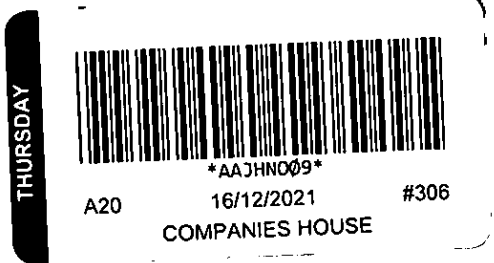


MIMECAST SERVICES LIMITED
(Company Number: 04901524)
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2021



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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

Peter Bauer
Rafeal Brown
Heather Bentley

REGISTERED OFFICE

1 Finsbury Ave, London EC2M 2PF

COMPANY NUMBER

04901524

INDEPENDENT AUDITORS

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

BANKERS

SVB, Alphabeta, 14-18 Finsbury Square, London EC2A 1BR

MIMECAST SERVICES LIMITED

Strategic Report

For the year ended 31 March 2021

The directors present the strategic report of Mimecast Services Limited ("the Company") for the year ended 31 March 2021.

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 and future outlook

The Company has generated a profit for the year of £19,960k (2020: loss of £15,453k). The results are set out in the Statement of Comprehensive Income on page 11.

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 again experienced considerable growth during the year, with revenue increasing by 30% to £224,977k (2020: £173,409k). The Company's profit before tax for the year was £20,332k, compared to a loss in FY20 of £14,701k. The change from a loss to a profit is largely due to ongoing revenue growth and a reduction in costs in FY21.

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.

Global COVID-19 pandemic

Our priority during the COVID-19 pandemic remains the health and safety of our colleagues, our customers, and the wider community in which we operate, whilst continuing to operate our business and provide services to our customers. Given the electronic nature of our business, almost all our staff are able to work from home and the business has been able to operate with service delivery and product quality being maintained at high levels.

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, which could be more difficult due to the effects of COVID-19.

MIMECAST SERVICES LIMITED

Strategic Report (continued)
For the year ended 31 March 2021

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 parent company, Mimecast 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 centers that prioritise the use of renewable energy. Starting in fiscal 2022, we plan to match 100% of our entire operational footprint (Scope 1 and 2 emissions) with third-party certified renewable energy certificates 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, 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:

B99F5CCE40334DE...
Rafeal E. Brown
Director
29 November 2021

MIMECAST SERVICES LIMITED

Directors' Report

For the year ended 31 March 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2021.

Directors

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

- Peter Bauer
- Rafeal Brown
- Heather Bentley

Dividends

The directors do not recommend the payment of a dividend (2020: 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 optimises 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 by 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.

MIMECAST SERVICES LIMITED

Directors' Report (continued)
For the year ended 31 March 2021

Going concern

In preparing the financial statements the directors have taken into account all information that could reasonably be expected to be available for at least 12 months following the date of signing these financial statements. Management have assessed the relevant factors surrounding going concern, including financing available from other companies in the Mimecast Group and considers the basis of accounting preparation appropriate. As such, the directors of Mimecast Services Limited continue to adopt the going concern basis in preparing the financial statements.

The directors of Mimecast Services Limited have considered the impact of coronavirus ("COVID-19") as part of the going concern assessment and have concluded that this will not impact the Company's ability to continue as a going concern. This conclusion is based on the current level of subscriptions, anticipated future subscription renewals and the ongoing collectability of revenue from customers.

Additionally, the directors of Mimecast Services Limited have received written confirmation from ultimate parent Mimecast Limited, that it is fully prepared and able to support the Company as necessary a period of at least 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 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.

MIMECAST SERVICES LIMITED

Directors' Report (continued)
For the year ended 31 March 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's 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.

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.

On behalf of the board

DocuSigned by:

800F5CCE40334DE...
Rafeal E. Brown
Director
29 November 2021

MIMECAST SERVICES LIMITED

Independent Auditors' Report to the Members of Mimecast Services Limited (continued) For the year ended 31 March 2021

Opinion

We have audited the financial statements of Mimecast Services Limited for the year ended 31st March 2021 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 20, including a 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 2021 and of its profit 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 of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group'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 or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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.

MIMECAST SERVICES LIMITED

Independent Auditors' Report to the Members of Mimecast Services Limited (continued) For the year ended 31 March 2021

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 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.

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 framework

MIMECAST SERVICES LIMITED

Independent Auditors' Report to the Members of Mimecast Services Limited (continued)
For the year ended 31 March 2021

(FRS 101 and Companies Act 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 our 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 the 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 an 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 a focus on manual non-standard journals and journals indicating large or 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 and controls 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.

Ernst & Young LLP

Oxana Dorrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 November 2021

MIMECAST SERVICES LIMITED**Statement of Comprehensive Income**
For the year ended 31 March 2021

	Note	31 March 2021 £000	31 March 2020 £000
Revenue	3	224,977	173,409
Cost of revenue		<u>(35,848)</u>	<u>(34,543)</u>
Gross profit		189,129	138,866
Operating costs	4	(167,652)	(147,793)
Other income/ (expense)	7	<u>1,006</u>	<u>(3,714)</u>
Operating profit/ (loss)		22,483	(12,641)
Net finance expense	8	<u>(2,151)</u>	<u>(2,060)</u>
Profit/ (Loss) before income tax		20,332	(14,701)
Income tax expense	9	<u>(379)</u>	<u>(771)</u>
Profit/ (Loss) for the year		19,953	(15,472)
Foreign exchange translation gain		<u>7</u>	<u>19</u>
Total comprehensive profit/(loss) for the year		<u>19,960</u>	<u>(15,453)</u>

The notes on pages 14 to 35 form an integral part of these financial statements.

MIMECAST SERVICES LIMITED**Statement of Changes in Equity**
For the year ended 31 March 2021

	Share Capital	Share Premium	Share Option Reserve	Accumulated Deficit	Other Reserve	Total Equity Reserve
	£000	£000	£000	£000	£000	£000
As at 31 March 2019	-	73,335	15,290	(23,471)	22,893	88,047
Loss for the financial year	-	-	-	(15,472)	-	(15,472)
Other comprehensive income	-	-	-	19	-	19
Share based payments	-	-	12,638	-	-	12,638
Share issue	-	45,729	-	-	-	45,729
As at 31 March 2020	-	119,064	27,928	(38,924)	22,893	130,961
Profit for the financial year	-	-	-	19,953	-	19,953
Other comprehensive income	-	-	-	7	-	7
Share based payments	-	-	10,739	-	-	10,739
As at 31 March 2021	-	119,064	38,667	(18,964)	22,893	161,660

The notes on pages 14 to 35 form an integral part of these financial statements.

MIMECAST SERVICES LIMITED**Statement of Financial Position**
For the year ended 31 March 2021

	Note	31 March 2021 £000	31 March 2020 £000
ASSETS			
Non-current assets			
Property and equipment	10	21,046	24,051
Intangible assets	11	17,021	16,925
Right of use assets	12	44,398	43,916
Investments in subsidiaries	13	113,976	113,976
Other non-current assets	14	9,519	8,189
		<u>205,960</u>	<u>207,057</u>
Current assets			
Trade and other receivables	14	63,228	70,582
Cash		38,596	16,614
		<u>101,824</u>	<u>87,196</u>
Total assets		<u>307,784</u>	<u>294,253</u>
Non-current liabilities			
Trade and other payables	15	51,472	51,682
		<u>51,472</u>	<u>51,682</u>
Current liabilities			
Trade and other payables	15	94,652	111,610
		<u>94,652</u>	<u>111,610</u>
Total liabilities		146,124	163,292
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	-	-
Share premium		119,064	119,064
Share option reserve		38,667	27,928
Other reserve		22,893	22,893
Accumulated deficit		(18,964)	(38,924)
Total equity		161,660	130,961
Total equity and liabilities		<u>307,784</u>	<u>294,253</u>

The notes on pages 14 to 35 form an integral part of these financial statements.

The financial statements on pages 11 to 35 were approved and authorised for issue by the Board of Directors on 29 November 2021 and signed on its behalf by:

DocuSigned by:

 B89F5CCF40334DE...
 Rafeal E. Brown
 Director

MIMECAST SERVICES LIMITED

Notes to the Financial Statements For the year ended 31 March 2021

1 Authorisation of financial statements and statement of compliance with FRS 101 Accounting policies

The financial statements of Mimecast Services Limited (the "Company") for the year ended 31 March 2021 were authorised for issue by the board of directors on 29 November 2021 and the Statement of Financial Position was signed on the board's behalf, by Rafeal Brown.

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.

These financial statements were prepared under the historical cost convention and in accordance with The Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies, which have been consistently applied, are set out below.

The Company is a wholly-owned subsidiary of Mimecast UK Limited and is included in the consolidated financial statements of Mimecast Limited which are publicly available. 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 2021

2.2 Going Concern

In preparing the financial statements the directors have taken into account all information that could reasonably be expected to be available for at least 12 months following the date of signing these financial statements. Management have assessed the relevant factors surrounding going concern, including financing available from other companies in the Mimecast group and considers the basis of accounting preparation appropriate. As such, the directors of Mimecast Services Limited continue to adopt the going concern basis in preparing the financial statements.

The directors of Mimecast Services Limited have considered the impact of coronavirus ("COVID-19") as part of the going concern assessment and have concluded that this is not expected to have an impact on the company's ability to continue as a going concern. This conclusion is based on the current level of subscriptions, anticipated future subscription renewals and the ongoing collectability of revenue from customers.

Additionally, the directors of Mimecast Services Limited have received written confirmation from ultimate parent Mimecast Limited, that it is fully prepared and able to support the Company as necessary for a period of at least 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 Limited, the ultimate parent company.

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. 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 Company Investments

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 investments. Factors taken into consideration in reaching such a decision, include the economic viability and expected future financial performance of the subsidiary. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include significant future investments or restructuring activities that the Company is not yet committed to. The recoverable amount is sensitive to the discount rate, the expected future cash-inflows and the growth rate used for extrapolation purposes.

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.

Expected Credit Loss Model

Application of the expected credit loss model prescribed by IFRS 9, requires the Company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess the loan receivables from related parties and trade receivables for impairment. Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of the balances, the possible credit losses that could arise and the probabilities for these scenarios.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2021

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 are 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 the intellectual property. These royalties are calculated as a percentage of the revenue of the related parties and is 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.

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 subscription 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 consolidated balance sheets.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2021

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. No commissions are paid related to contract renewals. 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

Property and equipment is 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 assets 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 |

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.

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

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.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

2.7 Intangible assets (continued)

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 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.

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.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2021

2.9 Financial instruments (continued)

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 principle and interest on the principle 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, 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.

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 recognise a loss allowance based on lifetime ECLs at each reporting date.

Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks. These are initially and subsequently recorded at 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.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2021

2.9 Financial instruments (continued)

Financial liabilities

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

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 legally enforceable 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 increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2021

2.11 Employee benefits (continued)

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.

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 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 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

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2021

2.14 Leases (continued)

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.

2.15 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 profit and loss account in the period in which it is incurred.

2.16 Share based compensation plan

The Company established a share based compensation plan in September 2007. Share-based compensation expense for all options granted under share based compensation plans is determined using the fair value method. The fair value of the options is determined using the Black Scholes option pricing model and is recognised over the vesting period of such options. 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, with a corresponding adjustment to equity. The Company's share option plan is described in note 17.

2.17 Investments in subsidiaries

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

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

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**3 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 2021 £000	Year ended 31 March 2020 £000
Revenue from provision of services to 3 rd parties	110,228	97,414
Revenue from licensing IP to related parties	114,749	75,995
	<u>224,977</u>	<u>173,409</u>

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
United Kingdom	98,427	88,227
Rest of the world	11,801	9,187
	<u>110,228</u>	<u>97,414</u>

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
United Kingdom	-	-
Rest of the world	114,749	75,995
	<u>114,749</u>	<u>75,995</u>

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**4 Operating costs**

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Staff costs (note 5)	62,506	57,415
Depreciation of owned tangible assets (note 10)	6,656	6,391
Loss on disposal of property and equipment	-	10
Amortisation of intangible assets (note 11)	4,248	3,210
Amortisation of right of use assets (note 12)	8,206	10,301
Auditors' remuneration - audit fees	79	48
Services provided by Related parties	69,187	54,612
Marketing costs	7,988	8,738
Other operating expenses	8,782	7,068
	<u>167,652</u>	<u>147,793</u>

5 Employees

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Staff costs for all employees including directors consists of:		
Wages and salaries	48,519	43,859
Social security costs	7,528	7,090
Pension	1,749	1,520
Health benefits	609	528
Vacation	1,171	667
Share-based expense	13,211	12,638
Other staff costs	726	847
	<u>73,513</u>	<u>67,149</u>

The Company's pension plan is a defined contribution plan. The contributions made to the plan for the year was £1,749k (2020: £1,520k). Pension contributions are paid in the following month they relate to, therefore as at year end there was unpaid employer contributions relating to March 2021 of £344k, which were settled in April 2021.

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**5 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 2021 £000	Year ended 31 March 2020 £000
Staff costs as costs of revenue	11,007	9,734
Staff costs as operating expenses	62,506	57,415
	<u>73,513</u>	<u>67,149</u>

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

	Year ended 31 March 2021	Year ended 31 March 2020
Sales and Distribution	172	167
Research and Development & Service provision	390	368
Administration & Marketing	111	103
	<u>673</u>	<u>638</u>

6 Directors' emoluments

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Emoluments	228	56
Taxable benefits	212	-
Payments to defined contribution pension scheme	11	1
Bonus	91	-
	<u>542</u>	<u>57</u>

Highest paid director

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Emoluments	228	50
Taxable benefits	212	-
Payments to defined contribution pension scheme	11	1
Bonus	91	-
	<u>542</u>	<u>51</u>

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**6 Directors' emoluments (continued)**

No directors (2020: nil) have retirement benefits accruing under money purchase schemes. No share options were exercised by directors in the current year (2020: nil). The emoluments of Peter Bauer and Rafeal Brown are paid by Mimecast North America Inc., which makes 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.

7 Other income / (expense)

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Foreign exchange gain / (loss)	1,006	(819)
Dividend Income	-	10,200
Impairment of investments	-	(13,168)
Other income	-	73
	<u>1,006</u>	<u>(3,714)</u>

In February 2020, the Company acquired the total net assets from two subsidiaries through dividends in specie, totalling £10,200k. The carrying value of the subsidiaries Mimecast Development Limited and Simply Migrate Limited, was subsequently impaired from £13,168k to nil as they no longer retained any carrying value.

No dividend income or impairment of investments recognised in FY21.

8 Finance expense

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Interest received from related parties	<u>134</u>	<u>338</u>
	134	338
Interest paid to related parties	(18)	(78)
Interest paid to financial institutions	-	(5)
Interest and finance charges paid/payable for lease liabilities not at fair value through profit or loss	<u>(2,267)</u>	<u>(2,315)</u>
	(2,285)	(2,398)
Total Finance cost	<u>(2,151)</u>	<u>(2,060)</u>

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**9 Income tax expense**

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Current tax:		
UK corporation tax at 19% (2020: 19%) on results for the year	-	-
Foreign taxation	379	289
Adjustment in respect of prior years	-	482
Total current tax charge	<u>379</u>	<u>771</u>
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax expense	<u>379</u>	<u>771</u>

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**9 Income tax expense (continued)**

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

	Year ended 31 March 2021 £000	Year ended 31 March 2020 £000
Profit/(Loss) on ordinary activities before taxation	20,332	(14,701)
Profit/(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020: 19%)	3,863	(2,793)
Effects of:		
Adjustments to tax charge in respect of previous periods	-	482
Foreign tax expense	379	289
Fixed asset differences	34	270
Expenses not deductible for tax purpose	23	2,655
Movement on deferred tax not recognised	(1,086)	1,351
Exempt ABGH distributions	-	(1,938)
Prior period adjustment to deferred tax not Recognised	-	307
RDEC income not taxable	(329)	(151)
Share based payment relief	(701)	346
Group relief claim	(1,755)	-
Other differences	(49)	(47)
Total tax expense for the year	379	771

Unrecognised deferred tax assets amounted to £8,406k (2020: £10,451k).

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**10 Property and equipment**

	Leasehold Improvements	Office Equipment	Fixtures and Fittings	Computer Equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	11,310	43	1,497	34,121	46,971
Additions	-	-	19	3,718	3,737
Disposals	(9)	-	-	(1,282)	(1,291)
At 31 March 2021	11,301	43	1,516	36,557	49,417
Accumulated depreciation					
At 1 April 2020	743	32	121	22,024	22,920
Charge for the year	1,211	4	301	5,140	6,656
Disposals	-	-	-	(1,205)	(1,205)
At 31 March 2021	1,954	36	422	25,959	28,371
Net Book Value					
At 31 March 2021	9,347	7	1,094	10,598	21,046
At 31 March 2020	10,567	11	1,376	12,097	24,051

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**11 Intangible assets**

	Capitalised Software	Acquired Intangibles	Goodwill	Total
	£000	£000	£000	£000
Cost				
At 1 April 2020	12,799	3,826	7,461	24,086
Additions	4,783	-	-	4,783
Disposals	(1,044)	-	(439)	(1,483)
At 31 March 2021	<u>16,538</u>	<u>3,826</u>	<u>7,022</u>	<u>27,386</u>
Accumulated amortisation				
At 1 April 2020	6,344	817	-	7,161
Charge for the year	3,798	450	-	4,248
Disposals	(1,044)	-	-	(1,044)
At 31 March 2021	<u>9,098</u>	<u>1,267</u>	<u>-</u>	<u>10,365</u>
Net Book Value				
At 31 March 2021	<u>7,440</u>	<u>2,559</u>	<u>7,022</u>	<u>17,021</u>
At 31 March 2020	<u>6,455</u>	<u>3,009</u>	<u>7,461</u>	<u>16,925</u>

12 Right of use assets

The Company leases various assets including land and buildings, machinery, IT equipment, 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 2020	36,696	7,229	43,925
Modifications	-	(901)	(901)
Additions	58	9,533	9,591
Depreciation for the year	(4,087)	(4,119)	(8,206)
Foreign exchange movements	(11)	-	(11)
At 31 March 2021	<u>32,656</u>	<u>11,742</u>	<u>44,398</u>

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**12 Right of use assets (continued)**

	2021 £000	2020 £000
Amounts recognised in the Profit/Loss		
Interest on lease liabilities	2,267	2,315
Variable lease payments not included in the measurement of lease liabilities	3,174	1,923

As of 31 March 2021, the Company has additional leases with future lease payments of £6.4m, the terms of which have not yet commenced. These leases are expected to commence in the next financial year with lease terms of approximately five years.

13 Investments in subsidiaries

	2021 £000
Cost	
At 1 April 2020	113,976
Additions	-
Disposals	-
At 31 March 2021	<u>113,976</u>
Net Book Value	
At 31 March 2021	<u>113,976</u>
At 31 March 2020	<u>113,976</u>

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued)
For the year ended 31 March 2021

13 Investments in subsidiaries (continued)

Subsidiary undertaking	Country of incorporation	Class of shares	Proportion held	Principal activity
Mimecast Development Limited*	United Kingdom	Ordinary	100%	Email management
Simply Migrate Limited**	United Kingdom	Ordinary	100%	Data migration services
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	Israel	Ordinary	100%	Email security services

* Mimecast Development Limited was dissolved on 12 June 2021.

** Simply Migrate Limited was dissolved on 10 June 2021.

14 Trade and other receivables

	2021 £000	2020 £000
Non-current		
Other assets	832	1,100
Deferred commissions	8,687	7,089
	<u>9,519</u>	<u>8,189</u>
Current		
Trade receivables	30,127	28,621
Trade receivables owed by related parties	10,300	18,333
Other amounts owed by related parties	11,596	14,331
Prepayments and accrued income	4,750	4,221
Other tax receivable - RDEC	2,818	2,355
Deferred commissions	3,237	2,373
Other receivables	400	348
	<u>63,228</u>	<u>70,582</u>

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**14 Trade and other receivables (continued)**

Included in other amounts owed by related parties are loans issued to Mimecast Germany GmbH of £9,238k (2020: £9,220k) and Segasec Labs Limited of £2,510k (2020: £nil). The Mimecast Australia Pty Limited loan of £3,027k from 2020 was settled in the year. The interest rate on these loans is either LIBOR, which amounted to 0.11113% at year-end (2020: 0.99288%) or 4.5% based on the underlying agreements. All loans to related parties are repayable on demand.

Trade receivables owed by related parties of £10,300k (2020: £18,333k) relate to royalties due from other related parties.

Management have assessed expected credit losses for its trade and other receivables and a provision of £623k (2020: £614k) is recognised in the financial statements.

15 Trade and other payables**Non - current:**

	2021 £000	2020 £000
Deferred income	4,549	4,422
Accruals and other payables	3,024	2,160
Lease liabilities	43,899	45,100
	<u>51,472</u>	<u>51,682</u>

Current:

	2021 £000	2020 £000
Trade creditors	863	4,047
Amounts owed to related parties	6,172	24,395
Taxation and social security	6,668	6,921
Accruals and other payables	9,850	8,844
Deferred income	61,600	58,750
Lease liabilities	9,499	8,653
	<u>94,652</u>	<u>111,610</u>

16 Called up share capital

	2021 £000	2020 £000
Authorised & Issued		
401 (2020: 401) ordinary shares of £0.01 each	-	-

MIMECAST SERVICES LIMITED**Notes to the Financial Statements (continued)**
For the year ended 31 March 2021**17 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, 2021, and 2020, 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.

The 2015 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. Initially, a total of 5.5 million ordinary shares were reserved for the issuance of awards under the 2015 Plan. This number is subject to adjustment in the event of a share split, share dividend or other change in our capitalization. The 2015 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1st by 5% of the outstanding number of ordinary shares on the immediately preceding December 31 or such lesser number of shares as determined by the board of directors.

Under the 2015 Plan, the share option price may not be less than the fair market value of the ordinary shares on the date of grant and the term of each share option may not exceed 10 years from the date of grant. Share options typically vest over 4 years, but vesting provisions can vary based on the discretion of the board of directors. The Company settles share option exercises under the 2015 Plan through newly issued shares. The Company's ordinary shares underlying any awards that are forfeited, cancelled, withheld upon exercise of an option, or otherwise terminated other than by exercise will be added back to the shares available for issuance under the 2015 Plan.

The number and weighted average exercise prices of share options are as follows:

	2021 Number of options 000's	2021 Weighted average exercise price	2020 Number of options 000's	2020 Weighted average exercise price
At the beginning of the year	1,765	£21.39	1,921	£13.97
Granted during the year	72	£32.78	479	£37.17
Exercised during the year	(466)	£10.56	(380)	£8.52
Lapsed during the year	(106)	£31.10	(159)	£21.20
Adjustment	17	-	(96)	-
At the end of the year	<u>1,282</u>	<u>£22.74</u>	<u>1,765</u>	<u>£21.39</u>

MIMECAST SERVICES LIMITED

Notes to the Financial Statements (continued) For the year ended 31 March 2021

17 Share options (continued)

An adjustment of 17,000 shares was made in 2021 to account for unrecorded 2020 grants. An adjustment of 96,000 shares was made in 2020 to account for unrecorded 2018 grants.

The weighted average remaining life of share options outstanding at the end of the reporting period was 6.6 years.

The range of exercise prices of share options outstanding at the end of the reporting period are as follows:

USD options between \$6.48 and \$43.43
GBP options between £0.372 and £0.90

18 Related Parties

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

19 Immediate and ultimate holding company

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 company and controlling party is Mimecast Limited, a company incorporated in Jersey.

Mimecast Limited is the parent of the smallest and largest Group of undertakings to consolidate these financial statements at 31 March 2021. The consolidated financial statements of Mimecast Limited may be obtained from: c/o Mimecast UK Limited, 1 Finsbury Ave, London EC2M 2PF. Alternatively, the consolidated financial statements may be obtained on the Group's website, www.mimecast.com.

20 Subsequent Events

Mimecast Development Limited and Simply Migrate Limited were dissolved in June 2021.