services for customers to store, communicate and sign their data. This platform as a service architecture means that Arqit’s customers can easily integrate quantum safe cryptographic services into new or existing platforms.

Arqit can extend this secure platform to give customers access to their keys, in a quantum safe manner anywhere in the globe. QuantumCloud™ uses different quantum keys at every layer of infrastructure and with each piece of data. The system ensures that data centers only communicate across quantum safe channels. Within these channels, a form of technology divides data into separate pieces for storage across different data centers, and orders and records encrypted addresses at which the different pieces are stored. Transactions are signed with quantum keys and layered into this technology. Quantum keys are moved inside the QuantumCloud™ using a novel symmetric key algorithm called “ARQ20”, which Arqit has patent pending for use exclusively within QuantumCloud™. Finally, data is sent out to the secure end points inside the quantum encrypted channel achieved by the use of keys created using the DSCC process.

As a result, Arqit can store and transact data securely in the cloud and to include any form of end point device within this security boundary. There are many applications of this, and Arqit expects to be able to make fundamental contributions to innovation in many industries. For example, blockchain software can be made quantum safe by the use of Arqit’s new signing technology and digital wallets at the end point and their transactions can be secured. The connected car market cannot safely operate in the long term unless the

encryption of its communications channels are secure. The expanded attack surface of 5G mobile networks and IoT deployments demand urgent improvement, and no data stored in and transferred from the cloud can be relied upon for the long term without quantum safe security.

The ability to create new symmetric keys at the end points as moderated by QuantumCloud™ is an extremely important innovation, and is a step forward for organizations who already use a legacy method of infrequently refreshing symmetric encryption keys. Many organizations in defense, financial services and critical national infrastructure have never trusted PKI and so used symmetric encryption keys by physically transporting them. However, even symmetrical encryption keys that are physically transported must be refreshed to provide secrecy. The more times a key is used, the more likely an attacker might learn about it over time, and the more opportunities there may be for it to be stolen. Therefore, QuantumCloud™ provides some very significant advantages to such organizations.

### **Competitive Strengths**

Arqit's unique cybersecurity technology provides it with a number of competitive strengths.

#### ***Symmetric keys are secure***

Arqit's platform creates symmetric encryption keys, which is a cyber-security technology that is secure against all forms of attack including by quantum computers. PKI is currently the most widely-used encryption technology, but it is failing to prevent escalating cyber-attacks like ransomware and is entirely vulnerable to attack by quantum computers, which are expected to become available within the next few years. A symmetric encryption key, once created, is computationally secure.

This means that it is regarded as impossible, even for a quantum computer, to guess a symmetric encryption key in less than millions of years. Arqit's technology is built around this secure encryption tool.

#### ***Groundbreaking and proprietary distribution technology***

The importance of Arqit's platform lies in its ability to "distribute" symmetric keys securely at scale by creating them at end points. Although symmetric encryption keys are secure, to date there has been no secure way to create and distribute symmetric keys electronically. Arqit's groundbreaking technology has solved these known issues. Its innovations create symmetric encryption keys at end points when they are needed, at scale, securely, at any kind of end point device and in groups of any size. With Arqit's technology, symmetric encryption keys are never "delivered", they are created at endpoints, and so they cannot be intercepted. This is a completely new way to create and distribute unbreakable symmetric keys that represents a groundbreaking, novel technology. The keys are created with what is known as a "zero trust model" which means that no third party computer ever has the key, or sufficient information to recreate or guess the key. The key is never transmitted in creation across any network. It is therefore not possible for any third party to know or guess the key during creation.

#### ***Simple to implement***

Symmetric encryption keys are built into almost every major software system, so their use, along with a symmetric algorithm such as AES256, is very simple to deploy with no major change to existing customer infrastructure. Symmetric encryption keys impose relatively low computational burdens on end point devices, and Arqit's lightweight agent is light enough to work on even the smallest of Internet of Things sensors.

#### ***Easily scalable***

Arqit's software, fulfilled from the cloud, automatically creates keys in infinite volumes at minimal cost, resulting in low capital expenditure once deployed. From an operating cost perspective, there is no human analysis or information processing required by Arqit's product, so personnel costs are limited to maintaining core infrastructure, marketing and customer support. These factors make Arqit's products easily scalable for both Arqit and its customers.

### **Arqit's Products**

#### ***QuantumCloud™***

Arqit's core product is QuantumCloud™, which is a platform as a service that, in conjunction with its software agent, creates keys in the cloud and at end points. These keys can be used variously to encrypt channels, encrypt data at rest and sign transactions.

These products will be delivered in the cloud, requiring no extra infrastructure or hardware on the part of the customer, and with the use of simple lightweight agents at end points like servers, firewalls, mobile phones, cars or Internet of Things sensors.

As a platform as a service QuantumCloud™ is broadly applicable across all geographies and sectors, delivering the same key creation functionality to all applications and use cases. This provides Arqit with the flexibility to identify and develop Software as a Service products in areas such as identity, distributed ledger and financial payments which would have sufficient benefit and differentiation from the stronger, simpler encryption that Arqit provides to potentially give it a route to leadership in certain vertical markets, rather than selling to all legacy market participants.

#### *Service Variants*

- **Multi-Tenanted:** This is Arqit's standard service where customers use a shared service hosted in the cloud by Arqit on servers owned by Arqit and operated on a multi-tenanted basis. Pricing for this option will typically be a one-time fee per end point installation, as well as a fee per keys created. Pricing will vary depending on the number of end points and keys consumed.
- **Private Instance:** QuantumCloud™ can also be sold as a private instance, typically for government customers who want total control over all infrastructure.
- **Standardized Products:** Arqit has developed standardized products to address specific customer use cases. Marketing standardized products is the key focus of its sales efforts.

#### *Standardized Products*

Arqit has developed a set of standardized products which address specific customer use cases. By standardizing a product Arqit can quickly meet an end market need with little or no customization for individual customers to begin utilizing its technology. To date, Arqit has announced three standardized products.

- **NetworkSecure™:** Arqit has developed a standardized interface for network devices, like firewalls, to agree quantum-safe symmetric keys and upgrade the security of VPN connections over Internet Security Protocol ("IPsec") – a secure network protocol suite that authenticates and encrypts packets of data to provide secure encrypted communication between two computers over a network. To date, Arqit has integrated NetworkSecure™ into the firewall products of Juniper and Fortinet and is available for purchase through their respective distribution channels. Arqit is in discussions with additional firewall and network device manufacturers regarding integrating NetworkSecure™. Integrating into firewall and network devices makes the purchasing decision for the end customer simpler as upgrading to Arqit's symmetric key cryptography becomes an up-sell rather than a discrete purchasing decision and implementation.
- **TradeSecure™:** TradeSecure™ generates and distributes digital trade finance instruments, protecting finance supply chains against disruption and fraud and improving their cash flow. TradeSecure™ can be deployed into any trade financing platform, giving customers quantum-safe security against all current and future cyber threats. Using distributed ledger technology, Arqit provides customers with a unique referenceable and transferable digital finance instrument - which is easier to manage than paper-based alternatives.
- **WalletSecure™:** An application product which makes any Ethereum-based digital wallet used to store and transact digital asset transactions quantum-safe. WalletSecure™ can secure the issuance of digital assets, the storage and transacting of digital assets and enforcing of real-time regulatory compliance. Arqit believes that the mainstream adoption of digital assets is accelerating and that providing long term security is important to financial services company adoption of digital asset technology. Not only can Arqit's quantum-safe technology prevent today's cybercriminals from stealing digital assets (even if they are able to steal the private keys held by the user), it also enables real-time regulatory enforcement, preventing non-compliant transactions before they occur.

Arqit expects to introduce additional standardized product in the future which have at their core Arqit's QuantumCloud™ symmetric key technology.

#### **Go-to-Market Strategy**

Arqit is focused on the following key end markets:

- Telecommunications
- Financial services
- Large enterprises

- Government
- Defense

Arqit has entered into contracts for QuantumCloud™ service in several geographies and sectors, including AUCloud in Australia and BT and Nine23 in the UK.

Arqit’s initial go-to-market had been focused on developing an enterprise license sales model directly to customers. The May 2022 publication of the independent review and assurance of the security proofs for the design aspects of the key-establishment protocols used to enable symmetric key agreement over classical IP network infrastructures within QuantumCloud™ in Arqit’s product by the University of Surrey, a GCHQ UK National Cyber Security Centre Accredited Centre of Excellence for Cyber Security, increased interest in Arqit’s symmetric key agreement software by leading technology companies. During 2022, Arqit shifted its focus to the establishment of channel partner relationships and announced agreements with Fortinet, AWS and TraxPay. Since the announcement of those channel partnerships, Arqit has established additional relationships with Juniper Networks, Sierra Nevada Corporation Mission Systems UK (SNC), SecureCloud+, Exclusive Networks, DETASAD, AIEE and Carahsoft. Pursuant to these relationships, channel partners will offer QuantumCloud™ and or Arqit’s standardized products directly or indirectly to customers as part of their integrated product offering.

Going forward Arqit intends to primarily focus on maximizing sales opportunities through these and other potential major technology partners. The following are Arqit’s current channel and distribution partner relationships:

Service or Product:	Channel and Distribution Partners:
Arqit QuantumCloud™	BT, AUCloud, Nine23, DETASAD, AIEE
Arqit NetworkSecure™	Juniper, Fortinet, BT, Exclusive Networks
Arqit TradeSecure™	Traxpay

End Market Focus:	Channel and Distribution Partners:
Enterprise	BT, Traxpay, Exclusive Networks, AUCloud, Nine23, AIEE, DETASAD
Government (including defence)	VTC, LLC dba Total Site Solutions, SNC, BT, DETASAD, AIEE, SecureCloud+, AUCloud, Nine23, Exclusive Networks
Geographic Focus:	Channel and Distribution Partners:
Global	BT
U.S.	VTC, LLC dba Total Site Solutions, Exclusive Networks
Europe	Traxpay, Nine23, SecureCloud+
MEA	DETASAD, AIEE
Asia	AUCloud

Arqit expects to continue to use a direct enterprise sales model for certain customers, including government customers for specified programs.

**Other Technologies**

Arqit may create other novel technologies which can be developed using its specific expertise in quantum physics, engineering and software. Where early customers can be identified to share risks in the development of such technologies, Arqit is likely to partner with such customers to develop technologies.

**Competition**

Arqit’s competitors are suppliers of QKD, quantum encryption and legacy encryption services. There have been a significant number of entrants into these markets in the last five years, mostly in the areas of QKD and post-quantum cryptography.

- **QKD Systems:** These are predominantly fiber optic-based QKD systems that are limited by both distance as well as their point to point nature. Although they all have products in market, they are at early stages with a number of pilots requiring significant support from the QKD vendors. The majority of these providers are targeting data center architectures with a product that has

a limit of around 100 kilometers, meaning that it is only suitable in a metro area. With the cost, complexity and point to point nature of the technology, it is always going to be limited.

- **Post-Quantum Cryptography:** There are number of companies that are creating services based on “post-quantum algorithms” which are cryptographic algorithms that are designed to extend the principles of PKI to be more secure against attack by a quantum computer. Such algorithms can never be “provably secure” against quantum attack because they are mathematical in their construction, and therefore only secure until a quantum computer can be programmed to break them. According to the NIST, none of these algorithms represent a suitable “drop-in replacement” for legacy encryption. These weaknesses, compared with the fact that Arqit’s keys are used inside algorithms like AES256 that are already globally standardized gives Arqit strong differentiation.
- **Legacy Encryption Competitors:** The legacy encryption key management market spans a number of different product categories from hardware security modules to key management software, and along with most product categories has seen existing and new entrants into the market offering “as a service” versions of these products. The goal of these vendors is to reduce the management burden and costs of PKI and to reduce the downtime risk by automating processes. They are therefore not direct competitors of Arqit as they are not addressing the near-term threat of quantum computers or other fundamental issues of PKI.
  - *Traditional Key Management:* There are a number of traditional incumbents in the key management space. Most of these vendors started as hardware security modules and have added additional key management software and other features. They are already being distributed by start-ups in this sector as they have difficulty delivering functionality as a service to agile environments.
  - *Machine Identity Management:* New entrants into the key management market are aligning around “machine identity management” rather than the pure traditional key management. However, the fundamental goal of these technologies are to mitigate the risks and shortcomings of PKI in the modern internet.
  - *DevOps/Cloud Key Management:* Where developers have been struggling to integrate PKI into their development pipelines, a number of the cloud providers and development automation frameworks have included key management into their platforms. Cloud providers are rarely seen providing encryption services outside of their own platforms.
  - *Manual Key Distribution:* Finally there are companies who provide on premises appliances and human courier services for the current methodology of using symmetric key encryption. The UK Government provides its own service through a department of the National Cyber Security Centre called the UK Key Production Agency, which is the master source of trust in the product of symmetric keys which are delivered through these physical courier methods to a variety of government and commercial customers.

#### Satellite Infrastructure

Arqit’s technology stack previously contemplated the use of satellite technology for the distribution of replicated entropy. Through innovation Arqit was able to replace satellite distribution with terrestrial distribution. Arqit announced in December 2022 that it expects that these changes to its technology strategy may result in a portion of capitalized satellite costs recouped as a result of a sale of the satellite currently under construction, joint venture development and operation of the satellite, and or the licensing of its ARQ19 intellectual property. In May 2023 Arqit retained an adviser to assist in the process of pursuing the sale of its satellite division amongst other potential transactions. An additional benefit would be the elimination of future capital and operating expenditures associated with use of satellites as part of its core product offering. Arqit continues to pursue such potential transactions. There can be no certainty of the successful conclusion of any such transaction. Arqit intends to continue to perform under its satellite construction contracts with the European Space Agency and QinetiQ Space NV until such time as final determination of how to proceed with its satellite under development, and income and expenses from those contracts has been and will be recognized by Arqit as “other operating income” as part of “profit on discontinued operations” in its financial statements, however recognition of significant future other operating income associated with the satellite asset held for sale is uncertain.

#### Intellectual Property

The ability to protect its material intellectual property is paramount to Arqit’s business. Arqit relies upon a combination of protections afforded to owners of patents, designs, copyrights, trade secrets, and trademarks, along with employee and third-party non-disclosure agreements and other contractual restrictions to establish and protect its intellectual property rights. In particular, unpatented trade secrets in the fields of research, development and engineering are an important aspect of Arqit’s business by ensuring that its technology and

strategic business assets remain confidential. Arqit pursues patent protection when it believes it has developed a patentable invention and the benefits of obtaining a patent outweigh the risks of making the invention public through patent filings.

As of the date of this Annual Report, Arqit has approximately 1,966 patent claims on 41 pending or granted patents in the UK. Arqit pursues global registration of its domain names and products and services trademarks and as of the date of this Annual Report, Arqit had 28 registered trademarks.

Based on the filing dates of Arqit's existing patent applications, and assuming the patents are granted and renewed throughout their lifetimes, Arqit currently expects each patent right to provide protection for up to 20 years from the relevant filing dates which, as of the date of this Annual Report, range from June 4, 2018 to October 27, 2023.

Arqit regularly reviews its development efforts to assess the existence and patentability of new inventions and is prepared to file additional patent applications when it determines it would benefit its business to do so.

### **Group Structure**

Arqit Limited, a company limited by shares incorporated in England, is a wholly-owned subsidiary of the Company and is the Company's primary operating subsidiary. Arqit Limited has five wholly-owned subsidiaries: Arqit Inc., a Delaware corporation, Arqit LLC, a Delaware limited liability company, Arqit Italia S.R.L., an entity organized in Italy, Arqit Quantum PTY Ltd, an entity organized in Australia and Arqit Quantum (Singapore) Pte. Ltd, a limited liability Singapore company. None of Arqit Limited's subsidiaries currently has any material operations. Arqit Limited also holds 50% of the outstanding share capital of Quantum Keep Limited, a company limited by shares incorporated in England. Quantum Keep Limited is a joint venture with Dentons Nominees Limited and Middle East Limited, which together hold the remaining outstanding share capital. Quantum Keep Limited was formed to develop an application initially for use by law firms that verifies and stores identity information and associates customer records with that identity.

### **Government Regulation**

#### ***International Traffic in Arms Regulations and Export Controls***

Arqit is subject to U.S. and U.K. import and export control laws, including the International Traffic in Arms Regulations ("ITAR") and Export Administration Regulations ("EAR") of the Bureau of Industry and Security of the U.S. Department of Commerce and the U.K. Export Control Act 2002 (as amended and extended by the Export Control Order 2008) and their respective implementing rules and regulations. The ITAR generally restricts the export of hardware, software, technical data, and services that have defense or strategic applications. The EAR similarly regulates the export of hardware, software, and technology that has commercial or "dual-use" applications (i.e., for both military and commercial applications) or that have less sensitive military or space-related applications that are not subject to the ITAR. The regulations exist to advance the national security and foreign policy interests of the U.S.

The U.S. government agencies responsible for administering the ITAR and the EAR have significant discretion in the interpretation and enforcement of these regulations. The agencies also have significant discretion in approving, denying, or conditioning authorizations to engage in controlled activities. Such decisions are influenced by the U.S. government's commitments to multilateral export control regimes, particularly the Missile Technology Control Regime concerning the spaceflight business.

Many different types of internal controls and measures are required to ensure compliance with such export control rules. The inability to secure and maintain other necessary export authorizations could negatively impact Arqit's ability to compete successfully. Failure to comply with export control laws and regulations could expose Arqit to civil or criminal penalties, fines, investigations, more onerous compliance requirements, loss of export privileges, debarment from government contracts, or limitations on its ability to enter into contracts with the U.S. or U.K. government. In addition, any changes in export control regulations or U.S. or U.K. government licensing policy, such as that necessary to implement U.S. and U.K. government commitments to multilateral control regimes, may restrict its operations. See "*Risk Factors — Risks Relating to Arqit's Business and Operations — Failure to comply with governmental trade controls, including export and import control laws and regulations, sanctions, and related regimes could subject Arqit to liability or loss of contracting privileges, limit its ability to compete in certain markets or harm its reputation with the governments.*"

#### ***Anti-Bribery, Anti-Corruption and Sanctions Laws and Regulations***

Arqit's operations are subject to anti-bribery and anti-corruption laws and regulations, including the Foreign Corrupt Practices Act and the UK Bribery Act, and economic and trade sanctions, including those administered by the Office of Foreign Assets Control of the U.S. Treasury, the U.S. Department of State and the European Union. These statutes generally prohibit providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. Arqit may deal with both governments and state-owned business enterprises, the employees of which are considered foreign officials for purposes of these laws.

### **Data Protection Laws and Regulations**

Arqit's operations and sales are subject to laws and regulations addressing privacy and the collection, use, storage, disclosure, transfer and protection of a variety of types of data, including the UK Data Protection Act 2018, the UK General Data Protection Regulation, European Directive 2002/58/EC (the ePrivacy Directive) and implementing national legislation and any data laws and regulations enacted in the United Kingdom post-Brexit. These regimes may, among other things, impose data security requirements, disclosure requirements, and restrictions on data collection, uses, and sharing that may impact Arqit's operations and the development of its business. Arqit's products collect, store and process certain information and its products may evolve to collect additional information. Compliance with these and any other applicable privacy and data security laws and regulations is a rigorous and time-intensive process, and Arqit may be required to put in place additional mechanisms to ensure compliance with new data protection rules. For further information, see "Item 3.D. Risk Factors — Risks Relating to Arqit's Business — Failures, or perceived failures, to comply with privacy, data protection, and information security requirements in the jurisdictions in which Arqit operates may adversely impact its business, and such legal requirements are evolving and may require improvements in, or changes to, its policies and operations."

### **Other Regulations**

In addition, Arqit is subject to laws and regulations relating to antitrust, competition, intellectual property and other matters. Arqit has implemented internal controls designed to minimize and detect potential violations of laws and regulations in a timely manner, but can provide no assurance that such policies and procedures will be followed at all times or will effectively detect and prevent violations of the applicable laws by one or more of its employees, consultants, agents, or partners.

## **4.C. ORGANIZATIONAL STRUCTURE**

### **Organizational Structure**

The legal name of the company is Arqit Quantum Inc. which is an exempted limited liability company incorporated under the laws of the Cayman Islands.

### **Significant Subsidiaries**

The subsidiaries of the Company are listed below.

<b>Name</b>	<b>Country of Incorporation and Place of Business</b>	<b>Proportion of Ordinary Shares Held by the Company</b>
Arqit Limited	United Kingdom	100 %
Arqit Inc.	Delaware	100 %
Arqit LLC	Delaware	100 %
Arqit Italia S.R.L	Italy	100 %
Arqit Quantum PTY Ltd	Australia	100 %
Arqit Quantum (Singapore) Pte. Ltd	Singapore	100 %

## **4.D. PROPERTY, PLANTS AND EQUIPMENT**

Arqit operates from serviced offices for its headquarters at Nova North, 7th Floor, 11 Bressenden Place, London SW1E 5BY, United Kingdom.

## **ITEM 4A. UNRESOLVED STAFF COMMENTS**

Not Applicable.

## **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

### **5. OPERATING RESULTS**

*This operating and financial review should be read together with the section captioned "Item 4, Information on the Company-4.B. Business Overview" and the audited consolidated financial statements of the Company and the related notes to those statements included elsewhere in this Annual Report. Among other things, the audited consolidated financial statements include more detailed information regarding the basis of preparation for the following information. The audited consolidated financial statements of the Company have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. As a*

*result of many factors, such as those set forth under “Risk Factors” and elsewhere in this Form 20-F, our actual results may differ materially from those anticipated in these forward-looking statements. Please see “Cautionary Note About Forward-Looking Statements” in this Annual Report.*

### Overview

Arqit is a cybersecurity company that has pioneered a unique symmetric key agreement technology which makes the communications links of any networked device or data at rest secure against current and future forms of cyber attack — even an attack from a quantum computer. Arqit delivers its symmetric key agreement technology via its QuantumCloud™.

QuantumCloud™ is a software platform as a service that creates unbreakable software encryption keys that are low cost and easy to use within existing information technology standards with no new hardware and no major software upgrades or “rip and replace” required.

The software has potentially universal application to every edge device and cloud machine in the world. The security proofs for the design aspects of the key-establishment protocols used to enable symmetric key agreement over classical IP network infrastructures within QuantumCloud™ were independently assured in 2022 by the University of Surrey, which is accredited as a Centre of Excellence for Cyber Security by the UK Government’s National Cyber Security Centre. Arqit believes that its symmetric key agreement platform is compliant with the NSA Commercial Solutions for Classified Symmetric Key Management Requirements Annex 1.2 which dictates how Government agencies can incorporate quantum-safe symmetric key protections into solutions which use off-the-shelf commercial products to protect classified networks.

Arqit’s technology combines world-leading innovation in two areas: the secure distribution of replicated entropy to data centers and a software agent that can be downloaded onto any device and makes the use of symmetric key encryption a scalable business model.

- As part of the background technology that allows Arqit’s software agent to operate at end points, identical sets of random numbers (“replicated entropy”) must be delivered securely and frequently to data centers. Replicated entropy is an important constituent part of Arqit’s QuantumCloud™ product. Arqit developed a proprietary method for the secure distribution of replicated entropy to data centres using classical digital hardware and software elements.
- A second innovation is a small software agent downloaded from the QuantumCloud™ onto any form of device or integrated into any piece of software. By exchanging information with the QuantumCloud™, which moderates a key agreement process with all parties involved in a unique way, this software agent is able to create new symmetric encryption keys in partnership with any other device or cloud machine, or in large groups of devices. Keys are never “delivered”, they are created, and so they cannot be intercepted. They are created at the end points in a manner that means they can never be known by a third party, and can be used once if necessary and replaced infinitely. Once created, the keys cannot be broken even by a universal quantum computer in a usable time period, estimated to be in excess of millions of years.

Arqit began commercializing its products in the fiscal year ended September 30, 2021. Arqit has already signed contracts for its services with large companies and government institutions. Arqit sold its product to select early customers on a master distribution agreement basis, an enterprise license basis and as a platform as a service, including BT plc, AUCloud and Nine23. Arqit announced in December 2022 that it will focus on selling its products on a Platform as a Service basis, primarily through channel partners and distributors, which is expected to generate annual recurring revenue. Arqit platform as a service will be sold as standardized products to specific target markets or a Private Instance to customers to require control of the end-to-end technology. Arqit has announced channel partnerships and distribution agreements with Juniper, Fortinet, AWS, TraxPay, Exclusive Networks, Sierra Nevada Corporation Mission Systems UK, SecureCloud+, DETASAD, Advanced International Electronic Equipment Company, and Carahsoft through which it will sell directly and indirectly to end customers. Arqit is currently engaged in discussions with additional customers, channel partners and distributors.

## **The Business Combination**

Arqit Limited was incorporated in England in 2017. In September 2021, the Company completed the Business Combination pursuant to which the Company merged with and into Centricus Acquisition Corp., with the Company surviving the merger, and the security holders of Centricus Acquisition Corp. (other than those who elected to redeem their ordinary shares) became security holders of the Company, and the Company acquired all of the issued and outstanding share capital of Arqit Limited from the shareholders of Arqit Limited in exchange for ordinary shares of the Company, such that Arqit Limited is a direct wholly owned subsidiary of the Company.

The acquisition of Arqit Limited's shares by the Company has been accounted for as a "reverse acquisition" in accordance with IFRS. Under this method of accounting, the Company will be treated as the "acquired" company for financial reporting purposes. This determination was primarily based on the fact that Arqit Limited's shareholders hold a majority of the voting power of the combined company, Arqit Limited's operations substantially comprise the ongoing operations of the combined company, Arqit Limited's designees comprise a majority of the governing body of the combined company, and Arqit Limited's senior management comprises the senior management of the combined company. Accordingly, for accounting purposes, the acquisition of Arqit Limited's shares by the Company has been treated as the equivalent of Arqit Limited issuing shares for the net assets of the Company, accompanied by a recapitalization. It has been determined that the Company is not a business under IFRS, hence the transaction is accounted for within the scope of IFRS 2 (*Share-based Payments*). In accordance with IFRS 2, the difference in the fair value of the Arqit Limited equity instruments deemed issued to the Company's shareholders over the fair value of identifiable net assets of the Company represents a service for listing, and is accounted for as a share-based payment which is expensed as incurred. The net assets will be stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the acquisition of the Arqit Limited shares by the Company have been deemed to be those of Arqit Limited. Upon closing of the Business Combination, the Company became the successor SEC registrant, and Arqit Limited's financial statements for previous periods have been included as part of the Company's audited consolidated financial statements included in this Annual Report, and to be disclosed in its future periodic reports filed with the SEC. The Company is a foreign private issuer as defined under Rule 405 under the Securities Act and prepares its financial statements denominated in U.S. dollars and in accordance with IFRS.

## **Key Factors Affecting Operating Results**

Arqit has not yet begun to generate material revenues through the commercialization of its products and believes that its performance and future success depend on several factors that present significant opportunities for it but also pose risks and challenges, including those discussed below and in the section of this Annual Report entitled "Item 3.D, Risk Factors — Risks Related to Arqit's Business and Operations".

## ***Accounting for Business Combination***

The acquisition of Arqit Limited's shares by Arqit in connection with the Business Combination was accounted for as a "reverse acquisition" in accordance with IFRS. Under this method of accounting, Arqit was treated as the "acquired" company for financial reporting purposes.

This determination was primarily based on the fact that Arqit Limited's shareholders hold a majority of the voting power of the combined company, Arqit Limited's operations substantially comprise the ongoing operations of the combined company, Arqit Limited's designees are comprised a majority of the governing body of the combined company, and Arqit Limited's senior management is the senior management of the combined company.

Accordingly, for accounting purposes, the acquisition of Arqit Limited's shares by Arqit is treated as the equivalent of Arqit Limited issuing shares for the net assets of Arqit, accompanied by a recapitalization. It has been determined that Arqit is not a business under IFRS, hence the transaction is accounted for within the scope of IFRS 2 (*Share-based Payments*).

In accordance with IFRS 2, the difference in the fair value of the Arqit Limited equity instruments deemed issued to Arqit shareholders over the fair value of identifiable net assets of Arqit represents a service for listing, and is accounted for as a share-based payment which is expensed as incurred, and is reflected on Arqit's consolidated statement of comprehensive income as "reverse acquisition expense." Operations prior to the acquisition of the Arqit Limited shares by Arqit will be deemed to be those of Arqit Limited.

### ***Valuation of Warrants***

Pursuant to the guidance in IFRS 9 (*Financial Instruments*), Arqit has determined that its Business Combination Warrants should be classified as derivative liabilities measured at fair value on its statement of financial position, with any changes in fair value to be reported each period in earnings on its statement of comprehensive income. As a result of the recurring fair value measurement, Arqit's financial statements may fluctuate quarterly, based on factors which are outside of its control. Due to the recurring fair value measurement, Arqit expects that it will recognize non-cash gains or losses on its Business Combination Warrants each reporting period and that the amount of such gains or losses could be material.

### ***Technologically Advanced Product Portfolio***

Arqit has invented a unique symmetric key agreement technology which makes the communications links of any networked device secure against current and future forms of cyber attack — even an attack from a quantum computer. Arqit's product, called QuantumCloud™, creates unbreakable software encryption keys that are low cost and easy to use. Arqit's software is fulfilled from the cloud requiring no extra infrastructure or hardware on the part of the customer. Its products have broad application across industries, including 5G networks, connected autonomous vehicles, national security and financial services network security. Arqit's future success will be dependent on its ability to continue to execute against its product roadmap.

### ***Commencement of Commercialization and Partnerships***

Arqit is early in the process to generate material revenues through the commercialization of its products, and in December 2022 began transitioning its distribution model from an enterprise license model to distribution through channel partners. Arqit ultimately achieving profitability is dependent upon the successful development, commercial introduction and acceptance of its products, the continued interest of potential customers in its products and the successful negotiation of contracts with those customers. Should Arqit's assumptions about the commercialization of its encryption technology prove overly optimistic or if Arqit is unable to develop, obtain or progress its partnerships, Arqit may fail to generate operating cash flow and may incur delays in its ability to achieve profitability. This may also lead Arqit to make changes to its commercialization plans, which could result in cost overruns or unanticipated delays, which could in turn adversely impact margins and cash flows.

### ***Satellite Infrastructure***

In December 2022 Arqit updated its technology strategy to eliminate quantum satellites and the associated ground infrastructure from its core QuantumCloud™ product offering. See "*Item 4.B. Business Overview - Satellite Infrastructure.*"

In connection with this update, Arqit is planning to sell or otherwise monetize its quantum satellite currently under construction. During the fiscal year ended September 30, 2023, Arqit reclassified its satellite assets from "intangible assets" to "assets classified as held for sale", in connection with which it recognised an impairment loss of \$17.6 million. Arqit intends to continue to perform under its satellite construction contracts with the European Space Agency and QinetiQ Space NV until such time as final determination of how to proceed with its satellite under development, and income and expenses from those contracts will be recognised by Arqit as "other operating income" as part of "profit on discontinued operations" in its statement of comprehensive income, however recognition of significant future other operating income associated with the satellite asset held for sale is uncertain. If Arqit fails to sell its satellite currently under construction, it may be required to recognise further impairment losses, write off capitalized satellite costs or incur breakage fees under certain of its contracts related to satellite construction obligations.

### ***Market Trends***

Arqit believes there will be a transformation in the cyber encryption industry over the next decade as PKI, the most widely-used encryption technology, is becoming less secure as new technologies develop, and is not secure against quantum computers, which are expected to become available within the next few years. Arqit anticipates that there will be robust demand for its products as consumers, businesses and governments across all geographies and industries will need to replace the existing cyber encryption technology used in almost all electronic interfaces in order to maintain cyber security and that, as a result, there is significant market opportunity for Arqit's more secure cyber encryption products. Gartner estimates that the global addressable market for information security services will be \$289 billion by the end of 2027.

There will continue to be demand for more secure encryption products and Arqit is not currently aware of any competitors that offer or are developing encryption technology that addresses the threat of quantum computers. Arqit's competitors are suppliers of QKD, quantum encryption and legacy encryption, each of which has inherent limitations. Therefore Arqit believes that it is well positioned to take advantage of this market opportunity. Arqit's future growth and financial performance is highly dependent on the continued demand for its products and on its ability to successfully compete with any current or new competitors.

### ***Margin Improvements***

Arqit believes that it has the opportunity to establish high margin unit economics when operating at scale as its software, fulfilled from the cloud, automatically creates keys in infinite volumes at minimal cost, resulting in low capital expenditure once deployed. Its business model is positioned for scalability due to the low costs of software distribution, ability to leverage the same product platform across its partner base and limited personnel costs. From an operating cost perspective, there is no human analysis or information processing required by Arqit's product, so personnel costs are limited to maintaining core infrastructure, marketing and customer support. Arqit's future performance will depend on its ability to deliver on these economies of scale with lower product costs to enable widespread adoption. Achievement of cash flow generation is dependent on order volume, which will dictate pricing and margin. Achieving this scale is further dependent on successful adoption of Arqit's products and expansion of its contracts with existing customers. While Arqit believes its unique technology provides a compelling value proposition for favorable margins and expects to achieve and maintain high margins on its products, emergence of competition in the cyber encryption industry may negatively impact its pricing, margins and market share.

### ***Impact of the COVID-19 Pandemic***

Given the nature of its products and business operations, the COVID-19 pandemic did not have any material impact, positive or negative, on Arqit's business during the periods under review.

### **Key Components of Statement of Comprehensive Income**

#### ***Basis of Presentation***

Currently, Arqit conducts business through one operating segment, which is the provision of cybersecurity services. Prior to July 2021, Arqit was a pre-revenue company and as of the date of this Annual Report, it still has only limited commercial operations relating to its core product — QuantumCloud™. Its activities to date have been conducted in the United Kingdom and the United States of America. Arqit's historical results are reported in IFRS.

#### ***Revenue***

Arqit commenced commercialization and began generating revenue in the fiscal year ended September 30, 2021 through QuantumCloud™ — its core product. The majority of revenue is expected to be derived from the sale of QuantumCloud™ and other related services through channel partners.

#### ***Other income***

Other income relates to income from the sale of property, plant and equipment.

#### ***Administrative Expenses***

Administrative expenses primarily consist of the costs associated with employment of Arqit's non-satellite construction staff, legal, insurance, accounting and consulting expenses, travel and marketing expenses such as public relations activities, rent and general office expenses.

Administrative expenses also include depreciation charges. Depreciation charges mainly relate to the depreciation of computer equipment calculated under the straight-line depreciation method over the equipment's estimated useful life. The rate used is between three and five years. Computer equipment is written off over three years.

Arqit operates an equity-settled share-based incentive scheme and its share-based charges are included as part of administrative expenses. In addition, changes in the valuation of accounts denominated in currencies other than British pounds sterling are reflected in administrative expenses.

Arqit expects its administrative expenses to increase as its overall activity levels increase due to the commencement and expansion of commercial operations, and costs associated with being a public company.

***Impairment Loss on Trade Receivables and Contract Assets***

During the year ended September 30, 2023, Arqit incurred impairment loss on trade receivables and contract assets as a result of impairment recognized in connection with a provision for amounts owed to Arqit by Virgin Orbit Inc, which has filed for bankruptcy in the U.S.

***Impairment Losses on Intangible Assets***

During the fiscal year ended September 30, 2023, Arqit reclassified its satellite assets from “intangible assets” to “assets classified as held for sale”, and in connection with this reclassification, Arqit recognized an impairment loss on its satellite assets.

***Reverse Acquisition Expense***

Arqit’s Business Combination was accounted for as a reverse acquisition under IFRS 2 (*Share-based Payments*) whereby Arqit Limited was deemed to have issued shares in exchange for the net assets and listing status of Arqit. The deemed consideration was the fair value of the shares that Arqit Limited would have had to issue to Arqit to acquire the same percentage equity interest in the combined entity that results from the reverse acquisition. The reverse acquisition expense represents the premium paid for obtaining the public listing, and is calculated the difference between the fair value of the deemed consideration and the fair value of the net assets acquired, and is a non-recurring expense.

***Nasdaq Listing Expense***

Nasdaq listing expense primarily consists of legal and other professional fees incurred in preparation for and execution of the Business Combination, which are non-recurring.

***Change in Fair Value of Warrants***

Arqit’s Business Combination Warrants are classified as financial liabilities at fair value, and the change in the fair value of the warrants is reflected in Arqit’s consolidated statement of comprehensive income. A valuation of the warrants was performed as of each period end, and the difference between the two valuations is non-cash profit or loss that is reflected in Arqit’s consolidated statement of comprehensive income.

***Finance Costs***

Finance costs relate to interest costs on agreements subject to accounting recognition and measurement in accordance with IFRS 16 (Leases).

Finance costs for the year ended September 30, 2021 also related to the accounting recognition and measurement of Arqit’s £3,500,000 convertible loan notes issued June 21, 2019 and November 6, 2019 (the “Series B convertible loan notes”) in line with the requirements of IFRS, which were converted to equity in connection with the completion of the Business Combination and are no longer outstanding.

The Series B convertible loan notes had a 0% interest rate and were redeemable at the principal amount plus an amount equal to 20% of such principal amount at any time on or after the maturity date. As the Series B convertible loan notes were redeemable at the request of the holder and convertible into a variable number of equity instruments, they were treated as a financial liability in accordance with IFRS International Accounting Standards (“IAS”) 32. At initial recognition on day one, the Series B convertible loan notes were measured at fair value, calculated by applying the prevailing market interest rate at the time of issue, for similar non-convertible debt. As the discount unwound over the period from subscription date to maturity date, it was reflected as finance costs in Arqit’s statement of comprehensive income.

***Finance income***

Finance income is related to bank interest income from Arqit’s deposits of cash and cash equivalents.

***Profit from Discontinued Operations***

Profit from discontinued operations is the profit from Arqit’s satellite assets classified as held for sale, and includes other operating income from Arqit’s ESA contract net of administrative expenses associated with its satellite construction activities. Arqit previously reported income from its agreement with the European Space Agency (“ESA”) for the partial funding of the construction of its satellites as “other operating income” as a component of “operating profit/(loss)”, however during the fiscal year ended September 30, 2023, Arqit reclassified its satellite assets from “intangible assets” to “assets classified as held for sale”, and therefore income from the ESA

agreement has been reclassified by Arqit as a component of “profit on discontinued operations” in its statement of comprehensive income for the fiscal year ended September 30, 2023. Corresponding reclassifications have also been made to the statements of comprehensive income for the fiscal years ended September 30, 2022 and 2021.

## Results of Operations

### Comparison of the Years Ended September 30, 2023 and 2022

The following table presents Arqit’s historic operating results:

	Year ended	Year ended	Variance	
	September 30, 2023	September 30, 2022	\$'000	%
<b>Revenue</b>	<b>640</b>	<b>7,212</b>	<b>(6,572)</b>	<b>(91)%</b>
Other income	53	—	53	—%
Administrative expenses	(55,201)	(70,977)	15,776	(22)%
Impairment loss on trade receivables and contract assets	(12,335)	—	(12,335)	—%
Impairment losses on intangible assets	(17,601)	—	(17,601)	—%
<b>Operating (loss)/profit</b>	<b>(84,444)</b>	<b>(63,765)</b>	<b>(20,679)</b>	<b>32%</b>
Change in fair value of warrants	10,638	117,394	(106,756)	(91)%
Finance costs	(284)	(221)	(63)	28%
Finance income	41	—	41	—%
<b>(Loss)/profit before tax</b>	<b>(74,049)</b>	<b>53,408</b>	<b>(127,457)</b>	<b>(239)%</b>
Income tax	141	—	141	—%
<b>(Loss)/profit from continuing operations</b>	<b>(73,908)</b>	<b>53,408</b>	<b>(127,316)</b>	<b>(238)%</b>
Profit from discontinued operations	3,515	11,667	(8,152)	(69)%
<b>(Loss)/profit for the financial year</b>	<b>(70,393)</b>	<b>65,075</b>	<b>(135,468)</b>	<b>(208)%</b>

### Revenue

Revenue decreased by \$6.572 million from \$7.212 million for the year ended September 30, 2022 to \$0.640 million for the year ended September 30, 2023. The decrease was due to the time required to establish revenue generation through channel partnerships following Arqit’s change in sales model from primarily enterprise sales to sales through channel partners during the year ended September 30, 2023.

### Other income

Other income increased by \$0.53 million for the year ended September 30, 2023 from \$nil for the year ended September 30, 2022. Other income related to the sale of property, plant and equipment.

### Administrative Expenses

The following table summarizes Arqit’s administrative expenses for the periods presented:

	Year ended	Year ended	Variance	
	September 30, 2023	September 30, 2022	\$'000	%
Staff costs	24,187	21,148	3,039	14%
Capitalisation of staff costs	(1,956)	(4,920)	2,964	(60)%
Professional fees	12,415	6,355	6,060	95%
Property costs	2,289	754	1,535	204%
Share based compensation	14,118	21,742	(7,624)	(35)%
Depreciation	2,543	1,292	1,251	97%
Amortisation of intangible assets	91	—	91	—%
Foreign exchange	(8,764)	13,535	(22,299)	(165)%
Other administrative costs	10,278	11,071	(793)	(7)%
	<b>55,201</b>	<b>70,977</b>	<b>(15,776)</b>	<b>(22)%</b>

Total administrative expenses have decreased by \$15.776 million from \$70.977 million for the year ended September 30, 2022 to \$55.201 million for the year ended September 30, 2023. The decrease was primarily the result of decreases in foreign exchange due to the difference in year end rates as at September 30, 2023 and September 30, 2022, and decreases in share based compensation as a result of the switch to the RSU scheme in the year ended September 30, 2022. These decreases were partially offset in part by increases in professional fees and staff costs.

***Impairment Loss on Trade Receivables and Contract Assets***

Arqit incurred impairment loss on trade receivables and contract assets of \$12.3 million for the year ended September 30, 2023 as a result of impairment recognised in connection with a provision for amounts owed to Arqit by Virgin Orbit Inc., which has filed for bankruptcy in the U.S. No impairment loss on trade receivables and contract assets was recognized for the year ended September 30, 2022.

***Impairment Losses on Intangible Assets***

Arqit incurred impairment losses on intangible assets of \$17.6 million for the year ended September 30, 2023 as a result of impairment recognised in connection with the reclassification of its satellite assets from “intangible assets” to “assets classified as held for sale”. No impairment losses on intangible assets were recognized for the year ended September 30, 2022.

***Change in Fair Value of Warrants***

The change in fair value of Business Combination Warrants represents the difference in valuation of Arqit’s warrants as of September 30, 2023, compared with the valuation as of September 30, 2022, which was non-cash profit of \$10.638 million for the year ended September 30, 2023, compared with a non-cash profit of \$117.394 million for the year ended September 30, 2022.

***Finance Costs***

Finance costs increased by \$0.063 million from \$0.221 million for the year ended September 30, 2022 to \$0.284 million for the year ended September 30, 2023. The increase was due to a new lease being signed for the U.S. office in the year resulting in higher finance costs.

***Finance income***

Finance income increased to \$0.041 million for the year ended September 30, 2023 from \$nil for the year ended September 30, 2022. Finance income for the year ended September 30, 2023 related to bank interest income from Arqit’s deposits of cash and cash equivalents.

***Profit from Discontinued Operations***

Profit from discontinued operations decreased by \$8.152 million from \$11.667 million for the year ended September 30, 2022 to \$3.515 million for the year ended September 30, 2023. During the year ended September 30, 2023, Arqit reached fewer revenue recognition milestones under the ESA contract, compared with the number of milestones during the year ended September 30, 2022.

**Comparison of the Years Ended September 30, 2022 and 2021**

The following table presents Arqit's historic operating results:

	Year ended	Year ended	Variance	
	September 30, 2022	September 30, 2021	\$'000	%
	\$'000	\$'000	\$'000	%
<b>Revenue</b>	<b>7,212</b>	<b>48</b>	<b>7,164</b>	<b>14,925 %</b>
Administrative expenses	(70,977)	(14,559)	(56,418)	388 %
Reverse acquisition expense	—	(155,460)	155,460	—
Nasdaq listing expense	—	(2,590)	2,590	—
<b>Operating (loss)/profit</b>	<b>(63,765)</b>	<b>(172,561)</b>	<b>108,796</b>	<b>(63) %</b>
Change in fair value of warrants	117,394	(98,090)	215,484	(220) %
Finance costs	(221)	(1,078)	857	(79) %
<b>Profit/(loss) before tax</b>	<b>53,408</b>	<b>(271,729)</b>	<b>325,138</b>	<b>(120) %</b>
<b>Profit/(loss) from continuing operations</b>	<b>53,408</b>	<b>(271,729)</b>	<b>325,138</b>	<b>(120) %</b>
Profit from discontinued operations	11,667	—	11,667	—
<b>Profit/(loss) for the financial year</b>	<b>65,075</b>	<b>(271,729)</b>	<b>336,805</b>	<b>(124) %</b>

**Revenue**

Revenue increased by \$7.164 million from \$0.048 million for the year ended September 30, 2021 to \$7.212 million for the year ended September 30, 2022. The increase was primarily due to the continued ramp up of Arqit's commercial operations during the year ended September 30, 2022.

**Administrative Expenses**

The following table summarizes Arqit's administrative expenses for the periods presented:

	Year ended	Year ended	Variance	
	September 30, 2022	September 30, 2021	\$'000	%
	\$'000	\$'000	\$'000	%
Staff costs	21,148	10,936	10,212	93 %
Capitalisation of staff costs	(4,920)	(3,478)	(1,442)	41 %
Professional fees	6,355	4,733	1,622	34 %
Property costs	754	187	567	303 %
Share based compensation	21,742	165	21,577	13,077 %
Depreciation	1,292	53	1,239	2,338 %
Foreign exchange	13,535	623	12,912	2,073 %
Other administrative costs	11,071	1,340	9,730	725 %
	<b>70,977</b>	<b>14,559</b>	<b>56,418</b>	<b>388 %</b>

Total administrative expenses have increased by \$56.418 million from \$14.559 million for the year ended September 30, 2021 to \$70.977 million for the year ended September 30, 2022.

The increase was in part due to an increase in share based compensation expense of \$21.742 million as the result of the granting of restricted share units ("RSUs") to employees and an increase in foreign exchange expense of \$13.535 million as the result of market fluctuations from trading in different currencies. In addition, personnel-related costs increased by \$10.212 million (across all administrative functions), reflecting an increase in head count to support the expansion and growth of Arqit's business.

Other administrative costs, which consist of marketing, IT costs and other non-material costs, also increased by \$9.734 million as the result of growth in business activity levels.

**Reverse Acquisition Expense**

Arqit did not incur reverse acquisition expense for the year ended September 30, 2022, compared with \$155.460 million for the year ended September 30, 2021. Reverse acquisition expenses represent the non-cash premium paid for obtaining the public listing in connection with the Business Combination which closed on September 3, 2021, and was therefore a one-time, non-recurring expense for the year ended September 30, 2021.

### ***Nasdaq Listing Expense***

Arqit did not incur Nasdaq listing expense for the year ended September 30, 2022, compared with \$2.590 million for the year ended September 30, 2021. Nasdaq listing expense primarily consisted of non-recurring legal and other professional fees incurred in preparation for and execution of the Business Combination which closed on September 3, 2021, and was therefore a one-time, non-recurring expense for the year ended September 30, 2021.

### ***Change in Fair Value of Warrants***

The change in fair value of Business Combination Warrants represents the difference in valuation of Arqit's warrants as of September 30, 2022, compared with the valuation as of September 30, 2021, which was non-cash profit of \$117,394 million for the year ended September 30, 2022, compared with non-cash loss of \$98.090 million for the year ended September 30, 2021.

### ***Finance Costs***

Finance costs decreased by \$0.857 million from \$1.078 million for the year ended September 30, 2021 to \$0.221 million for the year ended September 30, 2022. The increase was primarily due to lower interest expense during the period as the result of convertible loans converting to equity in connection with the Business Combination closing on September 3, 2021. The balance consisted of interest costs incurred on the lease agreements entered into during the year ended September 30, 2022.

### ***Profit from Discontinued Operations***

Profit from discontinued operations increased by \$11.667 million in the year ended September 30, 2022 from nil for the year ended September 30, 2021. During the year ended September 30, 2020, Arqit met milestones under the ESA contract which permitted it to recognize project revenue during that period, compared with no revenue recognition during the year ended September 30, 2021.

### **Quantitative and Qualitative Disclosures about Market Risk**

Arqit is exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact Arqit's financial position due to adverse changes in financial market prices and rates. It is, and has been throughout the period under review, Arqit's policy not to use or trade in derivative financial instruments. Arqit's financial instruments comprise its cash and cash equivalents and various items such as trade creditors that arise directly from its operations. The main purpose of Arqit's financial assets and liabilities is to provide finance for its operations in the near term.

#### ***Interest Rate Risk Management***

Arqit would be exposed to interest rate risk if it borrows funds, when required, at variable interest rates. There is currently no exposure to interest rate risk.

#### ***Credit Risk***

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations. Arqit's policy is that surplus cash, when not used to pay liabilities, is placed on deposit with its main relationship banks and with other banks or money market funds based on a minimum credit rating of A3/A- and maximum exposure. There is no significant concentration of risk to any single counterparty. Arqit considers that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk. The carrying amount of financial assets, represents Arqit's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

#### ***Foreign Exchange Risk***

Arqit operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to British pounds sterling and Euro. Arqit holds British pounds sterling, U.S. dollar and Euro bank accounts in order to limit its exposure. Arqit is also exposed to foreign exchange risk to the extent that its ultimate parent entity has a U.S. dollar functional currency.

#### ***Liquidity Risk***

Liquidity risk is the risk that Arqit does not have sufficient financial resources available to meet its obligations as they fall due. Arqit manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a

minimum of 12 months to maturity. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events.

## **JOBS Act**

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, relax certain reporting requirements for qualifying public companies. Arqit qualifies as an “emerging growth company” under the JOBS Act.

Arqit is in the process of evaluating the benefits of relying on the reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, if, as an “emerging growth company,” Arqit chooses to rely on such exemptions it may not be required to, among other things, (i) provide an auditor’s attestation report on its system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act, (ii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis), (iii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act (applicable only if Arqit ceased to be a foreign private issuer), and (iv) disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO’s compensation to median employee compensation (applicable only if Arqit ceased to be a foreign private issuer). These exemptions will apply until September 3, 2026 (five years following the closing of the Business Combination) or until Arqit is no longer an “emerging growth company,” whichever is earlier. Although emerging growth companies are permitted under the JOBS Act to comply with new or revised accounting pronouncements based on the effective date for private (not publicly traded) companies, Arqit does not intend to take advantage of the option to delay compliance.

## **5.B. LIQUIDITY AND CAPITAL RESOURCES**

### *Liquidity and Capital Resources*

Arqit began to generate revenue from its principal business operations — the provision of cybersecurity services — in the fiscal year ended September 30, 2021. Prior to then, as a pre-revenue company, the net losses Arqit has incurred since inception are consistent with its strategy and budget. Arqit will continue to incur net losses in accordance with its operating plan as it begins commercialization of its products.

In the period under review, Arqit has funded its operations, capital expenditure and working capital requirements through public offerings of its securities including proceeds from (1) completion of the business combination in September 2021, (2) sales of ordinary shares under its ATM Program (as defined below) and (3) sales of ordinary shares in registered direct offerings in February 2023 and September 2023. Historically, Arqit also funded its operations from capital contributions, loans and borrowings from certain venture investors and grants from the UK government’s Future Fund, including convertible loan notes that were converted into ordinary shares in connection with the Business Combination. Arqit’s primary uses of liquidity in the period under review have been working capital requirements as it continues to increase commercialization of its products.

In December 2022, Arqit filed a registration statement on Form F-3 in order to establish an at-the-market equity offering program (the “ATM Program”) pursuant to which it may issue and sell ordinary shares with an aggregate offering price of up to \$30.0 million. Arqit has no obligation to sell any such shares under its ATM Program. Actual sales will depend on a variety of factors to be determined by the Group from time to time, including, among others, whether additional capital is required, market conditions, the trading price of Arqit’s ordinary shares, determination of the appropriate sources of funding for the Group, and potential uses of available funding. Arqit intends to use the net proceeds from the offering of such shares, if any, for general corporate purposes. In the year ended September 30, 2023, Arqit issued 7,814,459 shares under the ATM Program, generating proceeds to the Company before fees and expenses of approximately \$11.5 million.

In February 2023, Arqit completed a registered direct offering in which it sold 10,000,000 ordinary shares, together with warrants to purchase 7,500,000 ordinary shares (the “February 2023 Investor Warrants”) at a combined purchase price of \$2.00 per share and accompanying warrant, generating proceeds to the Company before fees and expenses of approximately \$20.0 million. The February 2023 Investor Warrants have an exercise price of \$2.00 per share, are currently exercisable and will expire on February 22, 2028. In addition, in connection with the February 2023 registered direct offering Arqit issued warrants to purchase 550,000 ordinary shares (the “February 2023 Placement Agent Warrants”) to H.C. Wainwright & Co., LLC or its designees. The February 2023 Placement Agent Warrants have an exercise price of \$2.50 per share, are currently exercisable and will expire on February 22, 2028.

In September 2023, Arqit completed a registered direct offering in which it sold 20,755,677 ordinary shares, together with warrants to purchase 20,755,677 ordinary shares (the “September 2023 Investor Warrants”) at a combined purchase price of \$0.78 per share and accompanying warrant, generating proceeds to the Company before fees and expenses of approximately \$16.2 million. The September 2023 Investor Warrants have an exercise price of \$0.78 per share, are currently exercisable and will expire on September 12, 2028. In addition, in connection with the September 2023 registered direct offering Arqit issued warrants to purchase 705,128 ordinary shares (the “September 2023 Placement Agent Warrants”) to H.C. Wainwright & Co., LLC or its designees. The September 2023 Placement Agent Warrants have an exercise price of \$0.975 per share, are currently exercisable and will expire on September 8, 2028. The September 2023 registered direct offering included the sale of 7,935,164 ordinary shares, together with 7,935,164 September 2023 Investor Warrants at a combined offering price of \$0.78 per ordinary share and accompanying warrant to existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria. Arqit director Manfredi Lefebvre d’Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is an Arqit director. See “Item 7.B. Related Party Transactions.”

### Cash Flows Summary

The following table shows a summary of Arqit’s cash flows for the years ended September 30, 2023 and 2022 and 2021.

	Year ended September 30, 2023	Year ended September 30, 2022	Year ended September 30, 2021
	\$'000	\$'000	\$'000
Net cash generated from/(used in):			
Operating activities	(32,825)	(26,719)	(24,035)
Investing activities	(16,082)	(24,432)	(9,305)
Financing activities	44,853	22,176	120,105
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,054)</b>	<b>(28,975)</b>	<b>86,765</b>

#### Cash Flows Used in Operating Activities

Cash flows used in operating activities to date have primarily resulted from personnel related costs, fluctuations in trade payables and other current assets and liabilities. As Arqit expects to continue to increase hiring in connection with further expansion of its commercial operations, it expects its cash used in operating activities to increase significantly before it starts to generate material cash flows from commercialization of its products.

During the year ended September 30, 2023 cash used in operating activities was \$32.825 million. The primary factors affecting operating cash flows during the period were a net loss of \$74.049 million and adjustments for non-cash items of \$37.708 million.

During the year ended September 30, 2022 cash used in operating activities was \$26.720 million. The primary factors affecting operating cash flows during the period were a net profit of \$53.408 million and adjustments for non-cash items of \$91.796 million.

During the year ended September 30, 2021 cash used in operating activities was \$24.035 million. The primary factors affecting operating cash flows during the period were a net loss of \$271.729 million, and adjustments for non-cash items of \$253.769 million.

Arqit’s non-cash items primarily consist of fair value movement on warrant valuation, listing service expense, share-based charges and depreciation, while movements in working capital are primarily driven by changes in trade and other payables.

#### Cash Flows Used in Investing Activities

Net cash used in investing activities was \$16.082 million for the year ended September 30, 2023, compared with \$24.432 million for the year ended September 30, 2022 and \$9.305 million for the year ended September 30, 2021. The year over year increase between 2021 and 2022 was primarily attributable to the costs incurred in the development of intangible fixed assets. The decrease in cash used in investing activities between 2022 and 2023 was as a result of lower capital expenditure on property, plant, and equipment and lower staff costs capitalized into the development of intangible fixed assets.

#### Cash Flows Generated from Financing Activities

Net cash generated from financing activities was \$44.853 million for the year ended September 30, 2023, compared with \$22.176 million for the year ended September 30, 2022 and \$120.105 million for the year ended September 30, 2021. Net cash provided by financing

activities for the year ended September 30, 2023 was primarily related to proceeds from the Company's issuance of shares under its ATM Program and in registered direct offerings in February 2023 and September 2023. Net cash provided by financing activities for the year ended September 30, 2022, was limited to proceeds from shares issued upon the exercise of Business Combination Warrants, and net cash provided by financing activities for the year ended September 30, 2021 was related to funds raised in connection with the Business Combination.

### **5.C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

Arqit's policy regarding research and development expenses is consistent with the requirements of IAS 38. Research costs are expensed as incurred through the income statement, while development costs are capitalized after technical and commercial feasibility of the asset for sale or use have been established. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

For the periods ended September 30, 2023, 2022 and 2021, there were no research costs reflected in the statement of comprehensive income. This is primarily due to the research phase being deemed as complete in 2018. For all periods presented, eligible costs have been treated as development costs and capitalized. As described in the "Risk Factors" section and elsewhere in this Annual Report, government regulations and policies can make developing or marketing our technologies expensive or uncertain due to various restrictions. See "Item 3. Key Information—3.D. Risk Factors" and "Item 4. Information on the Company—4.B. Business Overview—Government Regulation." For further information on our research and development policies and additional product information, see "Item 4. Information on the Company—4.B. Business Overview."

### **5.D. TREND INFORMATION**

Other than as described in Item 3.D. "Risk Factors" and in Item 5.A. "Operating Results—Key Factors Affecting Operating Results—Market Trends" of this Annual Report, which are incorporated by reference herein, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our year ended September 30, 2023 that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

### **5.E. CRITICAL ACCOUNTING ESTIMATES**

Arqit's financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. While significant accounting policies are described in more detail elsewhere in this Annual Report, management believes that the following accounting policies are those most critical to the judgments and estimates used in the preparation of its financial statements.

#### ***Warrants valuation***

Estimating the fair value of warrants requires a determination of the most appropriate valuation model, which depends on the terms and conditions of the warrant. This estimate also requires determination of the most appropriate inputs to the valuation model including equity value, exercise price, volatility, dividend yield, risk free rate and exercise period and making assumptions about them. For the measurement of the fair value of warrants at both the acquisition and the reporting date, Arqit uses a Binomial Option Pricing Model. The assumptions and models used for this estimation are disclosed in the notes to Arqit's audited consolidated financial statements.

#### ***Deemed Acquisition Cost***

A 'reverse acquisition' is a transaction in which the legal acquirer - i.e. the entity that issues the securities (listed entity) becomes the acquiree for accounting purposes and the legal acquiree becomes the acquirer for accounting purposes.

The reverse acquisition is accounted for under IFRS 2 (*Share-based Payments*) whereby the legal acquiree Arqit Limited is deemed to have issued shares in exchange for the net assets and listing status of Arqit. The deemed consideration is the fair value of the shares that Arqit Limited would have had to issue to Arqit to acquire the same percentage equity interest in the combined entity that results from the reverse acquisition.

The deemed acquisition cost is recognised in profit or loss and is the difference between the fair value of the deemed consideration and the fair value of the net assets acquired. It represents the premium paid for obtaining the public listing. Detail on the reverse acquisition of Arqit is disclosed in the notes to Arqit's audited consolidated financial statements.

### **Capitalization of Development Costs**

Arqit capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model, and all other recognition criteria within IAS 38 can be demonstrated. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At September 30, 2023, the carrying amount of capitalized development costs were \$3.414 million, compared with \$40.291 million at September 30, 2022 and \$18.235 million at September 30, 2021.

### **Share-Based Compensation**

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

Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of the grant and expensed over the vesting period, which is generally a one to five year service period. The compensation expense is adjusted based on actual forfeitures.

### **Deferred Tax Asset**

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, arising from unutilised tax losses, require Arqit to assess the likelihood it will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. To the extent that future cash flows and taxable income differ significantly from estimates, Arqit's ability to realise the net deferred tax assets recorded at the reporting date could be impacted.

### **Assets held for sale**

Arqit's management uses its professional judgement based on offers and commercial appraisal. As at September 30, 2023, assets held for sale are recognized at fair value less costs to sell. Judgement is required when estimating expected fair value until any sale is contractually concluded. Changes in the economic environment or other facts and circumstances may cause revisions to these assumptions and could result in a material change to the realizable value of Arqit's assets held for sale within the next financial year.

## **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

### **6.A. DIRECTORS AND SENIOR MANAGEMENT**

The following persons serve as Arqit's directors and executive officers. For biographical information concerning the directors and executive officers, see below.

<b>Name</b>	<b>Age</b>	<b>Position</b>
David Williams	54	Executive Chairman, Founder and Chief Executive Officer
David Bestwick	58	Co-Founder and Chief Technology Officer
Nick Pointon	53	Chief Financial Officer and Executive Director
Manfredi Lefebvre d'Ovidio	70	Senior Independent Director
Carlo Calabria	63	Director
Stephen Chandler	54	Director
Garth Ritchie	55	Director
Paul Feenan	50	Chief Revenue Officer
Dr. Daniel Shiu	54	Chief Cryptographer
Patrick Willcocks	55	General Counsel and Corporate Secretary

**David Williams** is the Founder, Chief Executive Officer and Chairman of the board of directors of Arqit. Prior to founding Arqit, from 2002 to 2017 Mr. Williams was the co-founder and CEO of Avanti Communications Group plc, which pioneered the use of Ka-band satellite communication. Mr. Williams also served as Founder Chairman of the Advisory Board of Seraphim Space Ventures, a \$100

million high technology venture capital firm based in London, which he initiated with UK Government support in 2014. Prior to this, Mr. Williams was an investment banker specializing in financing international telecom businesses. Mr. Williams holds a Bachelor of Arts (Honors) in Economics and Politics from the University of Leeds. He was granted the Queens Award for Export in 2015 and received the Quoted Company Entrepreneur of the Year in 2006.

**David Bestwick** is the Co-Founder and Chief Technology Officer of Arqit. Prior to co-founding Arqit, from 1996 to 2018 Mr. Bestwick was the Co-Founder and Chief Technology Officer of Avanti Communications Group plc, which pioneered the use of Ka-band satellite communication. Mr. Bestwick spent his early career at the Marconi Research Laboratory and VEGA Group plc, where he worked on the commercialization of Earth Observation satellite data. Mr. Bestwick also advised the European Space Agency on its telecommunications research strategy. He earned a Bachelor of Science (Honors) in Astrophysics from the University of Leicester.

**Nick Pointon** is the Chief Financial Officer and a member of the board of directors of Arqit. Prior to joining Arqit, from 2017 to 2021 Mr. Pointon was the Group CFO of Privitar, a venture capital-funded data privacy company, and from 2011 to 2016 was the Vice President of Finance at King Digital Entertainment plc, which listed on the NYSE prior to being bought by Activision Blizzard, Inc. Mr. Pointon has experience acting as Financial Controller in a number of private and public telecoms and technology businesses. Mr. Pointon holds an LLB in Law from Kings College London and trained as a Chartered Accountant with Moore Stephens before moving to KPMG for two years' post-qualification experience.

**Manfredi Lefebvre d'Ovidio** is Vice Chairman and senior independent director of Arqit. Mr. Lefebvre d'Ovidio is Chairman of Heritage Group, a diversified conglomerate with interests in the cruise industry, property and financial investments. Mr. Lefebvre d'Ovidio assumed the role of Executive Chairman of Silversea Cruises from 2001 until 2020. During this period, Mr. Lefebvre d'Ovidio transformed Silversea Cruises from a cruise line with five vessels to a market leader covering over 900 destinations worldwide. Further, he expanded the product range of Silversea Cruises by adding an expedition fleet, which quickly became a leader in luxury expedition cruising as well. In 2018, Heritage Group sold two-thirds equity stake of Silversea Cruises to Royal Caribbean Cruises Ltd. for approximately \$1 billion. In 2019, Heritage Group acquired a majority stake in the high-end tour operator Abercrombie & Kent. Manfredi Lefebvre d'Ovidio serves as Executive Chairman of A&K Travel Group Ltd, and has led the expansion of the group both internally and externally, notably with the acquisition of Cox & Kings and more recently (in June 2022) with the acquisition of the cruise ships Crystal Serenity and Crystal Symphony in addition to the Crystal Cruises brand. Mr. Lefebvre d'Ovidio serves as the Vice Chairman of the Monaco Chamber of Shipping, Vice Chairman of the World Travel and Tourism Council, and has held a number of key roles in Cruise Lines International Association, including European Chairman, Member of the Global Executive Committee, and Chairman from 2007 to 2013. Mr. Lefebvre d'Ovidio was honored by being awarded the rank of Knight of the Order of Saint Charles and Grimaldi by H.S.H. Prince Albert II of Monaco, and has been Honorary Consul of Ecuador in Monaco since April 2019.

**Carlo Calabria** is a member of the board of directors of Arqit. Mr. Calabria has close to four decades of experience in the financial services sector and has held multiple senior leadership positions at some of the world's largest financial institutions. In 2012, he founded CMC Capital Limited, an investment banking boutique specializing in mergers and acquisitions and debt restructuring, which he led until 2016, and then returned in 2021. Mr. Calabria is a mergers and acquisitions expert with vast experience across different sectors and regions. In 2016, he joined Barclays as Chairman of M&A and then served as Head of Banking for Barclays Europe from 2016 to 2020 and was responsible for investment banking activities in Continental Europe and Central and Eastern Europe, Middle East and Africa. Prior to joining Barclays, he served as Head of International M&A, first at Credit Suisse and then at Merrill Lynch from 2006 to 2011. Prior to this, Mr. Calabria worked at Credit Suisse from 1990 to 2006 and began his investment banking career at Morgan Grenfell & Co. Ltd in 1983. Mr. Calabria holds a Master of Arts (Honors) in Economics from Rome University, La Sapienza.

**Stephen Chandler** is a member of the board of directors of Arqit. Mr. Chandler is an entrepreneur, investor and company builder, with 20 years of experience in forming, funding, running, advising and investing in technology businesses. Mr. Chandler is a co-founder of several businesses with involvement in many more. Since 2009 he has been the Co-founder and Managing Partner at Notion Capital, a venture capital firm focused on Cloud Computing and Software-as-a-Service. Following an early career at Deloitte and then UBS, he was the Chief Financial Officer at MessageLabs, a cyber security company, through to its acquisition by Symantec in 2008. He is a current or former board director of several growing tech companies, including GoCardless, Griffin, Paddle, Pana seer, Novatiq and Virtual Stock. Mr. Chandler is a qualified Chartered Accountant and holds a Bachelor of Arts (Honors) in Accounting & Economics from the University of Exeter.

**Garth Ritchie** is a member of the board of directors of Arqit. Mr. Ritchie has over 25 years of experience in banking and finance where he has held a number of senior leadership positions. In 1996, Mr. Ritchie joined Deutsche Bank in the Johannesburg office and went on to become a member of the Global Markets Executive Committee in 2009 as Head of Equities. In January 2016, Mr. Ritchie was appointed to Deutsche Bank's Management Board with responsibility for Deutsche Bank's markets division. In 2017, he became Co-Head of the newly created Corporate & Investment Bank. In 2018, he became its sole Head and was appointed as President. In June 2020, Mr. Ritchie joined Centricus, a London-based global investment firm, where he leads the firm's capital markets and advisory business. Mr. Ritchie earned his B.Com. in Finance and Economics from the University of Port Elizabeth.

**Paul Feenan** has served as the Chief Revenue Officer of Arqit since April 2021. Prior to this, Mr. Feenan was the Managing Director for Global Institutional Sales at Arqit since April 2020. Mr. Feenan was previously the Director for Strategic Partnerships at JUMO, a Cape Town headquartered, global financial technology company, from 2016 to 2020. Mr. Feenan was the Director for Government Services at Avanti Communications Group plc from 2012 to 2016. Prior to this, Mr. Feenan was a commissioned British Army Officer where he served for over 16 years in a variety of Command and Operational roles including as the lead for Domestic Counterterrorism in the run-up to the 2012 London Olympic Games. He has a Master of Arts (Honors) Degree in Geography from the University of Cambridge.

**Dr. Daniel Shiu** has served as the Chief Cryptographer of Arqit since 2021. Prior to joining Arqit, Dr. Shiu worked for the UK's intelligence, cyber and security agency GCHQ for 19 years. He was the UK's first National Technical Authority for Cryptographic Design and Quantum Information Processing and was part of the National Technical Authority function, assumed by the new National Cyber Security Centre (NCSC). He was responsible for briefing the Government's Chief Scientific Adviser in Crypto mathematical matters. Dr. Shiu also served as Head of the Heilbronn Institute for Mathematical Research (HIMR) and represented GCHQ in co-directing the National Quantum Technologies Program. In 2023, Daniel Shiu was elected to the National Security Committee of the techUK trade body for which he undertakes duties for the sovereign skills subgroup. Throughout his career, Dr. Shiu's has received multiple prizes, including an international, annual award for best crypto-mathematician and on three separate occasions an international award for the best cryptanalytic achievement of the year. He has a BSc (Honors) and ARCS in Mathematics from Imperial College London, and a DPhil in Mathematics from the University of Oxford (Pembroke College).

**Patrick Willcocks** is General Counsel and Corporate Secretary of Arqit. Prior to joining Arqit, Mr. Willcocks ran a legal consultancy. From 2009 to 2018, Mr. Willcocks was General Counsel and Company Secretary of Avanti Communications Group plc. Prior to this, Patrick was a senior attorney at HP/EDS, a banking and financing solicitor at Eversheds Sutherland, and an investment banker at a number of international banks. Patrick has an LLB (Honors) Degree in Law from Trinity College Dublin, a Barrister-at-Law degree from the Honorable Society of King's Inns in Dublin, and a Masters in Business Studies (Strategic Planning) and a Diploma in Business Studies from UCD Business School.

#### **Family Relationships**

There are no family relationships between any of the executive officers and directors.

### **6.B. COMPENSATION**

#### **Historical Executive Officer and Director Compensation**

The aggregate cash compensation paid by Arqit and its subsidiaries to its executive officers and directors for the year ended September 30, 2023 was \$3,056,583. This amount includes \$112,275, set aside or accrued to provide pension, severance, retirement or similar benefits or expenses.

As of September 30, 2023, 1,519,980 options to purchase ordinary shares and 1,474,953 RSUs had been granted to Arqit's executive officers and directors. During the year ended September 30, 2023, 422,463 shares were issued to Arqit's executive officers and directors in connection with the vesting of RSUs, and 76,772 options granted to Arqit's executive officers and directors vested.

#### **Executive Officer and Director Compensation**

Arqit's policies with respect to the compensation of its executive officers and directors are administered by its board of directors in consultation with the compensation committee. The compensation decisions regarding Arqit's executives is based on the need to attract individuals with the skills necessary for the company to achieve its business plan, to reward those individuals fairly over time, and to retain those individuals who continue to perform at or above the company's expectations.

Arqit has an executive compensation program that is competitive with other similarly-situated companies in its industry. This includes a base salary, cash annual bonus and long-term equity compensation awards that are, in each case, consistent with market practices and designed to incentivize, motivate and retain key employees. Each of Arqit's executive officers and employees is party to an employment agreement with Arqit, all of which are in substantially the same form. Under their respective agreements, each executive officer and employee is compensated with an annual base salary and most are also eligible for an annual discretionary bonus. In addition, each executive officer and employee is subject to a perpetual confidentiality covenant, and non-competition and non-solicitation restrictive covenants during the term of employment and for a period of three to twelve months after the termination of employment. Each of the agreements also includes agreement by the executive officer or employee to assign all intellectual property rights created during the course of employment to Arqit. The agreements include a notice period of one week to one month if either Arqit or the executive officer

or employee wishes to terminate the agreement, other than for cause, in which case termination is effective immediately. Arqit may provide payment in lieu of such notice or may require the executive officer or employee to be placed on garden leave.

Arqit has a compensation plan for its directors. Arqit, working with the compensation committee, has set director compensation at a level comparable with those directors with similar positions at comparable companies. Each non-executive director receives an annual cash retainer of \$60,000. Each director who serves as the chairman of a committee receives an additional \$20,000 per year and each other member of a committee receives an additional \$10,000 per year per committee. Directors have the option to elect to receive their cash compensation in the form of either cash or RSUs. In addition, directors will benefit from an annual grant of 15,000 RSUs which will be awarded in accordance with Arqit's incentive award plan.

#### *Equity Compensation — Incentive Award Plan*

Arqit's board of directors adopted an incentive award plan (the "Incentive Award Plan") in order to facilitate the grant of cash and equity incentives to its directors, employees (including executive officers) and consultants and its affiliates and to enable it and certain of its affiliates to obtain and retain services of these individuals, which is essential to Arqit's long-term success.

The purpose of the Incentive Award Plan is to enhance Arqit's ability to attract, retain and motivate persons who make (or are expected to make) important contributions by providing these individuals with equity ownership opportunities and/or equity-linked compensatory opportunities. Equity awards and equity-linked compensatory opportunities are intended to motivate high levels of performance and align the interests of directors, employees and consultants with those of stockholders by giving directors, employees and consultants the perspective of an owner with an equity or equity-linked stake in the company and providing a means of recognizing their contributions to our success. Arqit's board of directors believes that equity awards are necessary to remain competitive in its industry and are essential to recruiting and retaining the highly qualified employees who help us meet our goals.

The aggregate number of ordinary shares available for issuance under the Incentive Award Plan, excluding awards granted, is equal to 8.4% of the sum of the total number of issued and outstanding ordinary shares as of November 17, 2023, which equals an aggregate pool of 17.4 million ordinary shares. Prior to the completion of the Business Combination, Arqit Limited granted options over Arqit Limited ordinary shares to its employees, consultants and advisors. The holders of each of these options agreed to exchange these options for equivalent options to acquire ordinary shares, 6,303,402 of which remain outstanding as of September 30, 2023, which were issued under amended option agreements with terms consistent with the Incentive Award Plan. In addition, 2,784,610 restricted shares units (net of forfeitures) were granted during the year ended September 30, 2023, leaving 3,966,134 ordinary shares available for issuance in respect of future grants of awards under the Incentive Award Plan. The compensation committee may make grants of awards under the Incentive Award Plan to key employees, in forms and amounts to be determined by the compensation committee based on the recommendations of an independent compensation consultant.

## **6.C. BOARD PRACTICES**

### **Board Composition**

#### **Director Independence**

The Nasdaq corporate governance rules require that a majority of the board of directors be independent. An "independent director" is defined generally as a person who has no material relationship with the listed company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the listed company). Arqit has six directors, four of whom – directors Calabria, Chandler, d'Ovidio, and Ritchie – the board has determined qualify as independent directors as defined in the Nasdaq corporate governance rules.

#### **Classes of Directors**

The board of directors is divided into three staggered classes of directors. At each annual meeting of its shareholders, a class of directors will be elected for a three-year term to succeed the same class whose term is then expiring, as follows:

- the Class I director is Stephen Chandler;
- the Class II directors include Nick Pointon and Carlo Calabria;  
and
- the Class III directors include David Williams, Manfredi Lefebvre d'Ovidio and Garth Ritchie.

## **Risk Oversight**

The board of directors oversees the risk management activities designed and implemented by its management. The board of directors executes its oversight responsibility both directly and through its committees. The board of directors also considers specific risk topics, including risks associated with its strategic initiatives, business plans and capital structure. Arqit's management, including its executive officers, are primarily responsible for managing the risks associated with the operation and business of the company and provides appropriate updates to the board of directors and the audit committee. The board of directors delegates to the audit committee oversight of its risk management process, and its other committees also consider risk as they perform their respective committee responsibilities. All committees report to the board of directors as appropriate, including when a matter rises to the level of material or enterprise risk.

## **Committees of the Board of Directors**

Arqit has established a separately standing audit committee, nominations and corporate governance committee and compensation committee.

### **Audit Committee**

#### *Listing Requirements*

As permitted by Nasdaq Listing Rules, we have elected as a "foreign private issuer" to follow home country corporate governance practices with respect to our audit committee composition in lieu of the otherwise applicable Nasdaq corporate governance requirements. Under Nasdaq corporate governance rules, we are still required to maintain an audit committee consisting of independent directors.

The audit committee is comprised of Stephen Chandler and Garth Ritchie. Stephen Chandler serves as the chairperson of the audit committee. All members of the audit committee meet the requirements for financial literacy under the applicable rules and regulations of the SEC and the Nasdaq corporate governance rules. The board of directors has determined that Stephen Chandler is an audit committee financial expert as defined by the SEC rules and is financially literate as defined by Nasdaq corporate governance rules.

The board of directors has determined that each member of the audit committee is independent, as such term is defined in Rule 10A3(b)(1) under the Exchange Act, which is different from the general test for independence of board and committee members.

#### *Audit Committee Role*

The board of directors adopted an audit committee charter setting forth the responsibilities of the audit committee, which are consistent with the SEC rules and Nasdaq corporate governance rules. These responsibilities include:

- retaining and terminating our independent auditors, subject to ratification by the board of directors, and in the case of retention, subject to ratification by the shareholders;
- pre-approving audit and non-audit services to be provided by the independent auditors and related fees and terms;
- overseeing the accounting and financial reporting processes of Arqit;
- managing audits of Arqit's financial statements;
- preparing all reports as may be required of an audit committee under the rules and regulations promulgated under the Exchange Act;
- reviewing with management and Arqit's independent auditor its annual and interim financial statements prior to publication, filing, or submission to the SEC;
- recommending to the board of directors the retention and termination of the internal auditor, and the internal auditor's engagement fees and terms, as well as approving the yearly or periodic work plan proposed by the internal auditor;
- reviewing with Arqit's general counsel and/or external counsel, as deemed necessary, legal and regulatory matters that may have a material impact on the financial statements;
- identifying irregularities in Arqit's business administration, inter alia, by consulting with the internal auditor or with the independent auditor, and suggesting corrective measures to the board of directors;

- reviewing policies and procedures with respect to transactions (other than transactions related to compensation or terms of services) between Arqit and its officers and directors, affiliates of officers or directors, or transactions that are not in the ordinary course of business and deciding whether to approve such acts and transactions; and
- establishing procedures for handling employee complaints relating to the management of Arqit's business and the protection to be provided to such employees.

#### **Nominations and Corporate Governance Committee**

Arqit's nominations and corporate governance committee is comprised of Manfredi Lefebvre d'Ovidio and Carlo Calabria. Manfredi Lefebvre d'Ovidio serves as the chairperson of the nominations and corporate governance committee. The board of directors adopted a nominations and corporate governance committee charter setting forth the responsibilities of the committee, which include:

- overseeing and assisting the board of directors in reviewing and recommending nominees for election of directors;
- assessing the performance of the members of the board of directors; and
- establishing and maintaining effective corporate governance policies and practices, including, but not limited to, developing and recommending to the board of directors a set of corporate governance guidelines applicable to Arqit's business.

#### **Compensation Committee**

Arqit's compensation committee is comprised of Garth Ritchie and Carlo Calabria, all of whom are independent directors. Carlo Calabria serves as the chairperson of the compensation committee. The board of directors adopted a compensation committee charter setting forth the responsibilities of the committee.

The purpose of the compensation committee is to review and approve compensation paid to our officers and directors and to administer our incentive compensation plans, including authority to make and modify awards under such plans.

#### **Code of Ethics**

Arqit has a Code of Ethics that applies to all of its employees, officers, and directors. This includes Arqit's principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. Arqit will disclose on its website any future amendments of the Code of Ethics or waivers that exempt any principal executive officer, principal financial officer, principal accounting officer or controller, persons performing similar functions, or directors from provisions in the Code of Ethics.

#### **Compensation Recovery Policy**

We have adopted a compensation recovery policy to provide for the recovery of erroneously-awarded incentive compensation, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, final SEC rules and applicable listing standards.

#### **Limitation on Liability and Indemnification of Officers and Directors**

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against willful default, fraud or the consequences of committing a crime. The amended and restated memorandum and articles of association provide for indemnification of Arqit's officers and directors to the maximum extent permitted by law, including for any liability incurred in their capacities as such, except through their own actual fraud, willful default or willful neglect. In addition, Arqit entered into indemnification agreements with each of its executive officers and directors. The indemnification agreements provide the indemnitees with contractual rights to indemnification, and expense advancement and reimbursement, to the fullest extent permitted under Cayman Islands law, subject to certain exceptions contained in those agreements. Arqit has a policy of directors' and officers' liability insurance that insures Arqit's officers and directors against the cost of defense, settlement or payment of a judgment in some circumstances and insures Arqit against its obligations to indemnify its officers and directors.

These indemnification obligations may discourage shareholders from bringing a lawsuit against Arqit's officers or directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against Arqit's officers and directors, even though such an action, if successful, might otherwise benefit Arqit and its shareholders. Furthermore, a

shareholder's investment may be adversely affected to the extent Arqit pays the costs of settlement and damage awards against its officers and directors pursuant to these indemnification provisions.

Arqit believes that these provisions, the insurance and the indemnity agreements are necessary to attract and retain talented and experienced officers and directors.

#### **6.D. EMPLOYEES**

As of September 30, 2023, Arqit had 139 full-time employees based in the UK and 8 full-time employees based in the US, a majority of which are engaged in research and development and related functions. Arqit is highly dependent on human capital and a strong leadership team. It aims to attract, retain and develop staff with the skills, experience and potential necessary to implement its growth strategy.

#### **6.E. SHARE OWNERSHIP**

For information regarding the share ownership of directors and officers, see Item 7.A. *“Major Shareholders and Related Party Transactions—Major Shareholders.”* For information as to our equity incentive plans, see Item 6.B. *“Director, Senior Management and Employees—Executive Officer and Director Compensation—Equity Compensation—Incentive Award Plan.”*

#### **6.F. DISCLOSURE OF A REGISTRANT'S ACTION TO RECOVER ERRONEOUSLY AWARDED COMPENSATION**

Not applicable.

### **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

#### **7.A. MAJOR SHAREHOLDERS**

The following table sets forth information regarding the beneficial ownership of the Company as of November 17, 2023, by:

- each beneficial owner of more than 5% of the outstanding the Company's Ordinary Shares;
- each executive officer or a director of the Company; and
- all of the Company's executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days.

Each Company ordinary share will entitle the holder to one vote.

Beneficial ownership percentages are based on a total of 207,388,051 ordinary shares, which includes (i) 164,071,365 ordinary shares issued and outstanding as of November 17, 2023, (ii) 13,038,904 Business Combination Warrants, (iii) 7,500,000 February 2023 Investor Warrants, (iv) 550,000 February 2023 Placement Agent Warrants, (v) 20,755,677 September 2023 Investor Warrants, (vi) 705,128 September 2023 Placement Agent Warrants (vii) a total of 766,977 restricted share unit and option grants that are due to vest within 60 days of November 17, 2023. All of the Company's outstanding warrants are currently exercisable.

	Number of Ordinary Shares	Approximate Percentage of Outstanding Ordinary Shares
<b>Five Percent Holders:</b>		
D2BW Limited <sup>(1)</sup>	30,322,651	14.6 %
David Williams <sup>(2)</sup>	43,765,319	21.1 %
David Bestwick <sup>(2)</sup>	37,777,116	18.2 %
Ropemaker Nominees Limited <sup>(3)</sup>	20,011,538	9.6 %
Heritage Assets SCSp, <sup>(4)</sup>	29,458,178	14.2 %
<b>Directors and Executive Officers<sup>(5)</sup></b>		
David Williams <sup>(2)</sup>	43,765,319	21.1 %
David Bestwick <sup>(2)</sup>	37,777,116	18.2 %
Nick Pointon	*	*
Carlo Calabria <sup>(6)</sup>	2,967,076	1.4 %
Stephen Chandler	*	*
Manfredi Lefebvre d'Ovidio <sup>(4)</sup>	29,469,428	14.2 %
Garth Ritchie	158,522	*
Paul Feenan	*	*
Dr. Daniel Shiu	*	*
Patrick Willcocks	*	*
<i>All directors and executive officers of the Company as a group.</i>	84,422,701	40.7 %

\* Less than 1.0%.

- (1) The business address for D2BW Limited is Nova North, 7 Floor, 11 Bressenden Place, London SW1E 5BY, United Kingdom. David Williams and David Bestwick are the beneficial owners of D2BW Limited, and have shared investment and voting power over the shares held by D2BW Limited.
- (2) The business address for each of David Williams and David Bestwick is Nova North, 7 Floor, 11 Bressenden Place, London SW1E 5BY, United Kingdom. Includes 30,322,651 shares held by D2BW Limited and 1,000,000 shares held by the Williams and Bestwick Foundation, of which David Williams and David Bestwick are the beneficial owners and have shared investment and voting power.
- (3) The business address for Ropemaker Nominees Limited is 91 Wimpole Street, London W1G 0EF, United Kingdom. Notion Capital Managers LLP has sole investment and voting power over Ropemaker Nominees Limited's shares. The investment decisions of Notion Capital Managers LLP are made by the majority vote of an investment committee comprised of five members, including Stephen Chandler. Under the so-called "rule of three," if voting and dispositive decisions regarding an entity's securities are made by three or more individuals, and a voting or dispositive decision requires the approval of at least a majority of those individuals, then none of the individuals is deemed a beneficial owner of the entity's securities. Based upon the foregoing analysis, no individual member of the investment committee of Notion Capital Managers LLP exercises voting or dispositive control over any of the securities over which it holds sole investment and voting power. Accordingly, Mr. Chandler is not deemed to have or share beneficial ownership of such shares. Includes 1,909,522 September 2023 Investor Warrants that are currently exercisable.
- (4) The business address for Heritage Assets SCSP is c/o Heritage Services SAM Attn: Cristina Levis, 7 Rue Du Gabian, 98000, Monaco. Includes (1) 11,653,049 shares, 6,266,667 Business Combination Warrants and 5,769,231 September 2023 Investor Warrants that are currently exercisable and held by Heritage Assets SCSP, over which Mr. Lefebvre d'Ovidio has sole investment and voting power, and (2) 11,250 shares held by Mr. Lefebvre d'Ovidio in his individual capacity.
- (5) The business address for each of the directors and executive officers of the Company is Nova North, 7 Floor, 11 Bressenden Place, London SW1E 5BY, United Kingdom.
- (6) Includes 256,411 September 2023 Investor Warrants that are currently exercisable.

**Registered Holders**

Based on a review of the information provided to us by our transfer agent, as of November 17, 2023, we had approximately 46 shareholders of record of our ordinary shares. We estimate that as of November 17, 2023, approximately 36.4% of our outstanding ordinary shares are held by two U.S. record holders. The actual number of shareholders is greater than this number of record holders

and includes shareholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include shareholders whose shares may be held in trust or by other entities.

## **7.B. RELATED PARTY TRANSACTIONS**

### **September 2023 Registered Direct Offering**

On September 12, 2023 the Company completed a registered direct offering of its ordinary shares and warrants to purchase ordinary shares, in which Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria purchased 7,935,164 ordinary shares, together with warrants to purchase up to 7,935,164 ordinary shares at a combined offering price of \$0.78 per ordinary share and accompanying warrant. Company director Manfredi Lefebvre d'Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is a director of the Company. The September 2023 Investor Warrants are currently exercisable at an exercise price of \$0.78 per share.

### **Registration Rights Agreement**

On September 3, 2021, Arqit, Centricus Heritage LLC, Adam M. Aron, Nicholas Taylor, the shareholders of Arqit Limited prior to the completion of the Business Combination and Heritage Assets SCSP entered into the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, among other things, subject to certain requirements and customary conditions, including with regard to the number of demand rights that may be exercised, the Holders (as defined therein) may demand at any time or from time to time, that Arqit file a registration statement with the SEC to register the securities of Arqit held by such Holders. The Registration Rights Agreement also (i) provides the Holders with “piggy-back” registration rights, subject to certain requirements and customary conditions, and (ii) terminated the registration and shareholder rights agreement, dated as of February 3, 2021, among Centricus Acquisition Corp., Centricus Heritage LLC and the other “Holders” named therein.

## **7.C. INTERESTS OF EXPERTS AND COUNSEL**

Not Applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **8.A. COMBINED STATEMENTS AND OTHER FINANCIAL INFORMATION**

#### **Combined Financial Statements**

See Item 18. “Financial Statements”.

## **Legal Proceedings**

From time to time, Arqit may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Arqit is not currently a party to any legal proceedings, the outcome of which, if determined adversely to it, would individually or in the aggregate have a material adverse effect on its business or financial condition.

On or around May 6, 2022, a putative class action lawsuit was filed against Arqit and certain of Arqit's directors in the United States District Court for the Eastern District of New York (Case No. 1:22-cv-02604), asserting violations of federal securities laws under Sections 10(b), 14(a) and 20(a) of the Exchange Act (the "Federal Complaint"). The Federal Complaint generally alleges that Arqit and individual defendants made materially false and misleading statements relating to Arqit's business prospects and projections. On September 8, 2023, the lead plaintiffs filed an amended version of the complaint (the "Federal Complaint"), which alleges the same general theory as the original complaint and asserts claims under Sections 10(b), 14(a), and 20(a) and Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the "Securities Act"). On November 15, 2023, the court set a briefing schedule which requires the defendants to file their motion to dismiss by January 12, 2024. The lead plaintiffs' response to the motion to dismiss is due on March 12, 2024, and defendants' reply is due on April 26, 2024.

Similarly, on April 18, 2023, a putative class action was filed against Arqit and certain of its directors in the Supreme Court of the State of New York (Index No. 153555/2023) (the "State Court Action"). The State Court Action is based on nearly identical allegations as the Federal Complaint, and asserts claims under Sections 11, 12(a)(2), and 15 of the Securities Act. On October 2, 2023, the plaintiff filed an amended complaint, asserting the same causes of action as in the original state court complaint. On November 1, 2023, Defendants filed a motion to stay the State Court Action pending resolution of the federal action. The plaintiff's response to the motion to stay is due on December 1, 2023.

Arqit believes it has strong defenses and intends to vigorously defend against the nearly identical claims in both the Federal Complaint and the State Court Action. The proceedings are subject to uncertainties inherent in the litigation process. Arqit cannot predict the outcome of this matter or estimate the possible loss or range of possible loss, if any.

Arqit is also cooperating with an SEC investigation relating to the business combination between Arqit and Centricus Acquisition Corp., including by voluntarily producing documents. The SEC has informed Arqit that this is a fact-finding inquiry.

## **Dividend Policy**

We have not paid any cash dividends on our ordinary shares to date. Our board of directors will consider whether or not to institute a dividend policy. It is presently intended that we will retain our earnings for use in business operations and, accordingly, it is not anticipated that our board of directors will declare dividends in the foreseeable future.

## **8.B. SIGNIFICANT CHANGES**

We have not experienced any significant changes since the date of our audited annual consolidated financial statements included in this Annual Report.

## **ITEM 9. THE OFFER AND LISTING**

### **9.A. OFFER AND LISTING DETAILS**

Our ordinary shares and Business Combination Warrants are listed on The Nasdaq Capital Market under the symbols "ARQQ" and "ARQQW", respectively.

### **9.B. PLAN OF DISTRIBUTION**

Not Applicable.

### **9.C. MARKETS**

Our ordinary shares and Business Combination Warrants are listed on The Nasdaq Capital Market under the symbols "ARQQ" and "ARQQW", respectively.

### **9.D. SELLING SHAREHOLDERS**

Not Applicable.

**9.E. DILUTION**

Not Applicable.

**9.F. EXPENSES OF THE ISSUE**

Not Applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**10.A. SHARE CAPITAL**

Not Applicable.

**10.B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

The following description of the material terms of the securities of the Company includes a summary of specified provisions of the Articles. This description is qualified by reference to the Articles, which are attached as Exhibit 1.1 to this Annual Report.

The Company is a Cayman Islands exempted company (company number 374857) and its affairs are governed by the Articles, the Cayman Companies Act and the common law of the Cayman Islands. The Company is authorized to issue 469,000,001 ordinary shares, \$0.0001 par value each and 30,999,999 preference shares, \$0.0001 par value each. The Company currently has only one class of issued ordinary shares, which have identical rights in all respects and rank equally with one another.

**New Ordinary Shares**

Holders of ordinary shares are entitled to one vote for each share held of record on all matters to be voted on by shareholders.

There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

Holders of ordinary shares do not have any conversion, preemptive or other subscription rights and there is no sinking fund or redemption provisions applicable to the ordinary shares.

**Dividends**

Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of the board of directors and will depend upon such factors as earnings levels, capital requirements, contractual restrictions, the Company's overall financial condition, available distributable reserves and any other factors deemed relevant by the board of directors.

**Liquidation**

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings.

**Differences in Company Law**

Cayman Islands companies are governed by the Cayman Companies Act. The Cayman Companies Act is modelled on English Law but does not follow recent English Law statutory enactments and differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the material differences between the provisions of the Cayman Companies Act applicable to the Company and the laws applicable to companies incorporated in the United States and their shareholders.

**Mergers and Similar Arrangements**

In certain circumstances, the Cayman Companies Act allows for mergers or consolidations between two Cayman Islands companies, or between a Cayman Islands exempted company and a company incorporated in another jurisdiction (*provided* that is facilitated by the laws of that other jurisdiction).

Where the merger or consolidation is between two Cayman Islands companies, the directors of each company must approve a written plan of merger or consolidation containing certain prescribed information. That plan or merger or consolidation must then be authorized by either (a) a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of the shareholders of

each company; and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. No shareholder resolution is required for a merger between a parent company (i.e., a company that owns at least 90% of the issued shares of each class in a subsidiary company) and its subsidiary company.

The consent of each holder of a fixed or floating security interest of a constituent company must be obtained, unless the court waives such requirement. If the Registrar of Companies of the Cayman Islands is satisfied that the requirements of the Cayman Companies Act (which includes certain other formalities) have been complied with, the Registrar of Companies of the Cayman Islands will register the plan of merger or consolidation.

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidation is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

Where the above procedures are adopted, the Cayman Companies Act provides for a right of dissenting shareholders to be paid a payment of the fair value of their shares upon their dissenting to the merger or consolidation if they follow a prescribed procedure. In essence, that procedure is as follows: (a) the shareholder must give his written objection to the merger or consolidation to the constituent company before the vote on the merger or consolidation, including a statement that the shareholder proposes to demand payment for his shares if the merger or consolidation is authorized by the vote; (b) within 20 days following the date on which the merger or consolidation is approved by the shareholders, the constituent company must give written notice to each shareholder who made a written objection; (c) a shareholder must within 20 days following receipt of such notice from the constituent company, give the constituent company a written notice of his intention to dissent including, among other details, a demand for payment of the fair value of his shares; (d) within seven days following the date of the expiration of the period set out in paragraph (b) above or seven days following the date on which the plan of merger or consolidation is filed, whichever is later, the constituent company, the surviving company or the consolidated company must make a written offer to each dissenting shareholder to purchase his shares at a price that the company determines is the fair value and if the company and the shareholder agree the price within 30 days following the date on which the offer was made, the company must pay the shareholder such amount; and (e) if the company and the shareholder fail to agree a price within such 30 day period, within 20 days following the date on which such 30 day period expires, the company (and any dissenting shareholder) must file a petition with the Cayman Islands courts to determine the fair value and such petition must be accompanied by a list of the names and addresses of the dissenting shareholders with whom agreements as to the fair value of their shares have not been reached by the company. At the hearing of that petition, the court has the power to determine the fair value of the shares together with a fair rate of interest, if any, to be paid by the company upon the amount determined to be the fair value. Any dissenting shareholder whose name appears on the list filed by the company may participate fully in all proceedings until the determination of fair value is reached. These rights of a dissenting shareholder are not available in certain circumstances, for example, to dissenters holding shares of any class in respect of which an open market exists on a recognized stock exchange or recognized interdealer quotation system at the relevant date or where the consideration for such shares to be contributed are shares of any company listed on a national securities exchange or shares of the surviving or consolidated company.

Moreover, Cayman Islands law has separate statutory provisions that facilitate the reconstruction or amalgamation of companies in certain circumstances, schemes of arrangement will generally be more suited for complex mergers or other transactions involving widely held companies, commonly referred to in the Cayman Islands as a “scheme of arrangement” which may be tantamount to a merger. In the event that a merger was sought pursuant to a scheme of arrangement (the procedures for which are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States), the arrangement in question must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at an annual general meeting, or extraordinary general meeting summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Cayman Islands courts. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act or that would amount to a “fraud on the minority.”

If a scheme of arrangement or takeover offer (as described below) is approved, any dissenting shareholder would have no rights comparable to appraisal rights (providing rights to receive payment in cash for the judicially determined value of the shares), which would otherwise ordinarily be available to dissenting shareholders of United States corporations.

#### **Squeeze-out Provisions**

When a takeover offer is made and accepted by holders of 90% of the shares to whom the offer relates within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Cayman Islands courts, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Further, transactions similar to a merger, reconstruction and/or an amalgamation may in some circumstances be achieved through means other than these statutory provisions, such as a share capital exchange, asset acquisition or control, or through contractual arrangements of an operating business.

#### **Shareholders’ Suits**

Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, we will be the proper plaintiff in any claim based on a breach of duty owed to us, and a claim against (for example) our officers or directors usually may not be brought by a shareholder. However, based both on Cayman Islands authorities and on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

#### **Enforcement of Civil Liabilities**

The Cayman Islands has a different body of securities laws as compared to the United States and provides less protection to investors. Additionally, Cayman Islands companies may not have standing to sue before the Federal courts of the United States.

We have been advised by Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

#### **Special Considerations for Exempted Companies**

We are an exempted company with limited liability under the Cayman Companies Act. The Cayman Companies Act distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with no par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 200 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“*Limited liability*” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

#### **Indemnification of Directors and Executive Officers and Limitation of Liability**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against willful default, willful neglect, civil fraud or the consequences of committing a crime. The Articles permit indemnification of officers and directors for any liability, action, proceeding, claim, demand, costs damages or expenses, including legal expenses, incurred in their capacities as such unless such liability (if any) arises from actual fraud, willful neglect or willful default which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in the Articles.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

### **Anti-Takeover Provisions in the Articles**

Some provisions of the Articles may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under the Articles for a proper purpose and for what they believe in good faith to be in the best interests of our company.

### **Directors' Fiduciary Duties**

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself or herself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction.

The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Under Cayman Islands law, directors and officers owe the following fiduciary duties:

- duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole;
- duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- directors should not improperly fetter the exercise of future discretion;
- duty to exercise powers fairly as between different sections of shareholders;
- duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and
- duty to exercise independent judgment.

In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience of that director.

As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way of permission granted in the amended and restated memorandum and articles of association or alternatively by shareholder approval at general meetings.

### **Shareholder Action by Written Consent**

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Articles provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

### **Shareholder Proposals**

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Act provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Articles do not permit our shareholders to requisition either an annual general meeting or an extraordinary general meeting, or to put forth a proposal at a general meeting. As a Cayman Islands exempted company, we are not obliged by law to call annual general meetings.

### **Cumulative Voting**

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, the Articles do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

### **Removal of Directors**

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Articles, directors may be removed only for cause by a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of our shareholders. A director will also cease to be a director if he or she (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) the director absents himself or herself (for the avoidance of doubt, without being represented by proxy) from three consecutive meetings of the board of directors without special leave of absence from the directors, and the directors pass a resolution that he or she has by reason of such absence vacated office; or (v) all of the other directors (being not less than two in number) determine that he or she should be removed as a director for "Cause" (i.e., a conviction for a criminal offence involving dishonesty or engaging in conduct which brings a director or the Company into disrepute or which results in a material financial detriment to the Company) (and not otherwise), either by a resolution passed by all of the other directors at a meeting of the directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other directors.

### **Transactions with Interested Shareholders**

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute under its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

### **Dissolution; Winding Up**

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Articles, if the Company is wound up, the liquidator of our company may distribute the assets with the sanction of an ordinary resolution of the shareholders and any other sanction required by law.

### **Variation of Rights of Shares**

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

Under the Articles, if our share capital is divided into more than one class of shares, the rights attached to any such class may, whether or not the Company is being wound up, be varied without the consent of the holders of the issued shares of that class where such variation is considered by the directors not to have a material adverse effect upon such rights; otherwise, any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued shares of that class or with the approval of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the shares of that class.

### **Amendment of Governing Documents**

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote on the matter, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, the Articles may only be amended by a special resolution of the shareholders.

### **Rights of Non-Resident or Foreign Shareholders**

There are no limitations imposed by the Articles on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in the Articles governing the ownership threshold above which shareholder ownership must be disclosed.

### **Directors' Power to Issue Shares**

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, or other rights or restrictions.

### **Inspection of Books**

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares have no general right under Cayman Islands law to inspect or obtain copies of our register of members or our corporate records.

## **Directors**

### **Appointment and Removal**

The Directors are divided into three classes designated as Class I, Class II and Class III, respectively. Directors were assigned to each class in accordance with a resolution or resolutions adopted by the board of Directors. At the 2024 annual general meeting of the Company, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years. At the 2025 annual general meeting of the Company, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years. At the 2026 annual general meeting of the Company, the term of office of the Class II Directors shall be elected for a full term of three years. At each succeeding annual general meeting of the Company, Directors shall be elected for a full term of three years to succeed the Directors of the class whose terms expire at such annual general meeting.

Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his term, until his successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

There is no cumulative voting with respect to the appointment of directors.

An ordinary resolution under Cayman Islands law, which requires the affirmative vote of a majority of the shareholders who attend and vote at a general meeting of the company, is required to elect a director.

The office of a Director shall be vacated if all of the other Directors (being not less than two in number) determine that he or she should be removed as a Director for Cause (and not otherwise) (as such term is defined in our amended and restated memorandum and articles of association), either by a resolution passed by all of the other Directors at a meeting of the Directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other Directors.

### **Enforceability of Civil Liability under Cayman Islands Law**

The Company has been advised by Maples and Calder (Cayman) LLP, its Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize, or enforce against the Company, judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against the Company predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. There is recent Privy Council authority (which is binding on the Cayman Islands court) in the context of a reorganization plan approved by the New York Bankruptcy Court which suggests that due to the universal nature of bankruptcy/insolvency proceedings, foreign money judgments obtained in foreign bankruptcy/insolvency proceedings may be enforced without applying the principles outlined above. However, a more recent English Supreme Court authority (which is highly persuasive but not binding on the Cayman Islands court), has expressly rejected that approach in the context of a default judgment obtained in an adversary proceeding brought in the New York Bankruptcy Court by the receivers of the bankruptcy debtor against a third party, and which would not have been enforceable upon the application of the traditional common law principles summarized above and held that foreign money judgments obtained in bankruptcy/insolvency proceedings should be enforced by applying the principles set out above, and not by the simple exercise of the Courts' discretion. Those cases have now been considered by the Cayman Islands court. The Cayman Islands court was not asked to consider the specific question of whether a judgment of a bankruptcy court in an adversary proceeding would be enforceable in the Cayman Islands, but it did endorse the need for active assistance of overseas bankruptcy proceedings. We understand that the Cayman Islands court's decision in that case has been appealed and it remains the case that the law regarding the enforcement of bankruptcy/insolvency related judgments is still in a state of uncertainty.

### **Anti-Money Laundering — Cayman Islands**

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the Financial Reporting Authority, pursuant to the Terrorism Act (As Revised) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise. If the Company was determined by the Cayman Islands authorities to be in violation of the Proceeds of Crime Act (As Revised), the Terrorism Act (As Revised) or the Cayman Anti-Money Laundering Regulations, the Company could be subject to substantial criminal penalties and/or administrative fines.

### **Data Protection — Cayman Islands**

We have certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the “DPL”) based on internationally accepted principles of data privacy.

#### **Privacy Notice**

##### **Introduction**

This privacy notice puts our shareholders on notice that through your investment in the Company you will provide us with certain personal information which constitutes personal data within the meaning of the DPL (“personal data”). In the following discussion, the “company” refers to us and our affiliates and/or delegates, except where the context requires otherwise.

##### **Investor Data**

We will collect, use, disclose, retain and secure personal data to the extent reasonably required only and within the parameters that could be reasonably expected during the normal course of business. We will only process, disclose, transfer or retain personal data to the extent legitimately required to conduct our activities of on an ongoing basis or to comply with legal and regulatory obligations to which we are subject. We will only transfer personal data in accordance with the requirements of the DPL, and will apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of the personal data and against the accidental loss, destruction or damage to the personal data.

In our use of this personal data, we will be characterized as a “data controller” for the purposes of the DPL, while our affiliates and service providers who may receive this personal data from us in the conduct of our activities may either act as our “data processors” for the purposes of the DPL or may process personal information for their own lawful purposes in connection with services provided to us.

We may also obtain personal data from other public sources. Personal data includes, without limitation, the following information relating to a shareholder and/or any individuals connected with a shareholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the shareholder’s investment activity.

##### **Who this Affects**

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with personal data on individuals connected to you for any reason in relation your investment in the company, this will be relevant for those individuals and you should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

##### **How the Company May Use a Shareholder’s Personal Data**

The company, as the data controller, may collect, store and use personal data for lawful purposes, including, in particular:

- where this is necessary for the performance of our rights and obligations under any purchase agreements;

- where this is necessary for compliance with a legal and regulatory obligation to which we are subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- where this is necessary for the purposes of our legitimate interests and such interests are not overridden by your interests, fundamental rights or freedoms.

Should we wish to use personal data for other specific purposes (including, if applicable, any purpose that requires your consent), we will contact you.

**Why We May Transfer Your Personal Data**

In certain circumstances we may be legally obliged to share personal data and other information with respect to your shareholding with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

We anticipate disclosing personal data to persons who provide services to us and their respective affiliates (which may include certain entities located outside the United States, the Cayman Islands or the European Economic Area), who will process your personal data on our behalf.

**The Data Protection Measures We Take**

Any transfer of personal data by us or our duly authorized affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPL.

We and our duly authorized affiliates and/or delegates shall apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of personal data, and against accidental loss or destruction of, or damage to, personal data.

We shall notify you of any personal data breach that is reasonably likely to result in a risk to your interests, fundamental rights or freedoms or those data subjects to whom the relevant personal data relates.

## 10.C. MATERIAL CONTRACTS

In December 2022, Arqit entered into an At-the-Market Offering Agreement pursuant to which H.C. Wainwright & Co., LLC agreed to act as sales agent in connection with Arqit's ATM Program. Arqit has no obligation to sell any shares under its ATM Program. Actual sales will depend on a variety of factors to be determined by the Group from time to time, including, among others, whether additional capital is required, market conditions, the trading price of Arqit's ordinary shares, determination of the appropriate sources of funding for the Group, and potential uses of available funding.

In February 2023, Arqit entered into a securities purchase agreement with investors pursuant to which it sold 10,000,000 ordinary shares, together with warrants to purchase 7,500,000 ordinary shares at a combined purchase price of \$2.00 per share and accompanying warrant. The February 2023 Investor Warrants have an exercise price of \$2.00 per share, are currently exercisable and will expire on February 22, 2028. In addition, in connection with the February 2023 registered direct offering Arqit issued warrants to purchase 550,000 ordinary shares to H.C. Wainwright & Co., LLC or its designees. The February 2023 Placement Agent Warrants have an exercise price of \$2.50 per share, are currently exercisable and will expire on February 22, 2028.

In September 2023, Arqit entered into securities purchase agreements with investors pursuant to which it sold 20,755,677 ordinary shares, together with warrants to purchase 20,755,677 ordinary shares at a combined purchase price of \$0.78 per share and accompanying warrant. The September 2023 Investor Warrants have an exercise price of \$0.78 per share, are currently exercisable and will expire on September 12, 2028. In addition, in connection with the September 2023 registered direct offering Arqit issued warrants to purchase 705,128 ordinary shares to H.C. Wainwright & Co., LLC or its designees. The September 2023 Placement Agent Warrants have an exercise price of \$0.975 per share, are currently exercisable and will expire on September 8, 2028. The September 2023 registered direct offering included the sale of 7,935,164 ordinary shares, together with 7,935,164 September 2023 Investor Warrants at a combined offering price of \$0.78 per ordinary share and accompanying warrant to existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria. Arqit director Manfredi Lefebvre d'Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is an Arqit director. See "Item 7.B. Related Party Transactions."

## 10.D. EXCHANGE CONTROLS

There is no exchange control legislation or regulation in the Cayman Islands, except by way of such as freezing of funds of, and/or prohibition of new investments in, certain jurisdictions subject to international sanction.

## 10.E. TAXATION

### Certain Material U.S. Federal Income Tax Considerations

#### General

The following discussion summarizes certain United States federal income tax considerations generally applicable to the ownership and disposition of the Company's ordinary shares and Business Combination Warrants (collectively referred to herein as the "Company Securities") by U.S. Holders (as defined below). This discussion is limited to certain United States federal income tax considerations to beneficial owners of the Company Securities that hold such Company Securities as "capital assets" within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (generally, property held for investment). This discussion assumes that any distributions made (or deemed made) by the Company on the Company Securities and any consideration received (or deemed received) by a holder in consideration for the sale or other disposition of the Company Securities will be in U.S. dollars. This discussion does not address the U.S. federal income tax consequences to holders of any warrants other than the Business Combination Warrants.

This discussion is a summary only and does not describe all of the tax consequences that may be relevant to the ownership and disposition of the Company Securities by an investor in light of its particular circumstances, including but not limited to, the alternative minimum tax, the Medicare tax on net investment income and the different consequences that may apply to investors that are subject to special rules under U.S. federal income tax laws, including but not limited to:

- banks, financial institutions or financial services entities;
- broker-dealers;
- taxpayers that are subject to the mark-to-market tax accounting rules;

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- tax-exempt entities;
- governments or agencies or instrumentalities thereof;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- expatriates or former long-term residents of the United States;
- persons that actually or constructively own five percent or more (by vote or value) of the Company's shares;
- persons that acquired the Company Securities pursuant to an exercise of employee share options, in connection with employee share incentive plans or otherwise as compensation;
- persons that hold the Company Securities as part of a straddle, constructive sale, hedge, wash sale, conversion or other integrated or similar transaction;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- controlled foreign corporations;
- passive foreign investment companies; and
- partnerships (or entities or arrangements classified as partnerships or other pass-through entities for U.S. federal income tax purposes) and any beneficial owners of such partnerships or other pass-through entities.

If a partnership (or other entity or arrangement classified as a partnership or other pass-through entity for United States federal income tax purposes) is the beneficial owner of the Company Securities, the United States federal income tax treatment of a partner, member or other beneficial owner in such partnership or other pass-through entity generally will depend on the status of the partner, member or other beneficial owner and the activities of the partnership or other pass-through entity. Partnerships and other pass-through entities holding the Company Securities, as well as partners, members or other beneficial owners of such partnerships or other pass-through entities, are urged to consult their own tax advisors regarding the tax consequences to them of the ownership and disposition of the Company Securities.

Moreover, the discussion below is based upon the provisions of the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and such provisions may be repealed, revoked, modified or subject to differing interpretations, possibly on a retroactive basis, which may result in United States federal income tax consequences different from those discussed below. Furthermore, this discussion does not address any aspect of United States federal non-income tax laws, such as gift or estate tax laws, or state, local or non-United States tax laws.

The Company has not sought, and does not expect to seek, a ruling from the United States Internal Revenue Service ("IRS") as to any United States federal income tax consequence described herein. The IRS may disagree with the discussion herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

THIS DISCUSSION IS ONLY A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS ASSOCIATED WITH THE OWNERSHIP AND DISPOSITION OF THE COMPANY'S ORDINARY SHARES AND BUSINESS COMBINATION WARRANTS. EACH INVESTOR IN THE ORDINARY SHARES OR WARRANTS IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES TO SUCH INVESTOR OF THE OWNERSHIP AND DISPOSITION OF THE ORDINARY SHARES OR WARRANTS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY UNITED STATES FEDERAL, STATE AND LOCAL, AND NON-UNITED STATES TAX LAWS.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of ordinary shares or Business Combination Warrants who or that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation (or other entity taxable as a corporation) organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to United States federal income tax regardless of its source;  
or
- a trust, if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have authority to control all substantial decisions of the trust or (ii) it has a valid election in effect under Treasury regulations to be treated as a United States person (as defined in the Code).

*Taxation of Distributions*

Subject to the passive foreign investment company (“PFIC”) rules discussed below, a U.S. Holder generally will be required to include in gross income as dividends in the year actually or constructively received by the U.S. Holder the amount of any distribution of cash or other property (other than certain distributions of the Company’s shares or rights to acquire the Company’s shares) paid on the Company’s ordinary shares to the extent the distribution is paid out of the Company’s current or accumulated earnings and profits (as determined under United States federal income tax principles). Distributions in excess of such earnings and profits generally will be applied against and reduce the U.S. Holder’s basis in its ordinary shares (but not below zero) and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such ordinary shares (the treatment of which is described under “— Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants” below).

Dividends paid by the Company will be taxable to a corporate U.S. Holder at regular rates and will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. With respect to non-corporate U.S. Holders, dividends generally will be taxed as “qualified dividend income” at the lower applicable long-term capital gains rate (see “— Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants” below) only if the ordinary shares are readily tradable on an established securities market in the United States, certain holding period and at-risk requirements are met, the Company is not a PFIC in the taxable year in which the dividend was paid or in the previous year, and certain other requirements are met. U.S. Holders should consult their tax advisors regarding the availability of such lower rate for any dividends paid with respect to the ordinary shares.

*Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants*

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss on the sale or other taxable disposition of the ordinary shares or Business Combination Warrants (including a redemption of Business Combination Warrants that is treated as a taxable disposition). Any such capital gain or loss generally will be long-term capital gain or loss if the U.S. Holder’s holding period for such ordinary shares or Business Combination Warrants exceeds one year. Long-term capital gain realized by a non-corporate U.S. Holder may be taxed at reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

The amount of gain or loss recognized by a U.S. Holder on a sale or other taxable disposition of the ordinary shares or Business Combination Warrants generally will be equal to the difference between (i) the sum of the amount of cash and the fair market value of any property received in such disposition of the ordinary shares or Business Combination Warrants and (ii) the U.S. Holder’s adjusted tax basis in its ordinary shares or Business Combination Warrants so disposed of. A U.S. Holder’s adjusted tax basis in its ordinary shares or Business Combination Warrants generally will equal the U.S. Holder’s acquisition cost reduced, in the case of an ordinary share, by any prior distributions treated as a return of capital. See “Exercise, Lapse or Redemption of a Business Combination Warrant” below for a discussion regarding a U.S. Holder’s tax basis in the ordinary share acquired pursuant to the exercise of a Business Combination Warrant.

*Exercise, Lapse or Redemption of a Business Combination Warrant*

A U.S. Holder generally will not recognize gain or loss upon the acquisition of an ordinary share on the exercise of a Business Combination Warrant for cash. A U.S. Holder’s tax basis in an ordinary share received upon exercise of the Business Combination Warrant generally will equal the sum of the U.S. Holder’s initial investment in the Business Combination Warrant and the exercise price of such Business Combination Warrant. It is unclear whether a U.S. Holder’s holding period for the ordinary share received will commence on the date of exercise of the Business Combination Warrant or the day following the date of exercise of the Business Combination Warrant; in either case, the holding period will not include the period during which the U.S. Holder held the Business Combination Warrant. If a Business Combination Warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder’s tax basis in the Business Combination Warrant.

The tax consequences of a cashless exercise of a Business Combination Warrant are not clear under current law. Subject to the PFIC rules discussed below, a cashless exercise may not be taxable, either because the exercise is not a realization event or because the exercise is treated as a recapitalization for United States federal income tax purposes. In either situation, a U.S. Holder's tax basis in the ordinary shares received generally should equal the U.S. Holder's tax basis in the Business Combination Warrants exercised therefor. If the cashless exercise was not a realization event, it is unclear whether a U.S. Holder's holding period for the ordinary shares received would be treated as commencing on the date of exercise of the Business Combination Warrants or the day following the date of exercise of the Business Combination Warrants; in either case, the holding period will not include the period during which the U.S. Holder held the Business Combination Warrants. If the cashless exercise were treated as a recapitalization, the holding period of the ordinary shares received would include the holding period of the Business Combination Warrants.

It is also possible that a cashless exercise could be treated in part as a taxable exchange in which gain or loss would be recognized. In such event, a U.S. Holder could be deemed to have surrendered a number of Business Combination Warrants representing to a number of ordinary shares with an aggregate fair market value equal to the aggregate exercise price for the total number of Business Combination Warrants to be exercised. In such case, subject to the PFIC rules discussed below, the U.S. Holder would recognize capital gain or loss with respect to the Business Combination Warrants deemed surrendered in an amount equal to the difference between the fair market value of ordinary shares that would have been received in a regular exercise of the Business Combination Warrants deemed surrendered and the U.S. Holder's tax basis in the Business Combination Warrants deemed surrendered. In this case, a U.S. Holder's aggregate tax basis in the ordinary shares received would equal the sum of the U.S. Holder's tax basis in the Business Combination Warrants deemed exercised and the aggregate exercise price of such Business Combination Warrants. It is unclear whether a U.S. Holder's holding period for the ordinary shares would commence on the date of exercise of the Business Combination Warrants or the day following the date of exercise of the Business Combination Warrants; in either case, the holding period will not include the period during which the U.S. Holder held the Business Combination Warrants.

Due to the absence of authority on the United States federal income tax treatment of a cashless exercise, including when a U.S. Holder's holding period would commence with respect to the ordinary shares received, there can be no assurance regarding which, if any, of the alternative tax consequences and holding periods described above would be adopted by the IRS or a court of law. Accordingly, U.S. Holders should consult their tax advisors regarding the tax consequences of a cashless exercise.

Subject to the PFIC rules described below, if the Company redeems Business Combination Warrants for cash pursuant to the redemption provisions described in Exhibit 2.9 "Description of Securities" to this Annual Report under the heading "— Warrants — Public Shareholders' Warrants" or if the Company purchases Business Combination Warrants in an open market transaction, such redemption or purchase generally will be treated as a taxable disposition to the U.S. Holder, taxed as described above under "— Gain or Loss on Sale or Other Taxable Disposition of Ordinary Shares and Business Combination Warrants."

#### *Possible Constructive Distributions*

The terms of each Business Combination Warrant provide for an adjustment to the number of ordinary shares for which the Business Combination Warrant may be exercised or to the exercise price of the Business Combination Warrant in certain events, as discussed in Exhibit 2.9 "Description of Securities" to this Annual Report under the heading "— Warrants — Public Shareholders' Warrants." An adjustment which has the effect of preventing dilution generally is not taxable. The U.S. Holders of the Business Combination Warrants would, however, be treated as receiving a constructive distribution from the Company if, for example, the adjustment increases such U.S. Holders' proportionate interest in the Company's assets or earnings and profits (e.g., through an increase in the number of ordinary shares that would be obtained upon exercise or through a decrease in the exercise price of the Business Combination Warrants), which adjustment may be made as a result of a distribution of cash or other property to the holders of the ordinary shares. Such constructive distribution to a U.S. Holder of Business Combination Warrants would be treated as if such U.S. Holder had received a cash distribution from the Company generally equal to the fair market value of such increased interest (taxed as described above under "— Taxation of Distributions").

*Passive Foreign Investment Company Rules*

A foreign (i.e., non-U.S.) corporation will be classified as a PFIC for United States federal income tax purposes if either (i) at least 75% of its gross income in a taxable year, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income or (ii) at least 50% of its assets in a taxable year (ordinarily determined based on fair market value and averaged quarterly over the year), including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes, among other things, dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of assets giving rise to passive income. For purposes of the PFIC asset test, cash and other assets readily convertible into cash are considered passive assets, and the aggregate fair market value of the assets of a publicly traded non-U.S. corporation generally is treated as being equal to the sum of the aggregate value of the outstanding stock and the total amount of the liabilities of such corporation (the “Market Capitalization”) and the excess of the fair market value of such corporation’s assets as so determined over the book value of such assets is generally treated as goodwill that is a non-passive asset to the extent attributable to such corporation’s non-passive income.

As of the date hereof, the Company has not made a determination as to its PFIC status for its most recent taxable year or its current taxable year, and it may be possible that the Company is a PFIC for either such years. The Company’s possible status as a PFIC is determined on an annual basis based on the composition of its assets, income, activities and Market Capitalization in the relevant taxable year and therefore may be subject to change. For example, because cash is generally considered to be an asset held for the production of passive income and the value of the Company’s assets for purposes of the asset test will generally be determined based on the market price of the Company’s ordinary shares, the Company’s PFIC status will depend in large part on the market price of the Company’s ordinary shares (which may fluctuate significantly) and how quickly the Company spends the cash proceeds received in connection with the Business Combination. Accordingly, there can be no assurance that the Company is not a PFIC for any taxable year. In addition, the Company’s U.S. counsel expresses no opinion with respect to the Company’s PFIC status for any taxable year.

It is not entirely clear how various aspects of the PFIC rules apply to the Business Combination Warrants. Section 1298(a)(4) of the Code provides that, to the extent provided in Treasury regulations, any person who has an option to acquire stock in a PFIC shall be considered to own such stock in the PFIC for purposes of the PFIC rules. No final Treasury regulations are currently in effect under Section 1298(a)(4) of the Code. However, proposed Treasury regulations under Section 1298(a)(4) of the Code have been promulgated with a retroactive effective date (the “Proposed PFIC Option Regulations”). Each U.S. Holder is urged to consult its tax advisors regarding the possible application of the Proposed PFIC Option Regulations to an investment in the Business Combination Warrants. Solely for discussion purposes, the following discussion assumes that the Proposed PFIC Option Regulations will apply to the Business Combination Warrants.

Although the Company’s PFIC status is determined annually, an initial determination that the Company is a PFIC generally will apply for subsequent years to a U.S. Holder who held (or was deemed to hold) ordinary shares or Business Combination Warrants while the Company is a PFIC, whether or not the Company meets the test for PFIC status in those subsequent years. If the Company is determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of the ordinary shares or Business Combination Warrants and, in the case of the ordinary shares, the U.S. Holder did not timely make either a mark-to-market election or a qualified electing fund (“QEF”) election for the Company’s first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) ordinary shares, as described below, such U.S. Holder generally will be subject to special rules (such special rules, the “Default PFIC Regime”) with respect to (i) any gain recognized by the U.S. Holder on the sale or other disposition of its ordinary shares or Business Combination Warrants (which may include gain realized by reason of transfers of ordinary shares or Business Combination Warrants that would otherwise qualify as nonrecognition transactions for U.S. federal income tax purposes) and (ii) any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the ordinary shares during the three preceding taxable years of such U.S. Holder or, if shorter, the portion of such U.S. Holder’s holding period for the ordinary shares that preceded the taxable year of the distribution).

Under the Default PFIC Regime:

- the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for the ordinary shares or Business Combination Warrants;
- the amount allocated to the U.S. Holder’s taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder’s holding period before the first day of the Company’s first taxable year in which the Company is a PFIC, will be taxed as ordinary income;

- the amount allocated to each other taxable year (or portion thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder without regard to the U.S. Holder's other items of income and loss for such year; and
- an additional amount equal to the interest charge generally applicable to underpayments of tax will be imposed on the U.S. Holder with respect to the tax attributable to each such other taxable year of the U.S. Holder.

In general, if the Company is determined to be a PFIC, a U.S. Holder may be able to avoid the Default PFIC Regime described above in respect to the ordinary shares (but, under current law, not the Business Combination Warrants) by making a timely and valid QEF election (if eligible to do so) to include in income its pro rata share of the Company's net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which the Company's taxable year ends. A U.S. Holder generally may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge.

If a U.S. Holder makes a QEF election with respect to its ordinary shares in a year after the Company's first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) ordinary shares, then notwithstanding such QEF election, the Default PFIC Regime discussed above, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such U.S. Holder's ordinary shares, unless the U.S. Holder makes a purging election under the PFIC rules. Under one type of purging election, the U.S. Holder will be deemed to have sold such ordinary shares at their fair market value and any gain recognized on such deemed sale will be treated as an excess distribution, as described above. As a result of such purging election, the U.S. Holder will have additional basis (to the extent of any gain recognized on the deemed sale) and, solely for purposes of the PFIC rules, a new holding period in the ordinary shares.

Under current law, a U.S. Holder may not make a QEF election with respect to its Business Combination Warrants to acquire ordinary shares. As a result, if a U.S. Holder sells or otherwise disposes of such Business Combination Warrants (other than upon exercise of such Business Combination Warrants) and the Company were a PFIC at any time during the U.S. Holder's holding period of such Business Combination Warrants, any gain recognized generally will be treated as an excess distribution, taxed as described above. If a U.S. Holder that exercises such Business Combination Warrants properly makes and maintains a QEF election with respect to the newly acquired ordinary shares (or has previously made a QEF election with respect to their ordinary shares), the QEF election will apply to the newly acquired ordinary shares. Notwithstanding such QEF election, the Default PFIC Regime discussed above, adjusted to take into account the current income inclusions resulting from the QEF election, will continue to apply with respect to such newly acquired ordinary shares (which, while not entirely clear, generally will be deemed to have a holding period for purposes of the PFIC rules that includes the period the U.S. Holder held the Business Combination Warrants), unless the U.S. Holder makes a purging election under the PFIC rules. U.S. Holders are urged to consult their tax advisors as to the application of the rules governing purging elections to their particular circumstances.

The QEF election is made on a shareholder-by-shareholder basis and, once made, can be revoked only with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed United States federal income tax return for the tax year to which the election relates. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS. U.S. Holders should consult their tax advisors regarding the availability and tax consequences of a retroactive QEF election under their particular circumstances.

In order to comply with the requirements of a QEF election, a U.S. Holder must receive a PFIC annual information statement from the Company. There is no assurance, however, that the Company will have timely knowledge of its status as a PFIC in the future or that the Company will timely provide the required information for such years. The failure of the Company to provide such information on an annual basis could prevent a U.S. Holder from making a QEF election or result in the invalidation or termination of a U.S. Holder's prior QEF election.

If a U.S. Holder has made a QEF election with respect to its ordinary shares, and the Default PFIC Regime discussed above does not apply to such shares (because of a timely QEF election for the Company's first taxable year as a PFIC in which the U.S. Holder holds (or is deemed to hold) such shares or a purge of the PFIC taint pursuant to a purging election, as described above), any gain recognized on the sale of the ordinary shares generally will be taxable as capital gain and no additional interest charge will be imposed under the PFIC rules. As discussed above, if the Company is a PFIC for any taxable year, a U.S. Holder of ordinary shares that has made a QEF election will be currently taxed on its pro rata share of the Company's earnings and profits, whether or not distributed for such year. A subsequent distribution of such earnings and profits that were previously included in income generally should not be taxable when distributed to such U.S. Holder. The tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in

income, and decreased by amounts distributed but not taxed as dividends, under the above rules. In addition, if the Company is not a PFIC for any taxable year, such U.S. Holder will not be subject to the QEF inclusion regime with respect to the ordinary shares for such a taxable year.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) ordinary shares and for which the Company is determined to be a PFIC, such U.S. Holder generally will not be subject to the Default PFIC Regime described above with respect to its ordinary shares. Instead, in general, the U.S. Holder will include as ordinary income in each taxable year the excess, if any, of the fair market value of its ordinary shares at the end of its taxable year over its adjusted basis in its ordinary shares. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. The U.S. Holder also will recognize an ordinary loss in respect of the excess, if any, of its adjusted basis in its ordinary shares over the fair market value of its ordinary shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in its ordinary shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of its ordinary shares will be treated as ordinary income and any further loss recognized will be treated as ordinary loss (but only to the extent of the net amount of income previously included as a result of a mark-to-market election, and any loss in excess of such prior inclusions generally would be treated as capital loss). Under current law, a mark-to-market election may not be made with respect to Business Combination Warrants. The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission, including Nasdaq, or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. If made, a mark-to-market election would be effective for the taxable year for which the election was made and for all subsequent taxable years unless the ordinary shares ceased to qualify as "marketable stock" for purposes of the PFIC rules or the IRS consented to the revocation of the election. U.S. Holders are urged to consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to the ordinary shares under their particular circumstances.

The Company is a holding company which conducts its business activities through one or more non-U.S. subsidiaries. If the Company is a PFIC and, at any time, have a non-U.S. subsidiary that is classified as a PFIC, U.S. Holders generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge under the Default PFIC Regime described above if the Company receives a distribution from, or dispose of all or part of the Company's interest in, the lower-tier PFIC or the U.S. Holders otherwise were deemed to have disposed of an interest in the lower-tier PFIC, even though the US Holders may not receive proceeds from any such distribution or disposition. There is no assurance that the Company will have timely knowledge of the status of any such lower-tier PFIC, or that any such lower-tier PFIC will provide the required information necessary for a U.S. Holder to make or maintain a QEF election with respect to such lower-tier PFIC. A mark-to-market election generally would not be available with respect to such lower-tier PFIC. U.S. Holders are urged to consult their tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) shares in a PFIC during any taxable year of the U.S. Holder, may have to file an IRS Form 8621 (whether or not a QEF or mark-to-market election is made) and such other information as may be required by the U.S. Treasury Department. Failure to do so, if required, will extend the statute of limitations until such required information is furnished to the IRS.

The rules dealing with PFICs and with the QEF, purging, and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of the ordinary shares and Business Combination Warrants should consult their own tax advisors concerning the application of the PFIC rules to the ordinary shares and Business Combination Warrants under their particular circumstances.

#### *Tax Reporting*

Certain U.S. Holders who are individuals and certain entities will be required to report information with respect to such U.S. Holder's investment in "specified foreign financial assets" on IRS Form 8938 (Statement of Specified Foreign Financial Assets), subject to certain exceptions. Specified foreign financial assets generally include any financial account maintained with a non-U.S. financial institution and should also include the Company Securities if they are not held in an account maintained with a U.S. financial institution. Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties, and the period of limitations on assessment and collection of United States federal income taxes may be extended in the event of a failure to comply. Potential investors are urged to consult their tax advisors regarding the foreign financial asset and other reporting obligations and their application to an investment in the Company Securities.

### **Information Reporting and Backup Withholding**

Dividend payments with respect to the ordinary shares and proceeds from the sale, exchange or redemption of, the ordinary shares or Business Combination Warrants may be subject to information reporting to the IRS and possible United States backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes other required certifications, or who is otherwise exempt from backup withholding and establishes such exempt status.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's United States federal income tax liability, and a holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules, by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

### **Cayman Islands Tax Considerations**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the securities of the company. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands Laws, payments of dividends and capital in respect of our securities will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the securities nor will gains derived from the disposal of the securities be subject to Cayman Islands income or corporate tax. The Cayman Islands currently has no income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the warrants. An instrument of transfer in respect of a warrant is stampable if executed in or brought into the Cayman Islands.

No stamp duty is payable in respect of the issue of our ordinary shares or on an instrument of transfer in respect of such shares.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for and received an undertaking from the Financial Secretary of the Cayman Islands in the following form:

#### **The Tax Concessions Law Undertaking as to Tax Concessions**

In accordance with the Tax Concessions Law, the following undertaking is hereby given to Arqit Quantum Inc. (the "Company"):

1. That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the company or its operations; and
2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - 2.1 on or in respect of the shares, debentures or other obligations of the company; or
  - 2.2 by way of the withholding in whole or part, of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of twenty years from the 28<sup>th</sup> day of April 2021.

### **10.F. DIVIDENDS AND PAYING AGENTS**

Not Applicable.

### **10.G. STATEMENT BY EXPERTS**

Not Applicable.

### **10.H. DOCUMENTS ON DISPLAY**

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet site at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information we have filed electronically with the SEC. As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy

statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

**10.I. SUBSIDIARY INFORMATION**

Not Applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Arqit is exposed to market risk in the ordinary course of business. Market risk represents the risk of loss that may impact Arqit's financial position due to adverse changes in financial market prices and rates. It is, and has been throughout the period under review, Arqit's policy not to use or trade in derivative financial instruments. Arqit's financial instruments comprise its cash and cash equivalents and various items such as trade creditors that arise directly from its operations. The main purpose of Arqit's financial assets and liabilities is to provide finance for its operations in the near term.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**12.A. DEBT SECURITIES**

Not Applicable.

**12.B. WARRANTS AND RIGHTS**

See Exhibit 2.9 "Description of Securities" to this Annual Report under the heading "*Warrants*" of this Annual Report, which is incorporated herein by reference.

**12.C. OTHER SECURITIES**

Not Applicable.

**12.D. AMERICAN DEPOSITARY SHARES**

Not Applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15. CONTROLS AND PROCEDURES

#### *Management's Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and for the assessment of the effectiveness of our internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, (iii) provide reasonable assurance that receipts and expenditures are being made only in accordance with authorizations of management and directors, and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2023 based upon the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023, our disclosure controls and procedures were effective.

As disclosed in "Item 15. Controls and Procedures" in our Annual Report on Form 20-F for the fiscal year ended September 30, 2022, our management identified certain material weaknesses in its internal control over financial reporting related to certain controls not being in place for the full fiscal year, an ineffective IT general control environment and insufficient accounting and finance personnel with IFRS technical accounting knowledge.

During the fiscal year ended September 30, 2023, management implemented our previously disclosed remediation plan that included: (1) strengthening our compliance functions with support of external providers and recruiting additional experienced hires to assist in our risk assessment process and the design and implementation of controls responsive to those risks; (2) providing certain staff with additional training on the appropriate validation and evidencing of source data inputs; (3) reviewing all areas, such as payroll and implementing controls to remediate segregation of duties conflicts; (4) hiring more experience qualified finance resources to strengthen the financial reporting process; and (5) implementing controls around user access and approval workflows in our financial systems.

During the year, we completed our testing of the operating effectiveness of the implemented controls and found them to be effective. As a result, we have concluded the material weakness has been remediated as of September 30, 2023

#### *Attestation Report of the Registered Accounting Firm*

This Annual Report does not include an attestation report of the company's independent registered public accounting firm because we qualify as an emerging growth company as such term is defined in the JOBS ACT and as such, we are exempted from such attestation requirement.

#### *Changes in Internal Control over Financial Reporting*

During the period covered by this annual report on Form 20-F, there were changes in our internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that have materially affected or are reasonably likely to materially affect our internal control over financial reporting, as disclosed above in "*Management's Annual Report on Internal Control over Financial Reporting*"

#### 16.A. AUDIT COMMITTEE AND FINANCIAL EXPERT

The board of directors has determined that Stephen Chandler qualifies as an “audit committee financial expert” as defined under rules and regulations of the SEC and satisfies the “independence” requirements set forth in Rule 10A-3 under the Exchange Act.

#### 16.B. CODE OF ETHICS

We have adopted a code of ethics applicable to our directors, officers and employees. This includes our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. Our Code of Ethics is intended to meet the definition of “code of ethics” under Item 16B of 20-F under the Exchange Act. We will disclose on our website any amendment to, or waiver from, a provision of our Code of Ethics that applies to our directors or executive officers to the extent required under the rules of the SEC or Nasdaq. The code of ethics is available on our website as: [ir.arqit.uk/investors/corporate-governance/governance-documents](http://ir.arqit.uk/investors/corporate-governance/governance-documents). The information contained on our website is not incorporated by reference in this Annual Report.

#### 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our audit committee of the board of directors is required to pre-approve the audit and non-audit services to be performed by our independent registered public accounting firm and associated fees prior to the engagement with respect to such services. Pursuant to this policy, which is designed to assure that such engagements do not impair the independence of our auditors, the audit committee pre-approves annually a catalogue of specific audit and non-audit services that may be performed by our independent registered public accounting firm.

	12 Months Ended September 30, 2023	12 Months Ended September 30, 2022
<b>PKF Littlejohn LLP</b>		
Audit Fees	£ 110,000	£ 95,000
Audited-Related Fees	£ 30,000	£ 20,000
<b>Total</b>	<b>£ 140,000</b>	<b>£ 115,000</b>

#### 16.D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

#### 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

#### 16.F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

Not Applicable.

#### 16.G. CORPORATE GOVERNANCE

We are a “foreign private issuer” (as such term is defined in Rule 3b-4 under the Exchange Act) and our ordinary shares and warrants are listed on Nasdaq. The Nasdaq Listing Rules allow foreign private issuers, such as us, to follow home country corporate governance practices (in our case Cayman Islands Laws) in lieu of the otherwise applicable Nasdaq corporate governance requirements. In order to rely on this exception, we are required to disclose each Nasdaq Listing Rule that we do not follow and describe the home country practice we do follow in lieu thereof.

We currently rely on this “foreign private issuer exemption” with respect to shareholder approval requirements and audit committee composition. We will seek shareholder approval for all corporate actions requiring such approval under requirements of Cayman Islands Laws, rather than seeking approval for corporate actions in accordance with Nasdaq Capital Market Listing Rule 5635. In particular, under this Nasdaq Capital Market rule, shareholder approval is generally required for: (i) an acquisition of shares or assets of another company that involves the issuance of 20% or more of the acquirer’s shares or voting rights or if a director, officer or 5% shareholder has greater than a 5% interest in the target company or the consideration to be received; (ii) the issuance of shares leading to a change of control; (iii) adoption or amendment of equity compensation arrangements; and (iv) issuances of 20% or more of the shares or voting rights (including securities convertible into, or exercisable for, equity) of a listed company via a private placement (or via sales by directors, officers or 5% shareholders) if such equity is issued (or sold) at below the greater of the book or market value of shares. Cayman Islands Laws do not require shareholder approval prior to any of the foregoing types of issuances. In addition, we will

maintain an audit committee comprised of independent directors as required by the Nasdaq Listing Rules, however we will follow any applicable requirements of Cayman Islands Laws in respect of other audit committee composition requirements.

**16.H. MINE SAFETY DISCLOSURE**

Not Applicable.

**16.I DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not Applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Our audited consolidated financial statements are included at the end of this Annual Report.

**ITEM 18. FINANCIAL STATEMENTS**

Not Applicable.

**ITEM 19. EXHIBITS**

We have filed the following documents as exhibits to this Form 20-F:

**EXHIBIT INDEX**

Exhibit No.	Description
1.1	<a href="#">Amended and Restated Memorandum and Articles of Association of the Company, incorporated by reference to Exhibit 1.1 to the Registrant’s Shell Company Report on Form 20-F filed with the SEC on September 10, 2021.</a>
2.1	<a href="#">Specimen ordinary share certificate of the Company, incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form F-4 (File No. 333-256591).</a>
2.2	<a href="#">Specimen warrant certificate of the Company, incorporated by reference to Exhibit 4.2 to the Company’s Registration Statement on Form F-4 (File No. 333-256591).</a>
2.3	<a href="#">Centricus Warrant Agreement, dated as of February 3, 2021, between Centricus and the Continental Stock Transfer &amp; Trust Company, incorporated by reference to Exhibit 4.3 to the Company’s Registration Statement on Form F-4 (File No. 333-256591).</a>
2.4	<a href="#">Assignment, Assumption and Amendment Agreement for Centricus’ outstanding warrants, incorporated by reference to Exhibit 2.4 to the Registrant’s Shell Company Report on Form 20-F filed with the SEC on September 10, 2021.</a>
2.5	<a href="#">Form of Warrant issued in February 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.1 to the Registrant’s Report on Form 6-K filed with the SEC on February 21, 2023.</a>
2.6	<a href="#">Form of Placement Agent Warrant issued in February 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.2 to the Registrant’s Report on Form 6-K filed with the SEC on February 21, 2023.</a>
2.7	<a href="#">Form of Warrant issued in September 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.1 to the Registrant’s Report on Form 6-K filed with the SEC on September 11, 2023.</a>
2.8	<a href="#">Form of Placement Agent Warrant issued in September 2023 pursuant to a registered direct offering, incorporated by reference to Exhibit 4.2 to the Registrant’s Report on Form 6-K filed with the SEC on September 11, 2023.</a>
2.9*	<a href="#">Description of Securities</a>
4.1	<a href="#">Registration Rights Agreement, by and among the Company and the other parties thereto, incorporated by reference to Exhibit 4.1 to the Registrant’s Shell Company Report on Form 20-F filed with the SEC on September 10, 2021.</a>
4.2	<a href="#">The Company’s Incentive Plan, incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form F-4 (File No. 333-256591).</a>
4.3	<a href="#">Form of Director and Officer Indemnification Agreement, incorporated by reference to Exhibit 4.8 to the Registrant’s Shell Company Report on Form 20-F filed with the SEC on September 10, 2021.</a>
4.4	<a href="#">Form of Rollover Option Agreement relating to the grant of an option to acquire shares in Arqit Quantum Inc., incorporated by reference to Exhibit 4.7 to the Registrant’s Annual Report on Form 20-F filed with the SEC on December 16, 2021.</a>
4.5	<a href="#">Form of Rollover Option Agreement relating to the grant of an EMI option to acquire shares in Arqit Quantum Inc., incorporated by reference to Exhibit 4.8 to the Registrant’s Annual Report on Form 20-F filed with the SEC on December 16, 2021.</a>
4.6	<a href="#">At The Market Offering Agreement, dated December 14, 2022, between the Registrant and H.C. Wainwright &amp; Co., LLC., incorporated by reference to Exhibit 1.2 to the Registrant’s Registration Statement on Form F-3 (File No. 333-268786).</a>
4.7	<a href="#">Form of Securities Purchase Agreement dated February 17, 2023, incorporated by reference to Exhibit 10.1 to the Registrant’s Report on Form 6-K filed with the SEC on February 21, 2023.</a>
4.8	<a href="#">Form of Securities Purchase Agreement dated September 8, 2023, incorporated by reference to Exhibit 10.1 to the Registrant’s Report on Form 6-K filed with the SEC on September 11, 2023.</a>
8.1	<a href="#">List of subsidiaries of the Company, incorporated by reference to Exhibit 8.1 to the Registrant’s Report on Form 20-F as filed with the SEC on December 14, 2022.</a>
12.1*	<a href="#">Certification by the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>

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12.2*	<a href="#">Certification by the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
13.1**	<a href="#">Certification by the Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
13.2**	<a href="#">Certification by the Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
15.1*	<a href="#">Consent of PKF Littlejohn LLP.</a>
97.1*	<a href="#">The Company's Compensation Recovery Policy.</a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101).

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\* Filed  
herewith.

\*\* Furnished  
herewith.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**ARQIT QUANTUM INC.**

By: /s/ David Williams

Name: David Williams

Title: Chief Executive Officer

Date: November 21, 2023

**Arqit Quantum Inc.**  
**Consolidated audited financial statements**  
**as of and for the year ended 30 September 2023**

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## REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Arqit Quantum Inc.

### Opinion on the Consolidated Financial Statements

We have audited the accompanying Consolidated Statements of financial position of Arqit Quantum Inc. and its subsidiaries (the “Group”) as of September 30, 2023, 2022, and 2021, the related Consolidated Statements of comprehensive income, cash flow and changes in equity for each of the three years in the period ended September 30, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of September 30, 2023, 2022, and 2021, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2023, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for opinion

These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical audit matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to those charged with governance and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgements. The communication of critical audit matters do not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which they relate.

#### Critical Audit Matter

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#### Classification and recoverability of satellite and satellite division (note 13)

At the year-end, management intend to sell (in part or in whole) the Quantum satellite currently under construction, or alternatively the satellite division. Prior to the year end, an advisor was engaged to assist with the proposed disposal.

There is judgement involved in determining whether the satellite and satellite division meet the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations and therefore should be classified as a current asset held for sale on the Consolidated Statement of Financial Position as at 30 September 2023. Under IFRS 5, assets held for sale are required to be included

#### How we addressed the matter in our audit

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Our work in this area included:

- Reviewing management’s intangible assets accounting position paper and supporting documentation;
- Discussions with management and the appointed advisor on the progress of the proposed disposal, and checking to corroborative evidence where available;
- Testing the valuation prepared by management and the advisor and critically assessing the key assumptions, in conjunction with PKF’s valuation specialists;
- Assessing the independence and competence of management’s valuation expert;
- Assessing the asset held for sale categorisation against the IFRS 5 criteria, checking to corroboratory evidence;
- Vouching the calculated anticipated selling costs to underlying documentation and invoices to date; and
- Agreeing the accounting treatment and disclosures in the financial statements.

**Critical Audit Matter**

**How we addressed the matter in our audit**

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in the financial statements at the lower of their carrying value and the expected sales proceeds less direct costs to sell.

In the absence of an agreed sale, significant judgement is required in determining expected sales proceeds less direct costs to sell.

We have served as the Company's auditor since 2021.

/s/ PKF Littlejohn LLP

PKF Littlejohn LLP

London, England

21 November 2023

**Arqit Quantum Inc.**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 30 September 2023**

	Note	Year ended 30 September 2023 \$'000	Year ended 30 September 2022 \$'000	Year ended 30 September 2021 \$'000
<b>Revenue</b>	2	640	7,212	48
Other income	3	53	—	—
Administrative expenses	4	(55,201)	(70,977)	(14,559)
Impairment loss on trade receivables and contract assets	14	(12,335)	—	—
Impairment losses on intangible assets	11	(17,601)	—	—
Reverse acquisition expense	9	—	—	(155,460)
Nasdaq listing expenses	9	—	—	(2,590)
<b>Operating (loss)/profit</b>		<u>(84,444)</u>	<u>(63,765)</u>	<u>(172,561)</u>
Change in fair value of warrants	18	10,638	117,394	(98,090)
Finance costs	5	(284)	(221)	(1,078)
Finance income	6	41	—	—
<b>(Loss)/profit before tax</b>		<u>(74,049)</u>	<u>53,408</u>	<u>(271,729)</u>
Income tax	7	141	—	—
<b>(Loss)/profit from continuing operations</b>		<u>(73,908)</u>	<u>53,408</u>	<u>(271,729)</u>
<b>Profit for the year attributable to discontinued operations</b>				
Other operating income		4,986	12,843	—
Administrative expenses		(1,471)	(1,176)	—
<b>Profit from discontinued operations</b>	13	<u>3,515</u>	<u>11,667</u>	<u>—</u>
<b>(Loss)/profit for the financial year attributable to equity holders</b>		<u><u>(70,393)</u></u>	<u><u>65,075</u></u>	<u><u>(271,729)</u></u>
<b>Other comprehensive (loss)/income :</b>				
Items that may be reclassified to profit or loss				
Currency translation differences		(1,567)	3,101	385
<b>Total comprehensive (loss)/profit for the year attributable to equity holders</b>		<u><u>(71,960)</u></u>	<u><u>68,176</u></u>	<u><u>(271,344)</u></u>
<b>Total comprehensive (loss)/profit for the year attributable to equity holders arises from:</b>				
Continuing operations		(75,475)	56,509	(271,344)
Discontinued operations		3,515	11,667	—
<b>Total comprehensive (loss)/profit for the year attributable to equity holders</b>		<u><u>(71,960)</u></u>	<u><u>68,176</u></u>	<u><u>(271,344)</u></u>
<b>Earnings per ordinary share from continuing operations attributable to equity holders</b>				
Basic earnings per share	8	(0.5622)	0.4408	(3.9769)
Diluted earnings per share	8	(0.5622)	0.4380	(3.9769)
<b>Earnings per ordinary share for the loss attributable to equity holders</b>				
Basic earnings per share	8	(0.5354)	0.5371	(3.9769)
Diluted earnings per share	8	(0.5354)	0.5337	(3.9769)

**Arqit Quantum Inc.**  
**Consolidated Statement of Financial Position**  
**As at 30 September 2023**

	Note	30 September 2023 \$'000	30 September 2022 \$'000	30 September 2021 \$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	1,963	2,206	199
Right of use asset	22	6,141	6,139	—
Intangible assets	11	3,414	40,291	18,235
Fixed asset investments	12	30	28	34
Trade and other receivables	14	1,888	18,565	5,000
<b>Total non-current assets</b>		<b>13,436</b>	<b>67,229</b>	<b>23,468</b>
<b>Current assets</b>				
Trade and other receivables	14	3,217	7,677	3,292
Cash and cash equivalents	17	44,455	48,966	86,966
Assets classified as held for sale	13	38,677	—	—
<b>Total current assets</b>		<b>86,349</b>	<b>56,643</b>	<b>90,258</b>
<b>Total assets</b>		<b>99,785</b>	<b>123,872</b>	<b>113,726</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	15	18,831	22,655	17,069
Lease liabilities	22	2,118	1,154	—
Liabilities classified as held for sale	13	5,869	—	—
<b>Total current liabilities</b>		<b>26,818</b>	<b>23,809</b>	<b>17,069</b>
<b>Non-current liabilities</b>				
Trade and other payables	15	24	4,183	2,460
Lease liabilities	22	6,284	6,681	—
Warrants liability	18	6	10,644	128,038
<b>Total non-current liabilities</b>		<b>6,314</b>	<b>21,508</b>	<b>130,498</b>
<b>Total liabilities</b>		<b>33,132</b>	<b>45,317</b>	<b>147,567</b>
<b>Net assets/(liabilities)</b>		<b>66,653</b>	<b>78,555</b>	<b>(33,841)</b>
<b>EQUITY</b>				
Share capital	23	16	12	11
Share premium	25	137,021	92,306	70,999
Other reserves	25	166,804	166,804	166,805
Foreign currency translation reserve	25	1,790	3,357	256
Share-based payment reserve	25	38,555	23,216	303
Retained earnings	24	(277,533)	(207,140)	(272,215)
<b>Total Equity</b>		<b>66,653</b>	<b>78,555</b>	<b>(33,841)</b>

**Arqit Quantum Inc.**  
**Consolidated Statement of Changes in Equity**  
**For the year ended 30 September 2023**

	Share Capital	Share Premium	CLNs treated as equity	Other reserves	Foreign currency translation reserve	Share option reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 October 2020</b>	—	—	1,411	—	(129)	135	(486)	931
Loss for the year	—	—	—	—	—	—	(271,729)	(271,729)
Other comprehensive income	—	—	—	—	385	—	—	385
<b>Total comprehensive income</b>	—	—	—	—	385	—	(271,729)	(271,344)
<b>Transactions with owners in their capacity as owners:</b>								
Share option charge	—	—	—	—	—	168	—	168
Conversion of convertible loan notes	—	20,785	(1,411)	—	—	—	—	19,374
Effect of the capital reorganisation	11	50,214	—	166,805	—	—	—	217,030
<b>Balance at 30 September 2021 attributable to owners of the Group</b>	<b>11</b>	<b>70,999</b>	<b>—</b>	<b>166,805</b>	<b>256</b>	<b>303</b>	<b>(272,215)</b>	<b>(33,841)</b>
<b>Balance at 1 October 2021</b>	<b>11</b>	<b>70,999</b>	<b>—</b>	<b>166,805</b>	<b>256</b>	<b>303</b>	<b>(272,215)</b>	<b>(33,841)</b>
Profit for the year	—	—	—	—	—	—	65,075	65,075
Other comprehensive income	—	—	—	—	3,101	—	—	3,101
<b>Total comprehensive income</b>	—	—	—	—	3,101	—	65,075	68,176
<b>Transactions with owners in their capacity as owners:</b>								
Share option charge	—	—	—	—	—	22,913	—	22,913
Earnout shares	1	—	—	(1)	—	—	—	—
Exercise of warrants	—	21,307	—	—	—	—	—	21,307
<b>Balance at 30 September 2022 attributable to owners of the Group</b>	<b>12</b>	<b>92,306</b>	<b>—</b>	<b>166,804</b>	<b>3,357</b>	<b>23,216</b>	<b>(207,140)</b>	<b>78,555</b>
<b>Balance at 1 October 2022</b>	<b>12</b>	<b>92,306</b>	<b>—</b>	<b>166,804</b>	<b>3,357</b>	<b>23,216</b>	<b>(207,140)</b>	<b>78,555</b>
Loss for the year	—	—	—	—	—	—	(70,393)	(70,393)
Other comprehensive income	—	—	—	—	(1,567)	—	—	(1,567)
<b>Total comprehensive income</b>	—	—	—	—	(1,567)	—	(70,393)	(71,960)
<b>Transactions with owners in their capacity as owners:</b>								
Share option charge	—	—	—	—	—	15,339	—	15,339
Issue of ordinary shares	4	44,715	—	—	—	—	—	44,719
<b>Balance at 30 September 2023</b>	<b>16</b>	<b>137,021</b>	<b>—</b>	<b>166,804</b>	<b>1,790</b>	<b>38,555</b>	<b>(277,533)</b>	<b>66,653</b>

**Arqit Quantum Inc.**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 September 2023**

	Note	Year ended 30 September 2023 S'000	Year ended 30 September 2022 S'000	Year ended 30 September 2021 S'000
<b>Cash flows from operating activities</b>				
Cash (used in)/generated from operations	17	(21,140)	(41,427)	(24,304)
Movement on foreign exchange		(11,685)	14,708	269
Tax received		—	—	—
<b>Net cash (used in)/generated from operating activities</b>		<b>(32,825)</b>	<b>(26,719)</b>	<b>(24,035)</b>
<b>Cash flows from investing activities</b>				
Interest received		41		
Capital expenditure on property, plant and equipment		(712)	(2,376)	(223)
Capital expenditure on intangibles		(15,411)	(22,056)	(9,082)
<b>Net cash (used in) investing activities</b>		<b>(16,082)</b>	<b>(24,432)</b>	<b>(9,305)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares		45,080	—	—
Shares issued on exercise of warrants		—	21,306	—
Proceeds from issue of convertible loans		—	—	14,148
Proceeds from government grants		1,372	1,724	—
Payment of principal on lease liabilities		(1,315)	(657)	—
Payments of interest portion of lease liabilities		(284)	(197)	—
Proceeds from borrowing		—	—	5,042
Repayments of borrowing		—	—	(6,120)
Funds acquired on reverse acquisition	9	—	—	107,035
<b>Net cash generated from financing activities</b>		<b>44,853</b>	<b>22,176</b>	<b>120,105</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4,054)</b>	<b>(28,975)</b>	<b>86,765</b>
Cash and cash equivalents at beginning of period		48,966	86,966	195
<b>Foreign exchange on cash and cash equivalents</b>		<b>(457)</b>	<b>(9,025)</b>	<b>6</b>
<b>Cash and cash equivalents at end of period</b>		<b>44,455</b>	<b>48,966</b>	<b>86,966</b>

**Major non-cash transactions**

- See note 9 for a description of a major non-cash transaction entered into during the year ended 30 September 2021 related to net assets acquired on reverse acquisition.

**Arqit Quantum Inc.  
Notes to the Financial Statements  
For the year ended 30 September 2023**

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**1. General information and significant accounting policies**

**General information**

Arqit Quantum Inc. (the “Company”) is a Cayman Islands exempted limited liability company with registered number 374857. The address of its registered office and its principal place of trading is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

The principal activity of the Group is provision of cybersecurity services via terrestrial platforms.

The Company is an “emerging growth company,” as defined in the Securities Act, and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, and reduced disclosure obligations regarding executive compensation.

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. The financial statements are prepared on the historical cost basis, other than investor warrants held at fair value through profit or loss, and the accounting policies set out below have been consistently applied. The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The consolidated financial statements have been presented in United States Dollars “USD” which is also the Group’s functional currency. All values are rounded to the nearest units (USD '000), except when otherwise indicated.

On September 3, 2021, the Company acquired Arqit Limited through a share for share exchange. The acquisition is not a business combination and Arqit Limited is identified as the acquirer for accounting purposes and as such the transaction is a reverse acquisition. As the acquisition is not a business combination (refer to note 9), the transaction falls within IFRS 2 ‘Share-based Payments’. In line with the IFRIC guidance, the transaction is accounted for as follows:

- a. The assets and liabilities of the accounting acquirer are recognised and measured in the consolidated financial statements at their pre-combination carrying amounts.
- b. The identifiable net assets of the Company, as legal acquirer, is recognised in accordance with paragraph 10 of IFRS 2 at their fair value at grant date
- c. Any difference in the fair value of the shares deemed to have been issued and the fair value of the Company’s assets and liabilities is charged to the Consolidated Statement of Comprehensive Income as a share-based payment expense and represents in substance the cost of acquiring a Nasdaq listing.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at September 30, 2023.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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The financial statements of the subsidiaries are prepared for the same financial year as the parent company, applying consistent accounting policies throughout the Group. Inter-company balances and transactions, including unrealised profits or losses are eliminated on consolidation.

**Comparative information**

The Arqit Limited financial statements have been translated into USD in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'. This standard requires that assets and liabilities be translated using the exchange rate at year end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the year). The foreign exchange differences on translation of Arqit Limited are recognised in other comprehensive income.

**Going Concern**

The directors believe that it is appropriate to prepare the financial statements on the going concern basis. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the current and future position of the Group and Company. As part of their assessment, the Directors have also taken into account the ability to raise additional funding whilst maintaining sufficient cash resources to meet all commitments.

Following the close of the business combination transaction in September 2021 the Company had \$87m as at 30 September 2021, \$49m as at 30 September 2022, and \$44m as at 30 September 2023. Based on business forecasts, this is sufficient to enable the Group to grow according to its plans.

The Company has prepared detailed forecasts with strong cost control measures in place to enable the Group to grow according to its plans. Given the current economic and political climate and uncertainties, the Company has controls in place to monitor spend and ensure that it can continue to operate for the foreseeable period.

Based on the above, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future, such that they will be able to realise their assets and discharge their liabilities in the normal course of business for a period of at least 12 months from the date of signing these financial statements, and beyond. Therefore, the financial statements are prepared on the going concern basis.

**Standards, interpretations and amendments to published standards**

The Group has adopted the following standards and amendments to standards for the first time for their annual reporting period commencing 1 October 2022, none of which had a material impact:

- Amendments to IAS 1: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective for periods commencing on or after 1 January 2023);
- Amendments to IAS 1: Presentation of Financial Statements – Disclosure of Accounting Policies (effective for periods commencing on or after 1 January 2023);
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (effective for periods commencing on or after 1 January 2023);
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective for periods commencing on or after 1 January 2023);

The Group has not early adopted the following new and amended standards that have been issued but are not yet effective:

- Amendments to IFRS 16: Leases – Liability in a Sale and Leaseback (effective for periods commencing on or after 1 January 2024);

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**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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- Amendments to IAS 1: Presentation of Financial Statements – Non-current Liabilities with Covenants (effective for periods commencing on or after 1 January 2024); and
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is deferred indefinitely)

The directors of the Company anticipate that the application of all new and amended standards will have no material impact on the future results of the Group in the foreseeable future.

**Operating Segments**

The Directors consider the Group to operate within one operating segment, being the provision of cybersecurity services via terrestrial platforms.

**Government grants**

Government grants are recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received.

Grants related to research and development are included in non-current or current liabilities as deferred income and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. The grants will be systematically amortised to profit or loss over a period matching the useful life of the acquired asset.

**Intangible assets - Research and development expenditure**

Research costs are expensed through the income statement as they are incurred. Under IAS 38, development costs are only capitalised after technical and commercial feasibility of the asset for sale or use have been established. The Company must intend and be able to complete the asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefit. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation on intangible assets in use is calculated under the straight-line method to write off the amortisable amount of the intangible assets over their estimated useful lives. The principal annual rates used for this purpose are between five and ten years. QuantumCloud™ is written off over seven years.

The amortisation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and years of amortisation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the intangible assets.

Intangible assets not yet subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

**Current and deferred income tax**

The current income tax expense or credit is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generates taxable income, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The research and development ("R&D") tax credit is calculated using the current rules as prescribed by HMRC. The estimation is based on the actual UK R&D projects that qualify for the scheme that have been carried out in the period. This is treated on an accruals basis when the R&D tax credit has been calculated for the relevant period.

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**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled. 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.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Revenue**

The Company adopts IFRS 15 'Revenue from contracts with customers' for revenue including other income which is recognised in accordance with this standard. Revenue from services related to the Quantum Cloud product has been recognised in the year once the service has been performed and accepted by the customer. Other income represents income derived from contracts for the provision of goods and services by the Company to customers in exchange for consideration in the ordinary course of the Company's activities.

*Performance obligations*

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

*Transaction price*

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract.

The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative standalone selling prices. Given the bespoke nature of many of the Company's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are sometimes no observable standalone selling prices. Instead, standalone selling prices are typically estimated based on expected costs.

The Company utilizes a practical expedient in the standard to not adjust the promised amount of consideration for the effects of a significant financing component, when it is expected at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

*Contract liabilities*

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

The Company utilizes a practical expedient in the standard to recognise the incremental costs of obtaining a contract as an expense when incurred, if the amortisation period of the asset that would otherwise be recognised is one year or less.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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**Accounting for Joint Ventures**

A joint venture is an arrangement in which the Group has joint control, whereby the Group has the rights to the net assets of the arrangement as opposed to the rights to its assets and obligations for its liabilities.

This is initially recognised as an investment at cost and subsequently accounted for using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of an entity and a financial liability or equity instrument of another.

*(a) Financial assets*

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset, for example, if there are repayments of principal or amortization of the premium/discount. The most significant elements of interest within a debt instrument are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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*Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company’s financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables.

*Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Impairment of financial assets*

The Company recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value. For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset’s lifetime ECL at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity. At each reporting date, the Company assesses whether financial assets carried at amortised cost are impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*(b) Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and loans.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

*Loans and borrowings and trade and other payables*

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

This category generally applies to trade and other payables.

*Derecognition*

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

*Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs. Any difference between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowing costs are expensed in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Convertible loan notes*

Convertible loan notes are assessed on inception and classified as either a liability, equity or a compound financial instrument in accordance with IAS 32. When a convertible loan note is assessed to be wholly equity it is recognised immediately in other reserves.

When a convertible loan note is assessed a liability, it is treated as a hybrid instrument containing a host debt contract and an embedded derivative liability (written call option over own shares). The embedded derivative is measured at fair value with changes in fair value recognised in profit or loss. Should it be concluded that the equity component of the combined instrument may be sufficiently significant

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**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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to preclude it from obtaining a reliable estimate of the fair value of the entire instrument, the combined instrument is measured at cost less impairment.

When a convertible loan note is assessed as a compound financial instrument, the net proceeds received from the issue of convertible bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar nonconvertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in equity and is not remeasured. The liability component is carried at amortised cost. Any difference between the carrying amount of the financial liability that has been extinguished and the consideration paid is recognised in profit or loss as other income or finance costs. As per note 16, the convertible loan note B and Future Fund liability were converted to equity in September 2021.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

*Defined contribution pension*

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 recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

**Non-financial assets**

At each reporting date, the Company reviews the carrying amount of its non-financial assets to determine whether there is any indication for impairment. If such indication exists, then the assets recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing to use the asset (CGU). The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell or its value in use.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds the recoverable amount. Impairment losses are recognised in profit or loss.

**Share-based compensation**

*Share options*

Where share options are awarded to employees, the fair value of the options at grant date is charged to the Statement of Comprehensive Income over the vesting period. Nonmarket vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options or warrants that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also considers non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

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**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

The share option charge was calculated using the Black Scholes Option pricing model which requires the use of various estimates and assumptions (note 19).

When share options lapse, any amounts credited to the share-based payments reserve are released to the retained earnings reserve.

*RSUs (Restricted Stock Units)*

Where RSUs are granted to employees, the fair value of the RSUs at grant date is based upon the market price of the shares underlying the awards and this is charged to the Statement of Comprehensive Income over the vesting period. There are no internal performance conditions. The expense charged is adjusted based on actual forfeitures.

**Warrants**

Warrants are classified as derivatives and are initially recognised at their fair value on the date of inception of the contract. The Company's warrants are subsequently re-measured at each reporting date with changes in fair value recognised in profit or loss. The warrants are valued using the Binomial Option Pricing Model.

As the fair value of the warrants fluctuate with movement in the underlying Arqit Quantum Inc share price, these warrants are considered a derivative as a variable amount of cash will be settled on exercise.

**Foreign currencies**

*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Arqit Quantum Inc. is U.S. dollars. The Group financial statements are presented in U.S Dollars which is considered to be the Group's presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

*Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated as follows:

- a) assets and liabilities at the balance sheet date are translated at the closing rate as at that balance sheet date;
- b) income and expenses for each income statement are translated at average exchange rates; and

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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c) all resulting exchange differences are recognised in other comprehensive income

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and all other cash amounts with maturities of three months or less.

**Property, plant and equipment**

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated under the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are between three and five years. Computer equipment is written off over 3 years, office equipment is written off over 5 years and furniture and fittings are written off over 5 years.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and years of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Costs also comprise the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group are obligated to incur when the asset is acquired, if applicable.

**Assets and liabilities held for sale and discontinued operations**

Any non-current assets meeting the criteria for classification as held for sale are disclosed separately on the face of the statement of financial position. These assets are measured at the lower of the carrying amount or fair value less costs to sell and are not depreciated. If the asset is an investment in an equity-accounted entity, then equity-accounting ceases when the investment is classified as an asset held for sale. The results of any operations meeting the criteria for classification as a discontinued operation are presented separately in the income statement.

For the sale to be highly probable, management must be committed to a plan for sale and must have started an active programme to find a buyer and complete the plan. The disposal group must be actively marketed at a price which is reasonable in relation to its fair value. These requirements will generally be met when an Authority to Negotiate for the sale has been approved and signed. Each transaction must be reviewed to confirm:

- That there is an active programme to find a buyer and complete the plan. Indicators that this point has been reached may include, among other things, that there is a data room up and running or in preparation, an auction has commenced, or discussions are under way with a third party.
- That the sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

The net results of discontinued operations are presented separately in the consolidated statement of comprehensive income (and the comparatives restated).

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**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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**Leases**

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

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities in the statement of financial position.

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**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Share capital**

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

**Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Risk management is overseen by the Board of Directors. The Board provides written principles for overall risk management, as well as written 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Please see note 26 for financial instruments and fair value disclosures.

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The directors consider the below to be the critical judgements in respect of the period.

*Warrants valuation*

Estimating the fair value of warrants requires a determination of the most appropriate valuation model, which depends on the terms and conditions of the warrant. This estimate also requires determination of the most appropriate inputs to the valuation model including equity value, exercise price, volatility, dividend yield, risk free rate and exercise period and making assumptions about them. For the

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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measurement of the fair value of warrants at both the acquisition and the reporting date, the Group uses a Binomial Option Pricing Model. The assumptions and models used for this estimation are disclosed in note 18.

*Deemed acquisition cost*

A 'reverse acquisition' is a transaction in which the legal acquirer - i.e. the entity that issues the securities (listed entity) becomes the acquiree for accounting purposes and the legal acquiree becomes the acquirer for accounting purposes.

The reverse acquisition is accounted for under IFRS 2 "Share-based Payments" whereby the legal acquiree Arqit Limited is deemed to have issued shares in exchange for the net assets and listing status of Arqit Quantum Inc. The deemed consideration is the fair value of the shares that Arqit Limited would have had to issue to Arqit Quantum Inc to acquire the same percentage equity interest in the combined entity that results from the reverse acquisition.

The deemed acquisition cost is recognised in profit or loss and is the difference between the fair value of the deemed consideration and the fair value of the net assets acquired. It represents the premium paid for obtaining the public listing. Detail on the reverse acquisition of Arqit Quantum Inc. is included in note 9.

*Capitalisation of development costs*

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model, and all other recognition criteria within IAS 38 can be demonstrated. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At September 30, 2023, the carrying amount of capitalised development costs were \$3.414 million (2022: \$40.291 million, 2021: \$18.235 million).

*Share-based compensation*

Estimating fair value for share option payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity settled transactions with employees at the grant date, the Group uses a Black Scholes valuation. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 19.

Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of the grant and expensed over the vesting period, which is generally a one to five year service period. The compensation expense is adjusted based on actual forfeitures.

*Deferred tax asset*

Judgement is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, arising from unutilised tax losses, require the Group to assess the likelihood it will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

*Assets held for sale*

The Group's management uses its professional judgement based on offers and commercial appraisal. As at 30 September 2023, assets held for sale are recognised at fair value less costs to sell. Judgement is required when estimating expected fair value until any sale is contractually concluded. Changes in the economic environment or other facts and circumstances may cause revisions to these assumptions and could result in a material change to the realizable value of the Group's assets held for sale within the next financial year.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**2. Revenue**

	Year ended 30 September 2023 \$'000	Year ended 30 September 2022 \$'000	Year ended 30 September 2021 \$'000
Quantum Cloud – provision of services	640	7,212	48
<b>Geographical markets</b>			
UK	640	359	48
Other	—	6,853	—
	<u>640</u>	<u>7,212</u>	<u>—</u>

Revenue with a total of 6 (2022: 5) customers is recognised over time. Revenue from 2 (2022: 2) customers represents more than 10% of total revenues.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations	Revenue recognition policies
QuantumCloud™ perpetual license	Customer can benefit from the license when it is delivered. The license is separately identifiable from other goods or services.  License provides a right for customer to use the Company's Intellectual Property.	Revenue is recognised when the license is delivered to and accepted by the customer. Invoices are usually payable within 30 days.
QuantumCloud™ platform as a service	Customer can benefit from the license when it is delivered. The license is separately identifiable from other goods or services.  License provides a right for customer to use the Company's Intellectual Property.	Revenue is recognised over the course of the subscription period. Invoices are usually payable within 30 days.
Maintenance and support	Services are provided to the customer over the contract term.	Revenue is recognised over time as the services are provided. Invoices are usually payable within 30 days.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

Professional services	Statements of work including details and timings are agreed with the customer at contract inception. They can typically be amended during the performance of the services if agreed by both parties.	Revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognise is assessed based on statements of work performed which are approved by both parties. Invoices are usually payable within 30 days.
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**3. Other income**

	Year ended 30 September 2023	Year ended 30 September 2022	Year ended 30 September 2021
	\$'000	\$'000	\$'000
Gain on sale of property, plant and equipment	53	—	—

**4. Expenses by Nature**

	Year ended 30 September 2023	Year ended 30 September 2022	Year ended 30 September 2021
	\$'000	\$'000	\$'000
Employee benefit expense and other staff costs	24,187	21,148	10,936
Capitalised within intangible assets	(1,956)	(4,920)	(3,478)
Legal and professional	12,415	6,355	4,733
Foreign exchange	(8,764)	13,535	623
Property costs	2,289	754	187
Share based compensation	14,118	21,742	165
Depreciation	901	369	53
Depreciation of right of use asset	1,642	923	—
Amortisation of intangible assets	91	—	—
Other expenses	10,278	11,071	1,340
Total administrative expenses	55,201	70,977	14,559

**5. Finance costs**

	Year ended 30 September 2023	Year ended 30 September 2022	Year ended 30 September 2021
	\$'000	\$'000	\$'000
Interest payable on convertible loan notes	—	—	1,078
Interest payable on lease liabilities	284	221	—

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**6. Finance income**

	Year ended 30 September 2023	Year ended 30 September 2022	Year ended 30 September 2021
	\$'000	\$'000	\$'000
Bank interest	41	—	—

**7. Income tax**

	2023	2022	2021
	\$'000	\$'000	\$'000
The tax (charge)/credit on the profit/(loss) on ordinary activities for the year was as follows:			
<b>Current tax</b>			
Current tax credit/(charge)	—	—	—
R&D Tax refund	141	—	—
<b>Deferred Tax</b>	—	—	—
<b>Income tax</b>	<u>141</u>	<u>—</u>	<u>—</u>

**Factors affecting tax charge/credit for the year**

The tax assessed for the period is higher than (2022 – lower than; 2021 – higher than) the standard rate of corporation tax in the United Kingdom of 22% (2022 - 19%; 2021 - 19%). The differences are explained below:

	2023	2022	2021
	\$'000	\$'000	\$'000
Profit / (Loss) from continuing operations	(74,049)	53,408	(271,729)
Tax at the applicable rate of 22% (2022 – 19%, 2021 – 19%)	(16,291)	10,148	(51,629)
Tax effect of income and expenses that are not taxable / deductible in determining profit	—	—	—
Disallowable expenditure	238	318	755
Difference in tax rate between UK and other jurisdictions	(344)	668	—
Fixed asset timing differences	23	—	—
Other differences	38	6	—
Unutilised losses	—	—	3,103
Difference in rates between current and deferred tax	(1,490)	(1,527)	—
Unutilised tax losses on which deferred tax is not recognised	13,267	8,517	1,991
Deferred tax not recognised in respect of share options	4,559	4,176	—
R&D tax credit	141	—	33
Additional deduction for R&D	—	—	(1,105)
Remeasurement of R&D	—	—	(1,322)
Fair valuation of warrants	—	(22,305)	18,637
Reverse acquisition expense	—	—	29,537
<b>Total tax</b>	<u>141</u>	<u>—</u>	<u>—</u>

In October 2022, the British government announced changes to the Corporation Tax rate from 1 April 2023, increasing the main rate of Corporation Tax to 25%. As a result of this change, the tax rate for the year ended 30 September 2023 has been set at 22% reflecting a 6 month period under the 19% Corporation Tax rate and a 6 month period under the 25% Corporation Tax rate.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**8. Earnings per share**

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

<u>Basic EPS in relation to profit/(loss) from continuing operations</u>	<u>Earnings</u>	<u>Weighted average number of shares</u>	<u>Per share amount</u>
	\$		\$
2023	(73,906,929)	131,468,888	(0.5622)
2022	53,408,454	121,161,250	0.4408
2021	(271,729,101)	68,326,365	(3.9769)
<u>Diluted EPS in relation to profit/(loss) from continuing operations</u>			
2023	(73,906,929)	131,468,888	(0.5622)
2022	53,408,454	121,929,892	0.4380
2021	(271,729,101)	68,326,365	(3.9769)
<u>Basic EPS in relation to profit/(loss) from discontinued operations</u>	<u>Earnings</u>	<u>Weighted average number of shares</u>	<u>Per share amount</u>
	\$		\$
2023	3,514,523	131,468,888	0.0267
2022	11,667,246	121,161,250	0.0963
2021	—	68,326,365	—
<u>Diluted EPS in relation to profit/(loss) from discontinued operations</u>			
2023	3,514,523	131,468,888	0.0267
2022	11,667,246	121,929,892	0.0957
2021	—	68,326,365	—
<u>Basic EPS in relation to profit/(loss) attributable to equity holders</u>	<u>Earnings</u>	<u>Weighted average number of shares</u>	<u>Per share amount</u>
	\$		\$
2023	(70,392,929)	131,468,888	(0.5354)
2022	65,075,454	121,161,250	0.5371
2021	(271,729,101)	68,326,365	(3.9769)
<u>Diluted EPS in relation to profit/(loss) attributable to equity holders</u>			
2023	(70,392,929)	131,468,888	(0.5354)
2022	65,075,454	121,929,892	0.5337
2021	(271,729,101)	68,326,365	(3.9769)

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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Diluted earnings per share is computed similar to basic earnings per share, except that the denominator is increased to include the number of additional ordinary shares that would have been outstanding if potential ordinary shares had been issued if such additional ordinary shares were dilutive. The share options and RSUs are dilutive and therefore have been included in the calculation for diluted earnings per share.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options and RSUs was based on quoted market prices for the year during which the options were outstanding.

Prior to the reverse recapitalisation, the EPS of the combined company is presented on the basis of Arqit Limited shares outstanding, adjusted using the share exchange ratio of 46.06.

**9. Business combination agreement**

On May 12, 2021, Centricus Acquisition Corp. ("Centricus"/ "CAC"), Arqit Limited ("AL"), and the shareholders of AL entered into a Business Combination Agreement whereby: (i) on September 2, 2021, Centricus merged with and into Arqit Quantum Inc ("the Company" / "AQI"), with the Company surviving the merger, and the security holders of Centricus became security holders of the Company, and (ii) on September 3, 2021, the Company acquired all of the issued and outstanding share capital of AL from the shareholders of AL in exchange for ordinary shares of the Company, such that AL is a direct wholly owned subsidiary of the Company.

In consideration for the merger between the Company and Centricus, each Centricus shareholder received one ordinary share and one warrant of the Company for each ordinary share and warrant they held in Centricus, respectively. Each ordinary share of AL was acquired by the Company in exchange for 46.06 ordinary shares of AQI.

The merger of the Company and Centricus does not meet the definition of an IFRS 3 business combination. At the date of the merger, Centricus did not meet the definition of a business under IFRS 3 and as such the merger constitutes a reverse acquisition as opposed to a business combination.

Concurrently with the execution of the Business Combination Agreement, the Company and Centricus entered into subscription agreements with PIPE Investors who agreed to subscribe for and purchase an aggregate of 7,100,000 ordinary shares in the Company at \$10.00 per share for gross proceeds of \$71,000,000.

After market close on September 3, 2021, Centricus' ordinary shares, units and warrants ceased trading on The Nasdaq Stock Market LLC, and beginning on September 7, 2021, the Company's ordinary shares and warrants began trading on Nasdaq under the symbols "ARQQ" and "ARQQW", respectively. Please see note 18 for further detail on the valuation of the warrants.

The acquisition of the share capital of AL by the Company whereby AL becomes a wholly owned subsidiary of the Company, constitutes a reverse acquisition as the previous shareholders of AL own a substantial majority of the Ordinary Shares of the Company. As the

Company previously had no investment activities and was engaged in acquiring AL and raising equity financing to provide the required funding for the operations of the acquisition and re-listing on the NASDAQ exchange, it did not meet the definition of a business as prescribed in IFRS 3. Accordingly, this reverse acquisition does not constitute a business combination and is accounted for in accordance with IFRS 2 Share-based Payments and associated IFRIC guidance.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The Directors accounted for the transaction by applying reverse acquisition methodology, but rather than recognising goodwill, the difference between the equity value given up by the AL shareholders and the share of the fair value of net assets gained by the AL shareholders is charged to the statement of profit or loss as a share based payment charge (the deemed acquisition cost), and represents in substance, the cost of acquiring a NASDAQ quoted listing. In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the financial statements of AL and include:

- a) The assets and liabilities of AL at their pre-acquisition carrying amounts and the results for both years; and
- b) The assets and liabilities of the Company as at September 3, 2021, and its results from September 3, 2021 to September 30, 2021. Included in group profit/ (loss) for was a loss of \$651,973 generated by the Company for the period September 3, 2021 to September 30, 2021.

On September 3, 2021 the Company issued 90,000,000 ordinary shares to acquire 1,954,174 shares of AL. However, as AL is determined to be the accounting acquirer, the fair value of the shares deemed to have been issued by AL to acquire the Company is determined as \$223,517,945.

The fair value is based on an enterprise valuation of Arqit Limited using a market approach. The number of shares deemed issued by Arqit Limited to Arqit Quantum Inc. is 485,326 and represents the number of shares that would need to be issued to acquire the same percentage equity interest in the combined entity that results from the reverse acquisition. The fair value of Arqit Limited shares deemed issued at September 3, 2021 was determined using the following level 3 fair value inputs:

	Fair value	Valuation technique	Unobservable input	Range
485,326 Ordinary Shares in Arqit Limited deemed issues in reverse acquisition	\$ 223,517,945	Market comparable companies	Revenue multiple	12-17 x
			EBITDA multiple	20-30 x
			uFCF multiple	20-25 x
			Revenue growth rate (CAGR)	9.1 %
			Discount	20 %

The fair value of net assets of Arqit Quantum Inc at September 3, 2021 was \$8,049,006 as follows:

	\$
Cash and cash equivalents	107,035,478
Trade and other receivables	1,961,889
Warrant liabilities	(29,948,361)
Trade and other payables	(11,000,000)
<b>Net assets</b>	<b>68,049,006</b>

Due to the short-term nature of cash and cash equivalents and trade and other payables, the carrying value approximated the fair value at September 3, 2021.

The fair value of the Company warrants was based on a binomial tree valuation approach, reflecting the contractual exercise period, warrant price, redemption provisions, and prevailing market data as at the Valuation Dates. This technique was used based on the terms of the warrants. In the case of the Private Warrants, a discount for lack of marketability (“DLOM”) was applied since these may only be transferred to a specified group of permitted transferees, therefore limiting the depth of the market.

The difference between the deemed cost and the fair value of the net assets acquired therefore amounted to \$5,459,939 and was expensed in accordance with IFRS 2 as the deemed reverse acquisition cost to profit or loss.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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Any transaction costs associated with the issuing of shares were deducted directly from equity. Mixed costs that relate to both share issuance and listing on the stock exchange were apportioned based on the number of new shares issued to the total shares. \$16,914,223 was directly attributable to the share issuance and deducted from equity.

Other reserves arose as a result of the reverse acquisition:

	\$
Pre-acquisition losses of AQI	(18,237,443)
Pre-acquisition reserves of AQI	26,285,329
AL share capital at acquisition	269
AL share premium at acquisition	20,210,904
Reverse acquisition expense	155,459,939
Transaction costs	(16,914,223)
	<b>166,804,775</b>

Included in Group profit/ (loss) for the year is a loss of \$651,973 generated by the Company (accounting acquiree) for the period September 3, 2021 to September 30, 2021.

As additional consideration for the shares in AL, earnout shares may be granted if an earnout condition is met. The earnout condition being if at any time during the three years following the share acquisition closing date, the closing price of the ordinary shares of the Company during such period is equal to or exceeds \$12.50 per share for any twenty trading days during a thirty consecutive trading day period, the Company will issue to the original shareholders of AL their pro rata portion of the earnout shares being 10,000,000 additional AQI shares. Subsequent to the year end, the earn-out conditions have been met in October 2021 and has been accounted for in these financial statements.

The exceptional costs within the Consolidated Statement of Comprehensive Income for the year ended 30 September 2021 comprised:

	\$
Reverse acquisition expense	155,459,939
Other listing expenses	2,589,611
	<b>158,049,550</b>

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**10. Property, plant and equipment**

	<u>Computer equipment</u> \$'000	<u>Office equipment</u> \$'000	<u>Furniture &amp; fittings</u> \$'000	<u>Total</u> \$'000
<b>Cost</b>				
At 1 October 2020	32	—	—	32
Additions	223	—	—	223
Foreign exchange on translation	1	—	—	1
<b>At 30 September 2021</b>	<b>256</b>	<b>—</b>	<b>—</b>	<b>256</b>
At 1 October 2021	256	—	—	256
Additions	1,810	25	581	2,416
Foreign exchange on translation	(47)	(2)	(32)	(81)
<b>At 30 September 2022</b>	<b>2,019</b>	<b>23</b>	<b>549</b>	<b>2,591</b>
At 1 October 2022	2,019	23	549	2,591
Additions	407	74	231	713
Disposals	(55)	—	—	(55)
Foreign exchange on translation	22	—	(11)	11
<b>At 30 September 2023</b>	<b>2,393</b>	<b>97</b>	<b>769</b>	<b>3,260</b>
<b>Depreciation</b>				
At 1 October 2020	(5)	—	—	(5)
Charge	(53)	—	—	(53)
Foreign exchange on translation	1	—	—	1
<b>At 30 September 2021</b>	<b>(57)</b>	<b>—</b>	<b>—</b>	<b>(57)</b>
At 1 October 2021	(57)	—	—	(57)
Charge	(327)	(2)	(39)	(368)
Foreign exchange on translation	37	—	3	40
<b>At 30 September 2022</b>	<b>(347)</b>	<b>(2)</b>	<b>(36)</b>	<b>(385)</b>
At 1 October 2022	(347)	(2)	(36)	(385)
Charge	(732)	(18)	(133)	(882)
Disposals	18	—	—	18
Foreign exchange on translation	(42)	—	(4)	(47)
<b>At 30 September 2023</b>	<b>(1,103)</b>	<b>(20)</b>	<b>(173)</b>	<b>(1,296)</b>
<b>Net Book Value</b>				
<b>At 30 September 2023</b>	<b>1,290</b>	<b>77</b>	<b>596</b>	<b>1,963</b>
At 30 September 2022	1,672	21	513	2,206
At 30 September 2021	199	—	—	199

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**11. Intangible fixed assets**

	Digital Bills of Exchange	Project Development Costs	QuantumCloud™	Website	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>					
At 1 October 2020	—	8,777	—	—	8,777
Additions	—	8,881	201	—	9,082
Foreign exchange on translation	—	376	—	—	376
At 30 September 2021	—	18,034	201	—	18,235
Additions	—	25,021	273	—	25,294
Foreign exchange on translation	—	(3,238)	—	—	(3,238)
At 30 September 2022	—	39,817	474	—	40,291
Additions	1,414	12,438	1,409	150	15,411
Impairment	—	(17,601)	—	—	(17,601)
Assets reclassified as held for sale	—	(38,677)	—	—	(38,677)
Foreign exchange on translation	—	4,079	—	—	4,079
At 30 September 2023	1,414	56	1,883	150	3,503
<b>Amortisation</b>					
At 1 October 2020	—	—	—	—	—
Charge	—	—	—	—	—
At 30 September 2021	—	—	—	—	—
Charge	—	—	—	—	—
At 30 September 2022	—	—	—	—	—
Charge	—	—	(89)	—	(89)
At 30 September 2023	—	—	(89)	—	(89)
<b>Net Book Value</b>					
At 30 September 2023	1,414	56	1,794	150	3,414
At 30 September 2022	—	39,817	474	—	40,291
At 30 September 2021	—	18,034	201	—	18,235

The Group's intangible assets under development are internally generated and the Group has not yet begun amortisation of these finite useful economic life assets with the exception of QuantumCloud™ which has started to generate revenue. \$1.883 million (2022: \$0.474 million) of these capitalised costs relate to QuantumCloud™.

An impairment test was performed for the year ended September 30, 2023, which considered the value of existing contracts and forecasted revenues. An impairment of \$17.6 million was deemed necessary for the satellite. No impairment was deemed necessary for the other intangibles. The Group has begun amortisation for QuantumCloud™ and will begin amortisation of the remaining intangible assets when they are available for use.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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**12. Equity accounted investees**

	<b>Investment in Joint Venture S'000</b>
<b>Cost</b>	
At 1 October 2020	32
Additions	—
Foreign exchange on translation	2
At 30 September 2021	<u>34</u>
Additions	—
Foreign exchange on translation	(6)
At 30 September 2022	28
Additions	—
Foreign exchange on translation	2
At 30 September 2023	<u>30</u>

**Joint venture**

Quantum Keep Limited is a joint venture of Arqit Limited, which is a 100% owned subsidiary of Arqit Quantum Inc. The registered office is One Fleet Place, London, England, EC4M 7WS. Arqit Ltd jointly holds 50% of shares for the entity. The nature of Quantum Keep Limited's activities is that of business and domestic software development. Quantum Keep Ltd is a separate vehicle and the Group has a residual interest in Quantum Keep Ltd as a JV.

Quantum Keep Limited was incorporated on 12 August 2020 with Arqit Ltd. taking a 50% investment in incorporation.

Quantum Keep Limited has no activity relating to continuing or discontinued operations within the year. There was no total comprehensive income.

**13. Discontinued operations and assets classified as held for sale**

**Assets and liabilities classified as held for sale**

**(i) General Description**

Arqit announced that through innovation in the delivery of its products, quantum satellite hardware was no longer required and that it intends to monetise (in whole or in part as a capacity sharing arrangement) its quantum satellite currently under construction. Following that announcement, the group initiated a partner search process to consider wholesale capacity sales or joint ventures, and received indications that an outright sale of the business might be viable. As a result, Arqit retained an adviser in May 2023 to assist in the process pursuing the sale of its satellite division amongst other potential transactions. The satellite division consists of satellite assets under construction, patents, customer contracts and an engineering team.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**(ii) Assets and liabilities held for sale**

The following major classes of assets and liabilities relating to these operations have been classified as held for sale in the consolidated statement of financial position as at 30 September:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Property, plant and equipment	—	—	—
Investment property	—	—	—
Intangible assets	38,677	—	—
Trade and other receivables	—	—	—
Other financial assets	—	—	—
<b>Assets held for sale</b>	<u>38,677</u>	<u>—</u>	<u>—</u>
Deferred government grants	5,869	—	—
Employee benefits	—	—	—
Other financial liabilities	—	—	—
<b>Liabilities held for sale</b>	<u>5,869</u>	<u>—</u>	<u>—</u>

The impact on the statement of comprehensive income is as below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Other operating income	4,986	12,843	—
Administrative expenses	(1,471)	(1,176)	—
<b>Profit from discontinued operations</b>	<u>3,515</u>	<u>11,667</u>	<u>—</u>

The net cash flows associated with the discontinued operations are as follow:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Net cash used in operating activities	4,986	12,843	—
Net cash used in investing activities	(12,438)	(25,021)	(8,881)
Net cash used in financing activities	1,316	2,161	2,459
<b>Net cash flows for the year</b>	<u>(6,136)</u>	<u>(10,017)</u>	<u>(6,422)</u>

Net cash flow of the assets held for sale is indicative of the cash investment Arqit made in developing the quantum satellite.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**14. Trade and other receivables**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Current assets</b>			
Trade debtors	1,273	5,924	57
Other debtors	164	892	856
Prepayments and accrued income	1,780	861	2,379
<b>Total</b>	<u>3,217</u>	<u>7,677</u>	<u>3,292</u>

The directors consider that the carrying amount of financial assets recorded at amortised cost in the financial statements approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Non-current Assets</b>			
Prepayments	—	15,873	5,000
Trade debtors	—	975	—
Other debtors	1,888	1,717	—
<b>Total</b>	<u>1,888</u>	<u>18,565</u>	<u>5,000</u>

In the prior year, Non-current prepayments comprised the payment of a non-refundable deposit towards the cost of the first satellite launch service. Within the current financial year, Virgin Orbit Inc. filed for bankruptcy in the U.S. and as a result this balance has been completely written off. Arqit is still pursuing recovery of funds in conjunction with the appointed authority.

**15. Trade and other payables**

	<u>30 September</u>	<u>30 September</u>	<u>2021</u>
	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Current liabilities</b>			
Trade payables	11,788	17,478	9,748
Other tax and social security	1,471	633	410
Other creditors	733	516	1,019
Accruals	4,821	3,803	3,236
Deferred income	18	225	2,656
<b>Total</b>	<u>18,831</u>	<u>22,655</u>	<u>17,069</u>

Trade payables and accruals relate to amounts payable at the balance sheet date for services received during the year. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The directors consider that the carrying amount of financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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Within other creditors, a total of \$nil (2022: \$nil; 2021: \$961,268) relates to interest owed on convertible loan notes which converted in September 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Non-current Liabilities</b>			
Deferred government grants	24	4,183	2,460
	<u>24</u>	<u>4,183</u>	<u>2,460</u>

## **16. Borrowings**

### **Bridging Finance**

The Group received a £800,000 (\$1,033,632) loan from Evolution Equity Capital Limited in the year ended 30 September 2020. The loan attracted interest at 0% and was fully repaid within 2021.

### **Convertible loan notes A (“CLNA”)**

The Group issued £1,000,000 (\$1,411,034) CLNAs on 22 March 2018. CLNAs converted to ordinary shares within Arqit Quantum Inc. on 3 September 2021.

### **Convertible loan notes B (“CLNB”)**

The Group issued £3,000,000 (\$3,876,120) CLNBs on 21 June 2019 and issued a further £500,000 (\$646,020) in the year ended 30 September 2020. CLNBs converted to ordinary shares within Arqit Quantum Inc. on 3 September 2021.

### **Future Fund Loan**

The Group received an unsecured convertible loan of £8,500,000 (\$11,452,900) relating to the future fund on 31 October 2020. An additional £2,000,000 (\$2,694,800) unsecured convertible loan was received on 5 January 2021. The future fund loan converted to ordinary shares within Arqit Quantum Inc. on 3 September 2021. A total of \$nil (30 September 2021 \$961,268) was owed relating to interest at year end, which is included within other creditors.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**17. Cash generated from operations**

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit on continuing operations before tax	(74,049)	53,408	(271,729)
Profit from discontinued operations	3,515	11,667	—
Adjustments for:			
Depreciation	2,543	1,292	53
Amortisation of intangible assets	91	—	—
Gain on sale of property, plant and equipment	(53)	—	—
Impairment loss on trade receivables and contract assets	12,335	—	—
Impairment loss on intangible assets	17,601	—	—
Change in trade and other receivables	21,136	(17,949)	(6,132)
Change in trade and other payables	(7,982)	5,586	(1,290)
Share option charge	14,118	21,742	166
Finance income	(41)	—	—
Interest payable	284	221	1,078
Change in fair value of warrants	(10,638)	(117,394)	98,090
IFRS 2 adjustment relating to reverse acquisition	—	—	155,460
Cash (used in)/generated from operations	<u>(21,140)</u>	<u>(41,427)</u>	<u>(24,304)</u>
<b>Reconciliation of net cashflow to movements in net debt:</b>			
<b>Opening net cash/(debt)</b>	48,966	86,966	(5,265)
Convertible facilities received	—	—	(14,148)
Borrowings received	—	—	(5,042)
Net interest charge	—	—	(100)
Facilities converted	—	—	18,864
Repayment of borrowings	—	—	6,120
Movement in cash	(4,054)	(28,975)	86,765
Movement on foreign exchange	(457)	(9,025)	(228)
<b>Movement in net cash/ (debt)</b>	<u>(4,511)</u>	<u>(38,000)</u>	<u>92,231</u>
<b>Closing net cash/(debt)</b>	<u>44,455</u>	<u>48,966</u>	<u>86,966</u>
Composition of closing net cash/(debt)			
Cash	44,455	48,966	86,966
Bank loans	—	—	—
Convertible loans	—	—	—
Net cash/(debt)	<u>44,455</u>	<u>48,966</u>	<u>86,966</u>

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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**18. Warrants**

*Warrant liabilities*

Warrants in connection with the Business Combination are classified as financial liabilities at fair value through profit and loss. The warrants are valued at the acquisition date September 3, 2021, for the purpose of determining the deemed acquisition cost. At this date, Arqit Limited (accounting acquiree) acquired all the assets and liabilities of the Company at their fair value. A further valuation of the warrants is performed at September 30, 2022, and 2023 for the year end.

The key terms of the warrants are:

Warrant exercise

Warrants are exercisable:

- In the period from 8 February 2022 (“First Exercise Date”), being the later of one year from the closing of Centricus’ the Initial Public Offering or 30 days after the Business Combination;
- to 3 September 2026 (“Expiry Date”), being the date five years after the Business Combination (“the Exercise Period”); and
- in exchange for one ordinary AQI Share (NASDAQ: ARQQ) (“Share”) for a price of \$11.50 (“Exercise Price”).

Public warrant redemption

The following terms apply to Public Warrants only:

- AQI may redeem the Public Warrants in whole and not in part during the Exercise Period for \$0.10 per Warrant if the Shares trade at or above \$10.00 but less than \$18.00 per share for a 20 out of 30 trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders; and
- AQI may redeem the Public Warrants in whole and not in part during the Exercise Period for \$0.01 per Warrant if the Shares trade above \$18.00 for a 20 out of 30 trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders.

Private warrant redemption

The following terms apply to Private Warrants only:

- AQI may redeem the Private Warrants in whole and not in part during the Exercise Period for \$0.10 per Warrant if the Shares trade at or above \$10.00 but less than \$18.00 per share for a 20 out of 30 trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders.
- AQI may not redeem the Private Warrants in whole and not in part if the Shares trade above \$18.00; and
- Private Warrant holders may not transfer their warrants to any party not defined as a permitted transferee.

Exercise after redemption notice

The Company is required to provide investors with 30 days’ notice of intention to redeem the Warrants (the “Redemption Notice Period”).

During the Redemption Notice Period, warrant holders may elect to exercise their Warrants on a cash basis (i.e. by paying the Exercise Price of \$11.50 for a Share).

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

If redemption is triggered by the Shares trading between \$10.00 and \$18.00 per share, warrant holders may elect for a “Make Whole Exercise” in exchange for a pre-determined number of Shares on a cashless basis. The number of Make Whole shares is determined on the basis of:

- (1) the 10-day volume-weighted average price of the Shares in the 10 trading days following the notice of redemption, and
- (2) the number of months elapsed since the business combination.

IFRS 13 Fair Value prescribes a fair value hierarchy made up of 3 levels of inputs based on the reliability of the underlying data used in establishing the fair value. Public warrant liabilities at fair value through profit and loss are level 2 instruments. Level 2 of the hierarchy includes instruments that are not traded in an active market and is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Private warrant liabilities are classified as level 3 instruments. The fair value is determined using the fair value of the public warrants, adjusted for a lack of marketability discount because these warrants may only be transferred to a specified group of permitted transferees, therefore limiting the depth of the market (refer to note 25). The key inputs into the Binomial Option Pricing Model were as follows: dividend yield (nil %), volatility (45%) and risk-free rate (4.16%). Volatility was calculated using a set of comparable companies.

	Number of Private warrants	Number of Public warrants	Fair value of warrant liability \$'000
At date of acquisition (3 September 2021)	6,266,667	8,624,973	29,948
Change in fair value	—	—	98,090
Balance at 30 September 2021	6,266,667	8,624,973	128,038
Warrants exercised	—	(1,852,736)	—
Change in fair value	—	—	(117,394)
Balance at 30 September 2022	6,266,667	6,772,237	10,644
Warrants exercised	—	—	—
Change in fair value	—	—	(10,638)
Balance at 30 September 2023	<u>6,266,667</u>	<u>6,772,237</u>	<u>6</u>

*Equity settled registered direct warrants*

In February 2023, Arqit entered into a securities purchase agreement with investors pursuant to which it sold 10,000,000 ordinary shares, together with warrants to purchase 7,500,000 ordinary shares at a combined purchase price of \$2.00 per share and accompanying warrant. The February 2023 Investor Warrants have an exercise price of \$2.00 per share, are currently exercisable and will expire on February 22, 2028. In addition, in connection with the February 2023 registered direct offering Arqit issued warrants to purchase 550,000 ordinary shares to H.C. Wainwright & Co., LLC or its designees. The February 2023 Placement Agent Warrants have an exercise price of \$2.50 per share, are currently exercisable and will expire on February 22, 2028.

In September 2023, Arqit entered into securities purchase agreements with investors pursuant to which it sold 20,755,677 ordinary shares, together with warrants to purchase 20,755,677 ordinary shares at a combined purchase price of \$0.78 per share and accompanying warrant. The September 2023 Investor Warrants have an exercise price of \$0.78 per share, are currently exercisable and will expire on September 12, 2028. In addition, in connection with the September 2023 registered direct offering Arqit issued warrants to purchase 705,128 ordinary shares to H.C. Wainwright & Co., LLC or its designees. The September 2023 Placement Agent Warrants have an exercise price of \$0.975 per share, are currently exercisable and will expire on September 8, 2028. The September 2023 registered direct offering included the sale of 7,935,164 ordinary shares, together with 7,935,164 September 2023 Investor Warrants at a combined offering price of \$0.78 per ordinary share and accompanying warrant to existing shareholders Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria. Arqit director Manfredi Lefebvre d’Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is an Arqit director. See “Item 7.B. Related Party Transactions.”

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**19. Share-based compensation**

The Group has incentive awards for employees, share options which have ceased in 2021 and RSUs. The below table summaries share-based compensation expense for the years ended September 30, 2023, 2022 and 2021.

	2023	2022	2021
	\$'000	\$'000	\$'000
Share option charge included in administrative expenses	(14)	177	165
RSU compensation for the year included in administrative expenses	14,132	21,565	—
	<u>14,118</u>	<u>21,742</u>	<u>165</u>

Share options

Share options are exercisable at the price agreed at the time of the issue of the share option. The vesting periods are consistent between employees. Options are typically forfeited if the employee leaves the Group before the options vest. Details of the share options granted during the period are as follows:

	2023		2022		2021	
	Number of Share options	Weighted Average Exercise Price (\$)	Number of Share options	Weighted Average Exercise Price (£)	Number of Share options	Weighted Average exercise Price (£)
Outstanding at beginning of period	8,004,813	0.0001	8,451,872	0.0001	161,250	0.0001
Granted during the period	—	—	—	—	55,210	0.0001
Forfeited/lapsed during the period	(14,141)	0.0001	(447,058)	0.0001	(32,963)	0.0001
Exercised during the period	(1,687,270)	—	—	—	—	—
Outstanding at end of period	<u>6,303,402</u>	0.0001	<u>8,004,813</u>	0.0001	<u>183,497</u>	0.0001
Exercisable at end of period	<u>1,699,277</u>		<u>1,253,062</u>		<u>17,167</u>	

The options outstanding at 30 September 2023 had a weighted average exercise price of \$0.0001 (£0.0001) pence, and a weighted average remaining contractual life of 2 years. Prior to the completion of the business combination (2021), Arqit Limited granted options over Arqit Limited ordinary shares to its employees, consultants and advisors. The holders of each of these options agreed to exchange these options for equivalent options to acquire ordinary shares at a conversion rate of 46.06. Therefore, the share price and exercise price have been stated in pound sterling for 30 September 2021 due to this being the currency which the instrument originated from, this has been restated to dollars and the value is reflected as at 30 September 2023.

The inputs into the Black-Scholes model are as follows:

	2023	2022	2021
Weighted average share price (£)	—	—	3.30
Weighted average exercise price (£)	—	—	0.0001
Expected volatility	—	—	50 %
Expected life	—	—	5 years
Risk-free rate	—	—	0.1 %
Expected dividend yield	—	—	0 %

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

RSUs

In October 2021, the compensation committee of the board of directors approved the grant of RSUs to employees. Compensation expense for RSUs is determined based upon the market price of the shares underlying the awards on the date of grant and expensed over the vesting period, which is generally a one to five-year service period.

	2023			2022		
	Number of awards	Weighted Average grant date fair value per share Price (\$)	Weighted Average remaining term to vest/distribute (yrs)	Number of awards	Weighted Average grant date fair value per share Price (\$)	Weighted Average remaining term to vest/distribute (yrs)
Outstanding at beginning of period	2,686,071	—	—	—	—	—
Granted during the period	3,093,686	3.97	—	2,758,039	17.52	—
Forfeited/lapsed during the period	(309,076)	9.03	—	(71,968)	15.23	—
Vested during the period	(1,534,063)	13.03	—	—	—	—
Outstanding at end of period	<u>3,936,618</u>	9.82	2.07	<u>2,686,071</u>	17.58	1.4

**20. Staff costs**

	2023 \$'000	2022 \$'000	2021 \$'000
The aggregate remuneration comprised:			
Wages and salaries	20,166	12,920	9,532
Social security costs	3,117	1,405	1,238
Pension costs	2,312	707	166
Share based compensation	14,118	21,742	165
	<u>39,713</u>	<u>36,774</u>	<u>11,101</u>

A total of \$1.956 million (2022: \$4.920 million; 2021: \$3.478 million) relating to staff costs was capitalised in relation to development costs within intangibles within the year.

Total remuneration for key management personnel for 2023 was \$3.056 million (2022 - \$3.795 million; 2021 - \$3.331 million). Total pension contributions of key management personnel totaled \$0.112 million (2022 - \$0.089 million; 2021 - \$0.086 million) and is included within the total remuneration for key management personnel. Nil (2022: nil; 2021: 15,000) share options were granted to key management personnel in the year. A total of 552,158 RSUs were granted to key management personnel for 2023 (2022 – 1,268,469 RSUs this number has been restated from the prior year).

During the year remuneration payable to directors was as follows:

	2023 \$'000	2022 \$'000	2021 \$'000
Directors' remuneration	<u>1,395</u>	<u>1,856</u>	<u>1,972</u>

The highest paid Directors remuneration totaled \$595,683 (2022: \$789,002; 2021: \$699,325).

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**21. Deferred Tax**

	2023	2022	2021
	\$'000	\$'000	\$'000
At the beginning of the period	—	—	—
Movement in the year recognised in profit or loss	—	—	—
Foreign exchange on translation	—	—	—
At the end of the year	—	—	—
The deferred tax liability/(asset) is made up as follows:			
Intangible asset and other timing differences	3,335	10,389	4,685
Unrelieved tax losses	(3,335)	(10,389)	(4,685)
	—	—	—

In total there are \$95.281 million (2022: \$42.204 million) of unrecognised deferred tax assets. This comprises an unrecognised deferred tax asset of \$90.234 million (2022: \$38.132 million) in respect of unrelieved tax losses carried forward and \$5.047 million (2022: \$4.0723 million) in respect of share scheme differences. These deferred tax assets have not been recognised as the Group is uncertain on when there will be sufficient future taxable profits against which to utilise the assets.

**22. Leases**

**Leases as lessee**

The Group leases several assets including buildings and IT equipment. The average lease term for buildings is 5 years and for IT equipment is 3 years. Information about leases for which the Group is a lessee is presented below.

The Group leases a laboratory and IT equipment which is a short term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases. At 30 September 2023, the Group is committed \$0.003m for short-term leases.

**Right-of-use assets**

	Land & buildings	IT equipment	Total
	\$'000	\$'000	\$'000
<b>Cost</b>			
At 1 October 2020	—	—	—
Additions	—	—	—
Foreign exchange on translation	—	—	—
At 30 September 2021	—	—	—
At 1 October 2021	—	—	—
Additions	7,597	704	8,301
Foreign exchange on translation	(1,321)	—	(1,321)
At 30 September 2022	6,276	704	6,980

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

At 1 October 2022	6,276	704	6,980
Additions	1,100	—	1,100
Foreign exchange on translation	635	—	635
<b>At 30 September 2023</b>	<b>8,011</b>	<b>704</b>	<b>8,715</b>
<b>Depreciation</b>			
At 1 October 2020	—	—	—
Charge	—	—	—
Foreign exchange on translation	—	—	—
At 30 September 2021	—	—	—
At 1 October 2021	—	—	—
Charge	(841)	(82)	(923)
Foreign exchange on translation	80	2	82
At 30 September 2022	(761)	(80)	(841)
At 1 October 2022	(761)	(80)	(841)
Charge	(1,395)	(247)	(1,642)
Foreign exchange on translation	(77)	(14)	(91)
<b>At 30 September 2023</b>	<b>(2,233)</b>	<b>(341)</b>	<b>(2,574)</b>
<b>Net Book Value</b>			
<b>At 30 September 2023</b>	<b>5,778</b>	<b>363</b>	<b>6,141</b>
At 30 September 2022	5,515	624	6,139
At 30 September 2021	—	—	—

**Lease liability**

	2023	2022	2021
	\$'000	\$'000	\$'000
<b>Current liabilities</b>			
Lease liabilities	2,118	1,154	—
<b>Non-current liabilities</b>			
Lease liabilities	6,284	6,681	—
	<u>8,402</u>	<u>7,835</u>	<u>—</u>

**Amounts recognised in profit or loss**

	2023	2022	2021
	\$'000	\$'000	\$'000
Depreciation expense on right of use assets	1,642	923	—
Interest on lease liabilities	284	221	—
Expense relating to short-term leases	3	12	9
<b>Total</b>	<u>1,929</u>	<u>1,156</u>	<u>9</u>

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

**Amounts recognised in statement of cash flows**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000
Total cash outflow for leases	(1,599)	(657)	—
<b>Total</b>	<u><u>(1,599)</u></u>	<u><u>(657)</u></u>	<u><u>—</u></u>

**23. Share capital**

The annual financial statements are prepared as a continuation of the financial statements of the Group, prior periods are that of Arqit Limited for September 2021.

On September 2, 2021, the Company had 12,973,270 ordinary shares in issue with a par value of \$0.0001. Immediately following the merger, the Company closed a series of subscription agreements with accredited investors (“PIPE Investors”) for a private placement of 7,100,000 ordinary shares. PIPE financing led to an increase in share premium of \$70.999 million.

As of September 30, 2023, the total number of ordinary shares of the Company outstanding is 163,554,269 with a par value of \$0.0001.

	<u>Number of ordinary</u>	<u>Share capital</u>
	<u>shares</u>	<u>\$</u>
Inception, April 26, 2021 – par value \$1	1	1
Treasury shares	(1)	(1)
Shares issued in merger with Centricus	12,973,430	1,297
Shares issued in exchange for Arqit Limited shares	90,000,000	9,000
Shares issued to PIPE investors	7,100,000	710
<b>September 30, 2021 – par value \$0.0001</b>	<u><b>110,073,430</b></u>	<u><b>11,007</b></u>
Warrants exercised	1,852,736	185
Shares issued in exchange for Arqit Limited shares	10,000,000	1,000
<b>September 30, 2022 – par value \$0.0001</b>	<u><b>121,926,166</b></u>	<u><b>12,192</b></u>
Warrants exercised	—	—
Shares issued	41,628,103	4,163
<b>September 30, 2023 – par value \$0.0001</b>	<u><b>163,554,269</b></u>	<u><b>16,355</b></u>

**24. Retained earnings**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
	\$'000	\$'000	\$'000
At 1 October	(207,140)	(272,215)	(486)
Profit/(Loss) for the year	(70,393)	65,075	(271,729)
<b>At 30 September</b>	<u><b>(277,533)</b></u>	<u><b>(207,140)</b></u>	<u><b>(272,215)</b></u>

**25. Reserves**

**Share premium**

Includes the difference in price between the par value of shares, and the total price the Group received for those shares, net of expenses.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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**Convertible loan notes treated as equity**

Included cumulative portion of 1,000,000 £1 convertible A loan notes treated as equity within 2020. The convertible loan notes converted on 3<sup>rd</sup> September 2021.

**Foreign currency translation reserve**

Includes other comprehensive income relating to the translation of subsidiaries into the functional currency of the group.

**Share based payment reserve**

Cumulative charges in respect of share options issued.

**Retained earnings**

Includes cumulative profit and loss and all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

**Other reserves**

Other reserve includes the IFRS 2 deemed acquisition cost and other reserves assumed as part of the reverse acquisition.

**26. Financial instruments and fair value disclosures**

**Capital management**

The Group's policy is to maintain a strong balance sheet for the business and to have an appropriate funding structure. Shareholders' equity and long-term debt are used to finance assets under construction. The Group is not subject to any externally imposed capital requirements.

**Financial assets and financial liabilities**

Categories of financial assets and financial liabilities are as follows:

**Financial assets at amortised cost**

<u>\$'000</u>	<u>Carrying value</u> <u>30 September 2023</u>	<u>Fair value</u> <u>30 September 2023</u>
Cash and cash equivalents	44,455	44,455
Trade and other receivables	1,273	1,273
	<u>45,728</u>	<u>45,728</u>

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

\$'000	Carrying value 30 September 2022	Fair value 30 September 2022
Cash and cash equivalents	48,966	48,966
Trade and other receivables	6,899	6,899
	<b>55,865</b>	<b>55,865</b>

\$'000	Carrying value 30 September 2021	Fair value 30 September 2021
Cash and cash equivalents	86,966	86,966
Trade and other receivables	57	57
	<b>87,023</b>	<b>87,023</b>

The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements to approximate their fair value.

**Financial liabilities at amortised cost**

\$'000	Carrying value 30 September 2023	Fair value 30 September 2023
Trade and other payables	18,831	18,831
Lease liabilities	8,402	8,402
	<b>27,233</b>	<b>27,233</b>

\$'000	Carrying value 30 September 2022	Fair value 30 September 2022
Trade and other payables	22,655	22,655
Lease liabilities	7,834	7,834
	<b>30,489</b>	<b>30,489</b>

\$'000	Carrying value 30 September 2021	Fair value 30 September 2021
Trade and other payables	16,659	16,659
	<b>16,659</b>	<b>16,659</b>

The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements to approximate their fair value.

**Financial liabilities at fair value through profit or loss**

IFRS 13 Fair Value prescribes a fair value hierarchy made up of 3 levels of inputs based on the reliability of the underlying data used in establishing the fair value. The fair value of public warrants is determined using level 2 inputs. Level 2 of the hierarchy includes instruments that are not traded in an active market and is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. Private warrants are classified as a level 3 financial instrument. The fair value is determined using the fair value of the public warrants, adjusted for a lack of marketability discount of 7.5% because these warrants may only be transferred to a specified group of permitted transferees, therefore limiting the depth of the market.

\$'000	Carrying value 30 September 2023	Fair value Level 2 30 September 2023	Fair value Level 3 30 September 2023
Warrant liability	6	3	3
	<b>6</b>	<b>3</b>	<b>3</b>

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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	Carrying value	Fair value	Fair value
	30 September	Level 2	Level 3
S'000	2022	30 September	30 September
	2022	2022	2022
Warrant liability	10,644	5,756	4,888
	<b>10,644</b>	<b>5,756</b>	<b>4,888</b>

**Market risk**

It is, and has been throughout the period under review, the Group's policy not to use or trade in derivative financial instruments. The Group's financial instruments comprise its cash and cash equivalents and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of the financial assets and liabilities is to provide finance for the Group's operations in the period.

**Interest rate risk management**

The Group would be exposed to interest rate risk if the Group borrows funds, when required, at variable interest rates. There is currently no exposure to interest rate risk.

**Credit risk**

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations. Group policy is that surplus cash, when not used to repay borrowings, is placed on deposit with the Group's main relationship banks and with other banks or money market funds based on a minimum credit rating of A3/A- and maximum exposure.

There is no significant concentration of risk to any single counterparty.

Management consider that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Having considered the Group's exposure to bad debts and the probability of default by customers, no expected credit losses have been recognised in accordance with IFRS 9.

**Foreign Exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Sterling ("£") and Euro ("€"). The Group holds Sterling, US Dollar and Euro bank accounts in order to limit its exposure.

The Group is also exposed to foreign exchange risk to the extent that its ultimate parent entity has a US dollar functional currency. This is limited to the parent consolidated accounts.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

The table below summarises the FX exposure on the net monetary position of each group entity against its respective functional currency, expressed in the group's presentation currency.

Year ended 30/09/2023	£'000
Parent	—
UK subsidiary	117,530
<b>Total</b>	<b>117,530</b>

The reasonable shifts in exchange rates below are based on historic volatility.

If the \$/£ rates moved by +/- 11.39% then the effect on profit would be as follows:

Year ended 30/09/2023	\$'000
Reasonable shift	(11.39)%
Total effect on Loss of +ve movements	(13,388)
Total effect on Loss of -ve movements	13,388

**Liquidity risk**

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity.

Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events.

The maturity profile of the anticipated future cash flows including interest, using the latest applicable relevant rate, based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

2023 \$'000	Trade and other payables	Deferred government grants	Lease Liabilities	Total
On demand	—	—	—	—
Within one year	18,831	—	2,118	20,949
More than one year but less than two years	—	—	2,307	2,307
More than two year but less than five years	—	24	3,977	4,001
More than five years	—	—	—	—
	<b>18,831</b>	<b>24</b>	<b>8,402</b>	<b>27,257</b>
2022 \$'000	Trade and other payables	Deferred government grants	Lease Liabilities	Total
On demand	—	—	—	—
Within one year	22,655	—	1,154	23,809
More than one year but less than two years	—	—	1,760	1,760
More than two year but less than five years	—	4,183	3,767	7,950
More than five years	—	—	—	—
	<b>22,655</b>	<b>4,183</b>	<b>6,681</b>	<b>33,519</b>

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

2021 \$'000	Trade and other payables	Deferred government grants	Loans	Convertible loan notes	Total
On demand	—	—	—	—	—
Within one year	17,069	—	—	—	17,069
More than one year but less than two years	—	—	—	—	—
More than two year but less than five years	—	2,459	—	—	2,459
More than five years	—	—	—	—	—
	<u>17,069</u>	<u>2,459</u>	<u>—</u>	<u>—</u>	<u>19,528</u>

**27. Contingent Liabilities**

As detailed in 'Item 8 – Financial Information' above, the Company is aware of legal proceedings relating to it, however given their nature and the uncertainties involved in the outcomes and financial impact, no liability has been recorded in relation to them.

**28. Subsidiaries**

Details of the company's subsidiaries at 30 September 2023 are as follows:

Name of undertaking	Registered office	Domicile	% held
Arqit Limited	7th Floor, Nova North, 11 Bressenden Place, London, England, SW1E 5BY	U.K.	100
Arqit Inc.	1209 Orange Street, Wilmington, County of Newcastle, Delaware 19801	U.S.	100
Arqit LLC	1209 Orange Street, Wilmington, County of Newcastle, Delaware 19801	U.S.	100
Arqit Italia S.R.L	Via Delle Quattro Fontane, 20, 00184 Roma	Italy	100
Arqit Quantum Pty Ltd	Level 10, 171 Clarence Street, Sydney NSW 2000	Australia	100
Arqit Quantum (Singapore) Pte. Ltd	68 Circular Road, #02-01, Singapore, 049422, Singapore	Singapore	100

**29. Ultimate controlling party**

The Directors consider there to be no ultimate controlling party.

**30. Post balance sheet events**

There were no material events subsequent to 30 September 2023 and up until the authorisation of the financial statements for issue.

**31. Related party transactions**

In the year ended September 30, 2023, Arqit Inc. paid \$100,000 (2022: \$113,923, 2021: \$103,861) for the director services of Lt General VL Jamieson who was a director of AQI during the year ended September 30, 2023. All transactions were on an arm's length basis.

In the year ended September 30, 2023, Arqit Inc. paid \$100,000 (2022: \$100,575, 2021: \$73,398) for the director services of General S Wilson who was a director of AQI during the year ended September 30, 2023. All transactions were on an arm's length basis.

In the year ended September 30, 2023, Arqit Limited paid \$nil (2022: \$5,091, 2021: \$11,679) for the Company secretarial and accounting costs of Arqit PTE, a dormant Company owned 50% by D Williams and 50% by D Bestwick. All transactions were on an arm's length basis.

**Arqit Quantum Inc.**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 30 September 2023**

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On September 12, 2023, the Company completed a registered direct offering of its ordinary shares and warrants to purchase ordinary shares, in which Heritage Assets SCSP, Ropemaker Nominees Limited and Carlo Calabria purchased 7,935,164 ordinary shares, together with warrants to purchase up to 7,935,164 ordinary shares at a combined offering price of \$0.78 per ordinary share and accompanying warrant. Company director Manfredi Lefebvre d'Ovidio has sole investment and voting power over the shares held by Heritage Assets SCSP, and Arqit director Stephen Chandler is on the investment committee of Notion Capital Managers LLP, which is the beneficial owner of the Company shares held by Ropemaker Nominees Limited, and Carlo Calabria is a director of the Company. The September 2023 Investor Warrants are currently exercisable at an exercise price of \$0.78 per share.

On August 20, 2021, Arqit Limited entered into a loan agreement whereby D Williams, a director of the Group, loaned the company £2,000,000 at an interest rate of 8%. The loan was repaid on September 17, 2021. During the year ended September 30, 2021 interest of \$4,401 and fees of \$88,800 were charged on the loan (September 30, 2020: \$nil).

On August 20, 2021 Arqit Limited entered into a loan agreement whereby D Bestwick, a director of the Group, loaned the company £2,000,000 at an interest rate of 8%. The loan was repaid on September 17, 2021. During the year ended September 30, 2021 interest of \$4,401 and fees of \$88,800 were charged on the loan (September 30, 2020: \$nil).

In the year ended September 30, 2022, Arqit Limited paid \$nil (2022: \$1,750, 2021: \$nil) to Notion Capital for professional services, a related party company of Board Director member and Audit Committee Chair Stephen Chandler. All related party transactions were on an arm's length basis.

As at September 30, 2022, there was an amount owing of \$6,574 relating to reimbursement- of an expense to D Williams, a director of the Group. This was fully repaid in October 2022.

There were no further related party transactions.

## DESCRIPTION OF SECURITIES

The following description of the material terms of the securities of Arqit Quantum Inc. includes a summary of specified provisions of the Memorandum and Articles of association of the Company (the "Articles") and the forms of the warrants described herein. This description is subject to and qualified in its entirety by reference to the Articles and the forms of the warrants described herein. Unless otherwise stated or unless the context otherwise requires, the terms "the Company", "we," "us," "our," and "ours" refer to Arqit Quantum Inc.

### General

The Company is a Cayman Islands exempted company (company number 374857) and its affairs are governed by the Articles, the Companies Act (As Revised) of the Cayman Islands, as may be amended from time to time (the "Cayman Companies Act"), and the common law of the Cayman Islands.

### Share Capital

The Company is authorized to issue 469,000,001 ordinary shares, \$0.0001 par value each and 30,999,999 preference shares, \$0.0001 par value each.

### Ordinary Shares

Holders of ordinary shares are entitled to one vote for each share held of record on all matters to be voted on by shareholders.

There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

Holders of ordinary shares do not have any conversion, preemptive or other subscription rights and there is no sinking fund or redemption provisions applicable to the ordinary shares.

### Dividends

Subject to the foregoing, the payment of cash dividends in the future, if any, will be at the discretion of the board of directors and will depend upon such factors as earnings levels, capital requirements, contractual restrictions, the Company's overall financial condition, available distributable reserves and any other factors deemed relevant by the board of directors.

### Liquidation

On a winding-up or other return of capital, subject to any special rights attaching to any other class of shares, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings.

### Differences in Company Law

Cayman Islands companies are governed by the Cayman Companies Act. The Cayman Companies Act is modelled on English Law but does not follow recent English Law statutory enactments, and differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the material differences between the provisions of the Cayman Companies Act applicable to the Company and the laws applicable to companies incorporated in the United States and their shareholders.

### *Mergers and Similar Arrangements*

In certain circumstances, the Cayman Companies Act allows for mergers or consolidations between two Cayman Islands companies, or between a Cayman Islands exempted company and a company incorporated in another jurisdiction (*provided* that is facilitated by the laws of that other jurisdiction).

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Where the merger or consolidation is between two Cayman Islands companies, the directors of each company must approve a written plan of merger or consolidation containing certain prescribed information. That plan or merger or consolidation must then be authorized by either (a) a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of the shareholders of each company; and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. No shareholder resolution is required for a merger between a parent company (i.e., a company that owns at least 90% of the issued shares of each class in a subsidiary company) and its subsidiary company.

The consent of each holder of a fixed or floating security interest of a constituent company must be obtained, unless the court waives such requirement. If the Registrar of Companies of the Cayman Islands is satisfied that the requirements of the Cayman Companies Act (which includes certain other formalities) have been complied with, the Registrar of Companies of the Cayman Islands will register the plan of merger or consolidation.

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidation is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

Where the above procedures are adopted, the Cayman Companies Act provides for a right of dissenting shareholders to be paid a payment of the fair value of their shares upon their dissenting to the merger or consolidation if they follow a prescribed procedure. In essence, that procedure is as follows: (a) the shareholder must give his written objection to the merger or consolidation to the constituent company before the vote on the merger or consolidation, including a statement that the shareholder proposes to demand payment for his shares if the merger or consolidation is authorized by the vote; (b) within 20 days following the date on which the merger or consolidation is approved by the shareholders, the constituent company must give written notice to each shareholder who made a written objection; (c) a shareholder must within 20 days following receipt of such notice from the constituent company, give the constituent company a written notice of his intention to dissent including, among other details, a demand for payment of the fair value of his shares; (d) within seven days following the date of the expiration of the period set out in paragraph (b) above or seven days following the date on which the plan of merger or consolidation is filed, whichever is later, the constituent company, the surviving company or the consolidated company must make a written offer to each dissenting shareholder to

purchase his shares at a price that the company determines is the fair value and if the company and the shareholder agree the price within 30 days following the date on which the offer was made, the company must pay the shareholder such amount; and (e) if the company and the shareholder fail to agree a price within such 30 day period, within 20 days following the date on which such 30 day period expires, the company (and any dissenting shareholder) must file a petition with the Cayman Islands courts to determine the fair value and such petition must be accompanied by a list of the names and addresses of the dissenting shareholders with whom agreements as to the fair value of their shares have not been reached by the company. At the hearing of that petition, the court has the power to determine the fair value of the shares together with a fair rate of interest, if any, to be paid by the company upon the amount determined to be the fair value. Any dissenting shareholder whose name appears on the list filed by the company may participate fully in all proceedings until the determination of fair value is reached. These rights of a dissenting shareholder are not available in certain circumstances, for example, to dissenters holding shares of any class in respect of which an open market exists on a recognized stock exchange or recognized interdealer quotation system at the relevant date or where the consideration for such shares to be contributed are shares of any company listed on a national securities exchange or shares of the surviving or consolidated company.

Moreover, Cayman Islands law has separate statutory provisions that facilitate the reconstruction or amalgamation of companies in certain circumstances, schemes of arrangement will generally be more suited for complex mergers or other transactions involving widely held companies, commonly referred to in the Cayman Islands as a "scheme of arrangement" which may be tantamount to a merger. In the event that a merger was sought pursuant to a scheme of arrangement (the procedures for which are more rigorous and take longer to complete than the procedures typically required to consummate a merger in the United States), the arrangement in question must be approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at an annual general meeting, or extraordinary general meeting summoned for that purpose. The convening of the meetings and subsequently the terms of the arrangement must be sanctioned by the Cayman Islands courts. While a dissenting shareholder would have the right to express to the court the view that the transaction should not be approved, the court can be expected to approve the arrangement if it satisfies itself that:

- we are not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with;
- the shareholders have been fairly represented at the meeting in question;
- the arrangement is such as a businessman would reasonably approve; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act or that would amount to a "fraud on the minority."

If a scheme of arrangement or takeover offer (as described below) is approved, any dissenting shareholder would have no rights comparable to appraisal rights (providing rights to receive payment in cash for the judicially determined value of the shares), which would otherwise ordinarily be available to dissenting shareholders of United States corporations.

#### ***Squeeze-out Provisions***

When a takeover offer is made and accepted by holders of 90% of the shares to whom the offer relates within four months, the offeror may, within a two-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Cayman Islands courts, but this is unlikely to succeed unless there is evidence of fraud, bad faith, collusion or inequitable treatment of the shareholders.

Further, transactions similar to a merger, reconstruction and/or an amalgamation may in some circumstances be achieved through means other than these statutory provisions, such as a share capital exchange, asset acquisition or control, or through contractual arrangements of an operating business.

#### ***Shareholders' Suits***

Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, is not aware of any reported class action having been brought in a Cayman Islands court. Derivative actions have been brought in the Cayman Islands courts, and the Cayman Islands courts have confirmed the availability for such actions. In most cases, we will be the proper plaintiff in any claim based on a breach of duty owed to us, and a claim against (for example) our officers or directors usually may not be brought by a shareholder. However, based both on Cayman Islands authorities and on English authorities, which would in all likelihood be of persuasive authority and be applied by a court in the Cayman Islands, exceptions to the foregoing principle apply in circumstances in which:

- a company is acting, or proposing to act, illegally or beyond the scope of its authority;
- the act complained of, although not beyond the scope of the authority, could be effected if duly authorized by more than the number of votes which have actually been obtained; or
- those who control the company are perpetrating a “fraud on the minority.”

A shareholder may have a direct right of action against us where the individual rights of that shareholder have been infringed or are about to be infringed.

#### ***Enforcement of Civil Liabilities***

The Cayman Islands has a different body of securities laws as compared to the United States and provides less protection to investors. Additionally, Cayman Islands companies may not have standing to sue before the Federal courts of the United States.

We have been advised by Maples and Calder (Cayman) LLP, our Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or any state; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the federal securities laws of the United States or any state, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

#### ***Special Considerations for Exempted Companies***

We are an exempted company with limited liability under the Cayman Companies Act. The Cayman Companies Act distinguishes between ordinary resident companies and exempted companies. Any

company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies of the Cayman Islands;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue shares with no par value;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"*Limited liability*" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

#### ***Indemnification of Directors and Executive Officers and Limitation of Liability***

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against willful default, willful neglect, civil fraud or the consequences of committing a crime. The Articles permit indemnification of officers and directors for any liability, action, proceeding, claim, demand, costs damages or expenses, including legal expenses, incurred in their capacities as such unless such liability (if any) arises from actual fraud, willful neglect or willful default which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with our directors and senior executive officers that provide such persons with additional indemnification beyond that provided in the Articles.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

#### ***Anti-Takeover Provisions in the Articles***

Some provisions of the Articles may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

Such shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue these preference shares, the price of our ordinary shares may fall and the voting and other rights of the holders of our ordinary shares may be materially adversely affected.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under the Articles for a proper purpose and for what they believe in good faith to be in the best interests of our company.

#### ***Directors' Fiduciary Duties***

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself or herself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

Under Cayman Islands law, directors and officers owe the following fiduciary duties:

- duty to act in good faith in what the director or officer believes to be in the best interests of the company as a whole;
- duty to exercise powers for the purposes for which those powers were conferred and not for a collateral purpose;
- directors should not improperly fetter the exercise of future discretion;
- duty to exercise powers fairly as between different sections of shareholders;
- duty not to put themselves in a position in which there is a conflict between their duty to the company and their personal interests; and
- duty to exercise independent judgment.

In addition to the above, directors also owe a duty of care which is not fiduciary in nature. This duty has been defined as a requirement to act as a reasonably diligent person having both the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and the general knowledge skill and experience of that director.

As set out above, directors have a duty not to put themselves in a position of conflict and this includes a duty not to engage in self-dealing, or to otherwise benefit as a result of their position. However, in some instances what would otherwise be a breach of this duty can be forgiven and/or authorized in advance by the shareholders provided that there is full disclosure by the directors. This can be done by way

of permission granted in the amended and restated memorandum and articles of association or alternatively by shareholder approval at general meetings.

#### ***Shareholder Action by Written Consent***

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Articles provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

#### ***Shareholder Proposals***

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Act provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Articles do not permit our shareholders to requisition either an annual general meeting or an extraordinary general meeting, or to put forth a proposal at a general meeting. As a Cayman Islands exempted company, we are not obliged by law to call annual general meetings.

#### ***Cumulative Voting***

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, the Articles do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

#### ***Removal of Directors***

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the issued and outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Articles, directors may be removed only for cause by a special resolution (usually a majority of two thirds of the voting shares voted at a general meeting) of our shareholders. A director will also cease to be a director if he or she (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing; (iv) the director absents himself or herself (for the avoidance of doubt, without being represented by proxy) from three consecutive meetings of the board of directors without special leave of absence from the directors, and the directors pass a resolution that he or she has by reason of such absence vacated office; or (v) all of the other directors (being not less than two in number) determine that he or she should be removed as a director for "Cause" (i.e., a conviction for a criminal offence involving dishonesty or engaging in conduct which brings a director or the Company into disrepute or which results in a material financial detriment to the Company) (and not otherwise), either by a resolution passed by all of the other directors at a meeting of the

directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other directors.

#### ***Transactions with Interested Shareholders***

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute under its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

#### ***Dissolution; Winding Up***

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board.

Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Articles, if the Company is wound up, the liquidator of our company may distribute the assets with the sanction of an ordinary resolution of the shareholders and any other sanction required by law.

#### ***Variation of Rights of Shares***

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise.

Under the Articles, if our share capital is divided into more than one class of shares, the rights attached to any such class may, whether or not the Company is being wound up, be varied without the consent of the holders of the issued shares of that class where such variation is considered by the directors not to have a material adverse effect upon such rights; otherwise, any such variation shall be made only with the consent in writing of the holders of not less than two thirds of the issued shares of that class or

with the approval of a resolution passed by a majority of not less than two thirds of the votes cast at a separate meeting of the holders of the shares of that class.

***Amendment of Governing Documents***

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote on the matter, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, the Articles may only be amended by a special resolution of the shareholders.

***Rights of Non-Resident or Foreign Shareholders***

There are no limitations imposed by the Articles on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in the Articles governing the ownership threshold above which shareholder ownership must be disclosed.

***Directors' Power to Issue Shares***

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, or other rights or restrictions.

***Inspection of Books***

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares have no general right under Cayman Islands law to inspect or obtain copies of our register of members or our corporate records.

**Directors**

***Appointment and removal***

The Directors are divided into three classes designated as Class I, Class II and Class III, respectively. Directors were assigned to each class in accordance with a resolution or resolutions adopted by the board of Directors. At the 2023 annual general meeting of the Company, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three years. At the 2024 annual general meeting of the Company, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years. At the 2025 annual general meeting of the Company, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years. At each succeeding annual general meeting of the Company, Directors shall be elected for a full term of three years to succeed the Directors of the class whose terms expire at such annual general meeting. Notwithstanding the foregoing provisions of this Article, each Director shall hold office until the expiration of his term, until his successor shall have been duly elected and qualified or until his or her earlier death, resignation or removal.

There is no cumulative voting with respect to the appointment of directors.

An ordinary resolution under Cayman Islands law, which requires the affirmative vote of a majority of the shareholders who attend and vote at a general meeting of the company, is required to elect a director.

The office of a Director shall be vacated if all of the other Directors (being not less than two in number) determine that he or she should be removed as a Director for Cause (and not otherwise) (as such

term is defined in our amended and restated memorandum and articles of association), either by a resolution passed by all of the other Directors at a meeting of the Directors duly convened and held in accordance with the Articles or by a resolution in writing signed by all of the other Directors.

## **Warrants**

### ***Business Combination Warrants***

This section “*Business Combination Warrants*” contains a description of the warrants issued by the Company in connection with the business combination transaction completed on September 3, 2021 pursuant to which Centricus Acquisition Corp. merged with and into Arqit Quantum Inc., with Arqit Quantum Inc. as the surviving entity, following which Arqit Quantum Inc. acquired all of the outstanding share capital of Arqit Limited, with Arqit Limited becoming a wholly-owned subsidiary of Arqit Quantum Inc.

#### *Public Business Combination Warrants*

Each whole warrant entitles the registered holder to purchase one ordinary share at a price of \$11.50 per share, subject to adjustment as discussed below, which became exercisable on February 8, 2022 (one year after the closing of Centricus’ IPO). Pursuant to the Warrant Agreement, a warrant holder may exercise its warrants only for a whole number of ordinary shares. This means only a whole warrant may be exercised at a given time by a warrant holder. The warrants will expire on September 3, 2026 (five years after closing of the Business Combination), at 5:00 p.m., New York City time, or earlier upon redemption or liquidation.

We will not be obligated to deliver any ordinary shares pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the ordinary shares underlying the warrants is then effective and a prospectus relating thereto is current, subject to our satisfying our obligations described below with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable and we will not be obligated to issue an ordinary share upon exercise of a warrant unless the ordinary share issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and expire worthless. In no event will we be required to net cash settle any warrant.

We have agreed we will use our commercially reasonable efforts to maintain the effectiveness of a registration statement for the registration, under the Securities Act, of the ordinary shares issuable upon exercise of the warrants and a current prospectus relating to those ordinary shares until the warrants expire or are redeemed, as specified in the Warrant Agreement; provided that if our ordinary shares are at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of public warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. If a registration statement covering the ordinary shares issuable upon exercise of the warrants is not effective by the 60th day after the closing of the initial business combination, warrant holders may, until such time as there is an effective registration statement and during any period when we will have failed to maintain an effective registration statement, exercise warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption, but we will use our commercially reasonable efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available. In such event, each holder would pay the exercise price by surrendering the warrants for that number of ordinary shares equal to the lesser of (A) the quotient obtained by dividing (x) the product of the number of ordinary shares underlying the warrants, multiplied by the excess of the “fair market value” (defined

below) less the exercise price of the warrants by (y) the fair market value and (B) 0.361 per whole warrant. The “fair market value” as used in this paragraph shall mean the volume weighted average price of the ordinary shares for the 10 trading days ending on the trading day prior to the date on which the notice of exercise is received by the warrant agent.

No fractional ordinary shares will be issued upon exercise. If, upon exercise, a holder would be entitled to receive a fractional interest in a share, we will round down to the nearest whole number of the number of ordinary shares to be issued to the holder.

A holder of a warrant may notify us in writing in the event it elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person’s affiliates), to the warrant agent’s actual knowledge, would beneficially own in excess of 4.9% or 9.8% (as specified by the holder) of the ordinary shares issued and outstanding immediately after giving effect to such exercise.

*Redemption of warrants for cash when the price per ordinary share equals or exceeds \$18.00* We may redeem the outstanding warrants (except as described herein with respect to the private placement warrants):

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption to each warrant holder; and
- if, and only if, the closing price of the ordinary shares equals or exceeds \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— *Warrants — Business Combination Warrants—Public Business Combination Warrants — Anti-Dilution Adjustments*”) for any 20 trading days within a 30-trading day period ending three trading days before we send the notice of redemption to the warrant holders.

We will not redeem the warrants as described above unless a registration statement under the Securities Act covering the issuance of the ordinary shares issuable upon exercise of the warrants is then effective and a current prospectus relating to those ordinary shares is available throughout the 30-day redemption period. If and when the warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws.

We have established the last of the redemption criteria discussed above to prevent a redemption call unless there is at the time of the call a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the warrants, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date. However, the price of the ordinary shares may fall below the \$18.00 redemption trigger price (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading “— *Warrants — Business Combination Warrants—Public Business Combination Warrants — Anti-Dilution Adjustments*”) as well as the \$11.50 (for whole shares) warrant exercise price after the redemption notice is issued.

*Redemption of warrants for ordinary shares when the price per ordinary share equals or exceeds \$10.00.* We may redeem the outstanding warrants:

- in whole and not in part;

- at \$0.10 per warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to the table below, based on the redemption date and the "fair market value" of our ordinary shares (as defined below) except as otherwise described below;
- if, and only if, the closing price of our ordinary shares equals or exceeds \$10.00 per public share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading "*Warrants — Business Combination Warrants—Public Business Combination Warrants — Anti-Dilution Adjustments*") for any 20 trading days within the 30-trading day period ending three trading days before we send the notice of redemption to the warrant holders; and
- if the closing price of the ordinary shares for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which we send the notice of redemption to the warrant holders is less than \$18.00 per share (as adjusted for adjustments to the number of shares issuable upon exercise or the exercise price of a warrant as described under the heading "*Warrants — Business Combination Warrants—Public Business Combination Warrants — Anti-Dilution Adjustments*"), the private placement warrants must also be concurrently called for redemption on the same terms as the outstanding public warrants, as described above.

Beginning on the date the notice of redemption is given until the warrants are redeemed or exercised, holders may elect to exercise their warrants on a cashless basis. The numbers in the table below represent the number of ordinary shares that a warrant holder will receive upon such cashless exercise in connection with a redemption by us pursuant to this redemption feature, based on the "fair market value" of our ordinary shares on the corresponding redemption date (assuming holders elect to exercise their warrants and such warrants are not redeemed for \$0.10 per warrant), determined for these purposes based on volume weighted average price of our ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of warrants, and the number of months that the corresponding redemption date precedes the expiration date of the warrants, each as set forth in the table below. We will provide our warrant holders with the final fair market value no later than one business day after the 10-trading day period described above ends.

The share prices set forth in the column headings of the table below will be adjusted as of any date on which the number of shares issuable upon exercise of a warrant or the exercise price of a warrant is adjusted as set forth under the heading "*Anti-Dilution Adjustments*" below. If the number of shares issuable upon exercise of a warrant is adjusted, the adjusted share prices in the column headings will equal the share prices immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the exercise price of the warrant after such adjustment and the denominator of which is the price of the warrant immediately prior to such adjustment. In such an event, the number of shares in the table below shall be adjusted by multiplying such share amounts by a fraction, the numerator of which is the number of shares deliverable upon exercise of a warrant immediately prior to such adjustment and the denominator of which is the number of shares deliverable upon exercise of a warrant as so adjusted. If the exercise price of a warrant is adjusted, (a) in the case of an adjustment pursuant to the fifth paragraph under the heading "*Anti-Dilution Adjustments*" below, the adjusted share prices in the column headings will equal the unadjusted share price multiplied by a fraction, the numerator of which is the higher of the Market Value and the Newly Issued Price as set forth under the heading "*Anti-Dilution Adjustments*" and the denominator of which is \$10.00 and (b) in the case of an adjustment pursuant to the second paragraph under the heading "*Anti-Dilution Adjustments*" below, the adjusted share prices in the column headings will equal the unadjusted share price less the decrease in the exercise price of a warrant pursuant to such exercise price adjustment.

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**Fair Market Value of the ordinary shares**

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<b>Redemption Date (period to expiration of warrants)</b>	<b>≤ \$10.00</b>	<b>11.00</b>	<b>12.00</b>	<b>13.00</b>	<b>14.00</b>	<b>15.00</b>	<b>16.00</b>	<b>17.00</b>	<b>≥ 18.00</b>
60 months	0.261	0.281	0.297	0.311	0.324	0.337	0.348	0.358	0.361
57 months	0.257	0.277	0.294	0.310	0.324	0.337	0.348	0.358	0.361
54 months	0.252	0.272	0.291	0.307	0.322	0.335	0.347	0.357	0.361
51 months	0.246	0.268	0.287	0.304	0.320	0.333	0.346	0.357	0.361
48 months	0.241	0.263	0.283	0.301	0.317	0.332	0.344	0.356	0.361
45 months	0.235	0.258	0.279	0.298	0.315	0.330	0.343	0.356	0.361
42 months	0.228	0.252	0.274	0.294	0.312	0.328	0.342	0.355	0.361
39 months	0.221	0.246	0.269	0.290	0.309	0.325	0.340	0.354	0.361
36 months	0.213	0.239	0.263	0.285	0.305	0.323	0.339	0.353	0.361
33 months	0.205	0.232	0.257	0.280	0.301	0.320	0.337	0.352	0.361
30 months	0.196	0.224	0.250	0.274	0.297	0.316	0.335	0.351	0.361
27 months	0.185	0.214	0.242	0.268	0.291	0.313	0.332	0.350	0.361
24 months	0.173	0.204	0.233	0.260	0.285	0.308	0.329	0.348	0.361
21 months	0.161	0.193	0.223	0.252	0.279	0.304	0.326	0.347	0.361
18 months	0.146	0.179	0.211	0.242	0.271	0.298	0.322	0.345	0.361
15 months	0.130	0.164	0.197	0.230	0.262	0.291	0.317	0.342	0.361
12 months	0.111	0.146	0.181	0.216	0.250	0.282	0.312	0.339	0.361
9 months	0.090	0.125	0.162	0.199	0.237	0.272	0.305	0.336	0.361
6 months	0.065	0.099	0.137	0.178	0.219	0.259	0.296	0.331	0.361
3 months	0.034	0.065	0.104	0.150	0.197	0.243	0.286	0.326	0.361
0 months	—	—	0.042	0.115	0.179	0.233	0.281	0.323	0.361

The exact fair market value and redemption date may not be set forth in the table above, in which case, if the fair market value is between two values in the table or the redemption date is between two redemption dates in the table, the number of ordinary shares to be issued for each warrant exercised will be determined by a straight-line interpolation between the number of shares set forth for the higher and lower fair market values and the earlier and later redemption dates, as applicable, based on a 365 or 366-day year, as applicable. For example, if the volume weighted average price of our ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the

warrants is \$11.00 per share, and at such time there are 57 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.277 ordinary shares for each whole warrant. For an example where the exact fair market value and redemption date are not as set forth in the table above, if the volume weighted average price of our ordinary shares during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of the warrants is \$13.50 per share, and at such time there are 38 months until the expiration of the warrants, holders may choose to, in connection with this redemption feature, exercise their warrants for 0.298 ordinary shares for each whole warrant. In no event will the warrants be exercisable on a cashless basis in connection with this redemption feature for more than 0.361 ordinary shares per warrant (subject to adjustment). Finally, as reflected in the table above, if the warrants are out of the money and about to expire, they cannot be exercised on a cashless basis in connection with a redemption by us pursuant to this redemption feature, since they will not be exercisable for any ordinary shares.

This redemption feature differs from the typical warrant redemption features used in some other blank check offerings, which only provide for a redemption of warrants for cash (other than the private placement warrants) when the trading price for the ordinary shares exceeds \$18.00 per share for a specified period of time. This redemption feature is structured to allow for all of the outstanding warrants to be redeemed when the ordinary shares are trading at or above \$10.00 per public share, which may be at a time when the trading price of our ordinary shares is below the exercise price of the warrants. We have established this redemption feature to provide us with the flexibility to redeem the warrants without the warrants having to reach the \$18.00 per share threshold set forth above under “— *Redemption of warrants for cash when the price per ordinary share equals or exceeds \$18.00*” Holders choosing to exercise their warrants in connection with a redemption pursuant to this feature will, in effect, receive a number of shares for their warrants based on an option pricing model with a fixed volatility input as of the date of filing of this exhibit. This redemption right provides us with an additional mechanism by which to redeem all of the outstanding warrants, and therefore have certainty as to our capital structure as the warrants would no longer be outstanding and would have been exercised or redeemed. We will be required to pay the applicable redemption price to warrant holders if we choose to exercise this redemption right and it will allow us to quickly proceed with a redemption of the warrants if we determine it is in our best interest to do so. As such, we would redeem the warrants in this manner when we believe it is in our best interest to update our capital structure to remove the warrants and pay the redemption price to the warrant holders.

As stated above, we can redeem the warrants when the ordinary shares are trading at a price starting at \$10.00, which is below the exercise price of \$11.50, because it will provide certainty with respect to our capital structure and cash position while providing warrant holders with the opportunity to exercise their warrants on a cashless basis for the applicable number of shares. If we choose to redeem the warrants when the ordinary shares are trading at a price below the exercise price of the warrants, this could result in the warrant holders receiving fewer ordinary shares than they would have received if they had chosen to wait to exercise their warrants for ordinary shares if and when such ordinary shares were trading at a price higher than the exercise price of \$11.50.

*Anti-Dilution Adjustments.* If the number of outstanding ordinary shares is increased by a capitalization or share dividend payable in ordinary shares, or by a split-up of ordinary shares or other similar event, then, on the effective date of such capitalization or share dividend, split-up or similar event, the number of ordinary shares issuable on exercise of each warrant will be increased in proportion to such increase in the outstanding ordinary shares. A rights offering made to all or substantially all holders of ordinary shares entitling holders to purchase ordinary shares at a price less than the “historical fair market value” (as defined below) will be deemed a share dividend of a number of ordinary shares equal to the product of (i) the number of ordinary shares actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for ordinary shares) and (ii) one minus the quotient of (x) the price per ordinary share paid in such rights offering and (y) the historical fair market value. For these purposes, (i) if the rights offering is for securities convertible into or exercisable for ordinary shares, in determining the price payable for ordinary shares, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion and (ii) “historical fair market value” means the volume weighted average price of ordinary shares as reported during the 10 trading day period ending on the trading day prior to the

first date on which the ordinary shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time while the warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to all or substantially all of the holders of the ordinary shares on account of such ordinary shares (or other securities into which the warrants are convertible), other than (a) as described above or (b) any cash dividends or cash distributions which, when combined on a per share basis with all other cash dividends and cash distributions paid on the ordinary shares during the 365-day period ending on the date of declaration of such dividend or distribution does not exceed \$0.50 (as adjusted to appropriately reflect any other adjustments and excluding cash dividends or cash distributions that resulted in an adjustment to the exercise price or to the number of ordinary shares issuable on exercise of each warrant) but only with respect to the amount of the aggregate cash dividends or cash distributions equal to or less than \$0.50 per share, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash and/or the fair market value of any securities or other assets paid on each ordinary share in respect of such event.

If the number of outstanding ordinary shares is decreased by a consolidation, combination, reverse share sub-division or reclassification of ordinary shares or other similar event, then, on the effective date of such consolidation, combination, reverse share sub-division, reclassification or similar event, the number of ordinary shares issuable on exercise of each warrant will be decreased in proportion to such decrease in outstanding ordinary shares.

Whenever the number of ordinary shares purchasable upon the exercise of the warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of ordinary shares purchasable upon the exercise of the warrants immediately prior to such adjustment and (y) the denominator of which will be the number of ordinary shares so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding ordinary shares (other than those described above or that solely affects the par value of such ordinary shares), or in the case of any merger or consolidation of us with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and that does not result in any reclassification or reorganization of our outstanding ordinary shares), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of the ordinary shares immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of ordinary shares or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders (other than a tender, exchange or redemption offer made by the company in connection with redemption rights held by shareholders of the company as provided for in the company's amended and restated memorandum and articles of association or as a result of the redemption of ordinary shares by the company if a proposed initial business combination is presented to the shareholders of the company for approval) under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the issued and outstanding ordinary shares, the holder of a warrant will be entitled to receive the highest amount of cash, securities or other

property to which such holder would actually have been entitled as a shareholder if such warrant holder had exercised the warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the ordinary shares held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustment (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the Warrant Agreement. If less than 70% of the consideration receivable by the holders of ordinary shares in such a transaction is payable in the form of ordinary shares in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the warrant properly exercises the warrant within thirty days following public disclosure of such transaction, the warrant exercise price will be reduced as specified in the Warrant Agreement based on the Black-Scholes value (as defined in the Warrant Agreement) of the warrant. The purpose of such exercise price reduction is to provide additional value to holders of the warrants when an extraordinary transaction occurs during the exercise period of the warrants pursuant to which the holders of the warrants otherwise do not receive the full potential value of the warrants.

The warrants have been issued in registered form under a Warrant Agreement (the “Warrant Agreement”) between Continental Stock Transfer & Trust Company, as warrant agent, and us. The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder for the purpose of (i) curing any ambiguity or correct any mistake, including to conform the provisions of the Warrant Agreement to the description of the terms of the warrants and the Warrant Agreement set forth in this section, or defective provision, (ii) amending the provisions relating to cash dividends on ordinary shares as contemplated by and in accordance with the Warrant Agreement or (iii) adding or changing any provisions with respect to matters or questions arising under the Warrant Agreement as the parties to the Warrant Agreement may deem necessary or desirable and that the parties deem to not adversely affect the rights of the registered holders of the warrants, provided that the approval by the holders of at least 50% of the then-outstanding public warrants is required to make any change that adversely affects the interests of the registered holders. You should review a copy of the Warrant Agreement, which has been filed as an exhibit to its annual report on Form 20-F for the fiscal year ended September 30, 2021, for a complete description of the terms and conditions applicable to the warrants.

The warrant holders do not have the rights or privileges of holders of ordinary shares and any voting rights until they exercise their warrants and receive ordinary shares. After the issuance of ordinary shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number the number of ordinary shares to be issued to the warrant holder.

#### *Private Placement Business Combination Warrants*

Except as described below, the private placement warrants have terms and provisions that are identical to those of the warrants. The private placement warrants (including the ordinary shares issuable upon exercise of the private placement warrants) will not be redeemable by us (except as described under “— Warrants — Public Business Combination Warrants — Redemption of warrants when the price per ordinary share equals or exceeds \$10.00”) so long as they are held by the Sponsor or its permitted transferees (except as otherwise set forth herein). The Sponsor, or its permitted transferees, has the option to exercise the private placement warrants on a cashless basis. If the private placement warrants are held by holders other than the Sponsor or its permitted transferees, the private placement warrants will be redeemable by us in all redemption scenarios and exercisable by the holders on the same basis as the warrants.

Except as described above under “— Public Business Combination Warrants — Redemption of warrants when the price per ordinary share equals or exceeds \$10.00,” if holders of the private placement warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering his,

her or its warrants for that number of ordinary shares equal to the quotient obtained by dividing (x) the product of the number of ordinary shares underlying the warrants, multiplied by the excess of the “historical fair market value” (defined below) over the exercise price of the warrants by (y) the historical fair market value. For these purposes, the “historical fair market value” shall mean the average reported closing price of the ordinary shares for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent or on which the notice of redemption is sent to the holders of warrants, as applicable. We have policies in place that restrict insiders from selling our securities except during specific periods of time. Even during such periods of time when insiders will be permitted to sell our securities, an insider cannot trade in our securities if he or she is in possession of material non-public information. Accordingly, unlike Centricus public shareholders who could exercise their warrants and sell the ordinary shares received upon such exercise freely in the open market in order to recoup the cost of such exercise, the insiders could be significantly restricted from selling such securities. As a result, we believe that allowing the holders to exercise such warrants on a cashless basis is appropriate.

#### ***Registered Direct Warrants***

This section “ *Registered Direct Warrants*” contains a description of the following warrants issued by the Company in connection with registered direct offerings: (i) 7,500,000 warrants to purchase its ordinary shares at an exercise price of \$2.00 per share, which were issued and became exercisable on February 22, 2023 (the “February 2023 Investor Warrants”); (ii) 550,000 warrants to purchase its ordinary shares at an exercise price of \$2.50 per share, which were issued and became exercisable on February 22, 2023 (the “February 2023 Placement Agent Warrants”); (iii) 20,755,677 warrants to purchase its ordinary shares at an exercise price of \$0.78 per share, which were issued and became exercisable on September 12, 2023 (the “September 2023 Investor Warrants”); and (iv) 705,128 warrants to purchase its ordinary shares at an exercise price of \$0.975 per share, which were issued and became exercisable on September 12, 2023 (the “September 2023 Placement Agent Warrants” and together with the February 2023 Investor Warrants, the February 2023 Placement Agent Warrants and the September 2023 Investor Warrants, the “Registered Direct Warrants”).

#### *Duration and Exercise Price*

The February 2023 Investor Warrants have an exercise price of \$2.00 per share, the February 2023 Placement Agent Warrants have an exercise price of \$2.50 per share, the September 2023 Investor Warrants have an exercise price of \$0.78 per share, and the September 2023 Placement Agent Warrants have an exercise price of \$0.975 per share. The warrants are currently exercisable and will be exercisable for five years from the date of issuance. The exercise price and number of ordinary shares issuable upon exercise are subject to appropriate adjustment in the event of share dividends, share splits, reorganizations or similar events affecting our ordinary shares.

Warrants will be issued in certificated form only.

#### *Exercisability*

The Warrants will be exercisable, at the option of each holder, in whole or in part, by delivering to us a duly executed exercise notice accompanied by payment in full for the number of ordinary shares purchased upon such exercise (except in the case of a cashless exercise as discussed below). A holder (together with its affiliates) may not exercise any portion of such holder’s warrants to the extent that the holder would own more than 4.99% (or, at the election of the purchaser, 9.99%) of our outstanding ordinary shares immediately after exercise, except that upon at least 61 days’ prior notice from the holder to us, the holder may increase the amount of ownership of outstanding ordinary shares after exercising the holder’s Warrants up to 9.99% of the number of ordinary shares outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of the Warrants. Purchasers in this offering may also elect prior to the issuance of Warrants to have the initial exercise limitation set at 9.99% of our ordinary shares.

#### *Cashless Exercise*

If at the time of exercise of the warrant there is no effective registration statement registering, or the prospectus contained therein is not available for the resale of ordinary shares issuable upon exercise of the warrant, then the warrants will only be exercisable on a "cashless exercise" basis under which the holder will receive upon such exercise a net number of common shares determined according to a formula set forth in the warrants.

#### *Fundamental Transactions*

In the event of any fundamental transaction, as described in the warrants and generally including any merger with or into another entity, sale of all or substantially all of our assets, tender offer or exchange offer, or reclassification of our ordinary shares, then upon any subsequent exercise of a warrant, the holder will have the right to receive as alternative consideration, for each Ordinary Share that would have been issuable upon such exercise immediately prior to the occurrence of such fundamental transaction, the number of ordinary shares of the successor or acquiring corporation or of our company, if it is the surviving corporation, and any additional consideration receivable upon or as a result of such transaction by a holder of the number of ordinary shares for which the warrant is exercisable immediately prior to such event. In certain circumstances, the holder will have the right to receive the Black Scholes Value of the warrant calculated pursuant to a formula set forth in the warrants, payable either in cash or in the same type or form of consideration that is being offered and being paid to the holders of our ordinary shares as described in the warrants.

#### *Transferability*

In accordance with its terms and subject to applicable laws, a warrant may be transferred at the option of the holder upon surrender of the warrant to us together with the appropriate instruments of transfer and payment of funds sufficient to pay any transfer taxes (if applicable).

#### *Fractional Shares*

No fractional ordinary shares will be issued upon the exercise of the warrants. Rather, the number of ordinary shares to be issued will, at our election, either be rounded up to the nearest whole number or we will pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the exercise price.

#### *Trading Market*

Unlike our Business Combination Warrants, there is no established trading market for the Registered Direct Warrants, and we do not expect a market to develop. The Registered Direct Warrants are distinct from, and are not fungible with, our Business Combination Warrants. We have not and do not intend to apply for a listing for the Registered Direct Warrants on any securities exchange or other nationally recognized trading system. Without an active trading market, the liquidity of the Registered Direct Warrants is and will be limited.

#### *Rights as a Shareholder*

Except as otherwise provided in the warrants or by virtue of the holders' ownership of ordinary shares, the holders of warrants do not have the rights or privileges of holders of our ordinary shares, including any voting rights, until such warrant holders exercise their warrants.

#### **Enforceability of Civil Liability under Cayman Islands Law**

The Company has been advised by Maples and Calder (Cayman) LLP, its Cayman Islands legal counsel, that the courts of the Cayman Islands are unlikely (i) to recognize, or enforce against the Company, judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against the Company predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in

nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. There is recent Privy Council authority (which is binding on the Cayman Islands court) in the context of a reorganization plan approved by the New York Bankruptcy Court which suggests that due to the universal nature of bankruptcy/insolvency proceedings, foreign money judgments obtained in foreign bankruptcy/insolvency proceedings may be enforced without applying the principles outlined above. However, a more recent English Supreme Court authority (which is highly persuasive but not binding on the Cayman Islands court), has expressly rejected that approach in the context of a default judgment obtained in an adversary proceeding brought in the New York Bankruptcy Court by the receivers of the bankruptcy debtor against a third party, and which would not have been enforceable upon the application of the traditional common law principles summarized above and held that foreign money judgments obtained in bankruptcy/insolvency proceedings should be enforced by applying the principles set out above, and not by the simple exercise of the Courts' discretion. Those cases have now been considered by the Cayman Islands court. The Cayman Islands court was not asked to consider the specific question of whether a judgment of a bankruptcy court in an adversary proceeding would be enforceable in the Cayman Islands, but it did endorse the need for active assistance of overseas bankruptcy proceedings. We understand that the Cayman Islands court's decision in that case has been appealed and it remains the case that the law regarding the enforcement of bankruptcy/insolvency related judgments is still in a state of uncertainty.

#### **Anti-Money Laundering — Cayman Islands**

If any person in the Cayman Islands knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering or is involved with terrorism or terrorist financing and property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Law (2020 Revision) of the Cayman Islands if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the Financial Reporting Authority, pursuant to the Terrorism Law (2018 Revision) of the Cayman Islands, if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

#### **Data Protection — Cayman Islands**

We have certain duties under the Data Protection Act (As Revised) of the Cayman Islands (the "DPL") based on internationally accepted principles of data privacy.

#### **Privacy Notice**

##### ***Introduction***

This privacy notice puts our shareholders on notice that through your investment in the Company you will provide us with certain personal information which constitutes personal data within the meaning

of the DPL (“personal data”). In the following discussion, the “company” refers to us and our affiliates and/or delegates, except where the context requires otherwise.

#### ***Investor Data***

We will collect, use, disclose, retain and secure personal data to the extent reasonably required only and within the parameters that could be reasonably expected during the normal course of business. We will only process, disclose, transfer or retain personal data to the extent legitimately required to conduct our activities of on an ongoing basis or to comply with legal and regulatory obligations to which we are subject. We will only transfer personal data in accordance with the requirements of the DPL, and will apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of the personal data and against the accidental loss, destruction or damage to the personal data.

In our use of this personal data, we will be characterized as a “data controller” for the purposes of the DPL, while our affiliates and service providers who may receive this personal data from us in the conduct of our activities may either act as our “data processors” for the purposes of the DPL or may process personal information for their own lawful purposes in connection with services provided to us.

We may also obtain personal data from other public sources. Personal data includes, without limitation, the following information relating to a shareholder and/or any individuals connected with a shareholder as an investor: name, residential address, email address, contact details, corporate contact information, signature, nationality, place of birth, date of birth, tax identification, credit history, correspondence records, passport number, bank account details, source of funds details and details relating to the shareholder’s investment activity.

#### ***Who this Affects***

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with personal data on individuals connected to you for any reason in relation your investment in the company, this will be relevant for those individuals and you should transmit the content of this Privacy Notice to such individuals or otherwise advise them of its content.

#### ***How the Company May Use a Shareholder’s Personal Data***

The company, as the data controller, may collect, store and use personal data for lawful purposes, including, in particular:

- where this is necessary for the performance of our rights and obligations under any purchase agreements;
- where this is necessary for compliance with a legal and regulatory obligation to which we are subject (such as compliance with anti-money laundering and FATCA/CRS requirements); and/or
- where this is necessary for the purposes of our legitimate interests and such interests are not overridden by your interests, fundamental rights or freedoms.

Should we wish to use personal data for other specific purposes (including, if applicable, any purpose that requires your consent), we will contact you.

#### ***Why We May Transfer Your Personal Data***

In certain circumstances we may be legally obliged to share personal data and other information with respect to your shareholding with the relevant regulatory authorities such as the Cayman Islands Monetary Authority or the Tax Information Authority. They, in turn, may exchange this information with foreign authorities, including tax authorities.

We anticipate disclosing personal data to persons who provide services to us and their respective affiliates (which may include certain entities located outside the United States, the Cayman Islands or the European Economic Area), who will process your personal data on our behalf.

***The Data Protection Measures We Take***

Any transfer of personal data by us or our duly authorized affiliates and/or delegates outside of the Cayman Islands shall be in accordance with the requirements of the DPL.

We and our duly authorized affiliates and/or delegates shall apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of personal data, and against accidental loss or destruction of, or damage to, personal data.

We shall notify you of any personal data breach that is reasonably likely to result in a risk to your interests, fundamental rights or freedoms or those data subjects to whom the relevant personal data relates.

**Certification by the Principal Executive Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, David Williams, certify that:

1. I have reviewed this annual report on Form 20-F of Arqit Quantum Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 21, 2023

By: /s/ David Williams  
Name: David Williams  
Title: Chief Executive Officer (Principal Executive Officer)

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**Certification by the Principal Financial Officer  
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Nick Pointon, certify that:

1. I have reviewed this annual report on Form 20-F of Arqit Quantum Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 21, 2023

By: /s/ Nick Pointon  
Name: Nick Pointon  
Title: Chief Financial Officer (Principal Financial Officer)

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**Certification by the Principal Executive Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Arqit Quantum Inc. (the "Company") on Form 20-F for the year ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Williams, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 21, 2023

By: /s/ David Williams  
Name: David Williams  
Title: Chief Executive Officer (Principal Executive Officer)

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**Certification by the Principal Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the annual report of Arqit Quantum Inc. (the "Company") on Form 20-F for the year ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nick Pointon, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934;  
and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 21, 2023

By: /s/ Nick Pointon  
Name: Nick Pointon  
Title: Chief Financial Officer (Principal Financial Officer)

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**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the following Arqit Quantum Inc. registration statements:

- (1) registration statement on Form S-8 (File No. 333-262215);
- (2) registration statement on Form F-3 (File No. 333-268786); and
- (3) registration statement on Form F-3 (File No. 333-259982)

of our report dated November 21, 2023 relating to the financial statements which appears in the Arqit Quantum Inc. Annual Report on Form 20-F for the year ended September 30, 2023. We also consent to the reference to us under the heading “Experts” in such Registration Statements.

/s/ PKF Littlejohn LLP

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PKF Littlejohn LLP

London, United Kingdom  
November 21, 2023

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**ARQIT QUANTUM INC.**  
**POLICY FOR THE**  
**RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

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A. **OVERVIEW**

In accordance with the applicable rules of The Nasdaq Stock Market (the “**Nasdaq Rules**”), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) (“**Rule 10D-1**”), the Board of Directors (the “**Board**”) of Arqit Quantum Inc. (the “**Company**”) has adopted this Policy (the “**Policy**”) to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. **RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:

- (i) After an Accounting Restatement, the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the “**Committee**”) shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.
    - (a) For Incentive-based Compensation based on (or derived from) the Company’s stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
      - i. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company’s stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
      - ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to Nasdaq.
  - (ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may
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the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.

- (iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.
  - (iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required upon request to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.
- (2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee determines that recovery would be impracticable *and* any of the following three conditions are met:
- (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, document such attempt(s) and provide such documentation to Nasdaq;
  - (ii) Recovery would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to Nasdaq, that recovery would result in such a violation and a copy of the opinion is provided to Nasdaq; or
  - (iii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

C. **DISCLOSURE REQUIREMENTS**

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission ("**SEC**") filings and rules.

D. **PROHIBITION OF INDEMNIFICATION**

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-

based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

E. **ADMINISTRATION AND INTERPRETATION**

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

F. **AMENDMENT; TERMINATION**

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

G. **OTHER RECOVERY RIGHTS**

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

H. **DEFINITIONS**

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) **"Accounting Restatement"** means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R")

restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

(2) “**Clawback Eligible Incentive Compensation**” means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) “**Clawback Period**” means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) “**Erroneously Awarded Compensation**” means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) “**Executive Officer**” means each individual who is currently or was previously designated as an “officer” of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K or Item 6.A of Form 20-F, as applicable, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) “**Financial Reporting Measures**” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company’s financial statements or included in a filing with the SEC.

(7) “**Incentive-based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) “**Nasdaq**” means The Nasdaq Stock Market.

(9) “**Received**” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10) “**Restatement Date**” means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not

required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of October 12, 2023.