Privacy Is Our Priority

Annual Report and Accounts 2021

Introduction

Contents

Who we are

Kape is a leading privacy-first digital security software provider, offering a suite of solutions to protect consumers' digital lives.

Our focus

Empowering consumers to manage their own data and digital security online.

Our vision

We envision a world where people retain their security, anonymity, and freedom online. As more of our daily lives shift to the digital world, security and privacy have never been more important.

Consumer SaaS expertise

Growth business model and strong revenue visibility driven by a SaaS-based financial model.

Financial highlights

$230.7m
Revenue increase
+89%

$78.0m
Pro forma adjusted EBITDA[1]
100%

$258.3m
Equity raise

23.1 cents
Fully diluted earnings per share
+71.1%

92%
of total revenue recurring revenues on a pro forma basis
up from 87%

$44.1m
Adjusted operating cash flow

Operational highlights

- **Organic growth in subscribers of 0.5 million, with overall 161%** increase to total of over 6.6 million. Coupled with reduction in average customer acquisition costs.
- Strong growth across **privacy and security** segments, with the security segment returning to growth.
- **Acquisition of Webselenese,** providing one of the broadest customer bases in consumer digital privacy and security.
- **Acquisition of ExpressVPN**, one of the leading brands in the privacy space.
- Directorate change, **Oded Baskind appointed as Chief Financial Officer ('CFO') Designate**, replacing Moran Laufer who was Group CFO for the last five years.

1 Pro forma adjusted EBITDA is a non GAAP company-specific measure, calculated by adding the pro forma deferred contract costs expenses adjustment related to the ExpressVPN acquisition to the adjusted EBITDA; Adjusted EBITDA is a company-specific measure which is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, exceptional or non-recurring costs, other operating expenses and employee share-based payment charges.

At a glance

Kape's core software products

Our story

Kape, since 2017, has been focused on protecting consumers and their personal data as they go about their daily digital lives. In the last few years, we have been able to grow our customer base to 6.6 million paying users and over 100 million readers worldwide. In order to realise our vision, Kape develops, acquires, and distributes a variety of leading digital security software products. We believe in having the best products, supported by top teams who develop world-class technology to deliver a superior experience to a rapidly growing customer base.

What motivates us

Security

From VPNs to antivirus software, we're committed to protecting customers' online data from end-to-end

Privacy

We provide solutions to protect users' anonymity and autonomy as they go about their lives online

Freedom

We believe that the internet should work according to its origins – to enable the free and open transfer of information

Kape snapshot

6.6m
Paying customers

>100m
Readers

10
Countries

c. 850
Employees

Our brands

Kape develops and distributes a variety of digital security software products to guarantee users' safety and privacy in the digital realm.

SaaS Product Suite

Our core product suite focuses on delivering two main solutions – digital privacy and digital security – to rapidly accommodate growing demand in an increasingly digital world.

ExpressVPN

Widely considered to be the best and most popular VPN in existence. As a best-in-class premium VPN provider, ExpressVPN is dedicated to providing an unparalleled VPN service.

Private internet access

US-based VPN service provider that boasts a court-proven no-logs policy. With over ten years in business and millions of satisfied customers, PIA is well-equipped to provide world-class VPN services.

Intego antivirus

Intego is a leading antivirus software exclusively for Mac computers – and has a proven track record of success dating back to 1997. Their specialised services are tailored for the Apple ecosystem and no other competitor delivers comparable results.

Webselenese

Global leaders in providing data-powered, consumer-focused privacy and security content, via a portfolio of comparison websites that offer unbiased reviews, guides, and information to help consumers navigate the digital world and connect to the products they need.

CyberGhost VPN

CyberGhost is a Romania-based VPN service provider with over a decade of experience as one of the world's most reliable privacy and security solution. Boasting millions of users, CyberGhost is a behemoth in the VPN industry.

ZenMate VPN

ZenMate is yet another leading no-logs VPN service provider dedicated to bringing the robust security and anonymity of VPN technology to everyday internet users. One ZenMate subscription covers an unlimited number of devices – a VPN with unlimited utility for users.

Restoro

An antivirus and system optimisation software for Windows that is designed to eliminate malware and monitors any ongoing threats. Restoro actually restores PCs to optimal performance by repairing damaged files and freeing disk space all at once.

DriverFIX

DriverFix guarantees peak performance on any Windows PC. This comprehensive one-click solution assesses hardware, network, and stability issues that prevents your PC from running at 100% functionality. It scans computers for missing drivers, provides detailed reports, and updates them so a PC will always run like it was just off the shelf.

Chairman's statement

DON ELGIE
Non-Executive Chairman

The progress that Kape has achieved during 2021 has transformed the Group into a truly global leader in the digital privacy and security space.

Our management have successfully delivered against the Group's mission to not only create business capable of capitalising on an ever-growing digital privacy and security market opportunity but to shape our industry. This is a significant achievement and provides further validation that Kape is ideally positioned for the future.

In addition to significant operational momentum, the Group delivered substantial financial progress, underpinned by both organic and acquisitive growth. In the year ended 31 December 2021, Kape generated revenues of $230.7 million (2020: $122.2 million). Pro forma adjusted EBITDA* increased 100% to $78.0 million (2020: $39.0 million), with pro forma adjusted EBITDA* margin growing to 33.8% (2020: 31.9%).

Notably, the Group completed two sizable acquisitions during the year, building on its strong M&A track record. In March 2021, the Group acquired Webselenese, the consumer privacy and security content platform, the integration of which has underpinned Kape's go-to-market strategy and therefore its customer acquisition roadmap. In December 2021, Kape completed the acquisition of ExpressVPN for $925.8 million, the Group's largest transaction to-date. ExpressVPN is one of the world's most reputable VPN brands and is already providing significant operational benefits to Kape, as well as earnings accretion, cost savings and ongoing synergies.

Environmental, Social and Governance

Corporate responsibility has always been a strong guiding value at Kape. We believe that businesses have a responsibility to the communities in which they operate, and to the health and sustainability of the planet. We also hold ourselves accountable to our broad stakeholder base, to build a strong, profitable, and sustainable business.

We are pleased to launch our corporate environmental, social, and governance ('ESG') framework, which follows a transformational period for the Group, as we have significantly increased our scale and global reach.

Our first step in this process was an assessment to identify critical ESG priorities, opportunities, and risks. We will seek to repeat this process on a bi-annual basis.

During the period, we formed an ESG Board Committee and created an internal ESG task force. We have also contracted an external party to conduct an ESG overview to identify and establish programmes and develop policies to support the effective management of the emerging risks to, and opportunities for, our business. We are also launching our inaugural ESG Report, with a section in this 2021 Annual Report from pages 20 to 28.

Kape's corporate responsibility strategy is based on our values, convictions and a high level of commitment across the Group. We are keen to be a responsible company that mobilises all its stakeholders to help create a more sustainable world.

As part of our review, we have conducted a materiality assessment and we have identified the following key areas where we will focus our efforts: data privacy and cybersecurity; human capital management; diversity, equity and inclusion; and energy management and usage.

Board changes

Post period-end, in January 2022, the Company announced that, following nine years with Kape, five as Group CFO during what was a transformational period for the Group, Moran Laufer was stepping down from the Board to pursue other interests as part of an anticipated relocation to Israel. Oded Baskind has been appointed CFO and joined the Board of Kape. Oded has been Kape's VP of Finance since January 2019 and has held numerous key finance roles since joining Kape in 2014, including supporting the Group's admission to AIM in September 2014 and its six subsequent acquisitions.

Retention of key team members

The Company's previous long term incentive award programme for Executive Directors expired at the end of 2020. Since that time, the Company has completed the major acquisitions of Webselenese and ExpressVPN, substantially increasing the Company's scale. With Moran Laufer stepping down and Oded Baskind replacing him, the Remuneration Committee has determined that new long term incentive awards should be made to the senior executive management team of the

Company, including both Executive Directors, to incentivise them in delivering the next phase of long-term value creation for shareholders. The Remuneration Committee has consulted the Company's largest shareholder, who is supportive of the share awards. The awards will take the form of jointly owned equity awards, similar in form to those made by the Company in 2018 ('JOE Awards'). Share awards of 3.4 million shares will be made to Ido Erlichman and 600,000 to Oded Baskind. The share awards will vest equally over a period of four years, subject to the achievement of detailed performance conditions covering the same criteria as the original JOE awards (Adjusted EPS, SaaS Revenue and General and Administrative). It is anticipated that the grant of the share awards, when made, will constitute a related-party transaction.

Summary & outlook

The Group has made a strong start to 2022 and the Board and management team are confident of the Group achieving the forecasts announced at the time of the ExpressVPN acquisition, of 2022 revenues of between $610-624 million and Pro forma adjusted EBITDA of between $166-172 million, supported by Kape's operational scale and a proven track record of delivering growth.

The Group has limited operational and financial exposure to both Ukraine and Russia. Despite the uncertain macroeconomic backdrop which the ongoing conflict is creating, the Board believes it is unlikely to have a negative impact on Group performance.

Operationally, the focus for 2022 will be on the ongoing integration of ExpressVPN, including fully realising potential cost-saving initiatives as well as executing on several go-to-market opportunities. Product development remains a key focus area, with management keen to ensure Kape remains at the forefront of the digital privacy and security arena.

On behalf of the Board of Directors of Kape, I would like to thank every employee across the Group for their unwavering commitment during 2021, which was a year not without challenges at a macro level. The significant progress that was delivered during 2021 has provided Kape with the solid foundations to further extend our reach across the digital privacy and security market in 2022 and beyond.

DON ELGIE
Non-Executive Chairman

21 March 2022

* Pro forma adjusted EBITDA is a non GAAP measure; it's the Company Adjusted EBITDA after adding back deferred contract costs fair value accounting adjustment, following the ExpressVPN consolidation.

Adjusted EBITDA is a company-specific measure which is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, exceptional or non-recurring costs, other operating income/(expense) and employee share-based payment charges.

Summary

STRONG TRACK RECORD OF GROWTH

Stellar performance across 2021 builds on solid historic growth in revenue and EBITDA

SIGNIFICANT STRATEGIC PROGRESS ACHIEVED

Executed acquisitions of Webselenese and ExpressVPN in 2021

SUBSTANTIAL ORGANIC GROWTH POTENTIAL

Potential to build on solid organic growth generated in 2021 and beyond through cross-sell, up-sell and customer acquisition

UNIQUELY POSITIONED TO LEAD THE MARKET

Portfolio of brands, network of partners, size of subscriber base and customer acquisition capabilities underpin future prospects

The global privacy market is a fast-growing multi-billion-dollar market

Market dynamics

The Privacy market is moving mainstream, driven by increased awareness and willingness to pay for premium products.

Market size	The Privacy market is expected to grow by 17% a year*	The Digital and security consumer market is expected to reach $19bn BY 2024**	70% of customers in the space are under the age of 40
Market drivers	Growing awareness: Data privacy concerns in key markets have grown 20% a year in the last three years	Number of personal and Internet of things ('IOT') devices are increasing c. 12% a year	Willingness to pay for digital products has increased with premium products capturing majority of growth

* Privacy market, top 5 geographies, March 2022, Ommax.

** Source: 'Frost & Sullivan, Global Consumer Cybersecurity and Privacy Market, August 2020 for Endpoint and Consumer Cybersecurity and Privacy Market.'

Our customer profile

Typical customer is US or Europe-based 20-45, tech-savvy and has multiple devices

Wants to feel 100% secure

Safety

'For me it's better to pay for a VPN instead of paying with my data. The data I possess on my laptop is sensitive and connecting to some public networks can be dangerous.'

Wants to do her job

Work from home

'I want to do my job securely online with a guarantee that my privacy is protected.'

Wants to feel private, without being bothered

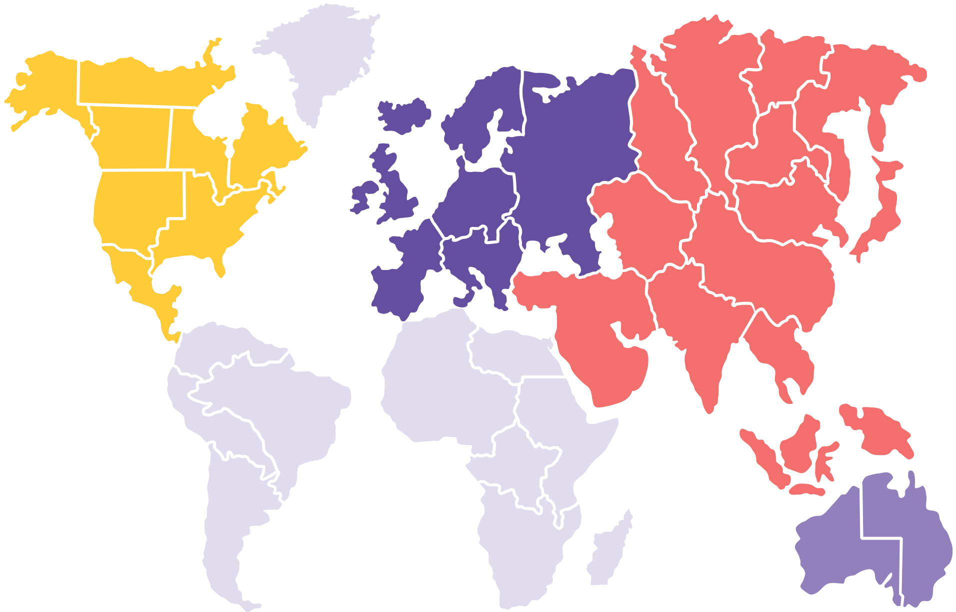
Privacy

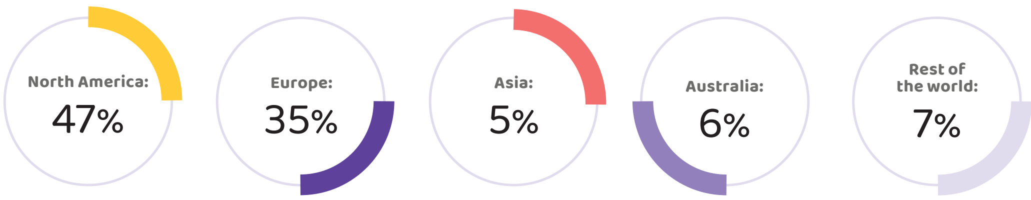
'I like having peace of mind that my data isn't easily accessible for other companies' commercial usage.'

'I'm not getting on the internet without a VPN service. I just couldn't see myself not using one daily.'

Subscriber revenue by geography

North America and Europe represent
82% of our subscription revenues in 2021





Digital privacy awareness is growing; supported by new regulations and a more educated market

Ever-expanding market

- **Over 490 million** individuals were affected by data breaches in 2019 with an estimated global cost of cybercrime of **$600 billion per year***
- Growing exposure of personal information including **names, email addresses, credit card numbers, and IP addresses**
- Average internet user's information will be shared with 800 different websites
- Endpoint security market estimated at $12.5 billion in 2020, growing to **$18.6 billion in 2027***

Allowing internet service providers to:

- Sell confidential data pertaining to how consumers use the internet
- Share consumers' information without consent
- Withhold news of a data breach from consumers and law enforcement, even where consumer information is at risk

COVID-19: working from home, the new normal

- Increased **number of personal devices used**
- **Heightened risk** for individuals and companies from opportunistic individuals
- An increase of **over 40%** of disclosed security incidents since the pandemic, underlining the heightened threat environment**

* Meticulous Market Research Pvt. Ltd. – June 2020.

** Grand View Report.

Chief Executive Officer's review

IDO ERLICHMAN
Chief Executive Officer

2021 was a monumental year for our business, culminating in over 6.5 million customers globally now customers of Kape's brands, an increase of c. 161%.

Pleasingly, we generated revenues of $230.7 million in the year, which was significantly ahead of management expectations, and in 2022 this is expected to reach $610 and $624 million. We also transformed our operations, expanding to ten locations globally with over 750 employees. We achieved all of this progress through a combination of both organic growth and two pivotal acquisitions.

Kape is now one of the most prominent platforms in digital security and privacy globally, and this has been achieved in a period where new digital threats continue to emerge and the demand for reliable mitigation solutions has never been higher.

During 2021, management remained focused on scaling the business, facilitated by the highly strategic acquisitions of Webselenese and, more recently, ExpressVPN. Concurrently, we continued to expand our marketing channels, as well as ramping-up our cross-sell and up-sell activities across Kape's existing user base, with R&D a focus to ensure the development of our industry-leading products. Our digital privacy segment continued to deliver consistent growth with our digital security segment returning to double-digit growth in the year. Following the Group's concerted focus on the category, and management now have a refreshed vision for this business segment.

In the year ended 31 December 2021, Kape delivered an excellent performance, generating revenue of $230.7 million (2020: $122.2 million), up 89% year-on-year with recurring revenue contributing 92% (2020: c. 87%) on a pro forma basis. Pro forma adjusted EBITDA[2] increased by 100% to $78.0 million (2020: $39.0 million), whilst pro forma adjusted EBITDA[2] margin grew to 33.8% (2020: 31.9%).

We have seen significant growth in demand for our solutions with organic customer growth of 20% and an overall 260% increase in paying subscribers during the year, to 6.5 million (2020: 2.5 million). Kape now has a significant presence across the digital privacy arena, supported by a number of strong brands including Private Internet Access, CyberGhost, ExpressVPN and Intego. As one of the sole players wholly focused on digital privacy, and without any monetisation from any customer data, Kape remains ideally placed to maintain its outstanding track record of growth.

Despite the resurgence of COVID-19 globally in the last year, at Kape we have been able to support business as usual with a mix of remote working and office attendance across our various locations. The effect on the business was minimal with a slight uptick in demand for Kape's products as a result.

With regards to the effect of recent events in the Ukraine on Kape's business, in the last year Kape had less than 1% of its business generated from Russia and has no operations there. In addition, in Ukraine, Kape has a handful of contractors, all of which we have offered to relocate.

Market dynamics

The demand for privacy is growing at c. 17% per annum, with this demand mainly driven by the ongoing increasing awareness of digital privacy concerns, as well as willingness of consumers to pay for more premium software services. The number of devices per person has also increased, as well as the proliferation in use of IoT devices, further supporting the growth in the market.

Expected revenues 2022

$610 – 624m

Expected adjusted EBITDA 2022

$166 – 172m

Paying customers

6.6m as of the 21st of March

Alongside this growth in demand, individuals are increasingly looking for a higher quality of service with brand equity and brand trust providing a competitive advantage for Kape, as its premium brands are well-placed within the market. The privacy market is also driven primarily by young consumers, with 70% of the market under the age of 45[1].

Acquisition and integration of Webselenese

In March 2021, Kape completed the acquisition of Webselenese, an independent consumer digital privacy and security content provider, that has transformed Kape's go-to-market and product development capabilities.

Webselenese has already significantly contributed to Kape's organic growth not only in accelerating customer acquisition but also enabling the ongoing reduction of the Group's average Customer Acquisition Cost ('CAC') by increasing the visibility of Kape's brands. In addition, Webselenese has provided the wider Group with a 'brain trust' from which knowledge transfer has already begun to support Kape's ongoing product development initiatives, with team members contributing across the business to optimise Kape's global digital operations.

Furthermore, in 2021 while Webselenese was under Kape's ownership, its revenues increased 52.5% on a yearly pro forma basis, as it benefitted from Kape's infrastructure and central functions, with traction also being seen in additional verticals beyond digital privacy, providing a further potential growth strand for the Group going forward.

Acquisition of ExpressVPN and financing

In December 2021, we completed the acquisition of ExpressVPN, one of the world's leading brands in the digital privacy space. The transaction was transformational for Kape, positioning the Group at the forefront of the digital privacy market, adding the premium brand in the space, a robust infrastructure, an incredible international team, and the addition of over three million customers in our key markets.

The transaction also provided Kape with a number of strategic benefits, including access to ExpressVPN's extensive distribution network, which includes HP and Philips. Kape's management team believes that both significant go-to-market synergies, as well as cross-sell revenue opportunities exist across the Group's enlarged platform, with an improvement in lifetime value ('LTV') versus customer acquisition cost ('CAC') ratios anticipated in the future.

The acquisition provides a number of potential synergies with c. $30 million expected to be realised on an annualised basis by 2023. With the process now well underway, we have been able to progress the integration faster than anticipated, with the Group already benefiting from significant economies of scale, and we expect operational cost savings to exceed expectations for the year.

To fund the acquisition, Kape raised $351.0 million (£258.3 million, before transaction costs), in fresh equity through a multiple-times over-subscribed placing and retail offer, a clear indication of the market's confidence in the rationale behind the transaction, further reinforcing Kape's overarching future growth strategy. In addition, Kape's lender group, compromised of Bank of Ireland, Barclays Bank PLC, Citibank, Citizens Bank, BNP Paribas and Leumi Bank, gave its consent to the acquisition, extending their revolving credit facility ('RCF') to Kape from $10 million to $80 million, providing the Group with debt facilities in aggregate of up to $220 million.

Key performance indicators

Kape once again delivered very strongly across its KPIs during 2021, which the Group reports against to track the ongoing progress of its SaaS business model, which in-turn underpins the profitability, earnings predictability and growth potential of the Group.

	31 Dec 2021 '000	31 Dec 2020 '000
Subscribers (thousands)	**6,573**	2,519
Retention rate[2]	**81%**	83%
Deferred income ($'000)	**155,856**	36,594
Revenue ($'000)	**230,665**	122,212

	30 Dec 2021 '000	31 Dec 2020 '000
Adjusted EBITDA[3]	**86,042**	38,973
Pro forma deferred contract expenses adjustment	**(8,016)**	–
Pro forma adjusted EBITDA[4]	**78,026**	38,973
Adjusted operating cash flow[5] Attributable to current year ($'000)	**78,080**	43,594
Investment in growth	**(33,955)**	(23,194)
Adjusted operating cash flow ($'000)	**44,125**	20,400

Product development and cross-promotion

R&D continues to be a key growth initiative to ensure Kape remains at the forefront of the digital-privacy sphere by both augmenting existing services and launching additional products, alongside adding products through M&A. Development highlights during the year included the launch in May 2021 of a privacy-first antivirus solution, an all-encompassing security coverage product, one of the first of its kind; and a B2B2C agreement secured in July 2021 for Kape to provide three Hong Kong-based clients with the opportunity to provide Private Internet Access VPN to their customers.

Chief Executive Officer's review continued

Kape also significantly expanded its R&D capabilities with 49% of Kape's core employees in R&D functions[6], which, in the medium- to long-term, will ensure Kape will be able to continue to innovate; in developing the best-in-class products to provide enhanced digital privacy and security to consumers globally.

In addition, Kape is increasingly focusing resources on cross-promotion, investing in targeted campaigns to engage existing customers who already trust Kape. As of 31 December 2021, 20% of new Intego users and 12% of new CyberGhost customers purchased more than one product from the Group, signposting great potential to grow that uplift, as well as to offer additional complementary products across the ExpressVPN user base. With the significant expansion of the Group's user base during 2021, management believes that cross-promotion will become an ever more important growth driver for Kape.

Growth drivers

Following the significant strategic progress that Kape has delivered in recent years, we have established a tier one, global, premium digital privacy player, providing us with a significant opportunity to leverage the following and capitalise on the market opportunity to deliver future growth:

- **Reach:** over 6.5 million subscribers globally provide significant leverage to realise cross-sell initiatives
- **Go-to-market capabilities:** with the leading brands in the space and multiple channels including Webselenese, Kape is well-positioned, to optimise CAC and retention rates
- **Strong product portfolio:** trusted solutions with high levels of recurring revenues, alongside potential to accelerate product development potential
- **M&A:** building on its strong track-record, management continues to selectively evaluate certain strategic opportunities

Outlook

2021 was another landmark year for our business and we look forward to further expanding our offering, continuously improving our products and growing our reach to serve more people around the world. Looking ahead, Kape is focused on harnessing its operational footprint as well as its world-class go-to-market capabilities, strengthened by the acquisitions of ExpressVPN and Webselenese, to capitalise on strong market tailwinds.

Despite the ongoing global macroeconomic uncertainty, largely as a result of the ongoing conflict in Ukraine, management is very confident in achieving revenues for the year ending 31 December 2022 of $610-$624 million and pro forma adjusted EBITDA[4] of $166-$172 million.

I would like to thank all of our team for their sustained efforts and achievements throughout the year. Kape's employees are the backbone of our business, and the loyalty of our fast-growing customer base speaks volumes to the first-rate service and advanced digital protection Kape's dedicated workforce and solutions continue to provide.

We have ambitious plans for 2022, but based on our success to-date, the Board and management team of Kape are highly optimistic for Kape's growth prospects in the current year and beyond.

IDO ERLICHMAN
Chief Executive Officer

21 March 2022

1 Based on study commissioned by Kape in March 2022.

2 Retention rates are calculated on a six-month basis.

3 Adjusted EBITDA is a company-specific measure which is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, exceptional or non-recurring costs, other operating income/(expense) and employee share-based payment charges.

4 Pro forma adjusted EBITDA is a non GAAP measure; it's the Company Adjusted EBITDA after adding back deferred contracts costs fair value accounting adjustment following ExpressVPN consolidation.

5 Adjusted operating cash flow attributable to the current year is calculated as Adjusted operating cash flow, excluding change in deferred contract costs.

6 Excluding support functions.

Key Investment highlights

Kape has created strong foundations for growth. Capturing the growing demand in the digital privacy and security market and helping millions live more secure and private digital lives.

Operating at scale with millions of paying subscribers who trust Kape's products to protect their digital privacy and security

Kape owns the top brands in the double-digit growth, privacy market; growing **17%** a year

Strong visibility on future cash earnings with $1.28 billion contracted for future periods*

Topline growth

- User number growth as the market expands and Kape captures market share
- Up-sell and cross-sell across a growing customer base
- Expanding product reach

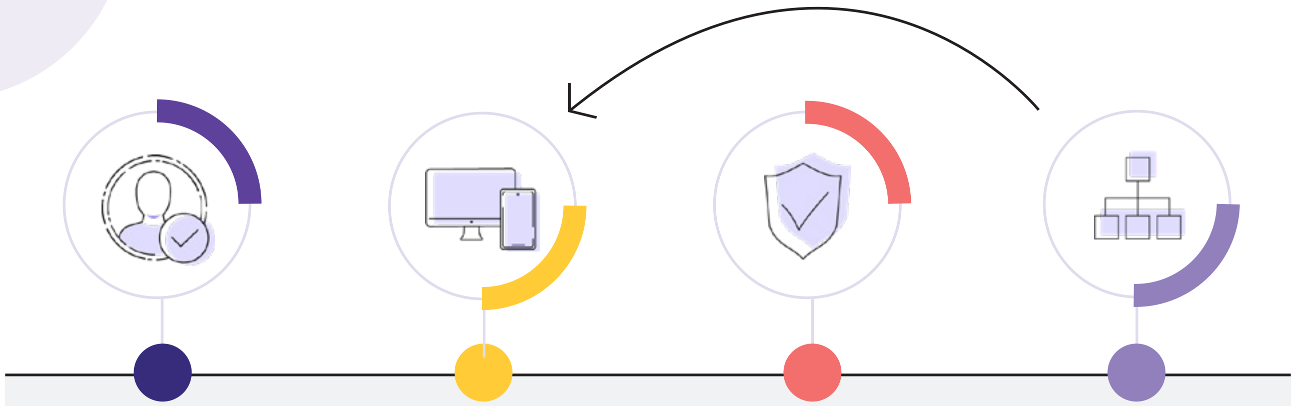
Operational growth

- Integration synergies across the Group expected to exceed initial projections
- Reduction in customer acquisition cost
- Economies of scale

* Based on current contracts and anticipated retention rates for the next five years.

Kape's customer **ecosystem**

Customer journey



Intent
- Privacy
- Security
- Work from home
- Digital ease

Organic
- Brand awareness
- SEO
- Word of mouth
- Reviews

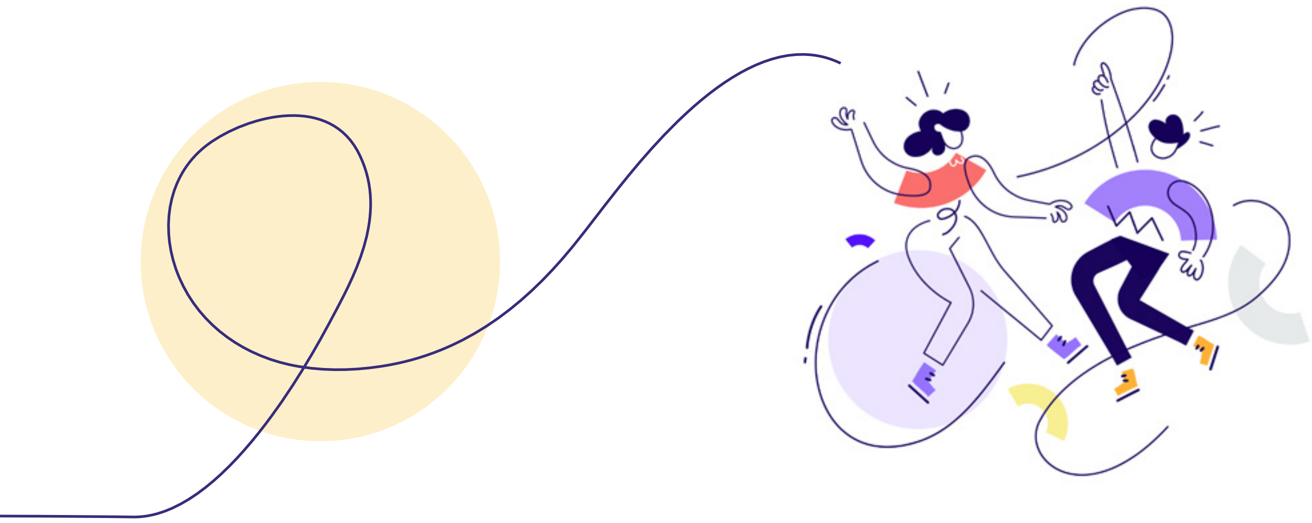
webselenese

Paid
- Digital Ads
- Influencers
- Social

Brands

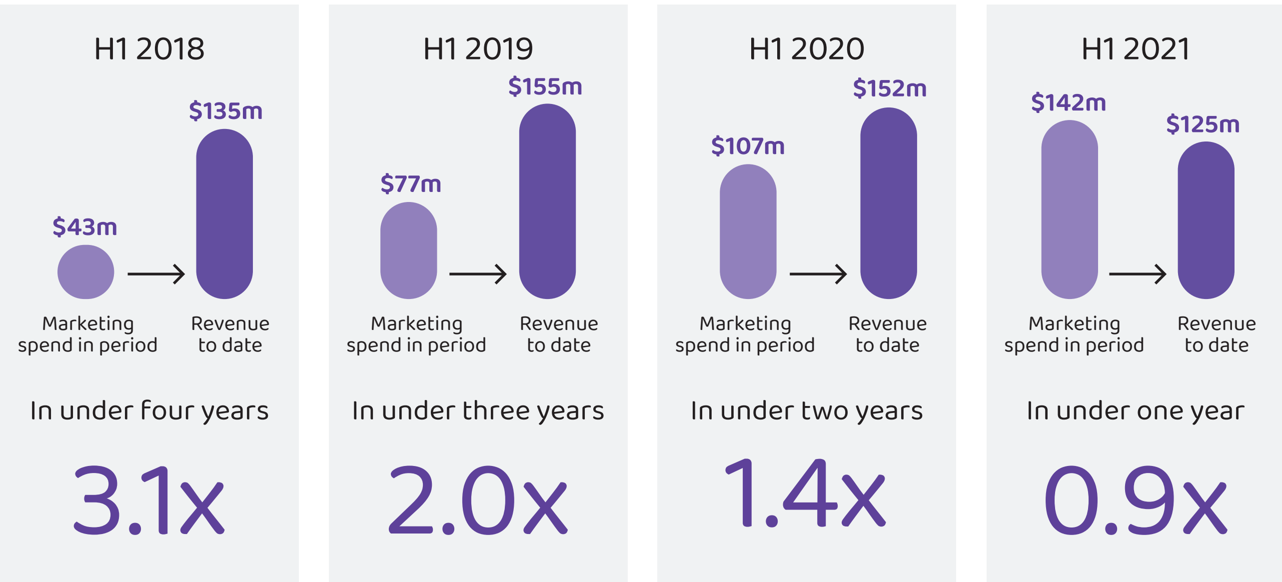
CyberGhost
ZenMate
RESTORO
intego
Private Internet Access
ExpressVPN

Retention/up-sell in-app offer



Accelerated return on investment based on time to return on marketing investment ('TROI')*

One-time spend, ongoing revenue



Webselenese now underpinning significant improvement in return on marketing spend

Historic investment in customer acquisition from 2018 to 2020 now generating significant cash flow

2021 marketing initiatives generating c. 100% return on investment

* TROI is Time to Return On (Marketing) Investment. Defined as the time it takes to collect cash from new premium subscriptions acquired in a cohort from cash spent on direct acquisition marketing costs in the same cohort. Numbers are rounded to the nearest million. Marketing cost includes marketing costs associated with the acquisition of users.

Our Acquisition journey and progress

Kape is a digital privacy and security market leader

- Diverse brand and products portfolio
- Content engine driving growth
- Advanced channel partner sales network

Kape's Journey

- Acquisition of ExpressVPN reinforces Kape's ongoing strategic priorities and growth levers
- Proven track record of acquiring and successfully integrating businesses
- To-date, completed seven acquisitions over five years, deploying over US$1.25 billion of capital on M&A

2011-15

2011
Company founded as Crossrider

September 2014
IPO on AIM

2016

May 2016
New management team appointed

H2 2016
Launch of a new strategic roadmap

2017

March 2017
Acquisition of CyberGhost

March 2017
145k paying subscribers

2018

March 2018
Name change to Kape Technologies

H1 2018
500k paying subscribers

July 2018
Acquisition of Intego

Acquisition of ExpressVPN

Premium privacy player
Created tier one digital privacy and security player best-positioned to capitalise on the growth in the digital privacy market

Up-sell and cross-sell opportunities
Combined group services c. 6.6 million paying subscribers with significant opportunities for up-sell and cross-sell of Kape's digital products across the entire subscriber base

Synergies
Synergies and cost savings across customer support and marketing are set to improve LTV/CAC ratios; realising c. $30 million on an annualised cost basis by 2023

Growing talent
Top class ExpressVPN management team added

Distribution
ExpressVPN has brought a strong network of channel partners to Kape's already robust go-to-market capabilities

Strategic acquisitions – integration milestones

Webselenese

- Highly strategic acquisition, providing Kape with one of the broadest customer bases for consumer digital privacy and security, with over 100 million readers
- Integration completed – achieved reduction in CAC
  - Improvement in user-acquisition effectiveness
  - Cross pollination across content, go-to-market, planning and product development

ExpressVPN

- Annualised cost savings expected of c. $30 million by 2023
- Integration accelerated in the first quarter of 2022, with savings ahead of management expectations

December 2019
Acquisition of Private Internet Access

March 2021
Acquisition of Webselenese

December 2021
Acquisition of ExpressVPN and prior associated placing

2019

H1 2019
1m paying subscribers

2020

2021

H2 2020
2.7m paying subscribers

2022

H2 2022
c. 6.6m paying subscribers

Chief Financial Officer's review

ODED BASKIND
Chief Financial Officer

Revenues for the year to 31 December 2021 increased by 89% to $230.7 million (2020: $122.2 million), or 20.7% on a pro forma basis.

The increase in revenues is a result of an increase in Kape's legacy subscriptions revenue of 21.2% to $128.9 million (2020: $106.4 million), as well as ten months' contribution from Webselenese. Pro forma adjusted EBITDA increased by 100% to $78.0 million (2020: $39.0 million). Operating profit increased by 257% to $38.2 million (2020: $10.7 million).

Adjusted cash flow from operations attributable to the current financial period was $78.1 million (2020: $43.6 million), which represents cash conversion of 91% (2020: 112%). In addition, during the period, $33.9 million was reinvested in user acquisition costs that will be expensed in future periods (2020: $23.2 million). After including this investment, adjusted cash flow from operations was $44.1 million (2020: $20.4 million). At 31 December 2021, the Group's cash balance was $27.0 million (31 December 2020: $49.9 million) and net debt was $457.5 million.

On 5 March 2021, the Group acquired 100% of the share capital of Uma Capital Ltd and Ani Ariel Ltd, the owners of Webselenese, a digital platform which provides independent and highly valued consumer privacy and security content to millions of users globally, via market-leading review sites. The total consideration was $155.1 million (the 'Consideration') satisfied by a combination of $119.2 million in cash and $28.6 million in new shares, amounting to 12.1 million Kape ordinary shares and deferred and contingent consideration of $7.4 million.

To fund the transaction, the Group drew down $85 million from a $120 million bridge loan by TS Next Level Investments Limited ('TSNLI'). The bridge loan carried a fixed coupon of 6.0% per annum payable on funds drawn and an arrangement fee of 1.0%. TSNLI is an affiliated company of Unikmind Holdings Limited, Kape's largest shareholder.

On 28 May 2021, the Company agreed with Bank of Ireland, Barclays Bank PLC, Citibank, Citizens Bank, BNP Paribas and Leumi Bank (together, 'the Banks'), to repay the TSNLI bridge loan in full and replace its existing term facility and RCF with new senior secured bank facilities of up to $220 million ('New Debt Facilities'). The New Debt Facilities comprise a $120 million senior secured term facility, a $10 million RCF and a $90 million uncommitted acquisition facility.

On 15 December 2021, the Group acquired certain assets, liabilities and service entities together comprising the ExpressVPN business ('ExpressVPN') from Access Global Limited and its subsidiaries ('Access Global'), ExpressVPN is one of the most recognised brands in the digital privacy space and its acquisition created a premium digital privacy and security player best-positioned to serve the growing demand for digital privacy. The total consideration was $925.8 million defined above to be satisfied by a combination of $334.5 million in cash upon closing, $20 million in cash on the six months' anniversary, two deferred cash considerations of $172.5 million (fair value of $339.2 million) to be satisfied on the first and second anniversaries and $232.1 million in new shares, amounting to 47.8 million Kape ordinary shares.

The initial cash consideration was funded through an equity placing of $351.0 million (£258.3 million), before transactions costs, which completed on 1 October 2021. To secure the US$ value of the equity placing, the Group entered into a forward sale of the GBP receipts from the placement. On 15 December 2021 the banks, gave their consent to the ExpressVPN Acquisition and increased their committed facilities to Kape to $290 million, including an $80 million RCF.

Revenue

$230.7m

Strong visibility on future earnings

$1.28bn

Contracted for future periods*

Adjusted operating cash flow

$44.1m

* Based on current contracts and anticipated retension notes for the next five years.

It is the Board's intention that the deferred consideration will be funded from its operational cash flow and by using the extended RCF provided to Kape by the existing lender group. TS Next Level Investments Limited has entered into binding commitment letters with the Group, subject to limited conditions, to make available to the Group, if required, loan facilities of up to $345 million in aggregate in connection with Kape's obligation to pay ExpressVPN's deferred consideration.

Segment result

	Revenue		Segment result	
Name	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Digital Security	**38,042**	32,368	**14,609**	13,346
Digital Privacy	**117,042**	89,844	**74,450**	52,835
Digital Content	**75,581**	–	**38,271**	–
Revenue	**230,665**	122,212	**127,330**	66,181

The segment result has been calculated using revenue less costs directly attributable to that segment. Cost of sales comprises payment processing fees and infrastructure costs of the Group's privacy products. Direct sales and marketing costs are mainly user acquisition costs.

Digital Privacy

Name	**2021 $'000**	2020 $'000
Revenue	**117,042**	89,844
Cost of sales	**(13,370)**	(14,127)
Direct sales and marketing costs	**(29,222)**	(22,882)
Segment result	**74,450**	52,835
Segment margin (%)	**63.6**	58.8

During the period, the Digital Privacy segment saw continued growth with a 30.3% increase in revenue to $117.0 million (2020: $89.8 million) and a 40.9% increase in segment result to $74.5 million (2020: $52.8 million). Following the acquisition of ExpressVPN in December 2021, ExpressVPN contributed $20.5 million to revenues and $18.9 million to segment results. Revenue growth was driven by Kape's legacy subscriber base growth of 14.3%.

Digital Security

Name	**2021 $'000**	2020 $'000
Revenue	**38,042**	32,368
Cost of sales	**(2,602)**	(2,045)
Direct sales and marketing costs	**(20,831)**	(16,977)
Segment result	**14,609**	13,346
Segment margin (%)	**38.4**	41.2

During the year, revenue from the Digital Security segment returned to growth with an increase of 17.5% to $38.0 million (2020: $32.4 million). The increase was driven by a 20.0% growth in revenue from Intego's endpoint security products. In addition, revenue from the Company's PC performance products has increased by 16.8% but with a lower margin of 25.9% (2020: 29.4%) following an increase in advertising costs.

Digital Content

Name	**2021 $'000**	2020 $'000
Revenue	**75,581**	–
Cost of sales	**–**	–
Direct sales and marketing costs	**(37,310)**	–
Segment result	**38,271**	–
Segment margin (%)	**50.6**	–

Digital Content represents Webselenese which was acquired on 5 March 2021. From the acquisition date to year end the digital content segment revenue was $75.6 million and segment results were $38.2 million. On a pro forma basis, excluding revenue that was generated from Kape, revenue year-on-year grew significantly by 52.5% to $88.3 million (2020: $57.9 million). The growth has been driven by an increase in traffic from both organic and acquired sources.

Chief Financial Officer's review continued

Adjusted EBITDA

Adjusted EBITDA for the year to 31 December 2021 was $86.0 million (2020: $39.0 million). Adjusted EBITDA is a non-GAAP company specific measure which is considered to be a key performance indicator of the Group's financial performance. Adjusted EBITDA is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, exceptional or non-recurring costs, other operating expenses, deferred contracts fair value adjustment and employee share-based payment. Pro forma adjusted EBITDA is calculated by adding the pro forma deferred contract costs expenses adjustment related to ExpressVPN acquisition. As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies. Such amounts are excluded from the following analysis:

Name	**2021 $'000**	2020 $'000
Revenue	**230,665**	122,212
Cost of sales	**(15,972)**	(16,172)
Direct sales and marketing costs	**(87,363)**	(39,859)
Segment result	**127,330**	**66,181**
Indirect sales and marketing costs	**(19,687)**	**(9,192)**
Research and development costs	**(8,176)**	**(6,194)**
Management, general and administrative costs	**(13,425)**	**(11,822)**
Adjusted EBITDA	**86,042**	**38,973**
Pro forma deferred contract expenses adjustment	**(8,016)**	**–**
Pro forma adjusted EBITDA	**78,026**	**38,973**

The Increase in Direct and Indirect sales and marketing costs, is mainly due to a respective $37.3 million and $8.5 million contribution from Webselenese in the period.

Operating profit

A reconciliation of adjusted EBITDA to operating profit is provided as follows:

Name	**2021 $'000**	2020 $'000
Adjusted EBITDA	**86,042**	**38,973**
Employee share-based payment charge	**(5,224)**	(1,232)
Other operating income/(expenses)	**947**	(313)
Exceptional and non-recurring costs	**(9,850)**	(6,623)
Depreciation and amortisation	**(33,764)**	(20,097)
Operating profit	**38,151**	**10,708**

Increase in depreciation and amortisation is driven by a $11.2 million (2020: $Nil) amortisation charge of Webselenese and ExpressVPN acquired intangibles assets.

Exceptional or non-recurring costs in 2021 are comprised of non-recurring staff costs of $6.0 million which comprise a $4.4 million one-off bonus award to the management team for the acquisition of ExpressVPN, $0.9 million employer cost related to management share options' exercise, $0.6 million employees' onerous contract termination costs and $3.9 million (2020: $0.2 million) professional services and other business combinations related costs.

Profit before tax from continuing operations

Profit before tax from continuing operations was $32.6 million (2020: $7.3 million). Finance costs of $11.2 million comprised mainly of $4.9 million of interest on debt facilities (2020: $2.0 million), $3.6 million of commitment fees on the TSNLI revolving facility related to the ExpressVPN acquisition. Finance income of $5.6 million from the currency exchange forward deal placed to hedge the proceeds from the share issuance executed in October.

Profit after tax from continuing operations

Profit from continuing operations was $23.3 million (2020: $29.7 million). Tax expenses of $9.2 million made up of $4.9 million current tax expenses, $5.0 million deferred tax expenses and previous year's tax income of $0.7 million. The increase of tax expenses is attributable mainly to the reversal of $25.8 million deferred tax liability in the year ended 31 December 2020, following a share buy back from the founders of PIA that changed the tax structure of the acquisition and increased the tax basis of the acquired intangible assets.

The Group recognised a deferred tax asset of $0.8 million (2020: $6.2 million) in respect of tax losses accumulated in previous years.

Name	2021 $'000	2020 $'000
Cash flow from operations	**35,489**	15,244
Exceptional and non-recurring payments	**8,636**	5,156
Adjusted cash flow from operations	**44,125**	20,400
Adjusted EBITDA	**86,042**	38,973
% of adjusted EBITDA	**51%**	52%
Excluding increase of deferred contract costs	**33,955**	23,194
Adjusted cash flow from operations attributable to current year	**78,080**	43,594
% of adjusted EBITDA	**91%**	112%

Cash flow from operations was $35.5 million (2020: $15.2 million). Adjusted cash flows from operations, after adding back payments that are one-off in nature was $44.1 million (2020: $20.4 million). This represents a cash conversion of 51% of Adjusted EBITDA (2020: 52%). The increase in operating cash flow is due to an increase in revenues from renewals of existing subscribers and the Webselenese acquisition. The Company invested $33.9 million (2020: $23.2 million) in user acquisition that is attributable to revenue that will be expensed in future periods. Excluding this investment, adjusted operating cash flow attributable to the current financial period increased to $78.1 million (2020: $43.6 million), which represents a cash conversion of 91% (2020: 112%).

Tax paid net of refunds in the period was $3.3 million (2020: $0.7 million). The increase was mainly due to tax refunds' receipts in 2020 and prepayments that were paid in 2021 in Israel by Group subsidiaries.

Cash outflow from investing activities of $465.9 million (2020: $9.1 million) mainly comprises $334 million for the acquisition of ExpressVPN, $119.5 million for the acquisition of Webselenese, $10.7 million for the acquisition of PIA (2020: $5.8 million), $5.3 million (2020: $2.5 million) capitalised development costs and $2.4 million (2020: $0.5 million) purchase of fixed assets.

Cash outflow from financing activities of $410.7 million (2020: $35.8 million outflow) included a drawdown of $85 million shareholder bridging loan and full repayment of the principal, and $2.1 million interest and arrangement fees related to the loan. The repayment was funded by a $87.9 million increase of long-term bank debt and RCF, net of issuance costs. In addition, $11.8 million (2020: $3.6 million) has been paid for long-term loan principal and $1.9 million for interest (2020: 0.7 million), see note 7. Arrangement fees of $7.1 million paid to the company main shareholder for Facility revolver of $345 million, see note 24.

In October, the Group raised a net amount of $348.4 million by way of a share placing used for the initial cash consideration for the acquisition of ExpressVPN. In addition, $0.9 million (2020: $2.4 million) has been received following the exercise of employee share options and $3.9 million (2020: $19.8 million) has been paid for the purchase of treasury shares in the period.

Financial position

At 31 December 2021, the Company had cash of $27.0 million (31 December 2020: $49.9 million), net assets of $863.1 million (31 December 2020: $228.8 million) and net debt of $457.5 million (2020: net cash of $11.1 million). At 31 December 2021, trade receivables were $42.1 million (31 December 2020: $4.0 million).

In December, the club of banks extended their RCF to Kape from $10 million to $80 million.

Following the acquisition of Webselenese, ExpressVPN and an increase of the bank loan, the adjusted leverage (as defined in note 24) of the Group is c. x2.88. It is our intention to further decrease the leverage by the end of 2022 and maintain a moderate level of financial indebtedness going forward. It is Kape's intention to use the expected cash flow from operations and the banks' RCF to pay the deferred cash consideration related to the ExpressVPN acquisition.

ODED BASKIND
Chief Financial Officer

21 March 2022

ESG at Kape

"ESG is integral to our ongoing business success. It reminds us of the need to minimise our impact on the environment, encourages us to pay attention to the needs of our customers, employees, and investors, and to build engagement with local communities."

IDO ERLICHMAN
Chief Executive Officer

CEO's statement

At Kape we have had a unique journey, which included rapid growth; as we grew we were exposed to the importance of responsibility across all metrics of our business. With all the changes the business has undergone, responsibility has always been a strong, guiding value at Kape Technologies. We believe that businesses hold a particular responsibility towards the communities in which they operate, towards their fellow citizens, and towards the health and sustainability of the planet we all share. Naturally, we take very seriously our responsibility to our shareholders, and our duty to build a strong, profitable and sustainable business.

We have endeavoured to build our businesses on a foundation of integrity and ethical conduct, with responsible management and investing being an intrinsic part of our commitment to corporate social responsibility. We continue to reinforce this commitment, which is fundamental to our business success, enabling us to mitigate risk, create long-term value and earn the confidence of our customers, business partners, shareholders, employees and the communities in which we operate.

We pride ourselves on treating employees fairly and respectfully and providing them with opportunities for advancement. In turn, they consistently demonstrate high ethical standards, as well as a keen understanding of the need to protect the environment and contribute to economic prosperity, social well-being, and quality of life in the communities they call home.

Kape Technologies continues to strengthen its commitment to responsible management through various initiatives, including our engagement with our different stakeholders. As the investment universe puts greater emphasis on ESG considerations, we believe at Kape Technologies that we are well-positioned to continue our practices in order to meet ever-higher expectations.

Over the course of 2021 and since the beginning of 2022, we:

01 Formalised our approach to ESG, considering a variety of environmental and social issues where we believe our business can have a positive impact.

02 Identified the ESG topics that matter most to the business and our stakeholders.

03 Enhanced our reporting of non-financial metrics by monitoring and disclosing a variety of ESG indicators.

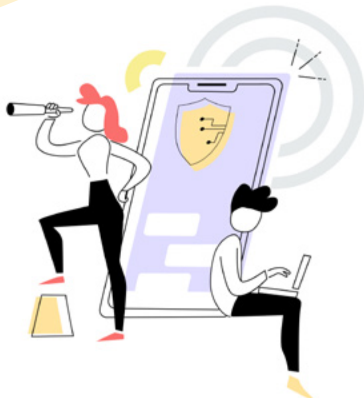
04 Published our key list of policies, providing information on our management procedures and on the alignment of our programmes to leading standards and frameworks.

Privacy is our priority

Our mission

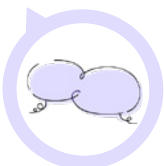
Kape Technologies has been focused on protecting consumers and their personal data as they go about their daily digital lives since 2017. In the last few years, we have been able to grow our customer base to 6.6 million paying users and over 100 million readers worldwide.

To realise our vision, Kape Technologies develops, acquires, and distributes a variety of leading digital security software products. We believe in having the best products, supported by top teams developing world-class technology to deliver a superior experience to a rapidly growing customer base.



Our guiding principles

Honesty
We take a transparent and open approach to protecting our users' privacy, security, and freedom online.



Privacy
You don't have to trust us with your data because we don't collect or store it – proof is better than trust.

Service
We make decisions with the end-user in mind while balancing social, environmental, and economic profit.

Freedom
We believe the internet should be democratised and that all data should be treated equally without manipulation.

Autonomy
We believe in individuals having sovereign control of their own data without it being collected, stored, and sold without permission.

ESG continued

Our approach to ESG*

At Kape, we believe big data and digital technology are essential to achieving the pressing environmental and social challenges faced by the planet. At the same time, there are legitimate concerns regarding the risks associated with handling and processing of big data, particularly in light of the current fragmented regulatory landscape, and in the absence of a common set of principles on data privacy, ethics and protection.

The right to privacy is a fundamental human right. Privacy is at the core of everything we do at Kape, and our ESG strategy helps us deliver on our mission, while considering a wide array of stakeholder interests related to the ESG topics that matter most to our business. This strategy is based on our values, convictions and a high level of commitment across the Group. We are keen to be a responsible Company that mobilises all its stakeholders to help create a more sustainable world.

A dedicated governance structure coordinates implementation of policy and the associated improvement plans. Our Board of Directors oversees the Group's ESG strategy and programme and meets regularly to review these matters. All matters relating to ESG are managed by the VP Corporate Development, supported by four representatives across the business who are responsible for implementing the ESG strategy. The VP Corporate Development reports directly to the Group CEO.

We are early on our journey to integrate ESG into our business strategy and expect to provide further detail on our efforts in future reports.

Prioritising our ESG efforts

Our first step in this process was an assessment to identify critical ESG priorities, opportunities, and risks. This assessment was conducted by an independent consultant, and we intend to revisit this prioritisation process every two years.

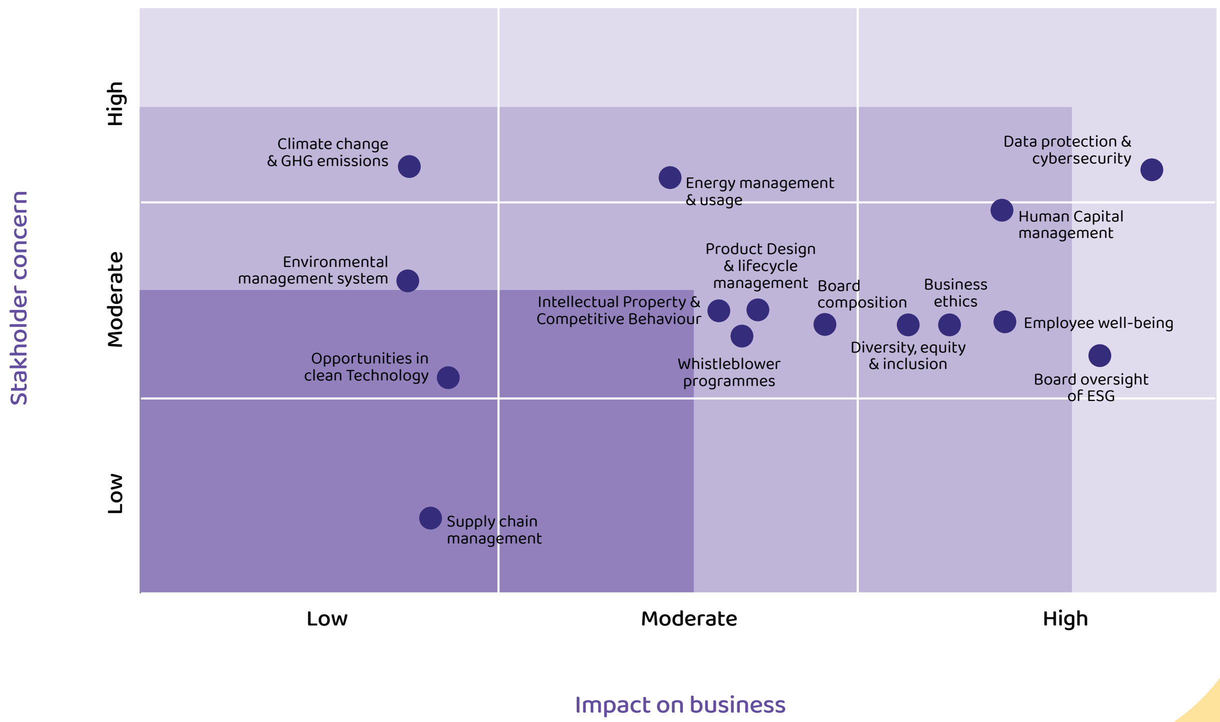
The output of this assessment helps us to determine our priority ESG issues and is one of the resources that guides our strategy and disclosures, including this report. The topics that resulted from our 2021/2022 priority ESG issue assessment are:

- Data privacy & cybersecurity
- Employee upskilling
- Board oversight of ESG
- Employee health and well-being
- Energy management & usage
- Business ethics
- Diversity, equity and Inclusion awareness
- Social responsibility

We continue to monitor our performance on a wide range of ESG topics as pictured in our materiality map.

* This does not include ExpressVPN, as the acquisition was completed 15 December 2021.

Materiality map



Our People and Communities

The Group is committed to:

- Complying with European Community and domestic labour law and collective bargaining agreements in each country where the Group operates or, if necessary, putting in place measures intended to improve relations between management and labour;
- Upholding, in particular, freedom of association and the right to collective bargaining in each relevant country, the elimination of forced or compulsory labour and the effective abolition of child labour.

The Group's corporate responsibility strategy is to create conditions for employees to be at their best. More generally, it aims to abide by the principles of equal opportunity and non-discrimination. We seek to foster an inclusive work environment where everyone feels recognised and valued irrespective of nationality, gender, age or disability.

The Group's ambition is to attract the best professionals and anticipate future skills requirements through a broad learning and development offering. These ambitions and a work environment nurturing professional development and well-being help us to attract and retain top talent.

Training and development

The digital revolution, the expectations of the next generation and the uncertain environment we are currently navigating all mean we must constantly be developing our employees' skills so as to:

- Respond even better to client expectations and serve the Group's strategy.
- Develop performance and maintain employability.

To meet these challenges, the Group has implemented a number of initiatives:

- Provision of a common performance appraisal system based on ongoing dialogue between employees and their managers and resulting in an individual development plan.
- Annual identification of far-reaching changes affecting our businesses over the next one to three years (creating new roles as required) and draw up HR action for integrating, maintaining and developing the required current and future skills.

These initiatives are supplemented by a proactive learning and development plan, which constitutes one of the primary vehicles for adapting our people's skills and to ensure that the Group has access to the appropriate skills.

Our progress

- Kape onboarded a full-time Head of Learning and Development
- Professional upskilling programmes were provided to selected employees in Kubernetes, Python, NodeJS, Selenium, Test Driven Development, Agile and Go
- English as a second language programme was rolled out for selected employees in marketing
- Coaching programme was provided to leaders in selected locations

Our goals

- Design a global talent strategy – which includes developing and retaining talent across the organisation as well as monitoring HR activity globally
- Design and roll out our leadership development programme
- Implement learning platforms for individual development plans
- Implement secure tools for learning coding
- Promote a learning culture through enrichment programmes and learning opportunities

Employee engagement

The perspectives of our employees are critical to our success and inform our business strategy. Through surveys, performance reviews, townhalls and meetings with management and the Board, our employees have a variety of opportunities to provide feedback on our business practices, corporate culture and ESG efforts.

Our progress[1]

- Bi-annual performance review cycle completed with high engagement (pre-ExpressVPN)
- Employee engagement surveys in selected locations
- Through 'Kape in Touch', employees received daily notes and occasional themed gifts to keep them connected
- Online social events to encourage connection despite working from home
- In accordance with COVID-19 regulations, we conducted outdoor social events for employees in selected locations

Indicators[2]

- We have seen high engagement for our HR initiatives through high engagement in our programmes: 94% of eligible employees filled out their employee survey
- 91% of eligible employees received feedback through performance reviews and other channels

1 Employee engagement activities varied by location.

2 According to documentation in HR management system used by most locations at Kape; this does not include ExpressVPN, as the acquisition was completed 15 December 2021.

3 Health and well-being activities varied by location.

Health and well-being

Kape Technologies has workplace health and safety policies that comply with regulatory requirements in each country in which the Group has a presence. It forms part of a preventive approach to occupational risk aimed at protecting employees' and subcontractors' health and safety, improving their working conditions, and promoting workplace well-being. The Group's businesses are concentrated in the service sector and do not involve any high-risk activities, notably in respect of workplace accidents, which occur very rarely and are related purely to the hazards of everyday life (the Group has a very low workplace accident frequency rate). This policy of prevention and support to promote health and well-being in the workplace is underpinned by the available Health and Safety Policy in each location.

Apart from operations, critical employees, all Group employees switched to work-from-home to limit the risk of spreading COVID-19. Whilst it was essential for employees to adapt to this new mode of working, it was also essential that Kape kept its employees safe, engaged and motivated.

Our progress[3]

- Training on health and safety regarding COVID-19
- To support employees' changing work environment, Kape launched several activities including:
  - Massage chair to prevent back pain
  - Online wellness training across the Group
  - Dedicated employee well-being function
  - Access to onsite fitness options

Our goals

- Implement additional employee listening tools and practices
- Rollout well-being initiatives that are aligned across all sites
- Track and monitor employee engagement to enable data-based decision making and action at a local and global level

Diversity, equity and inclusion

The Group reaffirms its commitment to combat discrimination, based on the principle of equal opportunity. We are keen to create an environment where everyone works together to foster inclusion and well-being. As such, it endeavours to recruit employees from a diverse range of backgrounds and to treat all employees fairly. This approach is underpinned by our non-discrimination and anti-harassment policies.

Our progress

- Created policies and internal work regulations in different locations
- Women in management 19%
- Created a women's network for women to share experiences and success stories within the organisation

Indicators[1]

	Men	Women	% Women
All[2]	173	79	31%
Mid-level[3]	62	16	21%
Senior[4]	13	3	19%

1 This does not include ExpressVPN, as the acquisition was completed 15 December 2021.

2 All employees including managers.

3 Team leaders, directors and department heads.

4 Senior managers consist of VP-level and above.

Our goals

- Increase diversity in recruitment and internal mobility

Our gender diversity is on par with the industry average*:

31%
of our staff are women

19%
of Kape's management are women

* Based on Deloitte Insights article-Woman in the Tech Industry: 01 December 2021.

Community engagement

Kape Technologies has a longstanding commitment to an ethical and inclusive digital society. The unprecedented situation resulting from the COVID-19 crisis in 2020-2021 meant an increasing number of activities and procedures went digital, highlighting the dominant role played by digital technology and digital privacy in forming connections. With this came the increased need for digital privacy.

Many employees have, with the Group's support, been involved in a variety of initiatives: raising funds for hospitals, supporting non-profit organisations through volunteering or skills sponsorship, with some activities postponed due to COVID-19.

Our progress

- Kape donated over 50 computer screens to a non-profit in Israel in 2020
- Kape donated money to support local communities in Germany impacted by floods
- Given the flow of refugees from Ukraine to Romania where Kape has a substantial office, Kape has supported renting accommodation for refugees coming to Bucharest and our local management has launched a programme in which each employee provides guidance and support to a refugee family. We have converted Kape's cafeteria into a day club for parents and children of refugee families

Our environmental impact

Approach to environmental sustainability

Climate change is the single biggest challenge facing humanity, and protecting our planet is key to ensuring a sustainable future for all. Governments, businesses and civil society have a responsibility to act now.

Kape Technologies understands that the environmental impact of its operations is significant due to the high demand for energy from its servers. In managing its operations, the Group has for many years pursued a proactive strategy of supporting the environment.

Climate and energy

We work to minimise energy use and greenhouse gas (GHG) emissions across our entire value chain. This includes the buildings where our employees work, the data centres that power our products, how and when our employees travel, the practices of our suppliers, and the use of our products.

At Kape Technologies, we have identified GHG reductions from data centre and office energy use (Scope 1 and 2 emissions) and employee travel (Scope 3 emissions) to be our most immediate priorities.

Our progress

- Launched an energy tracking internal mechanism to allow us to better monitor and set targets across the organisation. We are exploring ways to move to a market-based approach
- Have added a commitment in our contracts with vendors and suppliers to make reasonable efforts to minimise their energy footprint and use clean energy sources

1.16 million kWh
of energy

515 mtCO_2e
measured

Indicators

We measured the total energy consumption from:

- Fuel (owned vehicles where Kape is responsible for the purchase of fuel).
- Energy consumption at Kape's global offices.
- Energy consumption at global co-located data centres.

	2021
Energy Use (in kWh)	
Fuel (owned vehicles)[1]	**5,030**
Energy (offices)[2]	**611,887**
Energy use (co-located data centres)[3]	**540,920**
Total	**1,157,837**

	2021
Emissions (in mtCO_2e)[4]	
Total Scope 1, 2 and 3	**514.88**

1 Fuel usage for vehicles has been obtained from invoices.

2 Energy use is global offices.

- In the first instance, energy consumption for offices has been obtained from utility supplier invoices or landlord-provided energy consumption data.
- Where Kape has not been provided with any data, we have estimated energy use based on area and energy-intensity assumptions. This assumption accounted for 44% of office energy consumption.

3 Energy consumption for co-located data-centres has been calculated using contracted energy usage.

4 We classify GHG emissions into three 'Scopes'. Scope 1 emissions are direct emissions from sources that are owned or controlled by Kape, including the combustion of fuel and operation of facilities. Scope 2 emissions are indirect emissions from the purchase of electricity, heat, steam and cooling, purchased for our own use. This year, Scope 2 emissions were calculated using the location-based method. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value-chain. All footprint calculations used the standard set by the World Resource Institute: GHG Protocol for Corporate Accounting.

Due to the limitations imposed by the lack of data, the data provided is comparable to a limited extent.

Due to the limitations imposed by the COVID-19 pandemic, the data provided here is comparable only to a limited extent.

The total energy use in kWh for the year ended 31 December 2021 amounted to approximately 1,157,837 kWh. Of this, approximately 9,531 kWh of the energy was consumed in the United Kingdom.

Due to the fragmented nature of this energy use information on a global basis, management is putting the appropriate processes in place to collate this information going forward on a global basis.

Our goals

- Improve environmental data-collection tools and processes to cover Kape's global operations
- Better understand Kape's climate-related risks and opportunities in line with TCFD recommendations

Other environmental concerns

We understand that the environmental impact of Kape Technologies is not limited to the use of energy and carbon emissions. Whilst most of the Group's products are digital, we realise that our use of precious planetary resources such as paper, plastic and water can have an impact on the environment. Under the Group's risk-mapping exercise, the risks associated with regulatory compliance are classed as the main risks for the Group.

Our progress

- Embarked on a cross Company energy measurement exercise to evaluate Kape's corporate energy consumption and create targets for future periods

Corporate governance

Business ethics

Ethical values and principles constitute a fundamental aspect of the Group's culture, guide our development, and serve as the foundation for all policies and commitments.

In keeping with the values and ethical principles it promotes, the Group has adopted an Ethics and Compliance programme concerning human rights, fundamental freedoms, measures to prevent corruption and influence peddling, duty of vigilance, compliance and transparency in relation to tax regulations, confidentiality and the protection of personal data.

Under the Group's risk-mapping exercise, risks associated with regulatory compliance are classified as the main risks for the Group.

Kape Technologies' actions fall within a framework of strong ethical principles and compliance with the entirety of the rules governing its business. That commitment forms the bedrock of the relationship of trust between the company and its stakeholders.

Core policies and Group procedures

The compliance system within Kape Technologies is supported by a common core of rules and procedures (management, human resources, purchasing, sales, operations and production, finance and accounting, security, etc.). Ethics and compliance policies at Kape cover topics such as:

- Non-discrimination
- Anti-sexual harassment
- Anti-bribery and anti-corruption
- Whistleblowing
- Inside-information handling

We are in the process of developing an enterprise-wide code of ethics and business conduct.

Data privacy and information security

Kape Technologies, privacy and security programme is underpinned by an organisational and governance structure and an overarching policy on the protection of personal data. A Group Data Protection Officer has been appointed for all the Group entities concerned.

Our progress

- We have processed 1,992 Data Subject Requests in 2021 alone
- We employ a multi-faceted defense in-depth security posture, where ownership of security is given to every level and every person in the organisation. Our main method of determining our risk is the use of threat models. Every engineering team runs a threat model on their service in conjunction with our central security teams, and those threat models are reviewed periodically. We base our threat models on the MITRE ATT&CK® framework because that framework has well-understood attack methods and mitigating controls. Every threat model has compensating controls and identifies places where we can perform security audit logging (e.g., AWS IAM logs) that can be monitored by our Security Operations Centre. We consider Personally Identifiable Information ('PII') to be toxic and engineer every system with that in mind. When a system does need to process PII, we take extra care to only process and store that data in the places absolutely necessary for our business operations

  Our internal security team audits both our applications and our internal services on a schedule, and our applications also receive external audits from reputable security companies at least once a year. We have a very well-defined security-bug handling and reporting process, including SLAs for fixing/remediating those findings for each severity level, and our security-bug handling process is tightly coupled with our Bug Bounty programme
- Every employee goes through several training sessions during onboarding about security and data risks. This starts from their first day at their IT onboarding session and continues through other learning paths. Depending on the person's profession (e.g. developers), additional in-depth security training takes place. We also run third-party training through SecureFlag to help our developers learn about common bug classes and Shift Left to avoid writing security bugs, and our internal security team provides many internal learning sessions and technology sessions on various security topics. We conduct periodic internal security assessments as well as phishing exercises that happen several times a year

Principal risks and uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's long-term performance and could cause results to differ materially from expected and historical results. The risks to which the business is exposed are set out below:

Risks	Background	Mitigating controls
Regulatory or legislative developments regarding internet privacy matters could adversely affect the Group's ability to conduct its business.	International regulatory bodies are increasingly focused on online privacy issues and user data-protection. In particular, GDPR was approved by the European Union ('EU') and the UK and it took effect from May 2018. It intends to strengthen and unify data protection for all individuals within the EU. It also addresses the export of personal data outside the EU. GDPR aims primarily to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU.	• All the information that the Group obtains regarding users and their profiling is information that may correspond to a particular person, account or profile, but does not identify, allow contact or enable Kape to locate the person to whom such information pertains. As a consequence, the Group is not regulated by any regulator or subject to any regulatory approval for its day-to-day operations. • Whilst not externally regulated, the Group adheres to a strict set of controls with its partners. Partners, developers, publishers and vendors are required to comply with these contractually imposed controls, which have been jointly created by the Group and its legal advisers. • The regulation also increases public awareness of the importance of digital privacy which the company believes was one of the drivers for the digital privacy market growth.
Large and established internet, antivirus and technology companies may be able to significantly impair the Group's ability to operate.	Large and established internet, antivirus and technology companies such as Symantec Corporation, Apple, eBay Inc., Meta Platforms, Inc. (Facebook), Google and Microsoft, may have the power to significantly change the very nature of the app-distribution and compatibility of our products with operating systems. These changes could materially disadvantage the Group. For example, Amazon, Apple, Meta, Google and Microsoft have substantial resources and control a significant share of widely adopted industry platforms such as web browsers and mobile operating systems. Changes to their web browsers, mobile operating systems, platforms, exchanges, networks or other products or services could be extremely harmful to the Group's business. Such companies could also seek to replicate all or parts of the Group's business.	• The Group actively monitors the developments of the large and established internet, antivirus and technology companies to identify any threats that may impair the Group's ability to operate.

Principal risks and uncertainties continued

Risks	Background	Mitigating controls
If the Group fails to innovate and respond effectively to rapidly changing technology, the Group's solutions may become less competitive or obsolete.	To remain competitive, the Group's future success will depend on its ability to continuously enhance and improve its solutions to meet client needs, add functionality to its product portfolio and address technological advancements.	• The Group invests in research and development staff and resources to ensure that the Group's technology platforms are continually enhanced through evolution and innovation. • The Group also invests in acquisitions to expand its technology platforms and adapt to the rapidly changing technology environment.
Failures in the Group's IT systems and infrastructure supporting its solution could significantly disrupt its operations and cause it to lose clients.	In addition to the optimal performance of Kape's IT systems, the Group's business relies on the continued and uninterrupted performance of its software and hardware infrastructures. Sustained or repeated system failures of its software and hardware infrastructures, which interrupt its ability to deliver its software products and services quickly and reliability, could significantly reduce the attractiveness of its solution to partners and publishers, reduce its revenue and affect its reputation. In addition, breach if its infrastructure which results in exposure of user data may harm the Group's reputation.	• The Group outsources hosting services, holding minimal server infrastructure itself. This allows the Group to flex and grow its operations efficiently. • Kape invest significant resources in research and development relating to its IT infrastructure to make sure it is reliable, efficient and secure.
The Group is a multinational organisation faced with increasingly complex tax issues in many jurisdictions, and it could be obliged to pay additional taxes in various jurisdictions as a result of new taxes, laws or interpretation, including sales taxes, which may negatively affect its business.	As a multinational organisation, operating in multiple jurisdictions such as the Isle of Man, Cyprus, Israel, Romania, Germany, France, Philippines, US, Singapore, Hong Kong and the UK, the Group may be subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes it pays in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have a material adverse effect on its liquidity and results of operations.	• The Group maintains global transfer pricing policy for all cross border inter-Company transactions. It uses external advisers to review its tax position and ensure compliance with local tax legislation. • Upon every new acquisition, the Group evaluates and reviews the tax position of the target as a key part of the integration.

Risks	Background	Mitigating controls
Price pressure as a result of competition.	As a company operating in a primarily consumer-driven space, price competition is an element the business is exposed to. Competitors might lower their prices or increase their marketing spend and this could affect the business's ability to grow, as well as Kape's margins.	• Kape's cost structure is focused on continuously reducing our cost to serve; we have been developing technology on the infrastructure side that allows us to grow substantially without growing our costs, thus allowing us to be more flexible on prices. • Kape has an advantage for scale on the cost side as well as the user acquisition side. New incumbents will find it hard to compete in this space. • We are expanding our vertical integration across our user acquisition operations allowing us to control a growing percentage of our margins. • In addition, we operate a multi-brand strategy which allows us to capture a wider market across the competitive landscape.

Principal risks and uncertainties continued

Risks	Background	Mitigating controls
Our future success and ability to maintain effective growth will depend upon our continued ability to hire, integrate, and retain highly skilled personnel, including senior management, engineers, designers, developers, product managers, Customer Care representatives and finance and legal personnel. In addition to hiring and integrating new employees, we must continue to focus on retaining our best employees who foster and promote our innovative corporate culture. Our principal research and development activities are conducted from our offices in Tel Aviv, Bucharest, Germany, Hong Kong, Singapore and the US, where we face significant competition for suitably skilled developers. Not only are local companies expanding their development activities in those regions but there's a growing number of multinational corporations establishing a presence, in Israel in particular.	Due to our rapid growth, which has raised the profile of our company, our employees may be increasingly targeted for recruitment by competitors and other companies in the technology industry, which may make it more difficult for us to retain employees and/or increase retention costs. If we lose the services of any of our key personnel and fail to manage a smooth transition to new personnel, our business could suffer. Key personnel may further solicit other team members to leave with them, and our business could suffer from an additional loss of talent. We do not carry key person insurance on any of our executive officers or other key personnel. The employment and service agreements with our executive officers and key employees contain non-compete covenants. But despite this, we may not be able to retain these officers and employees. If we cannot enforce the non-compete covenants, we may be unable to prevent our competitors from benefiting from the expertise of our former employees, or prevent our employees from establishing their own competing ventures; either of these scenarios could materially adversely affect our business and results. In addition, we have grown significantly in recent years, and it may be harder to retain employees that seek to work in a smaller organisation.	• We continue to implement our People Strategy with the aim of increasing engagement measured through our engagement surveys. • In order to attract and retain personnel in a competitive marketplace, we must provide competitive pay packages, including cash and equity-based compensation.

Risks	Background	Mitigating controls
Risks due to the acquisition, and integration of companies and businesses.	Irrespective of the fact that acquisitions made in the past have been successfully completed, the risk of conducting acquisitions and subsequent integration exists for future transactions. This includes, among other things, the inability to meet sales volume targets, and higher than expected integration costs, as well as the failure to meet synergy goals.	• The Group performs strong due diligence processes and closely managed integration processes; we seek to reduce the likelihood of this risk materialising. Therefore, we classify this as a low risk with an unlikely probability of occurrence and potentially moderate negative effects on the net assets, financial position, and results of operations.
Availability of funding to support growth and compliance with debt covenants.	In March 2020, the Group secured a new senior term loan and revolving credit facilities of up to $70 million with Citibank, Barclays and the Bank of Ireland. This loan is subject to a number of debt covenants. As a result of the acquisition of Webselenese in March 2021 the Group increased debt funding through drawing down $85 million, under a bridge facility made available by TS Next Level Investments Limited, an affiliate of Unikmind Holdings Limited, Kape's majority shareholder. On 28 May 2021 the Company agreed with Bank of Ireland, Barclays Bank PLC, Citibank, Citizens Bank, BNP Paribas and Leumi Bank (together, 'the Banks'), to replace the old term facility, RCF and shareholder loan with a new senior secured bank facilities of up to $220 million. The new debt facilities comprises a $120 million senior secured term facility, a $10 million revolving credit facility and a $90 million uncommitted acquisition facility. The new debt facilities have a three-years' term with an option to extend the term by up to an additional two years. On 14 September 2021, TS Next Level Investments Limited, has entered into binding commitment letters with the Group, subject to limited conditions, to make available to Group, if required, loan facilities of up to $345 million in aggregate, in connection with Kape's obligation to pay ExpressVPN's deferred consideration. Furthermore, a refinancing facility of up to $130 million was provided until the Group achieved the club of banks' consent to the acquisition. On 15 December 2021 the banks gave their consent to the ExpressVPN Acquisition and extended their revolving credit facility to Kape from $10 million to $80 million. The revolving credit facility can be utilised according to Kape's needs.	• The Group operates well within the existing bank debt covenants and ensures regular forecasting to monitor compliance. • In October 2021 the Group completed a $348.4 million fundraise which was oversubscribed and upscaled evidencing the Group's ability to attract investment. • The Group was able to obtain a revolving facility from its main shareholder to back the ExpressVPN acquisition cash deferred consideration.

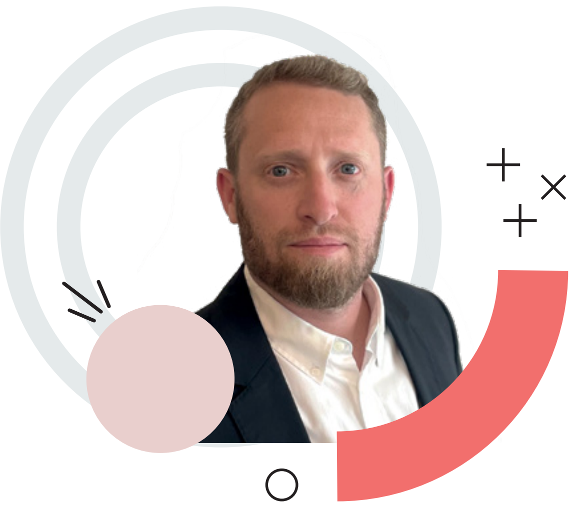
Board of Directors

DON ELGIE
Non-Executive Chairman

Don has many years' experience in developing companies organically and by acquisition. He founded Creston as a digitally focused communication and insight group in 2001 and built it into an international group employing over 800 people. Creston Plc, was listed on the Main Market of the London Stock Exchange and Don retired as its Group CEO in 2014. As well as being Non-Executive Chairman, Don also Chairs Kape's Nomination and ESG Committees.

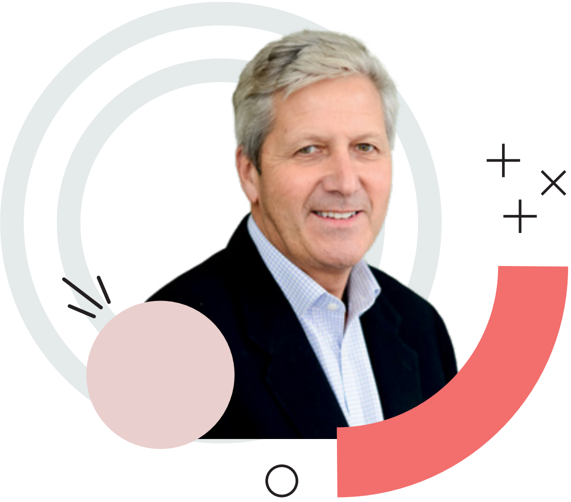
IDO ERLICHMAN
Chief Executive Officer

Ido joined Kape Plc in May 2016 as Group Chief Executive Officer. Ido has more than nine years' experience in the technology sector garnered through roles in private equity, consulting and finance. Prior to joining Kape, Ido was acting Joint Chief Executive Officer of VisualDNA (which was acquired by The Nielsen Company) a leading psychographic data business, where he led its geographic expansion and oversaw significant EBITDA growth. Prior to VisualDNA, Ido worked as a Senior Associate within KPMG's Private Equity deal advisory practice in London and as a Senior Manager within KPMG's Transaction Services practice focusing on technology deals in Israel and with the Israeli Ministry of Finance. Ido is the author of the bestselling book 'Battle of Strategies' published in Israel by Yediot Books. Ido is a Certified Public Accountant, having graduated magna cum laude in Accounting and Economics from The Hebrew University of Jerusalem, he also obtained his Masters degree in Law from Bar-Ilan University, and has received an MBA from the University of Cambridge's Judge Business School.



ODED BASKIND
Chief Financial Officer

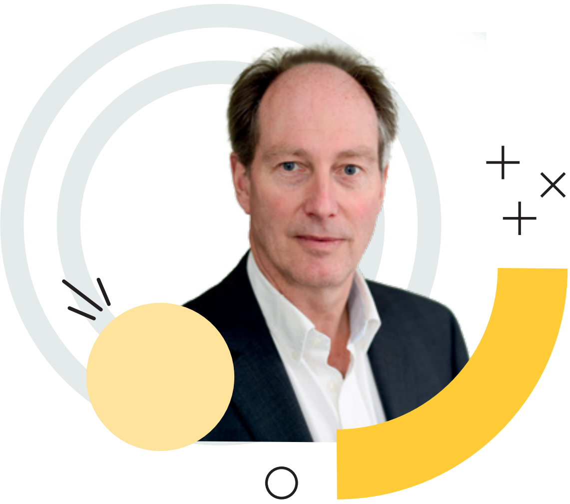
Oded has progressed at Kape taking numerous key finance roles since joining in 2014, including supporting the Group's admission to AIM in September 2014 and its six subsequent acquisitions. Prior to joining Kape, Oded was a Supervisor at PwC Israel in Audit, where he qualified as a Certified Public Accountant and has extensive experience in operating multinational finance teams as well as M&A execution and integration, and a Lecturer at the Hebrew University. Oded is a Certified Public Accountant, and has a BA in accounting and economics from the Hebrew University.



DAVID COTTERELL

Non-Executive Director

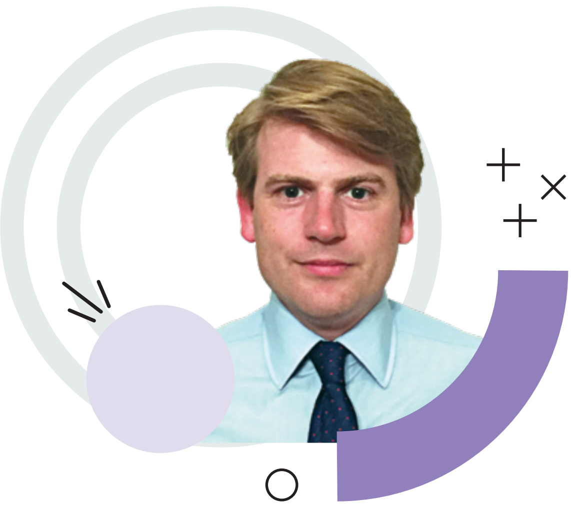
David has over 30 years' experience in the information technology software and service sector. He has held senior management roles with firms such as ACT Financial Systems, DST, Advent and SQS Group Plc and has led and successfully integrated many trade sales of technology companies. Between 2006 and 2011 David served as the CEO of UKIISA Region (UK, Ireland, South Africa and India) and as Board Director at SQS Group plc (LSE:SQS). David is a director of David Cotterell Partnership Limited. He is Kape Group's Senior Independent Director and also Chairman of the Company's Remuneration Committee.



MARTIN BLAIR

Non-Executive Director

Prior to joining the Board of Kape, Martin acted as CFO of Pilat Media Global plc, a company which previously traded on both AIM and the Tel Aviv Stock Exchange and developed, marketed and supported new generation business management software solutions for content and service providers in the media industry. Martin joined Pilat Media in 2001, ahead of its admission to AIM in 2002. Pilat Media was acquired by SintecMedia Ltd for £63.3 million in April 2014. Martin qualified as a chartered accountant with Ernst & Young in 1982 and between 1983 and 1986 worked for PwC. Martin is Chairman of Kape's Audit Committee. Martin is also currently a Non-Executive Director and Chairman of the Audit Committees at Cake Box PLC and t42 IoT Tracking Solutions plc.



PIERRE-ETIENNE LALLIA

Non-Executive Director

Pierre has twenty years' experience working across the capital markets arena, most recently at Nomura International plc, London, where he spent ten years, latterly as Managing Director in its Acquisition and Leveraged Finance team. Prior to this, Pierre spent over four years with Goldman Sachs International's London-based Bank Debt Portfolio Group. He has extensive experience earlier in his career, working as a lawyer at Shearman & Sterling in New York and Willkie Farr & Gallagher LLP in New York and Paris. Pierre is based in London and is the Managing Director of Globe Invest UK Ltd and the appointed representative of Unikmind Holdings Limited ('Unikmind'), the Company's largest shareholder.

Corporate Governance

Overview

Four years ago, Kape's Board decided to adopt the Quoted Company Alliance's ('QCA') Corporate Governance Code for Small and Mid-Size Quoted Companies ('QCA Code'). Given the growth of the company in the last years the Board believes a reassessment of the relevant code should take place; the Board is planning to reassess the matter in the coming quarters. The principal means of communicating our application of the Code are this Annual Report and our website (http://investors.kape.com/corporate-governance). As Chairman, I am the custodian of the corporate governance approach adopted by the Board to ensure that the Company has the right people, strategy and culture to deliver success in the medium to long term. Since adopting the QCA Code I have led the Company's application of its ten principles to ensure that the Company's strategy is linked to and supported by its governance arrangements. The remainder of this statement sets out the Company's application of the Code including, where appropriate, cross references to other sections of the Annual Report.

Summary of Board effectiveness review

In line with the principles set out in the QCA Code an external board performance evaluation has been undertaken by a third-party provider, KPMG LLP, and a report provided to the Board. This independent evaluation assessed Board performance against the requirements of the QCA Code. It also considered Board performance in the context of leading practice, which reflect the Group's ambitions to be a high-performing Board. The evaluation approach consisted of: Board meeting observation; Board Director self-assessment via a standardised questionnaire; interviews with all Board members; and desktop review of relevant documentation.

The evaluation of performance against QCA Code requirements highlighted several focus areas which have been incorporated into the Board's annual activity plan. This includes the Board performing a self-evaluation process in future years, reconfirming the succession planning for Executive and Non-Executive Directors, and assessing whether arrangements are required to protect minority shareholders due to a dominant shareholder. In addition, several areas were highlighted where the level and location of disclosure in the Annual Report and Company website should be improved to meet the QCA Code requirements, and better reflect existing activity undertaken by the Board.

In the main, the observations raised against leading practice were with a view to enabling the Board to continue providing robust oversight of an organisation that grew significantly in size and complexity during 2021 through acquisition. The evaluation noted the Board supported and challenged the Executive throughout the Group during the year, demonstrated commitment to executing its role appropriately, and has developed an effective dynamic. The principal development areas highlighted are enhancing the Board's diversity and sector-specific technology experience. The Board recognises the improvement opportunities raised and has already commenced actions to further develop these areas.

Establish a strategy and business model which promotes long-term value for shareholders

The strategy and business operations of the Group are set out in the Chairman's Statement on page 4 to 5 and the Chief Executive Officer's Review on pages 8 to 10. The Group's strategy and business model and amendments thereto, are developed by the Chief Executive Officer and the senior management team and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group's overall strategic objective is to become the leading next-generation provider of consumer and SME cybersecurity products.

The Group continues to grow and develop its product portfolio in the growing cybersecurity market, with a focus in consumer cybersecurity. The acquisition of Private Internet Access towards the end of 2019, of Webselenese in March 2021 and ExpressVPN in December 2021 is an illustration of how the Group intends to meet this objective. Along with selecting acquisitions that meet the Group's strategic objectives the Group deploys its financial and other resources towards developing products through internal R&D, as well as growing and strengthening its existing products in the SaaS business model.

The Board believes that this approach will continue to deliver significant long-term value for shareholders through strong share performance, and against the Group's key performance indicators, which we report on a bi- annual basis. The Board also believes that remaining admitted to trading is of long-term value to shareholders as it offers a combination of access to capital markets, flexibility to make acquisitions, incentives and rewards to management through share schemes, and a regulatory environment appropriate to the size of the Company.

Seek to understand and meet shareholder needs and expectations

The Group seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate its strategy and progress and to understand the expectations and needs of shareholders. Beyond the Annual General Meeting, the Chairman, Chief Executive Officer and Chief Financial Officer and where appropriate, other members of the senior management team meet regularly with investors (including institutional shareholders) and analysts to actively build the relationship, provide them with updates on the Group's business and to obtain feedback regarding the market's expectations for the Group. Shareholders also have access to current information on the Group through its website http://investors.kape.com/, and via its financial PR advisor and the Executive Directors who are available to answer investor relation queries.

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain working relationships across a range of stakeholder groups. With that in mind this year we launched our corporate ESG exercise. Our first step in this process was engaging an external party to identify critical ESG priorities, opportunities, and risks and form priorities for the business; we will seek to replicate this process on a bi-annual basis. We have also formed an ESG board committee and created an internal ESG task force. We are also launching our inaugural ESG Report with a section to appear in the Group's 2021 Annual Report.

The Group's operations and working methodologies take account of the requirement to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of members as a whole. Our employees are the key to our success and therefore regular meetings are held with staff to ensure that the strategic vision of the Group is realised and to provide a forum for employees to engage in open and confidential dialogue and ensure successful two-way communication with agreement on goals, targets and aspirations of employees and the Group. This is done through regular meetings with senior management in our different locations as well as regular email and Slack communications. In addition, the Group has adopted a whistleblowing policy which has been shared with all employees. These feedback processes help to ensure that the Group can respond to new issues and opportunities that arise to further the success of employees and the Group. In addition, there are a range of processes and systems in place with other stakeholders to ensure that there is close oversight and contact with key stakeholders, such as our move to 24/7 support for our products and minimum response time, holding a bi-annual meeting with key employees and the Board and facilitating direct communications between management and all employees via Slack, emails and ongoing site visits.

These relationships are addressed at regular Board meetings. The Group also holds its environmental responsibility in highest regard; as a digital business our environmental footprint is minimal, but we always strive to improve it; focusing on only allowing air travel when required, having strict policies around travelling in basic class to reduce our footprint. In addition, we are constantly improving the efficiency of our infrastructure, allowing for a lower environmental footprint while improving the service to our customers.

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable, but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the scope and effectiveness of these internal controls is reviewed annually, identifying key financial and non-financial risks, risk control measures and the implementation status of risk control measures.

The review was presented to the Audit Committee by the Chief Financial Officer. A summary of the principal risks and uncertainties facing the Group, as well as mitigating controls, are set out on pages 29 to 33. All material contracts are required to be reviewed and signed by a senior executive of the Company and reviewed by our General Counsel. Whilst not externally regulated, the Group adheres to a strict set of controls with its partners. Partners, developers and publishers are required to comply with these contractually imposed controls, which have been jointly created by the Group and its legal advisers. A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. Actual results are monitored on a weekly and monthly basis and compared to the yearly budget. In addition, the Group performs quarterly reforecasts for expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured amounts and type of cover are reviewed periodically.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

Maintain the Board as a well-functioning, balanced team led by the Chair

For the period, the Board comprised four Non-Executive Directors and two Executive Directors. Oded Baskind was appointed as an Executive Director in March 2021 when he became Kape's Chief Financial Officer following Moran Laufer's resignation.

The Directors' biographies are set out on pages 34 to 35. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, enabling it to discharge its duties and responsibilities effectively.

The Board considers, after careful review, the Non-Executive Directors to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement, except for Pierre-Etienne Lallia who is the appointed representative of Unikmind Holdings Limited ('Unikmind'), the Company's largest shareholder. The Board is responsible for the overall strategy and direction of the Group. It provides robust leadership of the Company within a framework of effective controls which enables risk to be assessed and managed.

The Board, in setting the Company's aims, ensures that the necessary financial and human resources are in place to meet its objectives. It regularly reviews management performance on a yearly basis and upholds the Company's values and standards so that its obligations to shareholders and others are understood and met. The Board is supplied with information in a timely manner to enable it to discharge its duties. The Board also reviews concerns raised by employees about possible improprieties in matters of financial reporting or other areas. The Board meets at regular scheduled intervals ten times a year and follows a formal agenda. It also meets as and when required. During 2021, all the Directors attended all the Board meetings. No one individual has unfettered powers of decision.

The Directors may take independent professional advice at the Group's expense. The Non-Executive Directors normally do not have any day-to-day involvement in the running of the business but are responsible for scrutinising the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. All Board members are considered to be able to allocate sufficient time to the Company to discharge their responsibilities as Directors effectively, with a minimum of 45 days a year dedicated to fulfil their roles.

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers that all of the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities. The Directors' biographies are set out on pages 34 to 35. The Board considers that the combination of the complementary skills and experience of its Board members provides it with an appropriate balance of sector, financial and public markets skills.

The composition of the Board is reviewed regularly to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group. The Chairman has a clear and distinct responsibility for running the Board whilst the executive responsibility for running the Company's business was delegated to the Chief Executive Officer.

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary The Chairman assesses the individual contributions of each member of the Board to ensure that:

- their contribution is relevant and effective;
- that they are committed;
- understand the business and its strategy;
- where relevant, they have maintained their independence.

Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in written policies and working practices adopted by all employees in the Group; these are shared with each new employee who joins the Group. We strive to create an agile, creative and open-minded culture to support our success in a constantly evolving market, where time to market and 'out of the box' thinking is essential for success. We promote cross company discussions, as well as encourage the involvement of employees in proposing new and innovative projects; we do that through cross company activities as well as regular subject-based meetings.

The board believes that diversity is key to the future success of our business; we focused on monitoring and improving the gender ratio in the Company, and we are pleased to report that the percentage of women in the Company is higher than last year at 36% (2020: 32%). We firmly believe that our success as a Company is largely attributable to the global and diverse nature of our workforce and we intend to continue our efforts to promote diversity.

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Our corporate governance structures and processes are summarised and discussed under the heading 'Role of the Board' on page 38.

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

In addition to the activities summarised under the QCA Code principle, 'Seek to understand and meet shareholder needs and expectations' the Company provides information for investors on its website, arranges investor meetings and maintains contact with institutional shareholders and fund managers. The Company's joint-brokers provide independent feedback to the Board on market views and produce regular research notes on the Company. This enables the Board to understand the concerns of shareholders and the wider investment community.

Role of the Board

The Board is responsible for the overall strategy and direction of the Group. It provides robust leadership of the Company within a framework of effective controls which enables risk to be assessed and managed. The Board, in setting the Company's aims, ensures that the necessary financial and human resources are in place to meet its objectives. It regularly reviews management performance and upholds the Company's values and standards so that its obligations to shareholders and others are understood and met.

The Board is supplied with information in a quality form and in a timely manner to enable it to discharge its duties. The Board also reviews arrangements under which employees can raise concerns in confidence about possible improprieties in matters of financial reporting or other areas.

Division of responsibilities

The Chairman, Donald (Don) Elgie has a clear and distinctive responsibility of running the Board whilst the executive responsibility of running the Company's business was delegated to the Chief Executive Officer, Ido Erlichman.

As at 31 December 2021, the Board comprised six Directors, four of whom were Non-Executive Directors.

The Non-Executive Directors normally do not have any day-to-day involvement in the running of the business but are responsible for scrutinising the performance of management in meeting agreed goals and objectives, and monitoring the reporting of performance. All Board members are considered to be able to allocate sufficient time to the Company to discharge their responsibilities as Directors effectively.

The Board meets at regular scheduled intervals and follows a formal agenda; it also meets as and when required. No one individual has unfettered powers of decision. The Directors may take independent professional advice at the Group's expense.

Board committees

The Group has an Audit Committee, a Nominations Committee, and a Remuneration Committee, each consisting of three Non-Executive Directors. During the period, the Group also established an ESG Committee that consisted of two Non-Executive Directors and one Executive Director. Each committee has written terms of delegated responsibilities which will be available for review at the end of the Annual General Meeting for 2022 and are available for review in the Investor Relations section of the Group's website www.kape.com. The Board and its committees are considered to have an appropriate balance of skills, experience, independence, and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

Remuneration Committee

The Remuneration Committee is comprised of David Cotterell (Chair of the Committee), Don Elgie and Martin Blair, all of whom are Non-Executive Directors. It is responsible for making recommendations to the Board on remuneration policy as it applies to the Company's Executive Directors. The Remuneration Committee also considers grants of options under the Company's share option schemes. The policy of the Remuneration Committee is to grant share options to employees as part of a remuneration package to motivate them to contribute to the growth of the Group over the medium to long term.

The Chief Executive may, at the Remuneration Committee's invitation, attend meetings, except where his own remuneration is discussed. The Remuneration Committee met twice during the past financial year. The Remuneration Committee's terms of reference, which can be found on the Company's website www.kape.com, are reviewed on an annual basis and updated as required.

The Remuneration Committee Report, which includes details of Directors' remuneration, pension entitlements and Directors' interests, together with information on service contracts, is set out on pages 40 to 41.

Audit Committee

The Audit Committee is comprised of Martin Blair (Chair of the Committee), David Cotterell and Don Elgie, all of whom are Non-Executive Directors.

The Committee meets at least twice a year and at other times as agreed between the members of the Committee. In 2021 the Committee met twice during the past financial year. Executive Directors and the Group's auditors may be invited to attend all or part of any meetings. The Committee also meets with the Group's external auditors without the presence of the Executive Directors.

The Committee terms of reference, which can be found on the Company's website www.kape.com, are reviewed on an annual basis and updated as required.

Risk management and internal controls

During the year, the Audit Committee has reviewed the scope and effectiveness of systems to identify and address financial and non-financial risks. The review identified the key risks, risk control measures and the implementation status of the risk control measures. The report was presented to the Committee by the Chief Financial Officer.

Audit of the Group's Annual Report and financial statements

In advance of the audit of the Group's Annual Report and financial statements the Audit Committee reviewed the plans as presented by the Group's external auditor, BDO LLP. The plan set out the proposed scope of work, audit approach, materiality and identified areas of audit risk.

The Audit Committee also reviewed the Annual Report and financial statements along with the audit findings report presented by BDO LLP.

Auditor independence

The Nominations Committee is comprised of Don Elgie
The Audit Committee monitors the independence of the Group's external auditor. During the year BDO LLP provided the Group with the no non-audit services.

BDO was appointed as auditor of the Group for the year ended 31 December 2013. The Audit Committee will keep under review, in consultation with major shareholders, the decision as to whether to conduct a tender in respect of the audit in line with the recommendations of the Financial Reporting Council.

Nominations Committee

The Nominations Committee is comprised of Don Elgie (Chair of the Committee), Martin Blair and David Cotterell, all of whom are independent Non-Executive Directors. The Committee meets when appropriate and considers the composition of the Board, retirements and appointments of additional and replacement Directors and makes appropriate recommendations to the Board. The objective of the Committee is to review the composition of the Board and to plan for its progressive refreshing, with regard to balance and structure. The Committee is responsible for:

- Reviewing the structure of the Board;
- Evaluating the balance of skills, knowledge, experience and diversity of the Board;
- Advising the Board on any areas where further recruitment may be appropriate; and
- Succession planning for key executives at Board level and below.

The committee appointed Oded Baskind as an Executive Director on 21 March 2021 as part of his appointment for Kape's Chief Financial Officer.

Where necessary and appropriate, recruitment consultants are used to assist the Committee in delivering its objectives and responsibilities. The Committee leads the process for the identification and selection of new Directors and makes recommendations to the Board in respect of such appointments. The Committee also makes recommendations to the Board on membership of its committees. The Committee terms of reference, which can be found on the Company's website www.kape.com, are reviewed on an annual basis and updated as required.

ESG Committee

During the period, The ESG Committee comprised of Don Elgie (Chair of the Committee), Pierre Lallia and Moran Laufer. Post period, Moran Laufer is replaced by Oded Baskind.

The Committee meets at least once per quarter and at other times as agreed between the members of the Committee. The internal taskforce as well as external advisors may be invited to attend all or part of any of these meetings.

Signed on behalf of the Board by:

DON ELGIE
Non-Executive Chairman

21 March 2022

Remuneration Committee Report (Unaudited)

The Remuneration Committee (for the purpose of the Remuneration Committee Report 'the Committee') is comprised of David Cotterell (Chair of the Committee), Don Elgie and Martin Blair all of whom are Non-Executive Directors.

The Directors shall be entitled to receive by way of fees for their services as Directors (in addition to fees paid for employment or executive services) such sum as the Board may from time to time determine, provided that such amount shall not exceed in aggregate £500,000 per annum or such greater sum as the Company in general meeting shall from time to time determine by ordinary resolution. Any fees payable shall be distinct from any salary, remuneration or other amounts payable to a Director.

Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as a Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

Directors' emoluments

Directors' emoluments for the 2021 financial year are set in Pounds Sterling. These are set out in the tables below along with the US dollar equivalent cost to the Company:

Name	Base salary/fees £		Benefits £		Pension £		Bonus £		Total £	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Ido Erlichman	**412,502**	350,000	**50,291**	50,613	**41,610**	35,000	**1,572,000**	773,000	**2,076,403**	1,208,613
Don Elgie	**96,000**	96,000	**–**	–	**–**	–	**–**	–	**96,000**	96,000
David Cotterell	**60,000**	60,000	**–**	–	**–**	–	**–**	–	**60,000**	60,000
Martin Blair	**60,000**	60,000	**–**	–	**–**	–	**–**	–	**60,000**	60,000
Moran Laufer	**262,501**	197,229	**35,866**	6,287	**20,628**	–	**755,000**	580,000	**1,073,995**	783,516
Pierre Lallia	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

The US$ equivalent cost to the Company has been calculated using an average US$/GBP rate of 1.3757 and 1.2837 for 2021 and 2020 respectively.

Name	Base salary/fees $		Benefits $		Pension $		Bonus $		Total $	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Ido Erlichman	**567,479**	449,295	**69,185**	64,972	**57,243**	44,930	**2,162,600**	992,300	**2,856,507**	1,551,497
Don Elgie	**132,067**	123,236	**–**	–	**–**	–	**–**	–	**132,067**	123,236
David Cotterell	**82,542**	77,022	**–**	–	**–**	–	**–**	–	**82,542**	77,022
Martin Blair	**82,542**	77,022	**–**	–	**–**	–	**–**	–	**82,542**	77,022
Moran Laufer	**361,122**	253,183	**41,087**	8,070	**36,632**	–	**1,038,654**	744,546	**1,477,495**	1,005,799
Pierre Lallia	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

The beneficial interests of the Directors who held office at 31 December 2021, together with those of persons connected with the Directors, in the share capital of the Company were as follows:

Directors' interests in shares

	2021		2020	
Name	**Percentage of issued share capital**	**Number of ordinary shares**	Percentage of issued share capital	Number of ordinary shares
Ido Erlichman	**0.3%**	**1,165,890**	0.02%	40,000
Don Elgie	**0.035%**	**122,031**	0.05%	107,087
Martin Blair	**0.014%**	**47,750**	0.01%	32,750
David Cotterell	**0.058%**	**202,544**	0.074%	150,544
Moran Laufer	**0.18%**	**628,061**	0.04%	90,667
Pierre Lallia	**–**	**–**	–	–

Directors' interests in share options

Name	Number of ordinary shares under option at 31 December 2020	Date of grant	Exercise price	**Number of ordinary shares under option at 31 December 2021**
Ido Erlichman	800,000	1 June 2016*	£0.275	–
	800,000	24 August 2018*	£0.000	–
Moran Laufer	50,000	5 January 2016*	£0.555	–
	300,000	26 October 2016*	£0.365	–
	400,000	24 August 2018*	£0.000	–

* Vesting schedule: 25% 1 year from date of grant and then in 12 equal quarterly instalments thereafter.

During the year ended 31 December 2021, two directors exercised their share options and shares grants.

Annual bonus

The bonuses for the Executive Directors for 2020 are based on Revenue, Adjusted EBIDTA, cash conversion and non-financial and strategic objectives. The level of bonus payable by reference to the financial performance of the Company will be determined on a sliding scale based on the Company's budget for the forthcoming financial year.

All targets for 2020 and 2021 were met.

Service contracts

Executive Directors

The service agreements of the Executive Directors are for an indefinite term and provide for formal notice of 12 months for the Chief Executive Director and six months for the Chief Financial Officer to be served to terminate the agreement, either by the Company or by the Director. In addition to their annual salaries, the Executive Directors are entitled to annual pension contributions starting at one % as well as other benefits commensurate with their positions including health-related benefits.

Non-Executive Directors

Fees for Non-Executive Directors are set with reference to time commitment, the number of committees chaired and relevant external market benchmarks.

The Non-Executive Directors each have specific letters of appointment, rather than service contracts. Non-Executive Directors are appointed for an initial term of three years and, under normal circumstances would be expected to serve for additional three-year terms, up to a maximum of nine years, subject to satisfactory performance and re-election at the Annual General Meeting as required.

DAVID COTTERELL
Chairman, Remuneration Committee

21 March 2022

Directors' Report

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 31 December 2021. The Corporate Governance Statement set out on pages 36 to 39 forms part of this report.

The Company's full name is Kape Technologies plc, registered in the Isle of Man with company number 011402V. Kape Technologies plc is a public listed company, listed on the AIM market of the London Stock Exchange ('AIM').

Principal activity

Kape develops and distributes a variety of digital products in the online security and privacy space as well as data-powered, consumer focused privacy and security content. The Company utilises its proprietary digital distribution technology to optimise its reach and distribute its software products to consumers. The Company offers products which provide online security, privacy and optimisation tools for the consumer system. A detailed overview of the Group's activities is set out on pages 2 to 3.

Review of business and future developments

Details of the Group's performance during the year under review, dealt with in the highlight and expected future developments, are set out in the Chairman 's statement on page 4 to 5 and Chief Executive Officer's statement on page 8 to 10. A description of the principal risks and uncertainties facing the Group is set out on pages 29 to 33.

Dividends

The Directors do not recommend the payment of a dividend (2020: $nil). The declaration and payment by the Company of any future dividends on the ordinary shares will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

The Board recognises the importance of dividend income to shareholders and intends to adopt, at the appropriate time, a progressive dividend policy to reflect the expectation of future cash-flow generation and long-term earnings potential of the Company. However, it is not the current intention of the Board to declare any dividends in the near term. The Board may revise the Company's dividend policy from time to time in line with the actual results of the Company.

The Directors who served during the period were as follows:

Ido Erlichman	Active
Donald (Don) Elgie	Active
David Cotterell	Active
Martin Blair	Active
Pierre Lallia	Active
Moran Laufer	Resigned – January 2022

Re-election of Directors

The Articles of Association require that at each Annual General Meeting one third of the Directors (excluding any Director who has been appointed by the Board since the previous Annual General Meeting) or, if their number is not an integral multiple of three, the number nearest to one third but not exceeding one third shall retire from office but so that (if there are fewer than three Directors who are subject to retirement by rotation, one shall retire).

Any Director who is not required to retire by rotation but who has been in office for three years or more since his appointment or his last re-appointment or who would have held office at not less than three consecutive Annual General Meetings of the Company without retiring, shall retire from office.

Appointment of a Director

The Articles of Association require that any Director appointed by the Board shall, unless appointed at such meeting, hold office only until the dissolution of the Annual General Meeting of the Company next following such appointment.

Directors' responsibility statement

The statement of Directors' responsibility is set out on page 45.

Directors' indemnities

The Directors have been granted an indemnity from the Company, to the extent permitted by law, in respect of liabilities incurred as a result of their office which remains in force at the date of this report. The Company has arranged qualifying third-party indemnity for all of its Directors.

Employee policies

At the 31 December 2021, the Group employed 850 people, (31 December 2020: 364 people). The Group is committed to attracting and retaining personnel with the requisite technical skills and experience to implement its growth strategy and maintain its position in the competitive industry in which it operates. Kape therefore places significant emphasis on ensuring that it has a strong recruitment team as well as appropriate remuneration and bonus policies which are set by reference to appropriate objectives and include share-based incentive schemes, details of which are set out in note 17 to the financial statements.

Financial instruments

The Group does not currently use derivative financial instruments. A summary of the Group's financial instruments, changes in share capital and related disclosures are set out in notes 14 and 15 to the financial statements. The Group has no material exposure to price, liquidity, or cash-flow risk that would impact its objectives.

Capital structure

Under the IOM Companies Act, the Company is not required to have an authorised share capital. The ordinary shares in issue at 31 December 2021 have been created pursuant to the BVI Companies Act and the articles of association of the Company in place prior to the re-domiciliation of the Company from the BVI to the IOM on 13 August 2014 and are ordinary shares of US$ 0.0001 par value. Details of the issued share capital as at 31 December 2021 of 358,747,497 ordinary shares of US$ $0.0001 par value, together with details of the movements in the Company's issued share capital during the year are shown in note 15 to the financial statements. The Company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. Save as provided by the terms of certain lock-in agreements entered into between the Company, the Directors and certain shareholders, the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

As at 31 December 2021 the Company held 9,800,809 shares in treasury and nil held by Intertrust Employee Benefit Trustee Limited as trustee of the Kape Technologies plc Employee Benefit Trust. No other shares in the capital of the Company are held by or on behalf of the Company or by any of the Company's subsidiaries. Details of employee share schemes are set out in note 17 to the financial statements.

Related party transactions

Details of all related party transactions are set out in note 22 to the financial statements.

Research and development

The Group maintains an integrated global research and development team which has a staff of 312 (2020: 102). In the opinion of the Directors, continuity of investment in this area is essential for the maintenance of the Group's market position and for future growth. The amount of development costs capitalised in the year was $5,326,000 (2020: $2,544,000).

Going concern

The Directors, having considered the Group's resources financially and the associated risks with doing business in the current economic and geo-political climate, believe the Group is capable of successfully managing these risks. The Board has reviewed the cash flow forecast and business plan as provided by management which includes the rate of revenue growth, EBITDA margins, costs, acquisition synergies, cash conversion ratio and capital expenditure. The cash flow forecast prepared by management for assessing going concern extends to 31 March 2023 ('the going concern period'). Management's base-case forecast is aligned with the management's forecast for the year ending 31 December 2022.

The Group has in place debt facilities comprising a $120 million senior secured term facility, a $90 million revolving credit facility and a $80 million uncommitted acquisition facility. The term facility includes quarterly capital repayments of $5 million. The debt facilities expire in 2024. As at 31 December 2021, the Group had drawn down $10 million on the revolving credit facility and $nil on the acquisition facility. The debt facilities are subject to the following financial covenants.

- The ratio of EBITDA to Net Finance Charges ('Interest Cover') shall not be less than 4.0x in respect of any relevant period.
- The ratio of Total Net Debt on the last day of the relevant period to Adjusted EBITDA in respect of that relevant period ('Adjusted Leverage'), shall not exceed 3.5x through each of the quarters up to and including 30 September 2022 and 2.5x from and including 31 December 2022 up to and including 31 March 2023.

In addition to the debt facilities above, the Group has in place a Shareholder Deferred Consideration Facility from TTSNLI, an affiliate of Unikmind, the Group's largest shareholder. This facility makes available to Group, if required, loan facilities of up to $345 million in aggregate in connection with the Group's obligation to pay the ExpressVPN deferred consideration payments due in December 2022 and December 2023. This facility is available through to December 2023.

Based on management's base case forecast the Group is able to meet liabilities as they fall due and operate within financial covenants throughout the forecast period. The base case assumes the ExpressVPN deferred consideration payment of $172.5 million, due in December 2022, is paid from cash from operations, including existing facilities, without the use of the Shareholder Deferred Consideration Facility.

Directors' Report continued

In addition to the base case, management also considered sensitivities in respect of potential stress tests, a reverse stress test and the mitigating actions available to management. The modelling of the downside scenarios assessed if there was a significant risk to the Group's liquidity, covenant compliance position and need to access the Shareholder Deferred Consideration Facility. These scenarios make assumptions on revenue declines and cost saving from freezing planned recruitment.

Under the stress tests the Group is still able to meet liabilities as they fall due, and operate within financial covenants throughout the forecast period. The ExpressVPN deferred consideration payment remains payable from cash from operations, including existing facilities, without the use of the Shareholder Deferred Consideration Facility in one of the scenarios. In the scenario that necessitates the use of the Shareholder Deferred Consideration Facility, the Directors assessed the liquidity of TSNLI, an affiliate of Unikmind, the Group's largest shareholder, to make such funds available on request and as per the legal terms of the agreement. The Directors are confident such funding would be available based on their knowledge of the lender, the historic loan facilities the lender has provided the Group for previous acquisitions and the commerciality of lending such funds in order to protect the shareholder's majority investment in the Group.

The reverse test was used to find what would be the level of EBITDA and consequently the cash burn that would lead to a breach in the Group's financial covenants before the end of the going concern period. The financial covenants would be breached only if revenues from new users declined more than 22% below management's base case. As a result of completing this assessment, management considered the likelihood of the reverse stress test scenario arising to be remote. In reaching this conclusion management considered:

- Cash collection is strong and bad debt risk is limited as clients typically pay for services upfront.
- Flexible cost base – a significant portion of the Group's costs are discretionary in nature.
- The contract liabilities balance is growing (contract liabilities +326% vs 31 December 2020) supporting attractive future revenue growth and good future revenue visibility. The contract liabilities balance as of 31 December 2021 of $155.9 million includes $144.9m to be released into revenue in the following 12 months.
- We continuously monitor and invest in market needs. In the year to 31 December 2021 the Group continued its strong investment in technology capability and innovation demonstrated by the increase of research and development expenses by 71% compared to the comparative period.
- The cash conversion of the Group is expected to increase due to the full year impact of the Webselenese and ExpressVPN businesses which due to their products and billing profile deliver higher net cash inflows at the point of sale.

The Directors continue to carefully monitor the impact of the COVID-19 pandemic, and its impact on the macroeconomic environment and on the operations of the Group, and have a range of possible mitigating actions, which could be implemented in the event of a downturn of the business. However, with COVID-19 driving an increased requirement for workforces to shift to home-working, and heightened concerns relating to digital security and privacy the Group has benefited from favourable market tailwinds.

The Directors have also considered the geo-political environment, including rising inflation in some of our key markets and the conflict in Ukraine, and whilst the impact on the Group is currently deemed minimal, the Directors remain vigilant and ready to implement mitigation action in the event of a downturn in demand or an impact on operations.

The Directors are also not aware of any significant matters that occur outside the going concern period that could reasonably possibly impact the going concern conclusion.

Have performed the assessments as detailed above, the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operational existence over the relevant going concern period and have therefore considered it appropriate to adopt the going concern basis of preparation in the consolidated financial statements.

Annual General Meeting

The Annual General Meeting for 2022 will be held on 16 June 2022 at 12 noon. The notice convening the Annual General Meeting for this year, and an explanation of the items of non-routine business are set out in the circular that accompanies the Annual Report.

Auditor

A resolution to reappoint BDO LLP as the Company's auditor will be proposed at the 2022 Annual General Meeting.
Each of the persons who are Directors at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Signed on behalf of the Board by:

DON ELGIE
Non-Executive Chairman

21 March 2022

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Isle of Man company law does not require the Directors to prepare financial statements for each financial year, however the Group is required to do so to satisfy the requirements of the AIM Rules for Companies. Under company law, when preparing the financial statements, the Directors are required to prepare the Group's financial statements in accordance with an appropriate set of generally accepted accounting principles or practice. The Directors have used UK-adopted international accounting standards ('IFRSs').

Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 (revised) requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that correctly explain the transactions of the Company, enable the financial position of the Company to be determined with reasonable accuracy at any time and allow financial statements to be prepared. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The Directors' responsibility also extends to the continued integrity of the financial statements contained therein.

Signed on behalf of the Board by:

DON ELGIE
Non-Executive Chairman

21 March 2022

Independent auditor's report to the members of Kape Technologies plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of the Group's profit for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards.

We have audited the financial statements of Kape Technologies plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Obtained an understanding of the management process for producing cash forecasting models, including reviewing the inputs and assumptions used in those models;
- Obtained management's budget and forecast cash flows to 31 March 2023, covenant compliance forecasts and management's sensitivity analysis and evaluated the revenue, cost and cash conversion projections underlying the model with reference to market information as well as past performance of the Group;
- Assessing management's historical forecasting accuracy by comparing previous management forecasts against the actual outturn and seeking management explanation for deviations;
- Understanding and challenging the forecasts for the Group including underlying assumptions in the forecasts;
- Reviewing legal agreements for the availability of the Group's debt arrangements, including consideration of the expiration dates and interest and capital repayments in the forecast period and the headroom in forecast covenant calculations;
- Evaluating the Directors' assessment of the ability to access the shareholder deferred consideration loan facility to, if required, fund the deferred cash consideration payment in the going concern forecast period as a result of the ExpressVPN acquisition. This included consideration of the historic loan facilities advanced by the shareholder (through TS Next Level Investments Limited) to fund prior acquisitions and the commerciality of honouring the loan to support the Group as needed;
- Analysing changes in key assumptions including a reasonable possible (but not unrealistic) reduction in forecast revenue to understand the sensitivity in the cash flow and covenant forecasts;
- Review of the post year-end cash position;
- Making inquiries of the Directors as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern; and
- A review of the appropriateness Directors' statement in note 1 of the financial statements as to whether it discloses all the relevant events and assumptions made to adopt the going concern basis of accounting in preparation of the financial statements.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	83% (2020: 73%) of Group profit before tax 88% (2020: 91%) of Group revenue 89% (2020: 85%) of Group total assets		
Key audit matters		**2021**	2021
	Revenue recognition	✓	✓
	Deferred contract costs	✓	✓
	Business combinations	✓	
	Capitalisation of development costs	✓	✓
	During the year ended 31 December 2021, the Group completed two material business combinations. The accounting for these includes a number of significant judgments in the determination of the fair value of the assets and liabilities acquired and the fair value of the consideration. Therefore, the accounting for business combinations has been classified as a key audit matter in the current year.		
Materiality	**Group financial statements as a whole** $2,100,000 (2020: $697,000) based on 5% of consolidated profit before tax, adjusted for exceptional and non-recurring costs		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Based on our assessment of the Group, we determined there to be three significant components for full scope audit. The Group audit team performed the full scope audit of the significant component Private Internet Access Inc. and we instructed BDO's member firms in Israel and Romania as component auditors, to perform a full scope audit of the financial information of Webselenese Ltd. and CyberGhost SRL, respectively.

The Group audit team also performed specified audit procedures over revenue for Restoro Limited, Kape Technologies (Cyprus) Limited, and Kape Acquisition PTE. Ltd. The accounting for these entities is based on Cyprus and Singapore and the Group audit team conducted the audits remotely due to the travel restrictions imposed because of the global pandemic. The financial information of the remaining non-significant components was subject to analytical review procedures performed by the Group audit team.

This scope, together with the additional procedures performed at Group level over the consolidation process gave us the evidence we needed for our opinion on the financial statements as a whole.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Instructions were issued to the component auditors detailing the scope, the risk assessment, timing of their work and the allocated component materiality thresholds. This included the specific work requested over the acquisition balance sheet of Webselenese Ltd;
- We conducted numerous virtual meetings through the planning, execution and completion stages of the audit;
- We attended the local audit planning, update and clearance meetings, with the component auditors and local management; and
- We performed a detailed review of the work undertaken by our component auditor by remotely reviewing their working papers, and findings and, where necessary, we performed top-up procedures at a Group level.

Key audit matters

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

Independent auditor's report to the members of Kape Technologies plc continued

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition 2021: $231m (2020: $122m) See accounting policy in note 2 on page 59 and related disclosures in note 3 on page 67.	The Group has a number of revenue streams for which the accounting must be individually considered. Revenue is recognised at either a point in time or over time, depending on when the performance obligation is satisfied. In addition, the Group sells a number of products in software bundles. We considered the significant audit risks arising from revenue recognition as: (1) There is a risk that Group's revenue streams have not been recognised appropriately in line with the delivery of the performance obligation, and that the revenue policy itself is not in accordance with appropriate accounting standards. (2) There is a risk of material misstatement arising from the fair value of transaction price being incorrectly allocated to individual performance obligations within a software bundle. We considered this to be a Key Audit Matter due to the material judgement in relation to concluding revenue recognition at a point in time or over time and the estimate in relation to standalone selling prices.	Our procedures included the following: • We obtained an understanding of the key revenue processes from inception to disclosure in the financial statements. • We evaluated the revenue recognition policy for performance obligations recognised for each material product sold and compared this to accounting guidance, industry practice, and the Group's specific circumstances and, where necessary, we obtained corroborating information to support delivery either over time or at a point in time. • On a sample basis, we tested that the revenue had been recognised in conformity with the Group's policy. • For a sample of transactions, we reconciled revenue to source documentation such as third-party payment processor reports and to bank. • For a sample of transactions, we recalculated contract liabilities at the year-end based on the contract dates to check that the revenue had been recognised in the appropriate period. • For software sold in bundles, we tested the allocation of the transaction price of individual performance obligations to underlying support for the standalone selling price of these products. We tested a sample of the transaction prices back to supporting documentation such as standalone prices identifiable via current or historic sales or by reference to market prices for similar products. **Key observations:** Based on the work performed we consider that the Group's revenue recognition accounting policy is appropriate, and that revenue has been recognised in accordance with the Group's revenue policy.
Deferred contract costs 2021: $86.5m (2020: $52.5m) See accounting policy in note 2 on page 59 and related disclosures in note 3 on page 67.	The Group recognises costs to obtain and fulfil a contract as contract assets. We considered the significant audit risk arising from deferred contracts costs as: (1) There is a risk the costs recognised as deferred contract costs do not meet the criteria with the accounting standard to be capitalised. (2) There is a risk the amortisation period for the deferred contract cost is not aligned with the expected customer relationship period. The complexity and judgement used in determining which costs are general marketing expenses and those recognisable as costs to obtain and fulfil a contract and the estimate of the expected life of a customer are the reasons why this was deemed a Key Audit Matter.	Our procedures included the following: • We challenged management's assessment of the costs capitalised in the deferred contract costs asset, including but not limited to, whether such costs are incremental, and relate directly to the obtaining the contract as required by IFRS15. • We tested a sample of costs to obtain and fulfil a contract to the third-party providers invoice, to cash payment and where possible to third party contract. For this sample we challenged management on the nature of the costs incurred to test adherence with the guidance noted above. • We assessed the accounting policy for the length of time over which deferred contract costs are amortised based upon evidence of expected customer life. Where the period of amortisation was based on renewal rates, we discussed the judgement applied with management and corroborated their judgments to supporting documentation such as customer renewal history statistics. • We selected a sample of deferred contract costs and tested whether the amortisation policy was correctly applied by recalculating the amortisation, with reference to the expected life of the customer, and comparing our results to managements calculation. • We challenged management assessment of the expected recovery of the costs and of any potential impairment loss by obtaining information on the lifetime expected value of customers and information on new and active users. **Key observations:** Based on the procedures performed, we consider the assumptions and judgements made in the capitalisation of deferred contract costs and the determination of amortisation period and impairment assessment to be appropriate.

Key audit matter		How the scope of our audit addressed the key audit matter
Business combinations See accounting policy in note 2, and the intangible assets in note 10 and the business combinations note in note 20.	The acquisitions of Webselenese and ExpressVPN resulted in the Group recognising goodwill and intangible assets of $663m and $618m and deferred consideration of $7m and $359m, respectively. There are risks present as a result of management making significant judgements in assessing the fair values of the consideration and the assets and liabilities acquired, including assessing the fair value of deferred revenue as of the acquisition date by reference to the costs to deliver plus a reasonable margin. Management engaged external valuations experts to undertake the purchase price allocation exercise required. As a result of the complexity of these transactions and the significant judgements involved this was deemed to be a Key Audit Matter.	We performed the following specific testing: • We assessed the independence, objectivity, qualifications, and competency of managements' valuation expert. • With input from our valuations team, we challenged the assumptions underpinning the significant judgements and estimates used by management in the assessment of the fair values of the assets and liabilities acquired and consideration paid. • We evaluated the completeness and appropriateness of the assets recognised by benchmarking to previous acquisitions and based on our understanding of how the acquired businesses generate cash. • With the assistance of our internal valuation experts, we assessed the appropriateness of valuation methodologies used for each type of asset and of the discount rates applied. • We challenged management on the appropriateness of the underlying cash flow projections by comparing against historical and post-acquisition performance. • For the fair value of acquired deferred revenue we challenged management on supporting calculations, including taking into consideration the forecast costs of delivery and the expected profit margin for delivery thereof. **Key observations:** Based on the procedures performed, we noted no instances of material misstatements relating to the fair values of the consideration and the assets and liabilities acquired in the business combinations in the year.
Capitalisation of development costs See accounting policy in note 2, and the intangible assets in note 10	The Group capitalises costs in relation to development of the software it sells to customers. Such costs must satisfy certain criteria as set out in the Group's accounting policy in note 2 to the financial statements and in IAS 38 intangible assets. There is significant judgement involved in the determination of which costs are capitalised, their amortisation period and whether there is any impairment of previously capitalised amounts. For this reason, we considered this to be a Key Audit Matter.	Our audit procedures included the following: • Discussions were held with the Group's technology team to understand the Group's processes and procedures related to development costs and to obtain information on the projects worked on in the year. • We audited management's assessment of the ability of the capitalised costs to generate future economic benefits for the Group taking account of future forecasts for revenue generation from the expenditure. • We considered, on a sample basis, whether the development costs capitalised met the criteria for capitalisation under the applicable accounting standard. • On a sample basis, we tested the accuracy of the contractor and payroll data included in the calculations for capitalised costs to supporting documentation including employment contracts and agreements with contractors. • We tested the proportion of time allocations for employees and contractor roles by corroborating management's explanations for these allocations to supporting evidence. • We assessed management's estimate of the amortisation period applied to the asset and whether any indicators of impairment exist, by considering any changes to managements expectations about whether the costs capitalised will continue to deliver future positive cash flows. **Key observations:** Based on the procedures performed, we consider the assumptions and judgements made in the capitalisation of development costs, determination of amortisation period and impairment assessment to be appropriate.

Independent auditor's report to the members of Kape Technologies plc continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2021 $,000	2020 $,000
Materiality	**2,100**	697
Basis for determining materiality applied	5% of consolidated profit before tax, adjusted for exceptional and non-recurring costs	
Rationale for the benchmark applied	We consider the benchmark of profit before tax adjusted for exceptional and non-recurring costs is the most relevant measure of financial performance and the key metric for users of the Group's financial statements.	
Performance materiality	**1,575**	523
Basis for determining performance materiality	75% of Group materiality based on our understanding of the Group, risk assessment procedures and the nature and extent of misstatements identified in previous audits and the expectations in relation to misstatements for the current year.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 24% and 62% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $500,000 to $1,300,000.bIn the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $105,000 (2020: $33,430). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those than relate to the reporting framework, the Isle of Man Companies Act 2006, rules of the London Stock Exchange for companies trading securities on AIM, data privacy and the relevant tax regulations. We issued instructions to the component auditors including scope required to address irregularities, including fraud, and instances of non-compliance with laws and regulations.
- We understood how the Group is complying with those frameworks by making enquiries of management and those responsible for legal, tax, accounting, and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was a susceptibility to fraud. Our audit planning identified fraud risks in relation to management override of controls and inappropriate or incorrect recognition of revenue (revenue recognition assessed as a Key Audit Matter above) across the Group. We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls.
- With regards to the fraud risk in management override of controls, our procedures included journal entry testing, across the Group, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates, for example the capitalisation of development costs (the risks associated with the capitalisation of development costs has been assessed as a Key Audit Matter above), which are subject to managements' judgement and estimation, and could be subject to potential bias.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors, who were all deemed to have appropriate competence and capabilities, to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with our engagement letter 16 November 2021. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

LEIGHTON THOMAS
(SENIOR STATUTORY AUDITOR)

For and on behalf of BDO LLP, Statutory Auditor
London, UK
21 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Revenue	3,4	**230,665**	122,212
Cost of sales		**(15,972)**	(16,172)
Gross profit		**214,693**	106,040
Selling and marketing costs	3c	**(108,580)**	(49,112)
Research and development costs		**(10,865)**	(6,332)
Management, general and administrative costs		**(24,280)**	(19,478)
Depreciation and amortisation	10,11,23	**(33,764)**	(20,097)
Other operating income/(expenses)		**947**	(313)
Total operating costs		**(176,542)**	(95,332)
Operating profit	5	**38,151**	10,708
Adjusted EBITDA	**5**	**86,042**	38,973
Employee share-based payment charge	17	**(5,224)**	(1,232)
Other operating income/(expenses)		**947**	(313)
Exceptional or non-recurring costs	5	**(9,850)**	(6,623)
Depreciation and amortisation	10,11,23	**(33,764)**	(20,097)
Operating profit		**38,151**	10,708
Finance income	8	**5,580**	–
Finance costs	7	**(11,179)**	(3,382)
Profit before taxation		**32,552**	7,326
Tax charge	9	**(9,214)**	22,343
Profit from continuing operations		**23,338**	29,669
Loss from discontinued operations (attributable to equity holders of the Company)	21	**–**	(792)
Profit for the year		**23,338**	28,877
Other comprehensive income:			
Items that may be reclassified to profit and loss:			
Foreign exchange differences on translation of foreign operations		**1**	(6)
Total comprehensive Income for the year		**23,339**	28,871
Total profit/(loss) for the year attributable to Owners of the parent:			
Continuing operations		**23,338**	29,669
Discontinuing operations		**–**	(792)
		23,338	28,877
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	18	**9.6**	15.0
Diluted earnings per share (cents)	18	**9.4**	14.4
Earnings per share from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	18	**9.6**	15.4
Diluted earnings per share (cents)	18	**9.4**	14.8
Earnings per share from discontinued operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	18	**–**	(0.4)
Diluted earnings per share (cents)	18	**–**	(0.4)

Consolidated statement of financial position

As of 31 December 2021

	Note	2021 $'000	2020 $'000
Non-current assets			
Intangible assets	10	**1,485,608**	227,949
Property, plant and equipment	11	**5,794**	1,375
Right-of-use assets	23	**21,880**	4,006
Deferred contract costs	3c	**50,698**	31,080
Deferred tax asset	9	**2,466**	6,282
		1,566,446	270,692
Current assets			
Software license inventory		**70**	128
Deferred contract costs	3c	**35,791**	21,454
Trade and other receivables	12	**57,980**	8,884
Cash and cash equivalents	13	**26,984**	49,912
		120,825	80,378
Total assets		**1,687,271**	351,070
Equity	15,17		
Share capital		**36**	22
Additional paid in capital		**883,337**	273,358
Share to be issued		**1,350**	1,350
Foreign exchange differences on translation of foreign operations		**773**	772
Retained earnings		**(22,051)**	(46,746)
Total equity		**863,445**	228,756
Non-current liabilities			
Contract liabilities	3b	**10,885**	7,463
Deferred tax liabilities	9	**69,761**	2,640
Long-term lease liabilities	23	**16,079**	1,975
Deferred and contingent consideration	27	**168,950**	407
Onerous contract liability	25	**–**	679
Loans and Borrowings	24	**97,830**	29,619
		363,505	42,783
Current liabilities			
Trade and other payables	14	**84,264**	22,468
Contract liabilities	3b	**144,971**	29,131
Short-term lease liabilities	23	**6,940**	2,572
Deferred and contingent consideration	27	**199,337**	14,334
Onerous contract liability	25	**741**	721
Loans and Borrowings	24	**19,554**	7,117
Current tax liability	9	**4,514**	3,188
		460,321	79,531
Total equity and liabilities		**1,687,271**	351,070

The financial statements were approved by the Board and authorised for issue on 21 March 2022.

IDO ERLICHMAN
Chief Executive Officer

ODED BASKIND
Chief Financial Officer

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital $'000	Additional paid in capital $'000	Share to be issued $'000	Foreign exchange differences on translation of foreign operations $'000	Retained earnings $'000	Total $'000
At 1 January 2020	16	153,002	56,499	778	(55,291)	155,004
Profit for the year	–	–	–	–	28,877	28,877
Other comprehensive income:						
Foreign exchange differences on translation of foreign operations	–	–	–	(6)	–	(6)
Total comprehensive profit for the year	–	–	–	(6)	28,877	28,871
Transactions with owners:						
Share-based payments	–	–	–	–	1,232	1,232
Exercise of employee options (note 15)	*	2,952	–	–	–	2,952
Issue of equity share capital (note 15)	6	113,213	–	–	–	113,219
Issue of equity share capital of deferred share consideration (note 27)	–	4,191	(4,191)	–	–	–
Buy-back of deferred share consideration (note 15)	–	–	(50,958)	–	(1,730)	(52,688)
Share buy-back (note 15)	–	–	–	–	(19,834)	(19,834)
At 31 December 2020	22	273,358	1,350	772	(46,746)	228,756
At 1 January 2021	**22**	**273,358**	**1,350**	**772**	**(46,746)**	**228,756**
Profit for the year	**–**	**–**	**–**	**–**	**23,338**	**23,338**
Other comprehensive income:						
Foreign exchange differences on translation of foreign operations	**–**	**–**	**–**	**1**	**–**	**1**
Total comprehensive profit for the year	**–**	**–**	**–**	**1**	**23,338**	**23,339**
Transactions with owners:						
Share-based payments	**–**	**–**	**–**	**–**	**5,224**	**5,224**
Exercise of employee options (note 15)	**–**	**939**	**–**	**–**	**–**	**939**
Contributions of equity net of transaction cost (note 15)	**8**	**348,382**	**–**	**–**	**–**	**348,390**
Issue of equity share capital (note 15)	**6**	**260,658**	**–**	**–**	**–**	**260,664**
Acquisition of treasury shares (note 15)	**–**	**–**	**–**	**–**	**(3,867)**	**(3,867)**
At 31 December 2021	**36**	**883,337**	**1,350**	**773**	**(22,051)**	**863,445**

* Amounts below 1 thousand.

Consolidated statement of cash flows
For the year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Cash flow from operating activities			
Profit for the year after taxation		**23,338**	28,877
Adjustments for:			
Amortisation of intangible assets	10	**29,173**	17,730
Amortisation of right-to-use assets	23	**3,895**	1,707
Depreciation of property, plant and equipment	11	**696**	660
Loss on sale of property, plant and equipment	11	**378**	271
Loss on sale of right-to-use assets	23	**–**	53
Profit on sale of intangible assets	10	**(485)**	(27)
Profit from lease modification	23	**(848)**	–
Tax Expenses/(income)	9	**9,214**	(22,343)
Profit from Forward contract	8	**(5,580)**	–
Interest expenses, fair value movements on deferred consideration	7,27	**10,331**	3,997
Share-based payment charge	17	**5,224**	1,232
Unrealised foreign exchange differences		**(269)**	(114)
Operating cash flow before movement in working capital		**75,067**	32,043
Increase in trade and other receivables		**(13,784)**	(1,734)
(Decrease)/Increase in software licenses inventory		**54**	(32)
Increase in trade and other payables		**12,246**	5,483
(Decrease)/Increase in onerous contract liability	25	**(688)**	1,396
Increase in deferred contract costs		**(33,955)**	(23,194)
(Decrease)/Increase in contract liabilities		**(3,451)**	1,282
Cash Inflow from operations		**35,489**	15,244
Tax paid net of refunds		**(3,345)**	(712)
Cash generated from operations		**32,144**	14,532
Cash flow from investing activities			
Purchase of property, plant and equipment	11	**(2,444)**	(536)
Proceeds from sale of property, plant and equipment	11	**2**	11
Intangible assets acquired	10	**(794)**	(376)
Disposal of intangible assets	10	**1,261**	132
Cash paid on business combination, net of cash acquired	20,15	**(464,149)**	(5,777)
Proceeds from Forward contract, net	8	**5,580**	–
Capitalisation of development costs	10	**(5,326)**	(2,544)
Net cash used in investing activities		**(465,870)**	(9,090)
Cash flow from financing activities			
Payment of leases	23	**(2,839)**	(1,836)
Proceeds from Shareholder loan	22,24	**85,000**	–
Proceeds from loans	24	**85,000**	40,000
Proceeds from RCF	24	**8,207**	1,654
Debt issuance costs	24	**(2,690)**	(1,723)
Shareholder facility revolver issuance cost	24	**(7,125)**	–
Repayment of interest on Shareholder loan	24	**(1,275)**	(1,155)
Repayment of Shareholder loan	24	**(85,000)**	(40,000)
Repayment of interest on loan	24	**(1,934)**	(658)
Repayments of long-term loan	24	**(11,818)**	(3,636)
Payment of deferred shares consideration	15	**–**	(52,688)
Payment of purchase of own shares	15	**(3,867)**	(19,834)
Proceeds from issuance of shares, net of transaction costs	15	**348,390**	113,219
Proceeds from exercise of options by employees	15	**939**	2,431
Net cash generated from financing activities		**410,988**	35,774
Net (decrease)/increase in cash and cash equivalents		**(22,738)**	41,216
Revaluation of cash due to changes in foreign exchange rates		**(190)**	485
Cash and cash equivalents at beginning of year		**49,912**	8,211
Cash and cash equivalents at end of year	13	**26,984**	49,912

Notes to the consolidated financial statements

1 Basis of preparation

The financial information provided is for Kape Technologies Plc and its subsidiary undertakings (together the 'Group', 'the Company' or 'Kape') in respect of the financial years ended 31 December 2021 and 2020. The Company is incorporated in the Isle of Man.

The financial information has been prepared in accordance with UK adopted international accounting standards (collectively IFRS).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects are disclosed in note 2.

Going concern

The Directors, having considered the Group's resources financially and the associated risks with doing business in the current economic and geo-political climate, believe the Group is capable of successfully managing these risks. The Board has reviewed the cash flow forecast and business plan as provided by management which includes the rate of revenue growth, EBITDA margins, costs, acquisition synergies, cash conversion ratio and capital expenditure. The cash flow forecast prepared by management for assessing going concern extends to 31 March 2023 ('the going concern period'). Management's base case forecast is aligned with the management's forecast for the year ending 31 December 2022.

The Group has in place debt facilities comprising a $120 million senior secured term facility, a $90 million revolving credit facility and a $80 million uncommitted acquisition facility. The term facility includes quarterly capital repayments of $5 million. The debt facilities expire in 2024. As at 31 December 2021, the Group had drawn down $10m on the revolving credit facility and $nil on the acquisition facility. The debt facilities are subject to the following financial covenants

- The ratio of EBITDA to Net Finance Charges ('Interest Cover') shall not be less than 4.0x in respect of any Relevant Period.
- The ratio of Total Net Debt on the last day of the relevant period to Adjusted EBITDA in respect of that Relevant period ('Adjusted Leverage'), shall not exceed 3.5x through each of quarters to and including 30 September 2022 and 2.5x from and including 31 December 2022 to and including 31 March 2023.

In addition to the debt facilities above, the Group has in place a Shareholder Deferred Consideration Facility from TS Next Level Investments Limited ('TSNLI'), an affiliate of Unikmind, the Group's largest shareholder. This facility makes available to Group, if required, loan facilities of up to $345 million in aggregate in connection with the Group's obligation to pay the ExpressVPN deferred consideration payments due in December 2022 and December 2023. This facility is available through to December 2023.

Based on management's base case forecast, the Group is able to meet liabilities as they fall due and operate within financial covenants throughout the forecast period. The base case assumes the ExpressVPN deferred consideration payment of $172.5 million due in December 2022 is paid from cash from operations, including existing facilities, without the use of the Shareholder Deferred Consideration Facility.

In addition to the base case, management also considered sensitivities in respect of potential stress tests, a reverse stress test and the mitigating actions available to management. The modelling of the downside scenarios assessed if there was a significant risk to the Group's liquidity, covenant compliance position and need to access the Shareholder Deferred Consideration Facility. These scenarios make assumptions on revenue declines and costs saving from freezing planned recruitment.

Under the stress tests, the Group is still able to meet liabilities as they fall due and operate within financial covenants throughout the forecast period. The ExpressVPN deferred consideration payment remains payable from cash from operations, including existing facilities, without the use of the Shareholder Deferred Consideration Facility in one of the scenarios. In the scenario that necessitates the use of the Shareholder Deferred Consideration Facility, the Directors assessed the liquidity of TS Next Level Investments Limited ('TSNLI'), an affiliate of Unikmind, the Group's largest shareholder to make such funds available on request and as per the legal terms of the agreement. The Directors are confident such funding would be available based on their knowledge of the lender, the historic loan facilities the lender has provided the Group for previous acquisitions and the commerciality of lending such funds in order to protect the shareholder's majority investment in the Group.

The reverse test was used to find what would be the level of EBITDA and consequently the cash burn that would lead to a breach in the Group's financial covenants before the end of the going concern period. The financial covenants would be breached only if revenues from new users declined more than 22% below management's base case. As a result of completing this assessment, management considered the likelihood of the reverse stress test scenario arising to be remote. In reaching this conclusion, management considered:

- Cash collection is strong and bad debt risk is limited as clients typically pay for services upfront.
- Flexible cost base – a significant portion of the Group's costs are discretionary in nature.
- The contract liabilities balance is growing (contract liabilities +326% vs 31 December 2020), supporting attractive future revenue growth and good future revenue visibility. The contract liabilities balance as of 31 December 2021 of $155.9 million includes $144.9m to be released into revenue in the following 12 months.
- We continuously monitor and invest in market needs. In the year to 31 December 2021, the Group continued its strong investment in technology capability and innovation demonstrated by the increase of research and development expenses by 71% compared to the comparative period.
- The cash conversion of the Group is expected to increase due to the full year impact of the Webselenese and ExpressVPN businesses which due to their products and billing profile deliver higher net cash inflows at the point of sale.

The Directors continue to carefully monitor the impact of the COVID-19 pandemic, and its impact on the macroeconomic environment, on the operations of the Group and have a range of possible mitigating actions, which could be implemented in the event of a downturn of the business. However, with COVID-19 driving an increased requirement for workforces to shift to home working and heightened concerns relating to digital security and privacy the Group has benefited from favourable market tailwind.

The Directors have also considered the geo-political environment, including rising inflation in some of our key markets and the conflict in Ukraine, and whilst the impact on the Group is currently deemed minimal, the Directors remain vigilant and ready to implement mitigation action in the event of a downturn in demand or an impact on operations.

The Directors are also not aware of any significant matters that occur outside the going concern period that could reasonably possibly impact the going concern conclusion.

Have performed the assessments as detailed above, the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operational existence over the relevant going concern period and have therefore considered it appropriate to adopt the going concern basis of preparation in the consolidated financial statements.

Adoption of new and revised standards

New standards impacting the Group that were adopted in the annual financial statements for the year ended 31 December 2021, and which have given rise to changes in the Group's accounting policies are:

- *COVID-19-related Rent Concessions – Amendments to IFRS 16* – As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. The Group has elected to apply the practical expedients.
- *Interest Rate Benchmark Reform – Phase 2* – In August 2020, amendments were issued to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs:
  - When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
  - The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The adoption of these standards did not have a material impact on the Group's financial statements.

1 Basis of preparation continued

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future accounting periods that the Group has decided not to adopt early.

- *IAS 37 (Amendment Onerous Contracts – Cost of Fulfilling a Contract).* Clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The Group is currently assessing the potential impact of this amendment on its financial statements, however, such impact if any, is not expected to be material.
- In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the potential impact of this amendment on its financial statements, however, such impact if any, is not expected to be material.
- *Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41).* The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The Group is currently assessing the potential impact of this amendment on its financial statements, however, such impact if any, is not expected to be material.
- References to Conceptual Framework (Amendments to IFRS 3). Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The amendment is effective for annual reporting periods beginning on or after 1 January 2022. The Group is currently assessing the potential impact of this amendment on its financial statements, however, such impact if any, is not expected to be material.
- *Definition of Accounting Estimates (Amendments to IAS 8)* – The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as the current period. The amendment is effective for annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the potential impact of this amendment on its financial statements, however, such impact if any, is not expected to be material.
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* – The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment is effective for annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the potential impact of this amendment on its financial statements, however, such impact if any, is not expected to be material.
- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2* – The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. The amendment is effective for annual reporting periods beginning on or after 1 January 2023. The Group is currently assessing the potential impact of this amendment on its financial statements, however, such impact if any, is not expected to be material.

The Group does not expect any other standards issued, but not yet effective, to have a material impact on its financial statements.

2 Significant accounting policies

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company Kape Technologies Plc and the financial statements of the subsidiaries as shown in note 19 of the consolidated financial statements.

The financial statements of all the Group companies are prepared using uniform accounting policies. All transactions and balances between Group companies have been eliminated on consolidation.

Business combinations and goodwill

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Contingent consideration that is classified as an asset or a liability is initially recognised at fair value and subsequently at fair value thorough profit or loss as appropriate.

Deferred cash consideration is measured initially at fair value and subsequently at amortised cost.

Deferred share consideration that is classified as an equity instrument, is measured at the date of the recognition at fair value using the share price at the acquisition date adjusted for the time value of money and lack of marketability, if needed.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Any provisional amounts are subsequently finalised within the 12-month measurement period from the acquisition date, as permitted by IFRS 3. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments and are applied on a retrospective basis with comparative prior periods revised in subsequent financial statements to include the effect of those adjustments. The measurement period does not exceed 12 months from the acquisition date.

Foreign currencies

(a) Presentational currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which each entity of the Group operates (the 'functional currency'). The financial statements are presented in United States Dollars ($000).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Exchange rates gains and losses are recognised net within Finance cost.

(c) Consolidation

The functional currency of the Group, and the presentation currency of the consolidated financial statements is United States Dollars. For the purpose of the consolidated financial statements, the assets and liabilities of the Group's foreign operations with a functional currency other than United States Dollars are translated into United States Dollars using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognised within other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 Significant accounting policies continued

Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

The majority of the Group revenue is derived from sales of products to customers in a B2C model.

- The CyberGhost, Zenmate, Private Internet Access, ExpressVPN, Intego VirusBarrier and Intego ContentBarriar products are SaaS products which contain one performance obligation that is satisfied over time. Since the service is being provided evenly across the contract period, revenue is recognised on a straight-line basis. All payments from customers are received upfront. Some of these contracts' terms are greater than one year, mostly for 24 and 36 months. The Group determined that the upfront payments are for reasons other than providing a financing benefit to the Group and thus there are no significant financing components in its contracts. The following factors were considered in the analysis:
  - The intent of the payment terms that require all payments in advance is to retain the customers, and to make it economically unlikely for them to stop using the Group's services.
    - The Group has no need for financing, and it charges its customers with an upfront payment, since otherwise it would incur high administration costs related to renewals and collection of payments.
    - An upfront payment of the entire consideration is in accordance with the typical payment terms in the industry.
- The Reimage PC, Restoro and DriverFix products contain three performance obligations: one-time repair, unlimited use of the repair software for one year and technical support for one year. Revenue for performing the one-time repair obligation is recognised at the time of the sale. For one year package of the Reimage, Restoro and DriverFix products, customers benefit from the use of the repair software and technical support for one year, revenues are recognised in line with the pattern of usage of the products and technical support.
- Revenue from the sale of Intego Mac Washing Machine, NetBarrier and Backup products is recognised at the time of the sale as the customer is able to use the products independently without any additional resources of the Group.
- The Group also offers its products for sale as a bundle. For software bundles, the Group allocates revenue to each of the performance obligations based on their relative standalone selling price. The stand-alone selling prices are determined based on the prices charged to customers who acquire software packages individually or by reference pricing for similar products sold in the market.
- The Digital Content generating Revenue from commission paid by customer for advertisement and promotions services throughout the web. Revenue is generated only when its customers' achieve certain predefined performance based and validated results as cost-per-acquisition ('CPA'). Once the 'CPA' obligation is met the Group fulfilled the performance obligation and revenue is recognised at point of time upon fulfilment.

Given the B2C nature of the business and the high volume of contracts with multiple start dates, the Group applies the practical expedient to treat these as a portfolio of contracts (or performance obligations) with similar characteristics to recognise revenue from the beginning of the month for all contracts. The Group has concluded that it is reasonably expected that the effects on the financial statements of applying a portfolio approach will not differ materially from applying revenue recognition to the individual contracts.

Customers are provided with a 30-60 day refund period in which they can receive a full refund. Historical experience allows management to estimate the value of products that will be returned which are not material to the Group and a refund liability has therefore not been recognised.

Principal versus agent considerations

When the Group is involved in providing other party's products to a customer, the Group determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. To determine the nature of its promise, the Group shall:

- identify the specified goods or services to be provided to the customer (which, for example, could be a right to a good or service to be provided by another party); and
- assess whether it controls each specified good or service before that good or service is transferred to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The following factors are considered in the analysis:
  - The entity which is primarily responsible for fulfilling the promise to provide the specified product.
  - If the Group has inventory risk before the specified good or service has been transferred to a customer, or after transfer of control to the customer.
  - The Group has discretion in establishing the prices for the specified product.

When the Company is a principal, the revenues are recognised in the gross amount in profit and loss while as an agent the revenues are recognised on a net basis in profit and loss.

Costs to obtain and fulfil a contract

Incremental costs of obtaining a contract are those costs that the entity would not have incurred if the contract had not been obtained (for example, sales commissions). The Group recognises an asset in relation to marketing costs to obtain a contract. The costs include fees paid to marketing partners on behalf of subscription sales of the Group Digital Security and Digital Privacy products to customers referred by the partners. The Company believes that the costs are recoverable as the proceeds from the customer over the expected relationship period exceed the costs to obtain the contract. The asset is amortised through the selling and marketing costs as the Company expects to recover the cost over the expected relationship period with the customer which includes the initial contract period and expected renewals. The expected relationship period with the customer is estimated based on historical contract renewals data. The asset is amortised over the expected customer life on a systematic basis at the same rate as the expected revenue recognition from the customer.

In addition, the Company recognises an asset for fulfilment costs that are considered directly attributable in fulfilling a contract. The fulfilment costs are comprised of payment processing and order fulfilment fees paid to third-party processing service providers. This asset is amortised through the cost of sales on a systematic basis over the initial contract period at the same rate as the revenue recognised from the contract.

Assets recognised from the costs to obtain or fulfil a contract are subject to impairment testing. An impairment loss should be recognised in profit or loss to the extent that the carrying amount of an asset exceeds:

a. The remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less;
b. the costs that relate directly to providing those goods or services and that have not been recognised as expenses ('deferred contract costs').

Intangible assets

Amortisation for all classes of intangible assets is included within Depreciation and amortisation costs in the income statement.

(a) Externally acquired intangible assets

Externally acquired intangible assets comprise intellectual property ('IP'), customer lists, trademarks and brand, internet domains and non-compete. All such intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Where intangible assets are acquired as part of a business combination they are recorded initially at their fair value.

The Company amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

- Intellectual Property: 3 to 8 years
- Customer Lists: 4 to 5 years
- Trademarks and Brand: 5 to 18 years
- Non-Compete: 4 years

Internet domains are generally considered to have an indefinite useful economic life. They are purchased due to the marketability of the related domain name, are not specific to a particular product, brand, market or service and therefore are not expected to diminish in value or use as a function of time.

Cryptocurrencies are generally considered to have an indefinite useful economic life. Cryptocurrencies are digital tokens or coins based on blockchain technology, such as Bitcoin. They currently operate independently of a central bank and are intended to function as a medium of exchange.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss.

2 Significant accounting policies continued

Intangible assets continued

(b) Internally-generated intangible assets (development costs)

An internally-generated intangible asset arising from the Group's e-business development is recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives, which is 2 to 3 years. Amortisation commences when the asset is available for use.

Where an internally-generated intangible asset is not recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

(c) Goodwill

Goodwill represents the excess of the fair value of consideration transferred in the business combination transactions over the fair value of tangible and intangible assets acquired, net of fair value of liabilities assumed. Goodwill is not amortised but rather subject to a periodic impairment testing on an annual basis, which the Group performs on December 31 of each year.

The impairment testing is being done operating segment level, which is the smallest group of CGUs (cash generating units) to which the goodwill can be allocated. Goodwill is allocated to the groups of CGUs that correspond with operating segments according to the allocation from past business combinations.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life:

- Computer equipment: 2 to 3 years
- Furniture, fixtures and office equipment: 6 to 15 years
- Leasehold improvements: 10 years or the term of the lease if shorter
- Cars: 4 to 5 years

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss in the year in which it is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment and internally generated intangible assets

Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units – 'CGU').

Cash and cash equivalents

For the purpose of the consolidated balance sheet and cash flow statement, cash and cash equivalents comprise cash in demand, bank accounts and bank deposits that require notice of three months or less.

Financial assets

(a) Classification

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

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

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

The Group's financial assets are trade receivables, other receivables and cash and cash equivalents. These assets are held within a business model whose objective is to collect contractual cash flows and give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As such, they are classified as measured at amortised cost.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expenses in profit or loss. Changes in the fair value of financial assets at FVTPL are recognised in the statement of comprehensive income.

Financial assets measured at amortised cost arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 365 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value.

Other receivables consist of amounts generally arising from transactions outside the usual operating activities of the Group. Due to the short-term nature of the other receivables, their carrying amount is considered to be the same as their fair value.

(c) Impairment

The Group applies the simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Financial liabilities

(a) Classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method (EIR method). Interest expense and foreign exchange gains and losses are recognised in profit or loss. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of 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.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability 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 the statement of comprehensive income.

Notes to the consolidated financial statements continued

2 Significant accounting policies continued

Financial liabilities continued

(c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax expense

Tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred 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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the period end date, and is not discounted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Uncertainty over Income Tax Positions

It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect the Group's accounting for a current or deferred tax asset or liability.

If it is not probable that the uncertain tax treatment will be accepted, the Group measures the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Leases

IFRS 16 requires lessees to recognise a lease liability that reflects future lease payments and a 'right-of-use asset' in all lease contracts within scope. IFRS 16 exempts lessees in short-term leases or when underlying asset has a low value.

The Company has elected to apply the practical expedient and not to recognise right-of-use assets and lease liabilities for leases with low-value assets only. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the following lease payments:

- Fixed payments
- Variable payments that are based on index or rate
- The exercise price of an extension or purchase option if reasonably certain to be exercised
- Payment of penalties for terminating the lease, if a termination option is reasonably certain to be exercised

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- Makes adjustments specific to the lease, e.g. term and currency.

The right-of-use asset is initially measured based on 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 assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. 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 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 Company's estimate of the amount expected to be payable. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset or profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the amounts involved are material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects the current market assessment of the time value of money and, when appropriate, the risks specific to the liability. Where discounting is applied to provisions, the increase in the value the provision due to the passage of time is recognised as a finance cost.

Where the Group is a party to a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract a provision is recognised.

Share-based payments

Kape operates equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for Kape equity instruments (options). The fair value of the options and share awards is recognised as an employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, Recurring Revenue and Earning Per Share targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each reporting date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss, with a corresponding adjustment to equity. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (par value) and share premium when the options are exercised.

Cancellation or settlement is recognised as an acceleration of the vesting period, and therefore the amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately. Repurchase of cancelled or settled share-based compensation plan, is accounted for as a deduction from equity, except to the extent that the payment exceeds the fair value of the equity instruments granted, measured at purchase date. Such excess is accounted as an expense.

2 Significant accounting policies continued

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Group and the nominal value of the share capital being issued is classified as additional paid in capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example, as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in Finance costs or Finance income.

Exceptional items

Exceptional items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group. Exceptional items are identified by virtue of their size, nature or incidence so as to facilitate comparison with prior periods and to assess underlying trends in the financial performance of the Group and its reportable segments. In determining whether an event or transaction is exceptional, management considers quantitative, as well as qualitative factors. Once an item is disclosed as exceptional, it will remain exceptional through completion of the event or programme. Examples of such items include but are not restricted to: legal and advisory costs related to a proposed Merger, acquisition, disposals (including gain on disposal), integration and costs incurred due to discontinuation of business.

Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following accounting policies cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(a) Capitalisation of development expenses

Development costs which create identifiable assets and are expected to generate future economic benefits are capitalised, and the remainder is expensed to income statement. This requires the Group to perform judgements in apportioning costs to identifiable assets and making judgements about which assets are expected to give rise to future economic benefits. The Group tracks research and development employees' and advisors' time invested in each research and development project. The Group then estimates whether it has adequate technical, financial and other resources to complete the development of the intangible asset and how the intangible asset will generate probable future economic benefits. Wrong estimations might cause the Company to capitalise costs that otherwise would been recorded as operational expenses.

During the year, the Group capitalised $5.3 million (2020: $2.5 million) and the carrying amount capitalised development costs as at 31 December 2021 was $6.8 million (2020: $4.5 million).

(b) Valuation of separately identifiable intangible assets and Deferred consideration

To determine the value of separately identifiable intangible assets and deferred consideration in a business combination, the Group is required to make judgements when utilising valuation methodologies. These methodologies include the use of discounted cash flows, revenue forecasts and the estimates for the useful economic lives of intangible assets. There are significant judgements involved in assessing what amounts are recognised as the estimated fair value of assets and liabilities acquired through business combinations, particularly the amounts attributed to separate intangible assets, such as brands and customer relationships. These judgements impact the amount of goodwill recognised on acquisitions. Any provisional amounts are subsequently finalised within the 12-month measurement period, as permitted by IFRS 3. Details of acquisitions in the years ended 31 December 2020 and 2021 are set out in Note 20.

(c) Determining the customer lifetime

On recognising an asset in relation to marketing costs to obtain a contract, the Group determined the expected lifetime of the customer. The lifetime value has been determined after taking into consideration, the product sold, period of the license, and the Group past experience.

The Group is monitoring changes which can affect the assessment during the period such as changes with the product, renewals rate etc.

Different assessment of the customer lifetime might impact the amount of Contract costs that are capitalised to the balance sheet and the rate in which the Deferred contract costs are amortised.

(d) Impairment testing

Significant management judgement and estimates are required to determine the individual cash generating units (CGUs) of the Group, the allocation of assets to these CGUs and the determination of the value in use or fair value less cost to sell of these CGUs. Management has concluded that the operating segments used for segment reporting represents the lowest level within the Group at which the goodwill is monitored. Therefore, the operating segments correspond to groups of CGUs at which goodwill is tested for impairment.

3 Revenue

	2021 $'000	2020 $'000
Sale of Digital Security, malware protection and PC performance products	**38,042**	32,368
Sale of Digital Privacy software solutions	**117,042**	89,844
Sale of Digital Content and software distribution services	**75,581**	–
	230,665	122,212

Revenues from software and SAAS products offering security, malware protection and PC performance are generated from the Digital Security CGU, revenues from provision of Digital privacy software solutions are generated from the Digital Privacy CGU, revenues from Digital Content and software distribution services are generated from Digital Content CGU.

(a) Disaggregation of revenue

The following table presents our revenues disaggregated by the timing of revenue recognition in accordance with our reporting segments:

	2021 (USD, in thousands)				2020 (USD, in thousands)		
	Digital Security	**Digital Privacy**	**Digital Content**	**Total**	Digital Security	Digital Privacy	Total
Revenue recognised over a period	**5,375**	**80,180**	**–**	**85,555**	4,470	69,645	74,115
Revenue recognised at a point in time	**32,667**	**36,862**	**75,581**	**145,110**	27,898	20,199	48,097
Total	**38,042**	**117,042**	**75,581**	**230,665**	32,368	89,844	122,212

(b) Contract liabilities

The Company has recognised the following revenue-related contract liabilities:

	31 December 2021 (USD, in thousands)	31 December 2020 (USD, in thousands)
Contract liabilities	**155,856**	36,594

Notes to the consolidated financial statements continued

3 Revenue continued

(b) Contract liabilities continued

Significant changes in relation to contract liabilities

The following table shows the significant changes in the current reporting period which relate to carried-forward contract liabilities.

Significant changes in the contract liabilities balances during the period are as follows:	**31 December 2021 (USD, in thousands)**	31 December 2020 (USD, in thousands)
Contract liabilities balance at the beginning of the period	**(36,594)**	(35,312)
Business combination	**(122,713)**	–
Revenue recognised that was included in the contract liability balance from Business combination	**13,397**	–
Revenue recognised that was included in the contract liability balance at the beginning of the period	**29,095**	29,298
Increase due to cash received, excluding amounts recognised as revenue during the period	**(39,041)**	(30,580)
Contract liabilities balance at the end of the period	**(155,856)**	(36,594)

Management expects that 93.0% of the transaction price allocated to the unsatisfied contracts (which represent the contract liabilities) as of 31 December 2021 will be recognised as revenue during the next annual reporting period ($144,971 thousands), 5.3% and 1.5% ($8,328 thousands and US$2,400 thousands) will be recognised in 2022 and 2023 financial years, respectively. The remaining 0.2% ($157 thousand) will be recognised during the following financial years.

(c) Assets recognised from costs to obtain and fulfil a contract

Significant changes in relation to assets recognised from costs to obtain and fulfil a contract

	31 December 2021 (USD, in thousands)	31 December 2020 (USD, in thousands)
Short term Asset recognised from marketing cost to obtain a contract	**33,618**	19,784
Long term Asset recognised from marketing cost to obtain a contract	**50,201**	30,726
Short term Asset recognised from fulfilment cost to fulfil a contract	**2,173**	1,670
Long term Asset recognised from fulfilment cost to fulfil a contract	**497**	354
Significant changes in the deferred contract costs balances during the period are as follows:		
Balance at the beginning of the period	**52,534**	29,340
Amortisation recognised during the period – marketing costs	**(38,853)**	(23,552)
Amortisation recognised during the period – fulfilment cost	**(5,631)**	(5,202)
Increases due to cash paid – marketing costs	**72,161**	45,681
Increases due to cash paid – fulfilment cost	**6,278**	6,267
Balance at the end of the period	**86,489**	52,534

4 Segmental information

Segments revenues and results

The Group's reportable segments are strategic business units that offer different products and services. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team, including the Chief Executive Officer and the Chief Financial Officer. The Group operates three reportable segments:

- Digital Security – comprising software and SaaS products offering security, endpoint protection and PC performance.
- Digital Privacy – comprising virtual private network ('VPN') solutions and other privacy SaaS products.
- Digital Content – comprising digital platforms which provide reviews and content.

Year ended 31 December 2021	Digital Security 2021 $'000	Digital Privacy 2021 $'000	Digital Content 2021 $'000	Total 2021 $'000
Revenue	**38,042**	**117,042**	**75,581**	**230,665**
Cost of sales	**(2,602)**	**(13,370)**	**–**	**(15,972)**
Direct sales and marketing costs	**(20,831)**	**(29,222)**	**(37,310)**	**(87,363)**
Segment result	**14,609**	**74,450**	**38,271**	**127,330**
Central operating costs				**(41,288)**
Adjusted EBITDA[1]				**86,042**
Other operating income/(expense)				**947**
Depreciation and amortisation				**(33,764)**
Employee share-based payment charge				**(5,224)**
Exceptional or non-recurring costs				**(9,850)**
Operating profit				**38,151**
Finance income				**5,580**
Finance costs				**(11,179)**
Profit before tax				**32,552**
Taxation				**(9,214)**
Profit for the year				**23,338**

Exceptional or non-recurring costs in 2021 are comprised of non-recurring staff costs of $6.0 million which comprise of $4.4 million one-off bonus award to the management team for the acquisition of ExpressVPN, $0.9 million employer cost related to management share option exercise, $0.6 million employees onerous contract termination costs and $3.9 million professional services and other business combinations related costs.

Year ended 31 December 2020	Digital Security 2020 $'000	Digital Privacy 2020 $'000	Total 2020 $'000
Revenue	32,368	89,844	122,212
Cost of sales	(2,045)	(14,127)	(16,172)
Direct sales and marketing costs	(16,977)	(22,882)	(39,859)
Segment result	13,346	52,835	66,181
Central operating costs			(27,208)
Adjusted EBITDA[1]			38,973
Other operating income/(expenses)			(313)
Depreciation and amortisation			(20,097)
Employee share-based payment charge			(1,232)
Exceptional or non-recurring costs			(6,623)
Operating profit			10,708
Finance income			–
Finance costs			(3,382)
Profit before tax			7,326
Taxation			22,343
Profit from continuing operations			29,669
Loss from discontinued operation (attributable to equity holders of the Company)			(792)
Profit for the year			28,877

Exceptional or non-recurring costs in 2020 are comprised of non-recurring staff costs of $6.4 million which comprise of $4.9 million one-off bonus award to the management team for the successful integration of PIA, $1.5 million onerous contract cost relating to PIA's founder consulting agreement and $0.2 million professional services and other business combinations related costs.

1 Adjusted EBITDA is a company-specific measure which is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, exceptional or non-recurring costs, other operating income/(expense) and employee share-based payment charges as set out in note 5.

Notes to the consolidated financial statements continued

4 Segmental information continued

Information about major customers

In 2021 and 2020, there were no customers contributing more than 10% of total revenue of the Group.

Geographical analysis of revenue

Revenue by residence of the recording subsidiary:

	2021 $'000	2020 $'000
Europe	**143,965**	61,395
Asia	**20,466**	–
US	**66,234**	60,817
	230,665	122,212

Geographical analysis of non-current assets

	2021 $'000	2020 $'000
US	**198,864**	210,521
Singapore	**1,127,380**	–
France	**5,690**	6,215
Romania	**12,954**	6,535
Germany	**5,904**	7,406
Israel	**149,580**	–
UK	**154**	139
Other	**12,756**	2,514
Total intangible assets, right-to-use assets and property, plant and equipment	**1,513,282**	233,330

5 Operating profit

Adjusted EBITDA

Adjusted EBITDA is a company-specific measure which is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, exceptional or non-recurring costs, other operating income/(expense) and employee share-based payment charges.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

Adjusted EBITDA is calculated as follows:

	2021 $'000	2020 $'000
Operating profit	**38,151**	10,708
Depreciation and amortisation	**33,764**	20,097
Other operating expenses/(income)	**(947)**	313
Employee share-based payment charge	**5,224**	1,232
Non-recurring costs:		
Non-recurring staff costs	**5,969**	6,405
Professional services related to business combination	**3,881**	218
Adjusted EBITDA	**86,042**	38,973

Other operating income in 2021 is comprised mainly of $0.8 million gain from termination and modification of leases accounted under IFRS 16, $0.5 million gain from disposals of Cryptocurrencies, $0.05 million of donation expenses, $0.2 million from deferred consideration Fair value movement through profit and loss and $0.1 million of other fixed assets disposals.

Operating profit has been arrived at after charging:

	2021 $'000	2020 $'000
Exceptional or non-recurring operating costs		
Non-recurring staff costs	**5,969**	6,405
Professional services related to business combination	**3,881**	218
	9,850	6,623
Auditor's remuneration:		
Audit	**574**	273
Amortisation of intangible assets	**29,173**	17,730
Depreciation	**696**	660
Amortisation of right-to-use assets	**3,895**	1,707
Employee share-based payment charge (note 17)	**5,224**	1,232

Operating costs

Operating costs are further analysed as follows:

	2021 Adjusted $'000	2021 Total $'000	2020 Adjusted $'000	2020 Total $'000
Direct sales and marketing costs	**87,363**	**87,363**	39,859	39,859
Indirect sales and marketing costs	**19,687**	**21,217**	9,192	9,253
Selling and marketing costs	**107,050**	**108,580**	49,051	49,112
Research and development costs	**8,176**	**10,865**	6,194	6,332
Management, general and administrative cost	**13,425**	**24,280**	11,822	19,478
Other operating (income)/expenses	**–**	**(947)**	–	313
Depreciation and amortisation	**7,612**	**33,764**	4,825	20,097
Total operating costs	**136,263**	**176,542**	71,892	95,332

Adjusted operating costs exclude share-based payment charges, exceptional or non-recurring costs, other operating (income)/expenses and amortisation of acquired intangible assets. See note 4.

Notes to the consolidated financial statements continued

6 Staff costs

Total staff costs comprise the following:

	2021 $'000	2020 $'000
Salaries and related costs	**31,457**	27,256
Expenses for defined contribution plans	**2,450**	837
Employee share-based payment charge (note 17)	**5,224**	1,232
	39,131	29,325

The remuneration of the key management personnel of the Group which comprises the Executive Directors and senior management team, is set out below:

	2021 $'000	2020 $'000
The aggregate remuneration comprised:		
Wages and salaries	**8,954**	6,341
Expenses for defined contribution plans	**213**	69
Employee share-based payment charge	**263**	1,005
	9,430	7,415

Details of Directors' remuneration are set out in the Remuneration Committee report on pages 40 to 41.

7 Finance costs

	2021 $'000	2020 $'000
Interest expense on short-term shareholder loan (note 24, 22)	**1,275**	934
Debt issuance costs on short-term shareholder loan (note 24, 22)	**850**	–
Commitment fees on Shareholder facility revolver (note 24, 22)	**3,606**	–
Shareholder facility revolver issuance cost amortisation	**144**	–
Interest expenses on long-term loan (note 24)	**3,321**	1,114
Interest expense on lease liabilities (note 23)	**218**	205
Unwinding of discounting on deferred cash consideration (note 27)	**908**	952
Net foreign exchange rates and other finance expenses	**857**	177
	11,179	3,382

8 Finance income

	2021 $'000	2020 $'000
Profit from Forward contract	**5,580**	–
	5,580	–

On 14 September, the Company secured Share issuance in amount of £258.3 million to fund ExpressVPN's initial Cash consideration, as further described in Note 15 and 20. To secure the US dollar value, the Company has entered into a currency forward contract to hedge the GBP proceeds from the share issuance. The forward contract was fulfilled on 8 October 2021.

9 Taxation

The parent company is resident, for tax purposes in the UK. The final tax charge shown below arises partially from the difference in tax rates applied in the different jurisdictions in which the subsidiaries reside.

The Group recognised a deferred tax asset of $0.8 thousands (2020: $6,215 thousands) in respect of tax losses accumulated in previous years.

The total tax charge can be reconciled to the overall tax charge as follows:

	2021 $'000	2020 $'000
Profit from continuing operations before income tax expense	32,552	7,326
Loss from discontinuing operation before income tax expense	–	(792)
	32,552	6,534
Tax at the applicable tax rate of 19% (2020: 19%)	6,185	1,241
Tax effect of		
Differences in overseas rates	169	2,072
Expenses not deductible for tax purposes	1,637	29
Previously unrecognised tax losses now recouped to reduce current tax expense	314	(27)
Deferred tax not recognised on losses carried forward	768	587
Recognition of previously unrecognised deferred tax assets	825	(261)
Reversal of previously recognised deferred tax liability	–	(25,639)
Tax expense for previous years	(684)	(345)
Tax charge for the year	9,214	(22,343)
Income tax expenses is attributable to:		
Profit from continuing operations	9,214	(22,343)
Loss from discontinued operation	–	–
	9,214	(22,343)
The tax expense/(credit) from continuing operations analysed as:		
Deferred taxation in respect of the current year	5,004	(23,419)
Current tax charge	4,210	1,076
Tax charge for the year	9,214	(22,343)

The Group maintained provisions for potential historic tax liabilities presented in income tax liabilities. In 2021, the Group decreased its provision by $0.7 million to $1.5 million (2020: $2.2 million) as a result of settling the provision. The increase in tax liabilities driven by the multi-national nature of the Company which give rise to uncertainty over the income tax treatment related to cross border services and transactions.

The Group has maximum corporation tax losses carried forward at each period end as set out below:

	2021 $'000	2020 $'000
Corporate tax losses carried forward	34,350	46,037

Details of the deferred tax asset recognised arising in respect of losses and timing differences is set out below:

	Capitalised Software Development Costs $'000	Losses carried forward $'000	Other temporary differences $'000	Total $'000
At 1 January 2020	–	1,599	581	2,180
Foreign exchange differences	–	145	–	145
Movement in the year due to temporary differences from continuing operations	–	4,471	(514)	3,957
At 31 December 2020	–	6,215	67	6,282
Acquisition through business combinations	615	–	–	615
Foreign exchange differences	25	(127)	9	(93)
Movement in the year due to temporary differences from continuing operations	(452)	(3,914)	28	(4,338)
At 31 December 2021	188	2,174	104	2,466

Notes to the consolidated financial statements continued

9 Taxation continued

Details of the deferred tax liability recognised arising from timing differences is set out below:

	Business combination $'000	Intangible assets $'000	Deferred contract costs $'000	Capitalised Software Development Costs $'000	Other temporary differences $'000	Total $'000
At 1 January 2020	21,134	–	359	609	–	22,102
Arising from business combinations	–	–	–	–	–	–
Foreign exchange differences	–	–	–	–	–	–
Movement in the year due to temporary differences from continuing operations	(19,674)	376	(225)	61	–	(19,462)
At 31 December 2020	1,460	376	134	670	–	2,640
Arising from business combinations	**66,299**	**–**	**–**	**–**	**156**	**66,455**
Movement in the year due to temporary differences from continuing operations	**(1,885)**	**(292)**	**1,929**	**(76)**	**990**	**666**
At 31 December 2021	**65,874**	**84**	**2,063**	**594**	**1,146**	**69,761**

In addition, the Group has an unrecognised deferred tax asset in respect of the following:

	2021 $'000	2020 $'000
Tax losses carried forward	**6,876**	24,219
Unrecognised deferred tax assets due to tax losses carried forward	**1,320**	3,447

10 Intangible assets

	Intellectual Property $'000	Trademarks and Brand $'000	Customer Lists $'000	Goodwill $'000	Internet Domains $'000	Capitalised Software Development Costs $'000	Non-Compete $'000	Cryptocurrencies $'000	Total $'000
Cost									
At 1 January 2020	72,264	46,897	31,302	133,181	325	9,156	–	17	293,142
Additions	–	11	–	–	–	2,544	–	365	2,920
Disposals	–	–	–	–	–	–	–	(105)	(105)
At 31 December 2020	72,264	46,908	31,302	133,181	325	11,700	–	277	295,957
Additions	**–**	**–**	**–**	**–**	**–**	**5,326**	**–**	**794**	**6,120**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(776)**	**(776)**
Acquisition through business combination	**144,138**	**104,911**	**364,519**	**663,629**	**–**	**–**	**4,291**	**–**	**1,281,488**
At 31 December 2021	**216,402**	**151,819**	**395,821**	**796,810**	**325**	**17,026**	**4,291**	**295**	**1,582,789**
Accumulated amortisation									
At 1 January 2020	(35,257)	(8,322)	(1,993)	–	–	(4,706)	–	–	(50,278)
Charge for the year	(5,465)	(3,447)	(6,359)	–	–	(2,459)	–	–	(17,730)
At 31 December 2020	(40,722)	(11,769)	(8,352)	–	–	(7,165)	–	–	(68,008)
Charge for the period	**(8,218)**	**(5,562)**	**(11,492)**	**–**	**–**	**(3,021)**	**(880)**	**–**	**(29,173)**
At 31 December 2021	**(48,940)**	**(17,331)**	**(19,844)**	**–**	**–**	**(10,186)**	**(880)**	**–**	**(97,181)**
Net book value									
At 1 January 2020	37,007	38,575	29,309	133,181	325	4,450	–	17	242,864
At 31 December 2020	31,542	35,139	22,950	133,181	325	4,535	–	277	227,949
At 31 December 2021	**167,462**	**134,488**	**375,977**	**796,810**	**325**	**6,840**	**3,411**	**295**	**1,485,608**

On 5 March 2021, the Group acquired 100% of the share capital of Uma Capital Ltd and Ani Ariel Ltd, the owners of Webselenese Ltd ('Webselenese'), a market-leading digital platform which provides independent and highly valued consumer privacy and security content to millions of users globally via market-leading review sites. As further discussed in Note 20.

On 15 December 2021, the Group acquired certain assets, liabilities and service entities together comprising the ExpressVPN business ('ExpressVPN') from Access Global Limited and its subsidiaries ('Access Global'). ExpressVPN is one of the most recognised brands in the digital privacy space, and the Acquisition creates a premium digital privacy and security player best-positioned to serve the growing demand for digital privacy. As further discussed in Note 20.

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs), or group of units that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. Goodwill allocated to the Digital Security CGU has a carrying amount of $11.7 million (2020: $11.7 million), the Digital Privacy CGU has a carrying amount of $686.2 million (2020: $121.5 million) and the Digital Content CGU has a carrying amount of $98.9 million (2020: $N/A thousands).

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

For the Digital Security CGU, the recoverable value has been determined from value in use calculations based on cash flow projections for the next five years from the most recent budgets approved by management and extrapolated cash flows beyond this period using an estimated growth rate of 3 per cent (2020: 3 per cent). This rate does not exceed the average long-term growth rate for the relevant markets. If the growth rate was decreased by two percentage points, the effect would have been nil. The rate used to discount these forecast cash flows is 17 per cent (2020: 17 per cent).

If the discount rate was increased by one percentage point, the effect on the recoverable value would have been nil. There is no reasonably possible change in assumption that would give rise to an impairment.

For the Digital Privacy CGU, the recoverable value has been determined from value in use calculations based on cash flow projections for the next five years from the most recent budgets approved by management and extrapolated cash flows beyond this period using an estimated growth rate of three per cent (2020: 1 per cent). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount these forecast cash flows is 14 per cent (2020: 15 per cent). The change with the estimated growth rate and discount rate is attributed to ExpressVPN acquisition.

If the discount rate was increased by one percentage point, the effect on the recoverable value would have been nil. There is no reasonably possible change in assumption that would give rise to an impairment.

For the Digital Content CGU, the recoverable value has been determined from value in use calculations based on cash flow projections for the next five years from the most recent budgets approved by management and extrapolated cash flows beyond this period using an estimated growth rate of 3 per cent. This rate does not exceed the average long-term growth rate for the relevant markets. If the growth rate was decreased by two percentage points, the effect on the recoverable value would have been nil. The rate used to discount these forecast cash flows is 15 per cent (2020: N/A).

If the discount rate was increased by one percentage point, the effect would have been nil. There is no reasonably possible change in assumption that would give rise to an impairment.

11 Property, plant and equipment

	Computer equipment $'000	Furniture, fixtures and office equipment $'000	Leasehold improvements $'000	Cars $'000	Total $'000
Cost					
At 1 January 2020	1,518	344	319	1,712	3,893
Additions	424	34	78	–	536
Disposals	(10)	(2)	(27)	(1,109)	(1,148)
At 31 December 2020	**1,932**	**376**	**370**	**603**	**3,281**
Additions	**643**	**157**	**2,226**	**–**	**3,026**
Disposals	**(649)**	**(67)**	**(202)**	**(365)**	**(1,283)**
Acquisition through business combination	**1,041**	**479**	**949**	**–**	**2,469**
At 31 December 2021	**2,967**	**945**	**3,343**	**238**	**7,493**
Accumulated depreciation:					
At 1 January 2020	(1,296)	(97)	(48)	(101)	(1,542)
Charge for the period	(179)	(44)	(98)	(339)	(660)
Disposals	6	2	–	288	296
At 31 December 2020	**(1,469)**	**(139)**	**(146)**	**(152)**	**(1,906)**
Charge for the period	**(377)**	**(57)**	**(133)**	**(129)**	**(696)**
Disposals	**645**	**16**	**139**	**103**	**903**
At 31 December 2021	**(1,201)**	**(180)**	**(140)**	**(178)**	**(1,699)**
Net book value					
At 1 January 2020	222	247	271	1,611	2,351
At 31 December 2020	463	237	224	451	1,375
At 31 December 2021	**1,766**	**765**	**3,203**	**60**	**5,794**

12 Trade and other receivables

	2021 $'000	2020 $'000
Trade receivables	**42,127**	3,953
Prepayments	**4,009**	1,785
Deferred financing costs	**6,982**	–
Other receivables	**4,862**	3,146
	57,980	8,884

The increase in Trade receivables is mainly attributed to ExpressVPN and Webselenese acquisition. As of 31 December 2021, Trade receivables attributed to ExpressVPN and Webselenese's amounted to $38,224 thousands.

Deferred financing costs derived from capitalisation of 1.5% arrangement fees on the Deferred Consideration Facility. The arrangement fee is amortised on a straight-line basis over the Deferred Consideration Facility period, as further disclosed on Notes 22 and 24.

Other receivables as of 31 December 2021 include VAT receivable balance of $1.7 million (2020: $1.7 million). The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above. The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is set out in Note 16 of the consolidated financial statements.

13 Cash and cash equivalents

	2021 $'000	2020 $'000
Cash in bank accounts	**26,350**	49,887
Bank deposits	**634**	25
	26,984	49,912

The carrying value of these assets represents a reasonable approximation to their fair value.

14 Trade and other payables

	2021 $'000	2020 $'000
Trade payables	**24,891**	8,926
Accrued expenses	**42,491**	7,866
Employee liabilities	**8,694**	1,848
Accrued Commitment fees on Shareholder facility revolver (note 24)	**3,606**	–
Other payables	**4,582**	3,828
	84,264	22,468

The increase in Trade payables and Accrued expenses is mainly attributed to ExpressVPN and Webselenese acquisition. As of 31 December 2021, Trade payables and Accrued expenses attributed to ExpressVPN and Webselenese's amounted $51.6 million.

The Group's management consider that the carrying value of trade and other payables approximates their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices.

15 Shareholder's equity

	2021 Number of Shares	2020 Number of Shares
Issued and paid up ordinary shares of $0.0001	**358,747,497**	222,297,719

On 26 March 2021, the Company issued total of 12,123,769 ordinary shares of $0.0001, as part of Webselenese acquisition to Webselenese's founders and two senior members of staff. Webselenese's founders share consideration is subject to lock-up periods, of which 50% until the first anniversary of closing, 25% until 18 months from closing and the remaining 25% until the second anniversary. As further disclosed in Note 20.

On 1 October 2021, the Company issued a total of 76,543,209 new ordinary shares of US $0.0001 each were subscribed by investors, at an issue price of 3.375 pence per Placing Share. Total issue costs were amounted to $2,636 thousands. The Net amount proceeds after issue costs from the share issuance is $348.4 million.

On 16 December 2021, the Company issued total of 47,782,800 ordinary shares of $0.0001, to Peter Burchhardt and Dan Pomerantz, ExpressVPN's co-founders, representing approximately 13.6% of the enlarged issued share capital of Kape. The share consideration is subject to lock-up periods, of which 50% until the first anniversary of closing, 25% until 18 months from closing and the remaining 25% until the second anniversary. As further disclosed in Note 20.

On 28 October 2020, the Company issued a total of 59,230,769 new ordinary shares of US $0.0001 each ('Ordinary Shares') were subscribed for by investors, at an issue price of 150 pence per Placing Share. The Net amount proceeds after issue costs from the share issuance is $113.2 million.

Notes to the consolidated financial statements continued

15 Shareholder's equity continued

As part of the LTMI Holdings acquisition on 2019, the Company undertook to issue 42,701,548 new ordinary shares ('Consideration Shares') to be paid in three phases. LTMI co-founders Andrew Lee and Steve DeProspero would each been entitled to be issued 19,247,723 Consideration Shares, representing approximately 10.4% of the enlarged issued share capital of Kape, of which 5,250,363 were issued on completion, 10,498,020 were due to be issued on the first anniversary of completion and 3,499,340 would have been issued on the second anniversary of completion. The balance of the Consideration Shares, being 4,206,102 in aggregate, are to be issued to four senior executives of PIA, of which 1,147,333 were issued on completion, 2,294,077 were issued on the first anniversary of completion and 764,692 will be issued on January 2022 and is disclosed as shares to be issued.

On 28 October 2020, the Company and LTMI Co-founders have reached an agreement with respect to the repurchase of the Initial Consideration Shares and their right to receive the Deferred Consideration Shares by the Company, for a total consideration of approximately $72.5 million. Out of which, $52.7 million were paid for the deferred share consideration and $19.8 million paid for the Initial consideration shares and recognised as treasury. On 6 November 2020, the Company completed the transaction.

As at 31 December 2021, the Company holds in the treasury total of 9,800,809 of ordinary shares of $0.0001 par value (2020: 10,528,728) and the Company's Employee Benefit Trust holds Nil (2020: 1,200,000) ordinary shares. During 2021, 1,540,482 of ordinary shares of $0.0001 par value were transferred out of treasury to satisfy the exercise of options by the Company employees (2020: 4,652,092), and 901,823 of ordinary shares of $0.0001 par value were transferred into treasury following surrendering of share by the Group's Executive Directors when exercised while utilising the net cashless exercise and indemnification from PIA share consideration ESCROW.

No dividend was declared in 2021 and 2020.

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Additional paid in capital	Share premium (i.e. amount subscribed or share capital in excess of nominal value)
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Foreign exchange	Cumulative foreign exchange differences of translation of foreign operations
Shares to be issued	Deferred share consideration

In accordance with Isle of Man Company Law, all of the reserves with the exception of share capital are distributable.

16 Financial Instruments and risk management

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

	Measurement Category
Current financial assets	
Trade receivables	Amortised cost
Other receivables	Amortised cost
Cash and cash equivalents	Amortised cost
Non-current liabilities	
Lease Liabilities	Amortised cost
Deferred consideration	Amortised cost
Contingent consideration	FVTPL
Loans and Borrowings	Amortised cost
Onerous contract liability	Amortised cost
Current liabilities	
Trade payables	Amortised cost
Other payables and accrued expenses	Amortised cost
Shareholder loan	Amortised cost
Lease Liabilities	Amortised cost
Deferred consideration	Amortised cost
Contingent consideration	FVTPL
Loans and Borrowings	Amortised cost
Onerous contract liability	Amortised cost

Financial assets

The following table shows the carrying amounts of financial assets measured as amortised costs:

	2021 $'000	2020 $'000
Trade receivables	**42,127**	3,953
Other receivables	**2,889**	3,146
Cash and cash equivalents	**26,984**	49,912
	72,000	57,011

The following table shows the fair values of financial assets, including their levels in the fair value hierarchy.

Financial liabilities

The following table shows the carrying amounts of financial liabilities measured as amortised costs:

	2021 $'000	2020 $'000
Trade payables	**24,891**	8,926
Other payables and accrued expenses	**56,991**	9,434
Onerous contract liability (see note 25)	**741**	1,400
Loans and Borrowings (see note 24)	**117,384**	36,736
Lease liabilities (see note 23)	**23,019**	4,547
Deferred consideration (see note 27)	**368,287**	14,494
	591,313	75,537

The Group's Directors monitor and manage the financial risks relating to the operation of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Notes to the consolidated financial statements continued

16 Financial Instruments and risk management continued

Market risk

(a) Foreign currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Israeli New Shekel, British Pound, Euro, Philippines peso, Australian Dollar, Romanian Lei, Hong Kong Dollar and Singapore Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly, and also avoids engaging in a significant level of transactions in currencies which are considered volatile or exposed to risk of significant fluctuations.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Israeli New Shekel	**10,350**	799	**11,343**	329
Euro	**7,188**	2,591	**2,021**	2,494
British Pound	**9,840**	4,404	**2,809**	3,442
Australian Dollar	**863**	183	**307**	–
Romanian Lei	**774**	859	**299**	1,183
Philippines peso	**2,126**	1,050	**257**	97
Hong Kong Dollar	**7,053**	–	**536**	–
Singapore Dollar	**14**		**2,387**	
Other	**–**	–	**9**	8
	38,208	9,886	**19,968**	7,553

On 14 September 2021, the Company placed a secured share issuance to support the initial cash consideration for ExpressVPN acquisition of $354 million, as further detailed on note 20. To secure the US Dollar value, the Company has signed a currency forward contract to hedge the GBP proceeds from the share issuance. The forward contract was fulfilled on 8 October 2021 and as a result the Company recognised a profit of $5.6 million, recorded as Finance income in the Consolidated statement of comprehensive income.

A 10% weakening of the United States Dollar against the following currencies at 31 December 2021 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% strengthening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2021 $'000	2020 $'000
Israeli New Shekel	**99**	(47)
Euro	**(517)**	(10)
British Pound	**(703)**	(96)
Australian Dollar	**(56)**	(18)
Romanian Lei	**(47)**	32
Philippines peso	**(187)**	(95)
Hong Kong Dollar	**(652)**	–
Singapore Dollar	**237**	–
Other	**1**	1
	(1,825)	(233)

(b) Interest rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to changes in market rates of interest or fair value interest rate risk, due to its borrowings which bear fixed interest rate plus USD Libor.

At the reporting date the interest rate analysis of financial instruments was:

	2021 $'000	2020 $'000
Fixed rate financial instruments		
Financial assets	**26,984**	49,912
Financial liabilities (note 23)	**(23,019)**	(4,547)
	3,965	45,365

	2021 $'000	2020 $'000
Fluctuating rate financial instruments		
Financial liabilities (note 24)	**(117,384)**	(36,736)
	(117,384)	(36,736)

Any increase/(decrease) by 1% in LIBOR interest rates will have an effect of $3.2 million on equity and profit or loss. This analysis assumes that all other variables, will remain constant.

In July 2019, the United Kingdom's Financial Conduct Authority (the 'FCA'), which regulates LIBOR (London Interbank Offered Rate), announced that it intends to phase out LIBOR. LIBOR is still in use and being published until its phaseout in June 2023 in order to allow a transition period mainly for contracts that already exist using LIBOR. Additionally, the FCA has stated that no new contracts using US dollar LIBOR should be entered into after 31 December 2021. The US Federal Reserve, in conjunction with the Alternative Reference Rates Committee, a steering committee comprised of large US financial institutions, is considering replacing US dollar LIBOR with a new index calculated by short-term repurchase agreements, backed by Treasury securities ('SOFR'). SOFR is observed and backward-looking, which stands in contrast with LIBOR under the current methodology, which is an estimated forward-looking rate and relies, to some degree, on the expert judgement of submitting panel members. Given that SOFR is a secured rate backed by government securities, it would not take into account bank credit risk (as is the case with LIBOR). Therefore, the SOFR rate, if adopted, would likely be lower than LIBOR rates and is less likely to correlate with the funding costs of financial institutions.

The Company has evaluated the impact of the transition from LIBOR, and currently believes that the transition will not have a material impact on the consolidated financial statements.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The principal credit risk is considered to result from new relationships with customers with which the Group does not have a long working relationship and for which reliable information as to their credit ratings cannot be obtained. In such cases, the Group limits the initial credit facility afforded to these customers. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution or customer.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021 $'000	2020 $'000
Trade and other receivables	**44,966**	7,071
Cash at bank	**26,350**	49,887
Bank deposits	**634**	25
Receivables from related companies	**50**	28
	72,000	57,011

16 Financial Instruments and risk management continued

Credit risk continued

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

Wherever possible and commercially practical, the Group invests cash with major financial institutions that have a rating of at least A-1 as defined by Standard & Poors. While the majority of money is held in line with the above policy, a small amount is held at various institutions with no rating. The Group holds approximately 6.8% of its funds (2020: 10.8%) in financial institutions below A-1 rate and 1.0% in payment methods with no rating (2020: 0.0%).

	Total $'000	Financial institutions with A-1 and above rating $'000	Financial institutions below A-1 rating and no rating $'000
At 31 December 2021	**26,984**	**24,888**	**2,096**
At 31 December 2020	49,912	44,530	5,382

Before accepting a new customer, the Group assesses each potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the Group.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of 90 days month before 31 December 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period.

At 31 December 2021 the expected credit losses provision for trade receivables and contract assets is as follows:

	Current $'000	Between 1 and 30 days past due $'000	Between 31 and 60 days past due $'000	More than 60 days past due $'000
Expected loss rate	**0%**	**0%**	**0%**	**0%**
Gross carrying amount	**41,702**	**76**	**37**	**312**
Loss provision	**–**	**–**	**–**	**–**

The ageing of trade receivables is shown below:

	2021 $'000	2020 $'000
Current	**41,702**	3,712
Between 1 and 30 days	**76**	97
Between 31 and 60 days	**37**	32
More than 60 days	**312**	112
	42,127	3,953

The Group holds a specific loss provision of $Nil at 31 December 2021 (2020: $Nil). The expected credit loss rate is immaterial to the Group, given the trade receivables predominantly relate to amounts due from payment providers following sale of the Group's products to consumers and are typically received within 7-60 days.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and any change in the credit quality from the date the credit was initially granted up to the reporting date.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. There were no impairment losses on trade receivables for the years ended 31 December 2021 and 2020.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group does not hold any collateral as security. Impairments of trade receivables are expensed as operating expenses.

Liquidity risk management

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The Group's liquidity risk is monitored by:

- Using regular cash flow reporting and projections to ensure that it is able to meet its obligations, including the loan, as they fall due.
- Projections the Company results to ensure meeting the loan covenants.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2021	**Carrying amounts $'000**	**Contractual cash flows $'000**	**3 months or less $'000**	**Between 3-12 months $'000**	**Between 1-5 years $'000**	**More than 5 years $'000**
Trade and other payables	**78,202**	**78,202**	**78,177**	**25**	**–**	**–**
Loans and Borrowings	**117,384**	**119,487**	**5,000**	**15,000**	**99,487**	**–**
Onerous contract liability	**741**	**750**	**250**	**500**	**–**	**–**
Payables to related parties	**3,680**	**3,680**	**74**	**3,606**	**–**	**–**
Lease liabilities	**23,019**	**23,668**	**1,687**	**5,300**	**13,993**	**2,688**
Deferred consideration	**368,287**	**374,144**	**1,706**	**199,738**	**172,700**	**–**
	591,313	**599,931**	**86,894**	**224,169**	**286,180**	**2,688**

2020	Carrying amounts $'000	Contractual cash flows $'000	3 months or less $'000	Between 3-12 months $'000	Between 1-5 years $'000	More than 5 years $'000
Trade and other payables	18,354	18,354	18,354	–	–	–
Loans and Borrowings	36,736	39,385	2,014	5,968	31,403	–
Onerous contract liability	1,400	1,438	188	563	687	–
Payables to related parties	6	6	6	–	–	–
Lease liabilities	4,547	4,740	757	1,833	2,150	–
Deferred consideration	14,494	15,482	–	15,045	437	–
	75,537	79,405	21,319	23,409	34,677	–

Capital risk

The Group seeks to maintain a capital structure which enables it to continue as a going concern and which supports its business strategy. The Group's capital is provided by equity and manages its capital structure through cash flow from operations and a long-term borrowing which was taken primarily to support Webselenese and PIA acquisitions.

17 Employee share-based payments

Options have been granted under the Group's share option scheme to subscribe for ordinary shares of the Company. At 31 December 2021, the following options were outstanding (2020: 9,302,613):

Group	Grant date	Number of shares under option	Subscription price per share
Group 1	29 May 2014	200,340	$0.538
Group 2	21 April 2015	148,062	$1.305
Group 3	5 January 2016	98,938	$0.710
Group 5	26 October 2016	1,249,660	$0.467
Group 6	3 April 2017	147,500	$0.0001
Group 7	15 June 2017	370,956	$0.845
Group 9	26 April 2018	227,625	$1.280
Group 10	13 July 2018	910,000	$1.437
Group 12	21 May 2019	283,125	$1.090
Group 13	20 November 2019	527,000	$1.040
Group 14	3 December 2019	634,375	$1.230
Group 15	21 May 2020	1,394,249	$2.050
Group 16	17 July 2020	25,000	$2.230
Group 17	26 November 2020	168,750	$2.400
Group 18	22 March 2021	4,112,995	$2.980
Group 19	11 October 2021	500,000	$4.379
Group 20	1 December 2021	1,132,500	$5.330
Group 21	15 December 2021	8,695,000	$5.428
Total		20,826,075	

Vesting conditions

Groups 1-3, 5, 7, 9-10 and 12-21 – 25% at the end of the first year following the grant date. 6.25% on a quarterly basis during 12 quarters period thereafter.

Group 6 – 50% at the end of the second year following the grant date and the remainder at the end of the third year following the grant.

The total number of shares exercisable as of 31 December 2021 was 4,120,019 (2020: 4,795,448).

The weighted average fair value of options granted in the year using the Cox, Ross and Rubinstein's Binomial Model (the 'Binomial Model') was $2.431. The inputs into the Binomial model are as follows:

	2021	2020
Early exercise factor	**100% – 150%**	100%
Fair value of Group's stock	**$4.00 – $5.50**	$2.31 – $2.75
Expected Volatility	**39% – 55%**	44.6% – 59.6%
Risk free interest rate	**(0.01%) – 0.89%**	(0.79%) – (0.45%)
Dividend yield	**–**	–
Forfeiture rate	**0% – 5%**	0% – 20%

We used the empirical observations for early exercise factor of public companies as an appropriate benchmark for the expected Early exercise factor.

Expected volatility was determined based on the historical volatility of comparable companies.

Forfeiture rate is assumed to be 0% for senior management and 5% for other employees.

The risk-free interest rate was estimated based on average yields of UK Government Bonds.

The Group recognised total share-based payments relating to equity-settled share-based payment transactions as follows:

	2021 $'000	2020 $'000
Share-based payment charge	**5,224**	1,232

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
At the beginning of the year	**$0.84**	**9,302,613**	$0.66	13,018,231
Granted	**$4.67**	**14,529,245**	$2.09	1,817,000
Lapsed	**$2.31**	**(265,301)**	$1.20	(372,647)
Exercised	**$0.31**	**(2,740,482)**	$0.56	(5,159,971)
At the end of the year	**$3.63**	**20,826,075**	$0.84	9,302,613

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of 8.78 years (2020: 7.34 years).

18 Earnings per share

Basic loss/earnings per share is calculated by dividing the loss/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2021 cents	2020 cents
Basic earnings per share:		
From continuing operations	**9.6**	15.4
from discontinued operations	**–**	(0.4)
Total basic earnings per share	**9.6**	15.0
Diluted earnings per share:		
From continuing operations	**9.4**	14.8
from discontinued operations	**–**	(0.4)
Total diluted earnings per share	**9.4**	14.4
Adjusted basic	**23.8**	14.1
Adjusted diluted	**23.1**	13.5

18 Earnings per share continued

Adjusted earnings per share is a non-GAAP measure and therefore the approach may differ between companies. Adjusted earnings have been calculated as follows:

	2021 $'000	2020 $'000
Profit for the year	**23,338**	28,877
Post tax adjustments:		
Employee share-based payment charge	**5,546**	1,344
Exceptional or non-recurring costs	**8,968**	5,630
Amortisation on acquired intangible assets	**24,265**	14,652
Loss from discontinued operations	**–**	792
Other operating (income)/expense	**(852)**	371
Exceptional deferred tax charge	**–**	(25,639)
Finance (income)/expenses on deferred consideration for business combination, lease liabilities and forward contract	**(3,640)**	1,157
Adjusted profit for the year	**57,625**	27,184

	Number	Number
Denominator – basic:		
Weighted average number of equity shares for the purpose of earnings per share	**241,960,504**	192,596,652
Adjustments for calculation of diluted earnings per share:		
Impact of potentially dilutive shares related to employee options	**7,002,360**	8,406,227
Denominator – diluted		
Weighted average number of equity shares for the purpose of diluted earnings per share	**248,962,864**	201,002,879

The diluted denominator has not been used where this has anti-dilutive effect. Basic and diluted loss per share are therefore the same for reporting purposes.

The difference between weighted average number of ordinary shares used for basic earnings per share and the diluted earnings per share 7,002,360 (2020: 8,406,227) being the effect of all potentially dilutive ordinary shares derived from the number of share options granted to employees.

19 Subsidiaries

Name	Country of incorporation	Principal activities	Holding %
CyberGhost SRL*	Romania	A leading cyber security SaaS provider, with a focus on the provision of virtual private network ('VPN') solutions	100
Neutral Holding Inc	United States of America	Holding Company of Intego inc, a leading cyber security SaaS provider, with a focus on the provision of malware protection to Macintosh operating systems	100
Intego SA*	France	Development and technical support services	100
Intego Inc*	United States of America	A leading cyber security SaaS provider, with a focus on the provision of malware protection to Macintosh operating systems	100
ZenGuard GMBH*	Germany	A leading cyber security SaaS provider, with a focus on the provision of virtual private network ('VPN') solutions and Provision of software development services to its parent Company	100
Reimage Limited	Isle of Man	Development and sale of the 'Reimage' software tool	100
Reimage Limited*	Cyprus	Consulting, market research and software development services	100
Restoro Limited*	Isle of Man	Development and sale of the 'Restoro' software tool	100
R.S.F Remote Software Fixing Limited*	Israel	Provision of development, technical support and marketing support services to its parent company	100

Name	Country of incorporation	Principal activities	Holding %
KLTM5 Holding	United States of America	Holding Company of Private Internet Access Inc, a leading cyber security SaaS provider, with a focus on the provision of virtual private network ('VPN') solutions	100
Private Internet Access Inc*	United States of America	A leading cyber security SaaS provider, with a focus on the provision of virtual private network ('VPN') solutions	100
Kape Technologies (Cyprus) Limited	Cyprus	Provision of professional services to the Group entities	100
Crossrider Sports Limited*	United Kingdom	Provision of consulting services to the Group entities	100
Definiti Media Ltd*	Israel	Providing user acquisition services for the Group activities	100
Crosspath Trading Limited	British Virgin Islands	Inactive	100
Kape Technologies Employee Benefit Trust	Jersey	Employee Benefit Trust	100
Plus Ultra Link LLC*	United States of America	Development of a speeds up internet connections software	80
BestAd Hi-Tech Media Limited*	Israel	Inactive	100
Crossrider Advanced Technologies Limited	Israel	Provision of development and administration services to the Group entities	100
Crossrider (Israel) Limited*	Israel	Inactive	100
Private Internet Access Cyprus Limited (Formerly Blueroad Technologies Limited)*	Cyprus	Inactive	100
Cyberghost (Cyprus) Limited (Formerly Frontbase Trading Limited)*	Cyprus	Inactive	100
Crossrider ROM SRL*	Romania	Inactive	100
Ani Ariel Ltd.*	Israel	Holding Company of Webselenese Ltd., a digital platform which provides independent and highly valued consumer privacy and security content	100
Uma Capital Ltd.*	Israel	Holding Company of Webselenese Ltd., a digital platform which provides independent and highly valued consumer privacy and security content	100
Webselenese Ltd.*	Israel	Digital platform which provides independent and highly valued consumer privacy and security content	100
Kape Acquisition PTE. Ltd.	Singapore	A leading cyber security SaaS provider, with a focus on the provision of virtual private network ('VPN') solutions	100
Network Guard Pte*	Singapore	Provision of development, technical support, and marketing support services to its parent company	100
Network Guard Limited*	Hong Kong	Provision of development, technical support, and marketing support services to its parent company	100
Express Technologies Ltd*	British Virgin Islands	Provision of agency services to Kape Acquisition Pte, a leading cyber security SaaS provider, with a focus on the provision of virtual private network ('VPN') solutions	100
Expressco Limited*	Cyprus	Collecting agent on behalf Express Technologies Ltd	100
Expressco Services, LLC*	United States of America	Collecting agent on behalf Express Technologies Ltd	100
Cyberghost LLC*	United States of America	Inactive	100
Kape Services, LLC	United States of America	Inactive	100

* Indirect shareholding.

The Group was formed from a series of common control transactions which have been accounted for using merger accounting; and acquisitions from third parties which have been accounted for using the acquisition method.

20 Business combinations

(a) Acquisition of Webselenese Ltd.

On 5 March 2021 (the 'Closing date'), the Group acquired 100% of the share capital of Uma Capital Ltd and Ani Ariel Ltd, which are the owners of Webselenese Ltd ('Webselenese'), a digital platform which provides independent and highly valued consumer privacy and security content to millions of users globally via market-leading review sites, and Gclid Ltd ('GCLID') assets, owned reviews website.

The acquisition will support and improve the Group's organic growth prospects in the fast-growing consumer digital Privacy and Security markets through elevating Kape as a leading force across the global consumer privacy and security arena, supporting the Group's product and broader software portfolio development and retaining Webselenese's highly experienced management team.

Webselenese's results are reported as a new segment within the Group management reporting system, Digital Content.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Acquiree's carrying amount before combination $'000	Fair value $'000
Fixed assets, net	255	255
Trade and other receivables	7,257	7,257
Deferred tax asset	615	615
Cash and Cash equivalents	3,087	3,087
Right of use assets	509	591
Brand	–	25,829
Customer lists	–	10,927
Non-compete	–	4,291
Technology	1,224	12,993
Trade and other payables	(2,887)	(2,887)
Lease liabilities	(554)	(591)
Deferred tax liability	–	(6,185)
	9,506	56,182
Fair value of consideration		
Cash		119,160
Shares		28,548
Deferred and contingent cash considerations		7,357
Goodwill		98,883

Net cash outflow on acquisition of business

	2021 $'000
Cash consideration	**119,160**
Cash and cash equivalents acquired	**(3,087)**
	116,073

Webselenese was acquired for a total consideration of $155.1 million (including the acquisition of Gclid Ltd assets) to be satisfied by combination of:

- A payment upon closing of $119.2 million in cash.
- Issuance of 12,123,769 ordinary shares of $0.0001, to Webselenese's founders and two senior members of staff. Webselenese's founders share consideration is subject to lock-up periods, of which 50% until the first anniversary of closing, 25% until 18 months from closing and the remaining 25% until the second anniversary.
- Deferred cash consideration of $2.99 million for the excess working capital of Webselenese at the closing date. The consideration was settled 90 days after closing.
- Contingent consideration of $2.6 million which depends on Gclid's assets performance.
- Deferred cash consideration of $1.76 million which represents the excess income tax advances that were paid by Webselenese before the acquisition date.

Webselenese's founders are subject to Non-Competition and Non-Solicitation agreement for the employment term and period of four years after the closing date.

The initial cash consideration founded through Kape's internal cash resources a $34.2 million and a $85.0 million bridge facility (the 'Bridge Loan') from TS Next Level Investments Limited ('TSNLI'), an affiliate of Unikmind Holdings Limited, Kape's majority shareholder. The Group completed re-financing of the Bridge loan as of 28 May 2021. Further details of the Bridge Loan, which is a related party transaction, and the re-financing are set out on note 24.

Since the acquisition date, Webselenese has contributed $75.6 million to Group's revenues, profit of $9.5 million to Group profit. In addition, since the acquisition date Webselenese contributed $38.3 million to segment results of the Digital Content segment (as set out in note 4). If the acquisition had occurred on 1 January 2021, Group revenue would have been $243.4 million, Group income for the period would have been $18.0 million and the Digital Content result would have been $43.6 million. Acquisition costs of $0.5 million arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of comprehensive income.

(b) Acquisition of ExpressVPN

On 15 December 2021 (the 'Closing date'), the Group acquired certain assets, liabilities and service entities together comprising the ExpressVPN business ('ExpressVPN') from Access Global Limited and its subsidiaries ('Access Global'). ExpressVPN is one of the most recognised brands in the digital privacy space and the acquisition creates a premium digital privacy and security player best-positioned to serve the growing demand for digital privacy.

The acquisition delivers substantial operational benefits to the Group. The enlarged group will have a significant scale, servicing over 6.5 million paying subscribers, presenting considerable cross-sell and additional revenue opportunities throughout the platform. In addition, ExpressVPN's first-rate management and team members joined Kape, bringing deep expertise in the digital privacy sphere. ExpressVPN also brings a robust network of channel partners, further strengthening the enlarged group's go-to-market capabilities.

ExpressVPN's results are reported as part of the Digital Privacy segment.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill, are as follows:

	Acquiree's carrying amount before combination $'000	Provisional Fair value $'000
Fixed assets, net	2,214	2,214
Trade and other receivables	20,747	20,747
Deferred Contract costs	209,524	–
Cash and Cash equivalents	509	509
Right of use assets	6,900	7,245
Trademark	–	79,082
Customer lists	–	353,592
Technology	4,945	131,145
Trade and other payables	(43,242)	(43,242)
Contract liabilities	(122,713)	(122,713)
Lease liabilities	(7,144)	(7,245)
Deferred tax liability	(159)	(60,270)
	71,581	361,064
Fair value of consideration		
Cash		334,539
Shares		232,115
Deferred cash consideration		359,156
Goodwill		564,746

20 Business combinations continued

Net cash outflow on acquisition of business

	2021 $'000
Cash consideration	334,539
Cash and cash equivalents acquired	(509)
	334,030

ExpressVPN was acquired for a total consideration of $925.8 million to be satisfied by combination of:

- A payment upon closing of $334.5 million in cash ('Initial Consideration'). The cash element of the Initial Consideration is subject to adjustment for net cash or debt in the two corporate service entities being acquired as part of the hybrid asset and share acquisition.
- A payment on or before the six-month anniversary of completion, of $20.0 million.
- A payment on the first anniversary of completion of $172.5 million in cash and on the second anniversary of completion of $172.5 million in cash (the 'Deferred Cash Consideration'). The Deferred Cash Consideration is not subject to performance or other conditions and its payment by Kape will be secured by way of a charge over the shares in the Buyer. The fair value of the Deferred Cash Consideration as of the acquisition date is $359.2 million.
- Issuance of 47,782,800 ordinary shares of $0.0001, to Peter Burchhardt and Dan Pomerantz, ExpressVPN's co-founders, representing approximately 13.6% of the enlarged issued share capital of Kape. The share consideration is subject to lock-up periods, of which 50% until the first anniversary of closing, 25% until 18 months from closing and the remaining 25% until the second anniversary.

The acquisition agreement contains customary warranties for a transaction of this nature, given by the selling entities in favour of the Buyer and certain limited warranties given by the Group. In addition, the Acquisition agreement contains certain indemnities to the Buyer in respect of a limited number of specific issues identified by the Group. The warranties and indemnities are each subject to certain limitations. The co-founders of ExpressVPN have personally guaranteed to the Buyer the performance by the selling entities of their obligations in respect of the Acquisition. The Group has guaranteed the performance by the Buyer of certain of its obligations in respect of the acquisition.

Peter Burchhardt will have the right to appoint one Non-Executive Director to the Board of Kape. This right will continue for so long as the ExpressVPN co-founders, their close family members and their respective wholly owned companies, taken together, hold at least 5% of Kape's ordinary shares, subject to certain anti-dilution protections.

An amount of $10.8 million of the Consideration Shares will be held in escrow for 24 months from completion of the Acquisition, to provide security for claims under the Acquisition documents which are agreed or determined in favour of the Buyer.

The initial cash consideration founded through placing of $351.0 million (£258.3 million) secured on 14 September 2021 and completed on 1 October 2021, as further described in Note 15. It is Kape's intention that the Deferred Consideration will be funded from its operational cashflow and by using the extended revolving credit facility provided to Kape's by the existing lender group, as further described in Note 24.

TS Next Level Investments Limited ('TSNLI'), an affiliate of Unikmind, has entered into binding commitment letters with the Group, subject to limited conditions, to make available to Group, if required, loan facilities of up to $345 million in aggregate in connection with Kape's obligation to pay the Deferred Cash Consideration. Furthermore, Refinancing Facility of up to $130 million provided until the Group achieved the club of banks consent to the acquisition, as further described in Note 22 and 24.

Since the acquisition date, ExpressVPN has contributed $18.2 million to Group's revenues, profit of $5.0 million to Group profit. In addition, since the acquisition date, ExpressVPN contributed $18.9 million to segment results of the Digital Privacy segment (as set out in note 4). If the acquisition had occurred on 1 January 2021, Group revenue would have been $515.8 million, Group income for the period would have been $52.2 million and the Digital Privacy result would have been $306.2 million. Acquisition costs of $3.0 million arose as a result of the transaction. These have been recognised as part of Management, general and administrative costs in the statement of comprehensive income.

21 Discontinued operation

(a) Description

On 26 July 2018, the Group sold the Media division to Ecom Online Ltd. As for the sale date, the Media division included Clearvelvet Trading Limited ('Clearvelvet') and Intangible assets of the Media CGU. As consideration, the Group will receive a 50% share of EBITDA from the Media division for the next five years following the sale. The fair value of the deferred consideration as at 31 December 2021 was $Nil (2020: $Nil million). Decrease to the fair value accounted on 2020, is presented as discontinued operation.

The deferred consideration fair value has been determined in use calculations based on cash flow projections for the period left using the most recent expectations received from the acquire. The rate used to discount these forecast cash flows is 25 per cent (2020: 25 per cent). The discount rate used in the valuation was 25 per cent. If the discount rate was increased by 1 percentage point the effect would have been $Nil million. There is no reasonably possible change in assumption that would give rise to an impairment.

(b) Financial performance

The financial performance and cash flow information presented are for the year ended 31 December 2021 and 2020.

	2021 $'000	2020 $'000
Revenue	**–**	–
Expenses	**–**	–
Loss before income tax	**–**	–
Income tax expenses	**–**	–
Loss after income tax of discontinued operation	**–**	–
Fair value movements on deferred consideration	**–**	(792)
Loss on sale of the Media division	**–**	–
Loss from discontinued operation	**–**	(792)
Net cash outflow from operating activities	**–**	–
Net cash outflow from investing activities	**–**	–
Net cash flow from financing activities	**–**	–
Net decrease in cash generated by the Media division	**–**	–

22 Related party transactions

The Group is controlled by Unikmind Holdings Limited ('Unikmind') incorporated in British Virgin Islands, which owns 53.7% of the Company's shares as at 31 December 2021. The controlling party, Unikmind Holdings Ltd, has redomiciled from the British Virgin Islands to the Isle of Man. Mr. Teddy Sagi is the sole ultimate beneficiary of Unikmind Holdings Ltd.

(a) Related party transactions

The following transactions were carried out with related parties:

	2021 $'000	2020 $'000
Technical support services to end customers and administration services provided by common controlled company	**(271)**	(207)
Office expenses to common controlled companies	**(44)**	(61)
Amortisation of Right-to-use assets with common controlled companies (Note 23)	**(410)**	(1,069)
Interest expenses from lease liabilities to common controlled companies	**(24)**	–
Other operating income from lease modification to common controlled company	**38**	–
Software fees provided by common controlled company	**(32)**	–
Issuance cost amortisation for facility revolver provided by shareholder	**(144)**	–
Shareholder facility revolver commitment fees	**(3,606)**	–
Interest expenses from shareholder short-term loan and debt facility	**(2,125)**	(934)
	(6,618)	(2,271)

On 5 March 2021, Kape entered into a binding commitment letter with TS Next Level Investments Limited ('TSNLI') under which TSNLI committed, subject to limited conditions, to provide to Kape the Bridge Loan of up to $120 million in aggregate. The Bridge Loan carried a fixed coupon of 6.0% per annum payable on funds drawn and an arrangement fee of 1.0%. The Bridge Loan was subordinated to Kape's existing bank facilities and was repayable no later than 31 December 2021. The Bridge Loan also included certain customary obligations on Kape in relation to TSNLI's costs and expenses and in relation to taxes. On 2 June 2021, Kape repaid the Bridge Loan in full and accumulated interest following closing of a new bank debt facility, as further described in Note 24.

On 14 September 2021, TS Next Level Investments Limited ('TSNLI'), an affiliate of Unikmind, has entered into binding commitment letters with the Group ('Deferred Consideration Facility'), subject to limited conditions, to make available to Group, if required, loan facilities of up to $345 million in aggregate in connection with Kape's obligation to pay ExpressVPN's Deferred Consideration. Furthermore, Refinancing Facility of up to $130 million provided until the Group achieved the club of banks consent to the acquisition.

22 Related party transactions continued

(a) Related party transactions continued

The Deferred Consideration Facility will carry a variable coupon, depending on the leverage ratio: if greater than or equal to 3:1 the coupon will be 4.75% per annum, if greater than or equal to 2:1 but less than 3:1, then the coupon will be 4.25% per annum and if less than 2:1 then the coupon will be 4.00% per annum, in each case, on funds drawn. The rates set out above will each increase by 1.00% per annum on and from the second anniversary of the completion of the Acquisition and will increase by a further 1.00% per annum on and from the third anniversary of the completion of the Acquisition.

The Deferred Consideration Facility also carried an arrangement fee of 1.5% of the total commitments, paid in December 2021 following the completion of ExpressVPN acquisition, and a commitment fee accruing at the rate of 3.50% per annum on undrawn commitments, payable on the earlier of the commitments being cancelled or utilised. Should Kape find an alternative source of financing to fund the payment of the Deferred Consideration or to refinance the Deferred Consideration Facility, the commitment fees will only be payable pro rata for the period during which the commitment under the Deferred Consideration Facility is in place.

The Deferred Consideration Facility also include certain customary obligations on Kape in relation to, inter alia, TSNLI's costs and expenses and in relation to taxes.

Unikmind has entered into the Subscription Agreement with the Company, details of which are set out above. No underwriting or other fees are payable to Unikmind under the Subscription Agreement.

On 6 December 2019, Kape entered into a $40.0 million short-term debt facility from Unikmind Holdings Limited ('Unikmind'), Kape's largest shareholder, and was also provided with an additional debt facility of $20.0 million, on similar terms. The Term Loan had a fixed interest rate of 5% above 6 months US$ Libor. The Term debt facilities had a fixed interest of 1.5% upon availability, $5.0 million on the first anniversary and $15.0 million on the second anniversary.

In April 2020, Kape re-financed the Shareholder Term Loan with third-party facilities and repaid the Shareholder Term loan in full, as further described in Note 24.

(b) Receivables owed by related parties (Note 16)

Name	Nature of transaction	2021 $'000	2020 $'000
Parent company	Unpaid share capital	**10**	10
Companies related by virtue of common control	Other	**40**	18
		50	28

(c) Payables to related parties (Note 16)

Name	Nature of transaction	2021 $'000	2020 $'000
Companies related by virtue of common control	Other	**74**	6
Companies related by virtue of common control	Accrued commitment fees	**3,606**	–
		3,680	6

(d) Right-to-use assets and Lease liabilities to related parties (Note 23)

	2021 $'000	2020 $'000
Right-to-use assets	**5,313**	758
Lease liabilities	**(5,346)**	(932)

23 Leases

The balance sheet shows the following amounts relating to leases:

Right-of-Use Assets

	Real estate leases $'000	Vehicles $'000	Colocation $'000	Total $'000
At 1 January 2020	2,840	138	7	2,985
Additions	438	–	2,205	2,643
Disposal	–	(53)	–	(53)
Effect of modification to lease terms	141	(3)	–	138
Amortisation	(1,359)	(60)	(288)	(1,707)
At 31 December 2020	**2,060**	**22**	**1,924**	**4,006**
Additions	**11,590**	**–**	**4,818**	**16,408**
Acquisitions through business combinations	**7,799**	**–**	**37**	**7,836**
Effect of modification to lease terms	**(953)**	**–**	**(1,522)**	**(2,475)**
Amortisation	**(2,291)**	**(15)**	**(1,589)**	**(3,895)**
At 31 December 2021	**18,205**	**7**	**3,668**	**21,880**

Lease liabilities

	Real estate leases $'000	Vehicles $'000	Colocation $'000	Total $'000
At 1 January 2020	3,049	62	7	3,118
Additions	438	–	2,205	2,643
Effect of modification to lease terms	141	(3)	–	138
Interest expense	182	2	21	205
Lease payments	(1,497)	(34)	(305)	(1,836)
Foreign exchange movements	188	2	89	279
At 31 December 2020	**2,501**	**29**	**2,017**	**4,547**
Additions	**11,590**	**–**	**4,818**	**16,408**
Acquisitions through business combinations	**7,799**	**–**	**37**	**7,836**
Effect of modification to lease terms	**(1,728)**	**–**	**(1,595)**	**(3,323)**
Interest expense	**160**	**1**	**57**	**218**
Lease payments	**(1,126)**	**(20)**	**(1,693)**	**(2,839)**
Foreign exchange movements	**147**	**–**	**25**	**172**
At 31 December 2021	**19,343**	**10**	**3,666**	**23,019**

2021	Carrying amount $'000	Contractual cash flow $'000	3 months or less $'000	Between 3-12 months $'000	Between 1-5 years $'000	More than 5 years $'000
Lease liabilities	**23,019**	**23,668**	**1,687**	**5,300**	**13,993**	**2,688**

The Company leases various real estate leases, vehicles and Server spaces ('Colocation'). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. The weighted average lessee's incremental borrowing rate applied to the new lease liabilities during the year ended 31 December 2021, including acquisitions through business combinations, was 1.76%.

Extension and termination options are included in a few lease contracts. These terms are used to maximise operational flexibility in terms of managing contracts.

Notes to the consolidated financial statements continued

24 Loans and Borrowings

	Bank loan $'000	Shareholder loan $'000
At 1 January 2020	–	40,221
Term Facility	40,000	–
Revolving credit facility	1,654	–
Debt issuance costs	(1,730)	–
Interest expenses	1,114	934
Interest paid	(658)	(1,155)
Net foreign exchange	(8)	–
Repayment of loan	(3,636)	(40,000)
At 31 December 2020	**36,736**	**–**
Bridge Loan	**–**	**85,000**
Term Facility	**85,000**	**–**
Revolving credit facility	**8,207**	**–**
Debt issuance costs	**(2,186)**	**(850)**
Interest expenses	**3,321**	**2,125**
Interest paid	**(1,934)**	**(1,275)**
Net foreign exchange	**58**	**–**
Repayment of loan	**(11,818)**	**(85,000)**
At 31 December 2021	**117,384**	**–**
Current portion	**19,554**	**–**
Non-Current portion	**97,830**	**–**

Shareholder loan

On 5 March 2021, Kape has entered into a binding commitment letter with TS Next Level Investments Limited ('TSNLI') under which TSNLI committed, subject to limited conditions, to provide to Kape the Bridge Loan of up to $120 million in aggregate. The Bridge Loan carried a fixed coupon of 6.0% per annum payable on funds drawn and an arrangement fee of 1.0%. The Bridge Loan was subordinated to Kape's existing bank facilities and was repayable no later than 31 December 2021. The Bridge Loan also included certain customary obligations on Kape in relation to TSNLI's costs and expenses and in relation to taxes. On 2 June 2021, Kape repaid the Bridge Loan in full and accumulated interest following closing of a new bank debt facility as described below.

Shareholder Deferred Consideration Facility

On 14 September 2021, TS Next Level Investments Limited ('TSNLI'), an affiliate of Unikmind, has entered into binding commitment letters with the Group ('Deferred Consideration Facility'), subject to limited conditions, to make available to Group, if required, loan facilities of up to $345 million in aggregate in connection with Kape's obligation to pay ExpressVPN's Deferred Cash Consideration. Furthermore, Refinancing Facility of up to $130 million provided until the Group achieved the club of banks consent to the acquisition.

The Deferred Consideration Facility will carry a variable coupon, depending on the leverage ratio: if greater than or equal to 3:1, the coupon will be 4.75% per annum, if greater than or equal to 2:1 but less than 3:1, then the coupon will be 4.25% per annum and if less than 2:1 then the coupon will be 4.00% per annum, in each case, on funds drawn. The rates set out above will each increase by 1.00% per annum on and from the second anniversary of the completion of the Acquisition and will increase by a further 1.00% per annum on and from the third anniversary of the completion of the Acquisition.

The Deferred Consideration Facility also carried an arrangement fee of 1.5% of the total commitments, paid in December 2021 following the completion of ExpressVPN acquisition, and a commitment fee accruing at the rate of 3.50% per annum on undrawn commitments, payable on the earlier of the commitments being cancelled or utilised. Should Kape find an alternative source of financing to fund the payment of the Deferred Consideration or to refinance the Deferred Consideration Facility, the commitment fees will only be payable pro rata for the period during which the commitment under the Deferred Consideration Facility is in place.

The Deferred Consideration Facility also include certain customary obligations on Kape in relation to, inter alia, TSNLI's costs and expenses and in relation to taxes.

Bank loan

(a) General

On 28 April 2020, Kape agreed with Bank of Ireland, Barclays Bank, and Citibank (the 'Banks'), to provide a senior secured term and revolving credit facilities of up to $70 million (the 'New Debt Facilities'), the facility is a club of banks with Bank of Ireland acting as the agent bank.

The Old Debt Facilities comprise of a $40 million term facility (the 'Term Facility'), a $10 million revolving credit facility (the 'RCF'), and a $20 million uncommitted acquisition facility (the 'Uncommitted Acquisition Facility'). The Old Debt Facilities have a three-year term with an option to extend by up to an additional two years.

On 28 May 2021, the Company agreed with Bank of Ireland, Barclays Bank PLC, Citibank, Citizens Bank, BNP Paribas and Leumi Bank (together, 'the Banks'), to replace the Old Term Facility, RCF and Shareholder loan with a new senior secured bank facilities of up to $220 million ('New Debt Facilities'). The New Debt Facilities comprise a $120 million senior secured term facility (the 'Term Facility'), a $10 million revolving credit facility (the 'RCF') and a $90 million uncommitted acquisition facility (the 'Uncommitted Acquisition Facility'). Bank of Ireland is the agent bank. The New Debt Facilities have a three-years term with an option to extend the term by up to an additional two years. 50% of the Term Facility will be amortised on a quarterly basis across 36 months starting September 2021. The New Debt Facilities carry an opening Margin of 2% above Applicable Reference Rate per annum.

On 15 December 2021, the Banks have given its consent to the ExpressVPN Acquisition and extended their revolving credit facility to Kape from $10 million to $80 million. The revolving credit facility can be utilised according to Kape's needs.

Term Facility

The term facility comprised from $34.5 million remaining from the old term facility and net proceeds of the New Term Facility of $83.3 million, after deducting commissions and other direct costs of the Term Facility. Commissions and other direct costs of the Term Facility have been offset against the principal balance and are amortised throughout the loan.

The Term Facility carries an interest rate of 3 months Applicable Reference Rate, which is USD or EUR EURIBOR or GBP SONIA, (as of the beginning of the relevant period) plus an opening Margin of 2% per annum.

The applicable Margin is linked to the Adjusted Leverage, tested at the end of each quarter for the preceding 12 months. Until 15 December 2021, in case the Adjusted Leverage will be greater than two or less than one the applicable margin will change to 2.25% or 1.85%, respectively. Following ExpressVPN Acquisition and the Banks consent, the applicable Margin range has modified, if greater than or equal to 3:1 the coupon will be 2.75% per annum, if greater than or equal to 2.5:1 but less than 3:1, then the coupon will be 2.5% per annum, if greater than or equal to 2.0:1 but less than 2.5:1, then the coupon will be 2.25% per annum, if greater than or equal to 1.0:1 but less than 2.0:1, then the coupon will be 2.0% per annum, if less than 1:1 then the coupon will be 1.85% per annum, in each case, on funds drawn.

As the applicable Margin as of 31 December 2021 is 2.75% (2020: 1.85%). The effective interest rate after considering debt issuance cost is 3.866% (2020: 3.975%).

RCF

A $80 million revolving credit facility, that carries a commitment fee for the unused facility of 35% of the applicable Margin and interest rate as of the Term Facility for the used facility. As of the reporting date, the total credit facility drawn amount is $10.0 million. Arrangement Fee of 0.2% shall be paid upon the $70 million extended facility.

(b) Security

The New Debt Facilities are secured by first ranking security over all assets (including material Intellectual Property) of Kape Technologies Plc ('Parent') and her material subsidiaries ('Obligors') and over the shares in all Obligors (other than the Parent). The newly formed or acquired companies as part of the ExpressVPN acquisition were excluded as obligors, with the exception of charge over the shares of Kape Acquisition Pte. Ltd, the buyer of the ExpressVPN's business.

(c) Loan Covenants

The Group is required to comply with the following financial covenants:

- The ratio of EBITDA to Net Finance Charges ('Interest Cover') shall not be less than 4.0x in respect of any Relevant Period.
- The ratio of Total Net Debt on the last day of the relevant period to Adjusted EBITDA in respect of that Relevant period ('Adjusted Leverage'), shall not exceed 2.5x for the first one relevant period, from and including 30 June 2020 to and including 30 September 2021, 3.5x from and including 31 December 2021 to and including 30 September 2022, 2.5x from and including 31 December 2022 to and including 31 March 2023 , 2.0x from and including 30 June 2023 and each Relevant Period thereafter.

As of 31 December 2021, the Group has met the financial covenants as follows:

- Interest Cover: 10
- Adjusted Leverage: 2.88

Fair Value

As of 31 December 2021, the fair values are not materially different from the carrying amount of the Bank Loan, since the interest payable is deemed to be market rate.

25 Onerous contract liability

On 28 October 2020, as part of LTMI's founders buy-back transaction, the Company terminated the consultancy services arrangement provided to the Company by Andrew Lee through a services company. The remaining contract liability will be paid in monthly instalments, starting November 2020. As of 31 December 2021, the provision balance is $0.7 million (2020: $1.4 million). The remaining amount will be settled in 2022.

26 Contingent liabilities

The Group had no contingent liabilities as at 31 December 2021.

27 Deferred and contingent consideration

	DriverAgent Acquisition $'000	Private Internet Access Inc acquisition – deferred cash consideration $'000	Private Internet Access Inc acquisition – deferred assets consideration $'000	Webselenese acquisition $'000	ExpressVPN acquisition $'000	Total $'000
At 1 January 2020	192	18,611	817	–	–	19,620
Deferred consideration payments	–	(5,257)	–	–	–	(5,257)
Non-Cash deferred consideration proceeds	–	–	(570)	–	–	(570)
Unwinding of discount	–	948	–	–	–	948
At 31 December 2020	**192**	**14,302**	**247**	**–**	**–**	**14,741**
Deferred consideration payments	**–**	**(10,714)**	**–**	**(3,332)**	**–**	**(14,046)**
Non-Cash deferred consideration proceeds	**–**	**–**	**(247)**	**–**	**–**	**(247)**
Arising from business combination (see note 20)	**–**	**–**	**–**	**7,357**	**359,156**	**366,513**
Fair value movement through profit and loss	**(140)**	**–**	**–**	**370**	**–**	**230**
Unwinding of discount	**–**	**696**	**–**	**42**	**170**	**908**
Foreign Exchange movements	**–**	**–**	**–**	**188**	**–**	**188**
At 31 December 2021	**52**	**4,284**	**–**	**4,625**	**359,326**	**368,287**
Short-term	–	4,284	–	4,625	190,428	199,337
Long-term	52	–	–	–	168,898	168,950

(a) Acquisition of DriverAgent intangibles

In October 2016, the Group acquired the intellectual property of PC maintenance software product, DriverAgent, from eSupport.com, Inc for a total consideration of $1.2 million. As for 31 December 2021, the consideration included $0.05 million of consideration (2020: $0.2 million) which is contingent on future results.

(b) Sale of the Media Division

On 26 July 2018, the Group sold the media division to Ecom Online Ltd. This sale is in-line with the Company's strategy to develop and distribute its own cyber security products. As agreed, the Group will receive a 50% share of EBITDA from the Media division for the next five years following the sale, which will be reinvested in the Group's core Digital Security and Digital Privacy segments. As at 31 December 2021, the consideration included $Nil million (2020: $nil million) of deferred consideration receivable.

(c) Acquisition of Private Internet Access Inc

On 13 December 2019, the Group acquired 100% of the share capital of LTMI Holdings ('PIA'). LTMI is the holding Company for Private Internet Access Inc ('PIA'), a leading US-based digital privacy company with strong position in the data privacy services. PIA was acquired for a total consideration of $130.1 million (including the $5.7 million to PIA phantom shareholder) and an enterprise value of $162.3 (including $32.2 million for repayment of PIA's existing debt), to be satisfied by a combination of $85.0 million cash and issuance of 42,701,548 new Kape ordinary shares to be paid in three phases:

- A payment upon closing of $65.0 million in cash of which $27.1 million to PIA founders, $5.7 million to PIA phantom shareholder and $32.2 million for repayment of PIA's existing debt, and 11,648,059 Consideration shares.
- A payment on the first anniversary of completion of $5.0 million in cash ('Deferred cash consideration'), 23,290,117 Consideration shares and Company owned cars ('Deferred assets consideration').
- A payment on the second anniversary of completion of $15.0 million in cash ('Deferred cash consideration'), 7,763,372 Consideration shares and Company owned cars ('Deferred assets consideration').

On 28 October 2020, the Company and the LTMI Founders reached an agreement with respect to the sale and purchase of the Initial Consideration Shares and their right to receive the Deferred Consideration Shares, for a total consideration of approximately $72.5 million. On 6 November 2020, the Company completed the transaction. As of 31 December 2020, the Company holds the Initial Consideration Shares in Treasury.

As of 31 December 2021, the deferred consideration balance included $4.3 million (2020: $14.3 million) of deferred cash consideration, $1.35 million (2020: $1.35 million) of shares consideration.

(d) Acquisition of Webselenese

On 5 March 2021 (the 'Closing date'), the Group acquired 100% of the share capital of Uma Capital Ltd and Ani Ariel Ltd, which are the owners of Webselenese Ltd ('Webselenese') and assets from Gclid Ltd, a digital platform which provides independent and highly valued consumer privacy and security content to millions of users globally via market leading review sites, as further described in Note 20. The acquisition consideration included the following deferred and contingent considerations:

- Deferred cash consideration of $2.99 million for the excess working capital of Webselenese at the closing date. The consideration was settled 90 days after closing.
- Gclid will receive 8% from EBITDA resulted from Gclid assets sold. The Company can acquire the royalties right at any point, in an amount equal to the last 12 months EBITDA multiple by 5.5. As of the acquisition date, the fair value of the deferred consideration was $2.6 million. As of 31 December, the deferred consideration fair value is $2.7 million.
- Deferred cash consideration of $1.76 million which represents the excess income tax advances that were paid by Webselenese before the acquisition date.

(e) Acquisition of ExpressVPN

On 15 December 2021 (the 'Closing date', 'Completion'), the Group acquired certain assets, liabilities and service entities together comprising the ExpressVPN business ('ExpressVPN') from Access Global Limited and its subsidiaries ('Access Global'). ExpressVPN is one of the most recognised brands in the digital privacy space and the Acquisition creates a premium digital privacy and security player best positioned to serve the growing demand for digital privacy, as further described in Note 20.

ExpressVPN was acquired for a total consideration of $925.8 million to be satisfied by combination of:

- A payment upon closing of $334.5 million in cash ('Initial Consideration'). The cash element of the Initial Consideration is subject to adjustment for net cash or debt in the two corporate service entities being acquired as part of the hybrid asset and share acquisition.
- A payment on or before the six-month anniversary of Completion, of $20.0 million.
- A payment on the first anniversary of Completion of $172.5 million in cash and on the second anniversary of Completion of $172.5 million in cash ('Deferred Cash Consideration'). The Deferred Cash Consideration is not subject to performance or other conditions and its payment by Kape will be secured by way of a charge over the shares in Kape.
- Issuance of 47,782,800 ordinary shares of $0.0001, to Peter Burchhardt and Dan Pomerantz, ExpressVPN's co-founders, representing approximately 13.6% of the enlarged issued share capital of Kape. The share consideration is subject to lock-up periods, of which 50% until the first anniversary of closing, 25% until 18 months from closing and the remaining 25% until the second anniversary.

As of 31 December 2021, the deferred consideration balance included $359.3 million (2020: N/A) of deferred cash consideration.

Shareholder information and advisors

Shareholder information, including financial results, news and information on products and services, can be found at www.kape.com.

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Stock exchanges
The Company's ordinary shares are listed on the AIM market of the London Stock Exchange under the symbol 'KAPE'. The Company does not maintain listings on any other stock exchanges.

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