

MIMECAST SERVICES LIMITED
(Company Number: 04901524)

ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2023



MIMECAST SERVICES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2023

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COUNTRY OF INCORPORATION AND DOMICILE

England and Wales

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Cloud security and risk management services for corporate information and email

DIRECTORS

Marc Van Zadelhoff
David Call
Danie Jacobs

REGISTERED OFFICE

Floor 4, 1 Finsbury Avenue, London EC2M 2PF, United Kingdom

COMPANY NUMBER

04901524

INDEPENDENT AUDITORS

Ernst & Young LLP, 1 More London Place, London, SE1 2AF, United Kingdom

BANKERS

JPMorgan Chase Bank, N.A. London, 25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom
JPMorgan Chase Bank N.A. Milan Branch, Via Cordusio 3, 20123 Milano, Italy
J. P. Morgan SE, Taunustrum, Taunustor 1, 60310 Frankfurt, Germany
First Abu Dhabi Bank, M Floor, ABS Branch, Deira, Dubai

MIMECAST SERVICES LIMITED

Strategic Report

For the year ended 31 March 2023

The directors present the strategic report of Mimecast Services Limited ("the Company") for the year ended 31 March 2023.

Principal activity

The principal activity of the Company is the provision of next-generation cloud security and risk management services for corporate information and email. The Company also licenses its intellectual property to other companies within the Mimecast Group ("the Group"). The activities were unchanged during the year and no significant changes to the principal business are expected in the forthcoming year.

Review of business

The Company has generated a loss for the year of £1,107k (2022: profit of £56,289k). The results are set out in the Statement of Comprehensive Income on page 12.

The Company measures and monitors key performance indicators to evaluate the progress of the business as it executes its strategy, the most important of which are revenue and profit/loss before taxation.

Revenue is an important measure of growth in the customer base and the success of sales efforts. The Company's considerable growth experienced in prior years has continued in relation to revenue of services to third parties during the year, with revenue increasing by 14% to £139,748k (2022: £122,832k). The Company's profit before tax for the year was £10,245k (2022: £45,834k).

Principal risks and uncertainties

All businesses are subject to risk and many individual risks are macro-economic or social and common across many businesses. Many risks are to a greater or lesser degree controllable, but some are not controllable. Through its internal risk management process, the Company identifies business-specific risks. It classifies the key risks as those which could materially damage the Company's strategy, reputation, business, profitability or assets and these risks are listed below. This list is in no particular order and is not an exhaustive list of all potential risks. Some risks may be unknown and it may transpire that others, currently considered immaterial, become material.

Operational risk

Operational risk is defined as the risk arising from within the Company from inadequate or failed internal processes, inadequately designed or maintained systems and inadequate staffing resources. Operational risk exposures are identified, managed and controlled by the business. Internal controls include a segregated operations structure and the delegation of authority within authorised limits. This is designed to manage, rather than eliminate the risk of failure to achieve business objectives.

Commercial relationships

The Company is exposed to changes in relationships with both customers and suppliers. It is a key task for the operational management in each business unit to maintain and develop relationships with customers and suppliers.

MIMECAST SERVICES LIMITED

Strategic Report (continued)

For the year ended 31 March 2023

Section 172 statement

Section 172 of the Companies Act 2006 requires directors of a company to act in the way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so have regard to, amongst other matters, the following factors:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and;
- need to act fairly between members of the company

The directors have considered the factors set out above when making strategic decisions that affect the long-term success of the Company. In addition, we have considered other factors when making decisions. Those factors, for example, include the interests and views of our ultimate parent company within the group, Mimecast Holding Company Limited, and other companies within the Group. We aim to ensure that our decisions support the Group's approved purpose, vision and values, together with its strategic priorities.

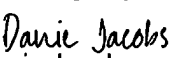
As the Company has grown, we have continued to invest in the expansion and scaling of our investments in human capital strategies. Our belief is that these investments will result in an organisation where employees feel they can do their best work, experience their best teamwork, and achieve their greatest learning. Our human capital strategy is a full organisation commitment with leaders creating the right culture and environment, employees being empowered and exposed to programs that will support them, and a human resources function that proactively creates programs that enable us to attract, develop, engage, and retain talent.

Our role in supporting the environment matters to us and to our stakeholders. We are committed to doing our part to support the shift to a low-carbon economy and to lessen the collective human impacts of climate change. We continue to seek ways to reduce our environmental footprint. We have already made strides to operate with greater environmental efficiency, minimising single-use plastic utensils in all office kitchen environments, fitting office space with efficient lighting and water fixtures, and partnering with data centres that prioritise the use of renewable energy. Starting in 2021, the Group conducted a full materiality assessment, which ensures that we implement an ESG strategy that aligns with our key sustainability priorities. The Company procured renewable energy credits to offset our entire operational footprint (Scope 1 & 2 emissions) with third-party certified renewable energy certificates (RECs) and carbon offsets.

The Company is committed to acting ethically and with integrity in all of our business relationships. Every day, we work to deal honestly and fairly with our customers, our trading partners, suppliers, our competitors, and each other. We are significantly impacted by laws and regulations relating to data privacy, data security and data protection. We are also impacted by laws and regulations relating to anti-bribery laws, export control legislation, employment and taxation. Our policy is to abide by all applicable laws and regulations, and we have internal programs in place to manage global compliance with these various requirements. Our Code of Business Conduct & Ethics reinforces our values and outlines our expectations for how employees should handle interactions, transactions and business opportunities, other policies or procedures, or any applicable law, rule, or regulation.

On behalf of the board

DocuSigned by:


Danie Jacobs

Director

13 March 2024

MIMECAST SERVICES LIMITED

Directors' Report

For the year ended 31 March 2023

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2023.

Directors

The directors who held office throughout the year and up to the date of this report are:

- Heather Bentley (resigned 20th July 2022)
- Danie Jacobs (appointed 20th July 2022)
- Rafeal Brown (resigned 29th November 2023)
- David Call (appointed 30th November 2023)
- Peter Bauer (resigned 19th January 2024)
- Marc Van Zadelhoff (appointed 22nd January 2024)

Dividends

The directors do not recommend the payment of a dividend (2022: nil).

Financial risk management

The Company's activities expose it to a variety of financial risks, including foreign exchange rate risk, credit risk and liquidity risk. The Company has controls in place that minimise any potential adverse effects of such risks on its financial performance.

Foreign exchange risk: Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Company's functional currency. The directors monitor the forward exchange rates and optimise the flow of funds between related parties to minimise foreign exchange risk.

Credit risk: The Company provides a core service to its customers with many customers being billed annually in advance. The directors are satisfied that credit risk is minimised through the reliance of its customers on the continuance of this essential service. The Company will continue to develop policies and processes to ensure that the level of credit risk is actively managed as its customer base expands further. The directors consider that there is minimum risk in relation to cash held by financial institutions.

Liquidity risk: The Company continues to address liquidity risk through careful focus on cash management and the preservation of cash on hand.

Future developments

The directors expect turnover to increase in the next financial year, but do not envisage any significant changes to the financial position of the Company.

Going concern

The directors of Mimecast Services Limited have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Management has assessed the relevant factors surrounding going concern, including financing available from other companies in the Mimecast Group and concludes that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the directors of Mimecast Services Limited have continued to adopt the going concern basis in preparing the annual report and financial statements.

MIMECAST SERVICES LIMITED

Directors' Report (continued)

For the year ended 31 March 2023

Additionally, the directors of Mimecast Services Limited have received written confirmation from the parent company, Mimecast Holding Company Limited, that they are prepared and able to support the Company as necessary for a period to 31 March 2025. When assessing this support, the directors of the Company have considered the anticipated trading performance and liquidity of Mimecast Holding Company Limited, the ultimate parent company.

Employee disclosures

Mimecast is an inclusive employer and diversity is important to us. We give full and fair consideration to applications for employment by disabled persons and the continued employment of anyone incurring a disability while employed by us. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability.

Qualifying third-party indemnity provisions

The Company has made qualifying third-party indemnity payments for the benefit of its directors during the period. The directors remain indemnified as at the date of approval of this report.

Post balance sheet events

There were no material subsequent events after the reporting date to be disclosed.

Research and development

During the year £57,289k (2022: £47,459k) of research and development expenditure was recognised as an expense during the period.

Branches outside the UK

The company has branches in the following countries outside the UK:

- Poland
- Italy
- United Arab Emirates

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency Action

Mimecast Services Ltd. ("Mimecast") had an annual turnover of £202m and a total balance sheet value of £371m during the year under review, therefore Mimecast has a reporting obligation under the Streamlined Energy and Carbon Reporting Regulations (SECR). The primary objective of SECR is to encourage the implementation of energy efficiency measures, with both economic and environmental benefits, supporting companies in cutting costs and improving productivity at the same time as reducing carbon emissions.

The Mimecast London office is a leased facility and includes a fully functioning building management system which is linked to all building services within the premises to efficiently control all cooling systems (2 pipe fan coils) and light emitting diode lighting. Low energy light emitting diode light fittings are fitted throughout and include passive infrared motion sensors which automatically switch off any lights in unoccupied areas.

The Landlord (British Land) purchases renewable energy to supply its buildings, therefore Mimecast's London office is powered by renewable energy. The entire 1FA development at 1 Finsbury Avenue was awarded BREEAM 'Very Good' status upon completion. All of Mimecast Services Limited's UK data centres are powered by renewable energy.

MIMECAST SERVICES LIMITED

Directors' Report (continued)

For the year ended 31 March 2023

In line with its obligations under the Energy Savings Opportunity Scheme, Mimecast started its Phase 3 energy assessment in January 2024 to identify any energy and cost savings opportunities in its UK leased premises, which is still ongoing.

As part of its yearlong effort to aggregate and refine its sustainability data, as the company grows, it will continue to explore opportunities to participate in new renewable energy and emission abatement projects beyond its operational footprint as part of its journey to becoming a fully Net Zero Emissions (Scopes 1, 2, and 3) company.

The following information contains Mimecast's actual electric usage data for the calendar year January – December 2022. Although this does not cover the full financial year, our operations remain unchanged and therefore we estimate that the usage during the calendar year reflects a similar usage to the financial year. Although the company did have business mileage claims throughout the year, the mileage was considered immaterial and excluded from the energy consumption below. As our UK data centres use 100% renewable energy, we have not allocated any greenhouse gas emissions to their electricity consumption and the greenhouse gas emissions reported below are solely from our London office. The greenhouse gas emissions were calculated using an emissions factor (MTC02e/kWh) of 0.00023 as per the emissions report compiled by Sustainability Roundtable, Inc using the GHG Reporting Protocol. These figures have not been independently audited.

Name and Description	Unit of measurement	2023
Energy consumption	MWh	8,876.62
Greenhouse gas emissions	MTC02e	200.28
Intensity ratio	MTC02e per £100,000 revenue	0.10

The previous year's figures for energy use and GHG emissions are not available as this is the first year that the company has obtained an emissions report.

Further details of Mimecast's commitment to sustainability can be found in Mimecast's Environmental, Social and Governance Report.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the directors must not approve the financial statements 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

MIMECAST SERVICES LIMITED

Directors' Report (continued)

For the year ended 31 March 2023

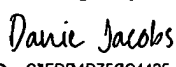
The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Pursuant to s485 of the Companies Act 2006 the auditor is deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the board

DocuSigned by:

Danie Jacobs
Director
13 March 2024

Independent Auditors' Report to the Members of Mimecast Services Limited
For the year ended 31 March 2023

Opinion

We have audited the financial statements of Mimecast Services Limited for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 23, including summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 company's ability to continue as a going concern for a period to 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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

Independent Auditors' Report to the Members of Mimecast Services Limited
For the year ended 31 March 2023

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditors' Report to the Members of Mimecast Services Limited
For the year ended 31 March 2023

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


Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting financial framework (FRS 101 and Companies Act of 2006) and the relevant tax compliance regulations in the United Kingdom.
- We understood how Mimecast Services Limited is complying with those frameworks by making enquiries of management alongside those responsible for legal and compliance procedures. We corroborated management's assertions through our review of papers provided to those charged with governance alongside consideration of the results of audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand the areas which may be susceptible to fraud. We considered programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- We assessed that the revenue was a judgemental area of the audit which might be more susceptible to fraud. We obtained understanding of the controls over the process for the recognition of revenue and tested in particular the existence of the revenue recorded in the financial statements and any manual adjustment to the revenue.
- Based on this understanding, we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with focus on manual non-standard journals and journals indicating large and unusual transactions based on our understanding of the business; inquiries of those responsible for legal and compliance of the company and management; and focused substantive testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Oxana Dorrington (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
13 March 2024

MIMECAST SERVICES LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Revenue	4	202,346	265,092
Cost of revenue		<u>(45,466)</u>	<u>(35,567)</u>
Gross profit		156,880	229,525
Operating costs	5	(152,962)	(183,865)
Other income	8	<u>2,189</u>	<u>2,286</u>
Operating profit		6,107	47,946
Finance income	9	6,036	8
Finance expense	10	<u>(1,898)</u>	<u>(2,120)</u>
Profit before income tax		10,245	45,834
Income tax (expense)/ credit	11	<u>(11,352)</u>	<u>10,455</u>
(Loss)/ Profit for the year		(1,107)	56,289
Total comprehensive (loss)/ income for the year		(1,107)	56,289

The notes on pages 15 to 40 form an integral part of these financial statements.

MIMECAST SERVICES LIMITED

Statement of Changes in Equity
For the year ended 31 March 2023

	Share Capital	Share Premium	Share Option Reserve	Retained Earnings / (Accumulated Deficit)	Other Reserve	Total Equity Reserve
	£000	£000	£000	£000	£000	£000
As at 31 March 2021	-	119,064	38,667	(18,964)	22,893	161,660
Profit for the financial year	-	-	-	56,289	-	56,289
Other comprehensive income	-	-	-	-	-	-
Share based payments	-	-	13,078	-	-	13,078
As at 31 March 2022	-	119,064	51,745	37,325	22,893	231,027
Loss for the financial year	-	-	-	(1,107)	-	(1,107)
Other comprehensive income	-	-	-	-	-	-
Share based payments	-	-	(23,005)	-	-	(23,005)
As at 31 March 2023	-	119,064	28,740	36,218	22,893	206,915

The notes on pages 15 to 40 form an integral part of these financial statements.

MIMECAST SERVICES LIMITED

Statement of Financial Position

As of 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
ASSETS			
Non-current assets			
Property and equipment	12	18,857	19,800
Intangible assets	13	14,314	17,188
Right of use assets	14	30,010	41,123
Sublease receivable	15	4,594	-
Investments in subsidiaries	16	113,976	113,976
Trade and other receivables	17	11,522	21,902
		193,273	213,989
Current assets			
Sublease receivable	15	322	-
Trade and other receivables	17	164,217	77,672
Cash and cash equivalents		13,387	99,048
		177,926	176,720
Total assets		371,199	390,709
Non-current liabilities			
Trade and other payables	18	44,413	49,766
		44,413	49,766
Current liabilities			
Trade and other payables	18	119,871	109,916
		119,871	109,916
Total liabilities		164,284	159,682
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	19	-	-
Share premium		119,064	119,064
Share option reserve		28,740	51,745
Other reserve		22,893	22,893
Retained earnings		36,218	37,325
Total equity		206,915	231,027
Total equity and liabilities		371,199	390,709

The notes on pages 15 to 40 form an integral part of these financial statements.

The financial statements on pages 12 to 40 were approved and authorised for issue by the Board of Directors on 13 March 2024 and signed on its behalf by:

DocuSigned by:

 C4E0D4D75GCA425...
 Danie Jacobs
 Director

MIMECAST SERVICES LIMITED

Notes to the Financial Statements

For the year ended 31 March 2023

1 General information

Mimecast Services Limited (the "Company") is a private limited company and is incorporated and domiciled in the UK.

The address of the registered office of the Company is given on the contents page and the nature of the company's operations and principal activities are set out in the strategic report.

2 Accounting policies

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group.
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases
- The requirement in paragraph 38 of IAS 1 to present comparative information in respect of paragraph 73(e) of IAS 16 Property, Plant and Equipment and paragraph 118(e) of IAS 38 Intangible Assets

The financial statements have been prepared under the historical cost convention, and in accordance with the FRS 101. The principal accounting policies, which have been consistently applied, are set out below.

The Company is a wholly-owned subsidiary of Mimecast Holding Company Limited, a company which is incorporated and domiciled in Jersey, and is included in the consolidated financial statements of Mimecast Holding Company Limited as at and for the period ended 31 March 2023 which are available on request. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.2 Going Concern

The directors of Mimecast Services Limited have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Management has assessed the relevant factors surrounding going concern, including financing available from other companies in the Mimecast Group and concludes that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the directors of Mimecast Services Limited have continued to adopt the going concern basis in preparing the annual report and financial statements.

Additionally, the directors of Mimecast Services Limited have received written confirmation from the ultimate parent company, Mimecast Holding Company Limited, that they are fully prepared and able to support the Company as necessary for a period of 12 months from the date of signing these financial statements. When assessing this support, the directors of the Company have considered the anticipated trading performance and liquidity of Mimecast Holding Company Limited, the ultimate parent company.

Consequently, the directors of Mimecast Services Limited have concluded that it is appropriate to prepare these financial statements on a going concern basis.

2.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. The use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Impairment of non-financial assets including goodwill

The estimates and assumptions that have a significant risk of causing a material adjustment to the financial statements relate to the determination of whether there are indicators of impairment for the Company's non-financial assets. Factors taken into consideration in reaching such a decision, include the economic viability and expected future financial performance of the non-financial assets. The fair value is assessed for impairment by determining the recoverable amount. The recoverable amount is based on the fair value less costs of disposal. The fair value is based on an independent third-party valuation and disposal costs are an estimate of costs to dispose to the group.

Research and Development Expenditure Credit

The Company's Research and Development Expenditure Credit (RDEC) computation is currently under review by HMRC. As HMRC's final position is uncertain, management applied its best judgment and an approach consistent with prior years in determining the current year RDEC credit.

Cash generating units

Within the Mimecast group, the chief operating decision maker (CODM) regularly reviews financial and nonfinancial metrics to assess operating results and make decisions about allocating resources including the budget process to which he has ultimate approval for the group as a whole and not on an individual entity basis. We therefore determined that the consolidated reporting unit is the smallest identifiable group of assets and in turn constitute a CGU.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.3 Significant judgements and sources of estimation uncertainty (continued)

Cloud Computing Arrangements

The Company evaluates cloud computing arrangements to determine if it provides a resource that the Company can control. The Company determines that a software license intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:

- The Company has the contractual right to take possession of the software during the hosting period without significant penalty.
- It is feasible for the Company to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

Where the Company incurs costs to configure or customise cloud computing arrangements and such costs are considered to enhance current on-premise software or provide code that can be used by the Company in other arrangements, the Company applies judgement to assess whether such costs result in the creation of an intangible asset that meets the definition and recognition criteria for an intangible asset. If the cost does not meet the definition of an intangible asset, the Company applies judgement in determining whether costs incurred provide a distinct service, aside from access to the supplier's software. Where it is determined that no distinct service is identifiable, the related costs are recognised as expenses over the duration of the service contract. Implementation services provided by a third-party are considered distinct and are therefore expensed as incurred.

2.4 Revenue

Under IFRS 15, revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration that is expected to be received in exchange for products or services. To achieve the core principle of IFRS 15 the following steps are performed:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) we satisfy a performance obligation

Revenue is derived from the provision of services to third parties and from licensing intellectual property to related parties. Revenue generated from third parties is derived from two sources: (1) subscription revenues, which are comprised of subscription fees from customers accessing the Company's cloud services and from customers purchasing additional support beyond the standard support that is included in the basic subscription fees; and (2) related professional services and other revenue. Other revenue consists primarily of training fees.

Subscription and support revenues are recognised ratably over the contract term, typically one year in duration, beginning on the date the customer is provided access to our service. For performance obligations related to set-up and ingestion, including implementation assistance and data migration services, respectively, we recognise revenue using output measures of performance that reflect the transfer of promised services to the customer consistent with progress to completion.

The Company receives royalties from related parties for the use of intellectual property. These royalties are calculated as a percentage of the revenue of the related parties and are accounted for as revenue.

Training, consulting, and other professional services contracts are considered as separate performance obligations and recognise revenue using output measures of performance as services are completed.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.4 Revenue (continued)

All performance obligations, and associated revenue, are generally transferred to customers over time, except for training, consulting and other professional services, which are generally transferred to the customer at a point in time.

Revenue is presented net of any taxes collected from customers.

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscriptions and other services described above and is recognised as the revenue recognition criteria are met. Deferred revenue that is expected to be recognised during the succeeding twelve-month period is recorded as current deferred revenue and the remaining portion is recorded as non-current in the accompanying Statement of Financial Position.

2.5 Deferred cost

We capitalise incremental costs of obtaining customer contracts, which primarily consist of commissions paid to our sales representatives. We amortise these commissions over six years on a systematic basis, consistent with the pattern of transfer of the goods or services to which the asset relates. Six years represents the estimated benefit period of the customer relationship taking into account factors such as peer estimates of technology lives, and customer lives as well as our own historical data. The current and noncurrent portions of deferred commissions are included in trade and other receivables in the Statement of Financial Position. Amortisation of capitalised costs to obtain revenue contracts is included in operating costs in the Statement of Comprehensive Income.

2.6 Property and Equipment and Right of Use Assets

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on property and equipment is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

- Office Equipment	3 years
- Computer Equipment	3 - 5 years
- Leasehold improvements	3 - 10 years
- Furniture and Fixtures	5 years

Leasehold improvements are amortised over the shorter of their respective lease periods and estimated useful economic life.

Right-of-use assets are amortised over their economic benefit usage, which is based on lease terms stated in the lease agreements.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.6 Property and Equipment and Right of Use Assets (continued)

The assets' residual values, useful lives and depreciation method are reviewed and adjusted if appropriate at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The depreciation charge for each year is recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An item of property 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 derecognition of the asset is included in profit or loss in the period of derecognition.

2.7 Intangible assets

Intangible assets consist of capitalised software licenses, acquired intangibles and goodwill. The software intangible assets are amortised on a straight-line basis over the license term. Acquired intangibles are recognised at the fair value at the date of acquisition and is subsequently amortised on a straight-line basis over the estimated period of benefit ranging from 5 to 10 years. The intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives, including goodwill, or intangible assets not yet available for use to which these assets have been allocated are tested at least annually for impairment even if there is no indication of impairment.

2.8 Impairment of non-financial assets

At each reporting date, the Company assesses the carrying amount of the tangible assets and investments in subsidiaries to determine whether there is any indication that those assets may have been subject to an impairment loss. If any such indication exists, the Company estimates the recoverable amount of the asset in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. Value in use is estimated taking into account future cash flows, forecast market conditions and expected lives of the assets.

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the profit or loss.

2.9 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risk and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.9 Financial instruments (continued)

Classification and Initial recognition and measurement

Financial assets are initially measured at fair value adjusted for transaction costs.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

All assets presented by the Company are categorised as amortised cost.

The classification is determined by the Company's business model and the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in the profit or loss are presented within finance costs, finance income or other financial items.

Subsequent measurement

Financial assets at amortised cost:

Financial assets are measured at amortised cost if the assets meet the following conditions:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cashflows
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Impairment of financial assets

The impairment requirements under IFRS 9 use forward-looking information to recognise expected credit losses, which replaces the incurred loss model under IAS 39.

Loans measured at amortised cost, trade receivables and contract assets recognised under IFRS 15 are within the scope of IFRS 9 impairment consideration.

The recognition of credit losses considers past events, current conditions, and reasonable and supportable forecasts that affect the expected recoverability of future cash flows.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.9 Financial instruments (continued)

Trade and other receivables

The Company applies the simplified approach in accounting for its trade receivables and other receivables and records the loss allowance as lifetime expected credit losses. These are expected to be shortfalls in contractual cashflows, considering the potential for default at any point during the life of the financial instrument. The Company tracks changes in credit risk and recognises a loss allowance based on lifetime ECLs at each reporting date.

Write off policy

If there are no reasonable expectations of recovery of an asset, a write-off event occurs. A write-off constitutes a derecognition, either in full or in part of an asset. The gross carrying amount of a financial asset is reduced by the amount of the write-off that has been recognised in profit or loss. The Company applies the write-off policy when a customer enters liquidation.

Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks. These are carried at cost, which approximates their fair value.

Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The share based payment reserve is used to recognize the value of equity-settled share-based payments provided to employees as part of their remuneration.

Financial liabilities

Financial liabilities at amortised cost are classified as current or non-current depending on whether they are due within 12 months after the balance sheet date. Financial liabilities are derecognised when the Company is discharged from its obligation or they expire, are cancelled, or are replaced by a new liability with substantially modified terms.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.10 Income taxes

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year.

Deferred income tax is recognised on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted by the end of the reporting year.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise, income tax is recognised and included in profit or loss.

2.11 Employee benefits

Pension fund

The Company provides retirement benefits for its employees. Contributions are made to a defined contribution pension scheme whose assets are held in an independently administered fund on behalf of directors and employees. The Company has no payment obligations once the contributions have been paid. Contributions are recognised as employee benefit expenses when they are due.

Short-term employee benefits

Employee entitlement to annual leave is recognised when it accrues to the employee. An accrual is made for the estimated liability of annual leave as a result of services rendered by employees up to the balance sheet date. The expected cost of compensated absences is recognised as an expense as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Long-term employee benefits

The Company provides a long service leave entitlement for its employees once they reach 10 years of service. The expected cost of compensated absences is recognised as an expense as the employees render service once they reach 6 years of service and is accrued over the remaining anticipated 4 years of service.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.12 Foreign currency translations

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pounds Sterling, which is the Company's functional currency and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. A foreign exchange gain or loss resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities in foreign currencies are recognised in the profit or loss within other income/(expense).

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Cash flows arising from transactions in foreign currency are recorded in Pounds Sterling by applying to the foreign currency amount the exchange rate between the Pounds Sterling and the foreign currency at the date of the cash flow.

2.13 Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

2.14 Leases

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Company recognises the lease payments as finance lease amortisation on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. A finance interest charge is expensed based on the outstanding lease liability and therefore decreases as the lease term progresses over time.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

2.15 Sublease

The company recognises a sublease receivable. The company derecognised the subleased right-of-use asset on the head lease at the sublease commencement date (6th June 2022). Whilst continuing to account for the original lease liability in accordance with the lessee accounting model.

2.16 Research and development expenditure

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Research and development expenditure is recorded in the statement of comprehensive income in the period in which it is incurred.

2.17 Share-based compensation plan

The Company established a share-based compensation plan in September 2007 and subsequently a new share based compensation plan under the Magnesium Topco Limited 2022 Equity Incentive Plan. Performance based RSU's are due to be settled in both cash and equity depending on the grant provided whilst share options are due to be equity settled. The company receives services from employees as consideration for these equity instruments.

The Company estimates the fair value of employee share options on the date of grant using the Black-Scholes option-pricing model for share options with service-based vesting and is recognised over the vesting period of such options. Certain awards contain market conditions that can only be achieved through a performance condition. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each financial year-end, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account. For those equity instruments due to be settled via equity there will be a corresponding adjustment to equity, for those settled by cash there will be a corresponding adjustment to creditors. The Company's share option plan is described in note 20.

2.18 Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment losses.

2.19 Cost of revenue

Cost of revenue primarily consists of expenses related to supporting and hosting our product offerings and delivering our professional services. These costs consist primarily of personnel and related costs including salaries, benefits, bonuses and share-based compensation expense related to the management of our data centres, our customer support team and our professional services team. In addition to these expenses, we incur third-party service provider costs such as data centre and networking expenses, allocated overhead costs, depreciation expense and amortisation expense related to capitalized software and acquired intangible assets. We allocate overhead costs, such as rent and facility costs, information technology costs and employee benefit costs to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

expense category. Research and development costs, sales and marketing costs and general and administrative costs are presented in operating expenses.

2.20 Fair value measurement

The Company measures non-financial assets such as investment in subsidiaries, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Company evaluates assets and liabilities subject to fair value measurements on a recurring and nonrecurring basis to determine the appropriate level to classify them for each reporting period.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

3 Auditors' Remuneration

Audit remuneration receivable by the auditor in respect of the audit of the financial statements is £113k (2022: £32k).

4 Revenue

The Company's revenue is attributable to its principal activity and licensing of IP to other related parties.

The analysis of revenue by type is:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Revenue from provision of services to 3 rd parties	139,748	122,832
Revenue from licensing IP to related parties	62,598	142,260
	<u>202,346</u>	<u>265,092</u>

The geographical analysis of 3rd party revenue by destination is:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
United Kingdom	122,951	110,040
Rest of the world	16,797	12,792
	<u>139,748</u>	<u>122,832</u>

The geographical analysis of revenue from licensing IP to related parties is:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
United Kingdom	-	-
Rest of the world	62,598	142,260
	<u>62,598</u>	<u>142,260</u>

The company recognized liabilities related to contracts with customer at year end of £83,320k (2022: £76,776k). The revenue recognized during the year from liabilities related to contracts with customers at the beginning of the year was £72,398k (2022: £61,600k).

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

5 Operating costs

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Staff costs (note 6)	89,305	69,129
Depreciation of owned tangible assets (note 12)	5,812	6,371
Amortisation of intangible assets (note 13)	5,134	4,074
Amortisation of right of use assets (note 14)	7,461	9,220
Auditors' remuneration - audit fees	113	49
Services provided by Related parties	15,930	74,484
Marketing costs	12,758	8,284
Other operating expenses	16,449	12,254
	<u>152,962</u>	<u>183,865</u>

6 Employees

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Staff costs for all employees including directors consists of:		
Wages and salaries	76,854	53,001
Social security costs	15,196	9,325
Pension	2,987	2,279
Health benefits	971	753
Vacation	207	270
Share-based expense	5,412	13,414
Other staff costs	1,151	651
	<u>102,778</u>	<u>79,693</u>

The Company's pension plan is a defined contribution plan. The contributions made to the plan for the year were £2,987k (2022: £2,279k). Pension contributions are paid in the following month they relate to, therefore as at year-end there were unpaid employer contributions relating to March 2023 of £222k, which were settled in April 2023.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

6 Employees (continued)

Staff costs relating to management of the data centres, the customer support team and the professional services team are classified as costs of revenue. The remaining staff costs are classified as operating expenses:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Staff costs as costs of revenue	13,473	10,564
Staff costs as operating expenses	89,305	69,129
	<u>102,778</u>	<u>79,693</u>

The average monthly number of staff employed by the Company including directors was as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Sales and Distribution	178	165
Research and Development & Service provision	349	360
Administration & Marketing	106	104
	<u>633</u>	<u>629</u>

7 Directors' emoluments

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Emoluments	101	231
Taxable benefits	-	392
Payments to defined contribution pension scheme	9	15
Bonus	37	122
Long-term incentive award	4,067	-
	<u>4,214</u>	<u>760</u>

No directors (2022: nil) have retirement benefits accruing under money purchase schemes. No share options were exercised by directors in the current year (2022: nil). Only one directors' emoluments are paid by Mimecast Services Limited, the remaining directors are paid by Mimecast North America Inc. and Mimecast Bidco Limited, which make no recharge to the Company.

The directors are undertaking executive duties on several fellow Mimecast subsidiaries, and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries.

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**

For the year ended 31 March 2023

8 Other income

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Foreign exchange gain	1,695	2,282
Other income	494	4
	<u>2,189</u>	<u>2,286</u>

Other income for 2023 relates to gain from sublease which commenced June 2022.

9 Finance income

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Interest received from related parties	5,847	8
Interest received from sublease receivable asset	189	-
	<u>6,036</u>	<u>8</u>

10 Finance expense

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Interest and finance charges paid/payable for lease	1,898	2,120
	<u>1,898</u>	<u>2,120</u>

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

11 Income tax expense

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Current tax:		
Current income tax	441	456
Deferred tax:		
Deferred tax relating to origination of temporary differences	10,911	(10,911)
Income tax expense/ (credit) reported in the statement of comprehensive income	11,352	(10,455)

The charge for the year can be reconciled to the loss per the Statement of Comprehensive Income as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Profit on ordinary activities before taxation	10,245	45,834
Profit/(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2022: 19%)	1,948	8,708
Effects of:		
Foreign tax expense	441	454
Origination/ (utilisation) of losses/ temporary differences on which no DT is recognised	14,445	(482)
Expenses not deductible for tax purposes	(5,893)	(13,747)
Group relief claim	411	(2,137)
Total tax expense/ (credit) for the year	11,352	(10,455)

At year ended 31 March 2023, the Company had £40.0m of unused tax losses, £24.6m of other deductible temporary differences and £1.3m of unused tax credits that are unrecognised for deferred tax purposes.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

12 Property and equipment

	Leasehold Improvements	Office Equipment	Fixtures and Fittings	Computer Equipment	Assets in Course of Construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2022	11,450	43	1,516	40,804	165	53,978
Additions	52	-	-	4,633	184	5,218
Disposals	-	-	-	(239)	-	(588)
Transfers	349	-	-	-	(349)	-
At 31 March 2023	11,851	43	1,516	45,198	-	58,608
Accumulated depreciation						
At 1 April 2022	3,168	40	725	30,245	-	34,178
Charge for the year	1,299	3	303	4,207	-	5,812
Disposals	-	-	-	(239)	-	(239)
At 31 March 2023	4,467	43	1,028	34,213	-	39,751
Net Book Value						
At 31 March 2023	7,384	-	488	10,985	-	18,857
At 31 March 2022	8,282	3	791	10,559	165	19,800

13 Intangible assets

	Capitalised Software £000	Acquired Intangibles £000	Goodwill £000	Total £000
Cost				
At 1 April 2022	20,019	3,826	7,022	30,867
Additions	2,260	-	-	2,260
Disposals	(207)	-	-	(207)
At 31 March 2023	22,072	3,826	7,022	32,920
Accumulated amortisation				
At 1 April 2022	11,883	1,796	-	13,679
Charge for the year	4,606	528	-	5,134
Disposals	(207)	-	-	(207)
At 31 March 2023	16,282	2,324	-	18,606
Net Book Value				
At 31 March 2023	5,790	1,502	7,022	14,314
At 31 March 2022	8,136	2,030	7,022	17,188

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

14 Right-of-use assets

The Company leases various assets including land and buildings, machinery, IT equipment, and data centres. Information on these assets are presented below.

As a lessee:

	Property £000	Data Centres £000	Total £000
Right-of-use Assets			
At 1 April 2022	28,577	12,546	41,123
Additions	65	-	65
Sublease	(3,717)	-	(3,717)
Depreciation for the year	(4,144)	(3,317)	(7,461)
At 31 March 2023	<u>20,781</u>	<u>9,229</u>	<u>30,010</u>

There were no expenses relating to short-term leases or leases of low-value assets (2022: £0)

The total cash outflow for leases was £15,168 (2022: £11,675)

	2023 £000	2022 £000
Amounts recognised in the Profit/Loss		
Interest on lease liabilities (note 10)	1,898	2,120
Variable lease payments not included in the measurement of lease liabilities	3,622	2,270

15 Sublease receivable

The company subleases level 5, 1 Finsbury Avenue. The company has classified the sublease as a finance lease as the sublease coincides with the remaining terms of the head lease.

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2023 £000
Undiscounted lease payments receivable - one year	534
Unearned finance income - one year	(212)
	<u>322</u>
Undiscounted lease payments receivable - two to six years	5,079
Unearned finance income - two to six years	(485)
	<u>4,594</u>

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

16 Investments in subsidiaries

	2023 £000
Cost	
At 1 April 2022	113,976
Additions	-
At 31 March 2023	<u>113,976</u>
Net Book Value	
At 31 March 2023	<u>113,976</u>
At 31 March 2022	<u>113,976</u>

Subsidiary undertaking	Country of incorporation	Class of shares	Proportion held	Principal activity
Mimecast Israel Limited (Previously named Solebit LABs Limited)	United Kingdom	Ordinary	100%	Email security services
Mimecast Netherlands B.V. (previously named DMARC Analyzer B.V.)	Netherlands	Ordinary	100%	Email security services

Segasec Labs Ltd merged with Mimecast Israel Limited on 14 Jun 2022.

17 Trade and other receivables

	2023 £000	2022 £000
Non-current		
Deferred commissions	11,522	10,991
Deferred tax	-	10,911
	<u>11,522</u>	<u>21,902</u>
Current		
Trade receivables	37,197	35,721
Trade receivables owed by related parties	9,006	23,319
Other amounts owed by related parties	102,907	5,483
Prepayments and accrued income	7,344	4,735
Other tax receivable - RDEC	3,037	4,389
Deferred commissions	4,223	3,747
Other receivables	503	278
	<u>164,217</u>	<u>77,672</u>

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

17 Trade and other receivables (continued)

The commission recognized during the year from deferred commissions was £4,115k (2022: £3,341k). There were no impairment losses identified.

Included in other amounts owed by related parties are loans issued to:

	2023 £000	2022 £000	Interest rate
Mimecast Germany GmbH	-	2,246	LIBOR
Mimecast Israel Limited	3,032	3,237	Interest free
Mimecast Limited	26,505	-	LIBOR + 5.75%
Mimecast Midco Limited	73,322	-	SOFR + 6.25%
Mimecast Netherlands BV	48	-	Interest free

All loans to related parties are unsecured and repayable on demand.

Trade receivables owed by related parties of £9,006k (2022: £23,319k) relate to royalties due from other related parties.

Management have assessed expected credit losses for its trade and other receivables and a provision of £169k (2022: £135k) is recognised in the financial statements.

18 Trade and other payables

Non-current:

	2023 £000	2022 £000
Deferred income	4,710	4,378
Accruals and other payables	6,220	3,817
Lease liabilities	33,483	41,571
	<u>44,413</u>	<u>49,766</u>

Current:

	2023 £000	2022 £000
Trade creditors	2,364	2,711
Trade creditors owed to related parties	3,870	4,465
Taxation and social security	7,702	8,151
Accruals and other payables	19,258	13,952
Deferred income	78,610	72,398
Lease liabilities	8,067	8,239
	<u>119,871</u>	<u>109,916</u>

The incremental borrowing rate applied to the lease liability was 4.4% with the same rate applied to the sublease.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

19 Called up share capital

	2023 £000	2022 £000
Authorised & Issued		
301 (2022: 301) ordinary shares of £0.01 each	-	-

20 Share options

On the 3rd of September 2007 the board of directors approved the establishment of an Enterprise Management Incentive ("EMI") share option scheme. The terms were later adapted and a new plan, the 2010 EMI plan was issued. Subsequently, on the 17th of October 2012 the Board of Directors approved the establishment of a Company Share Option Plan ("CSOP"). Each of these plans has similar option risks.

For the years ended March 31, 2022 grants of share-based option awards have been made under the Mimecast Limited 2015 Share Option and Incentive Plan (the 2015 Plan). Additionally, the Company has two pre-IPO share-based compensation plans including the Mimecast Limited 2010 EMI Share Option Scheme (the 2010 Plan), and the Mimecast Limited Approved Share Option Plan (the Approved Plan) (the 2010 Plan and the Approved Plan, collectively, the Historical Plans). Subsequent to November 19, 2015, the IPO date, no further grants under the Historical Plans were permitted.

On May 19, 2022, Mimecast Holding Company Limited entered into a share purchase agreement pursuant to which it acquired Mimecast Limited, a public company organized under the laws of the Bailiwick of Jersey. The principal activity of Mimecast Limited is the provision of cloud security and risk management services for email and corporate information.

Mimecast Holding Company Limited acquired all outstanding ordinary shares of Mimecast Limited for \$80.00 per share in an all-cash transaction. Upon completion of the Transaction, Mimecast Limited became a privately held company and the ordinary shares of Mimecast Limited are no longer listed on any public market. Mimecast Limited became an indirect wholly owned subsidiary of Mimecast Holding Company Limited.

The total purchase price includes deferred cash consideration which relates to post-acquisition cash payments expected to be made for Predecessor equity awards that were converted to cash awards at the date of acquisition as described below.

Pursuant to the Transaction Agreement, all Predecessor employee equity awards that remained outstanding as of the Transaction close and were vested pursuant to its terms as of the Transaction close and 25% of the unvested portion of all non-executive employee equity awards, 100% of the Board equity awards and 50% of certain other equity awards specified in the Transaction Agreement, which have separate contractual provisions relating to a change in control that were outstanding on December 7, 2021 and remained outstanding as of the Closing became payable in cash.

All remaining Predecessor unvested equity awards were converted into cash awards that will vest and become payable in accordance with the existing vesting terms applicable to the underlying converted award. The cash amount payable per share for these remaining equity awards is equal to \$80.00 (and, in the case of options, reduced by the per share exercise price).

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

20 Share options (Continued)

The number and weighted average exercise prices of share options under the legacy plan were as follows:

	2023 Number of options 000's	2023 Weighted average exercise price	2022 Number of options 000's	2022 Weighted average exercise price
At the beginning of the year	713	£26.39	1,282	£22.74
Granted during the year			49	£29.89
Exercised during the year	(99)	£22.45	(595)	£18.92
Lapsed during the year	(197)	£36.48	(23)	£29.24
Forfeited	(417)	£28.27	-	-
At the end of the year	<u>-</u>	<u>-</u>	<u>713</u>	<u>£26.39</u>

New MIP

For the year ended March 31, 2023, all new grants of share-based awards have been made under the Magnesium Topco Limited 2022 Equity Incentive Plan (the "2022 Plan"). The 2022 Plan allows the compensation committee of the board of directors to make equity-based incentive awards to the Company's officers, employees, non-employee directors and consultants. Total authorized ordinary shares reserved for future issuance is subject to adjustment in the event of a share split, share dividend or other change in our capitalization.

Under the 2022 Plan, the share option price may not be less than the greater of (i) the par value of a Share underlying each Option and (ii) the fair market value of a share on the date the option is granted. The term of each share option may not exceed 10 years from the grant date. Share option vesting provisions can vary based on the discretion of the board of directors. The Company settles share option exercises and equity-settled RSUs through newly issued shares. The Company has also granted RSUs that require cash settlement upon achieving certain performance conditions. The Company's ordinary shares underlying any awards that are forfeited, canceled, withheld upon exercise of an option, or settlement of an award to cover the exercise price or tax withholding, or otherwise terminated other than by exercise will be added back to the shares available for issuance under the 2022 Plan.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

20 Share options (Continued)

Service-based vesting share options

Generally, share options that are subject to service-based vesting conditions will vest 20% on the first anniversary of the vesting commencement date and 5% will vest on each of the subsequent sixteen quarterly anniversaries thereafter. Service-based vesting share option activity under the 2022 Plan for the year ended March 31, 2023 was as follows:

	Number of Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding as of March 31, 2022	-	-	-
Options granted	23,566,663	£0.81	-
Options exercised	-	-	-
Options forfeited and cancelled	(3,999,999)	£0.81	-
Outstanding as of March 31, 2023	<u>19,566,664</u>	<u>£0.81</u>	<u>9.49</u>

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

20 Share options (Continued)

Performance-based vesting share options

Performance-based vesting share options include multiple vesting conditions including service-based vesting conditions, performance-based vesting conditions and market-based vesting conditions. Generally, service-based vesting for these share options is 20% on the first anniversary of the vesting commencement date and 5% will vest on each of the subsequent sixteen quarterly anniversaries thereafter. For the portion of the awards that are subject to market or performance vesting conditions, 100% are eligible to vest upon achievement of the market condition (i.e. multiple of invested capital or MOIC) and 50% are eligible to vest prior to the market condition being met based on a performance-based vesting condition (i.e. EBITDA). If the EBITDA condition in any given fiscal year is not achieved, the Performance-Vesting Options will remain outstanding and eligible to vest and become exercisable on the achievement of the MOIC condition. Performance-based vesting share option activity under the 2022 Plan for the year ended March 31, 2023 was as follows:

	Number of Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding as of March 31, 2022	-	-	-
Options granted	2,666,666	£0.81	-
Options exercised	-	-	-
Options forfeited and cancelled	-	£0.81	-
Outstanding as of March 31, 2023	<u>2,666,666</u>	<u>£0.81</u>	<u>9.50</u>
Exercisable as of March 31, 2023	<u>-</u>	<u>-</u>	<u>-</u>

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

20 Share options (Continued)

Performance-based RSUs

Performance-based RSUs granted to employees include share-settled and cash-settled RSUs that have a contractual life of 8 years. Performance-based RSUs are subject to service and performance vesting conditions and/or market conditions. Share-settled RSUs may have either three-year or five-year service based vesting requirements with either one-third or one-fifth vesting annually, respectively. In addition to service-based vesting, certain performance conditions (i.e. ARR) and/or market conditions (MOIC) must be achieved and a final listing event must occur in order for final vesting to occur. Cash-settled RSUs have three-year service-based vesting requirements with one-third vesting annually. In addition to service-based vesting, certain performance conditions (i.e. ARR) and/or market conditions (MOIC) must be achieved for final vesting to occur.

Performance-based RSU activity under the 2022 Plan for the year ended March 31, 2023 was as follows:

	Number of Awards	Weighted Average Grant Date Fair Value
Unvested RSUs as of March 31, 2022	-	-
RSUs granted	17,480,000	£0.75
RSUs vested	-	-
RSUs forfeited	(308,000)	£0.75
Unvested RSUs as of March 31, 2023	<u>17,172,000</u>	<u>£0.75</u>

21 Related Parties

Until 19 May 2022, the Company was an indirectly wholly owned subsidiary of Mimecast Limited and is included in its consolidated financial statements as of and for the period ended until 19 May 2022, which are available from the Jersey Registry. After this date, Mimecast Services Limited, is an indirectly wholly owned subsidiary of Mimecast Holding Company Limited.

The Company is exempt from the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the Group.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2023

22 Immediate and ultimate holding company

The Company is a private company limited by shares, incorporated on 14 March 2003 in the United Kingdom and registered at 1 Finsbury Ave, London EC2M 2PF.

Until 19 May 2022, the Company's immediate parent undertaking is Mimecast UK Limited, a company incorporated in England and Wales, which is also consolidated into the Group financial statements. The ultimate parent undertaking was Mimecast Limited, a company incorporated in Jersey. After this date, the ultimate parent company became Mimecast Holding Company Limited, a company also incorporated in Jersey.

Mimecast Holding Company Limited was the ultimate parent of the smallest and largest group of undertakings to consolidate these financial statements at 31 March 2023. The consolidated financial statements of Mimecast Holding Company Limited may be obtained from: c/o Mimecast Services Limited, 1 Finsbury Ave, London EC2M 2PF.

23 Subsequent Events

There were no material subsequent events after the reporting date to be disclosed.