

Company Registration No. NI050867 (Northern Ireland)

PROOFPOINT NI LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021



PROOFPOINT NI LIMITED

COMPANY INFORMATION

Directors	M Ricci M Yang
Secretary	M Yang
Company number	NI050867
Registered office	Unit 11 Weaver's Court Linfield Road Belfast BT12 5GH Northern Inreland
Auditor	WP Audit Limited 5a Frascati Way Maidenhead Berkshire SL6 4UY
Business address	Unit 11 Weaver's Court Linfield Road Belfast BT12 5GH Northern Inreland

PROOFPOINT NI LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

Proofpoint NI Limited ("the company") is a subsidiary of Proofpoint, Inc., a company incorporated and duly organised under the laws of the state of Delaware, United States of America. Proofpoint NI Limited provides research and development and sales and marketing support to Proofpoint, Inc., and operates at the direction of the parent company.

Proofpoint NI Limited is compensated by Proofpoint, Inc., through a cost plus arrangement for R&D and support services and also a royalty paid for by Proofpoint, Inc. for its use of certain legacy technology created by the company prior to the Proofpoint acquisition. The company's business strategy is to further develop Proofpoint's Essentials produce line, support Proofpoint operations, and also increase sales of Proofpoint's products to its customers.

The average employee numbers of the company in the year to 31 December 2021 have increased from 164 to 181 in the period, following continued investment from Proofpoint, Inc. in the UK company. This contributed to an increase in turnover of 52% to £21,034,637 (2020: £13,825,022). However, an increase of share based compensation has caused the company to incur a loss after tax of £2,107,970 (2020: £4,067,341). The net assets at the year end are £11,635,952 an increase from £8,698,441 at 31 December 2020.

Key performance indicators (KPIs)

Given the straightforward nature of the business, being a cost plus subsidiary and receiving a royalty from Proofpoint, Inc., the directors are of the opinion that analysis using KPIs other than turnover, margin and operating profit is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Due to the nature of the business being under a cost plus arrangement and receiving a royalty from Proofpoint, Inc., there are minimal risks and uncertainties. The company has the ongoing support of Proofpoint, Inc., who have expressed their willingness to continue the support of Proofpoint NI Limited as well as having the means to provide the necessary support.

Management make sure that risks and uncertainties are monitored and appropriate action taken if any new risks arise.

Financial risk management objectives and policies

The directors review and agree policies for managing each of these risks and they are summarised below. These policies are as follows:

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The company has sufficient reserves of cash and additional funding would be provided by Proofpoint, Inc., if required to maintain the liquidity of the company.

Interest rate risk

The company finances its operations through retained profits and cash resources. The company's cash assets are held in floating rate accounts and fixed rate amounts for loans from the parent company. They do not attract interest and are therefore not subject to interest rate risk.

Exchange rate risk

A proportion of the company's transactions are in foreign currencies and where possible the company purchases in the currency in order to minimise the exposure. Management manages the exchange risk further by buying currency when rates are favourable.

Credit risk

The company's principal financial assets is cash. The credit risk associated with cash balances are limited. The directors continue to closely monitor bank credit worthiness.

PROOFPOINT NI LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

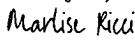
Going concern

Proofpoint NI Limited's ultimate parent company, Proofpoint, Inc., entered the 2021 financial statement year from a position of strength, with an excess of \$900M in cash and cash equivalents, strong free cash flow, and a business model built on greater than 90% recurring subscription revenue. On August 31, 2021 Proofpoint was acquired and taken private by Thoma Bravo in a leveraged buy-out and now has \$3.3B of debt on its Balance Sheet as of December 31, 2021. Even with servicing debt, Proofpoint remains in a strong financial position with around \$850M of cash and cash equivalents and strong revenue growth. Proofpoint also has access to a \$250M revolving line of credit and the additional backing of Thoma Bravo, a large and well funded private equity conglomerate. Given Proofpoint, Inc.'s strong cash position, recurring revenue base and commitment to continue growing the business, Proofpoint, Inc. has no concerns about being able to continue providing support to its UK and other non-US subsidiaries for the foreseeable future.

Future events

Management expect the business to continue for the foreseeable future to provide research and development services as well as customer, sales and marketing support to Proofpoint, Inc., and continue to operate under the cost plus arrangement in place at the year end. Due to the continued investment in Proofpoint NI Limited by the parent company, the board expect employee numbers to continue to grow and therefore turnover and profitability to follow given the cost plus arrangement.

On behalf of the board

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M Ricci

Director

12/22/2022 | 9:09 AM PST
Date:

PROOFPOINT NI LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of sales and marketing support, as well as research and development, for the parent company, Proofpoint, Inc.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid in the current or prior year. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P Auvil III	(Resigned 16 June 2022)
G Steele	(Resigned 18 March 2022)
M Ricci	(Appointed 16 June 2022)
M Yang	(Appointed 16 June 2022)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Research and development

The company undertook research and development activities in relation to four different projects in the year:

Proofpoint Essentials – improvement of the product to make it more scalable;
Qualipy – development of a testing framework in order to ensure the platform is working efficiently;
Athena – identify and resolve issues resulting from the Essentials platform holding large quantities of data;
Thoth – creation of a single bespoke tool to help identify issues as soon as possible.

Auditor

WP Audit Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of discussions relating to financial and other risk management objectives and policies and future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

PROOFPOINT NI LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board

DocuSigned by:

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M Ricci
Director

12/22/2022 | 9:09 AM PST
Date:

PROOFPOINT NI LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Strategic Report and the 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROOFPOINT NI LIMITED

Opinion

We have audited the financial statements of Proofpoint NI Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditors' 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 at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROOFPOINT NI LIMITED (CONTINUED)

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 the Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page three, 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 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 a Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also ensured of management about their own identification and assessment of the risks and irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements These included the UK Companies Act, tax legislation, health and safety legislation and employment legislation.
- had an indirect effect on the determination of material amounts and disclosures in the financial statements.

We discussed among the audit engagement team, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud and performed specific procedures to ensure that they were addressed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROOFPOINT NI LIMITED (CONTINUED)

In common with all audit ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above procedures to respond to the risks identified including the following:

- Reviewing financial statement disclosures by testing supporting documentation to assess compliance with provisions of relevant laws and regulations as described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading of minutes of meetings of those charged with governance.

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.

P Duckworth

Philippa Duckworth BSc FCCA (Senior Statutory Auditor)
For and on behalf of WP Audit Limited, Statutory Auditor
Chartered Accountants
5a Frascati Way
Maidenhead
Berkshire, SL6 4UY

06 January 2023

PROOFPOINT NI LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
Turnover	3	21,034,637	13,825,022
Administrative expenses		(23,608,476)	(17,999,360)
Other operating income		717,800	624,624
Operating loss	6	(1,856,039)	(3,549,714)
Interest receivable and similar income	7	3,568	1,347
Interest payable and similar expenses	8	(2,745)	-
Loss before taxation		(1,855,216)	(3,548,367)
Tax on loss	9	(252,754)	(518,974)
Loss for the financial year		(2,107,970)	(4,067,341)

Company Registration No. NI050867

PROOFPOINT NI LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	10		17,363		-
Tangible assets	11		923,428		1,020,189
			<u>940,791</u>		<u>1,020,189</u>
Current assets					
Debtors	12	13,282,430		9,219,667	
Cash at bank and in hand		1,812,217		652,722	
		<u>15,094,647</u>		<u>9,872,389</u>	
Creditors: amounts falling due within one year	13	<u>(4,023,725)</u>		<u>(1,209,788)</u>	
Net current assets			<u>11,070,922</u>		<u>8,662,601</u>
Total assets less current liabilities			<u>12,011,713</u>		<u>9,682,790</u>
Creditors: amounts falling due after more than one year	14		(294,539)		(949,186)
Provisions for liabilities	16		(81,222)		(35,163)
Net assets			<u>11,635,952</u>		<u>8,698,441</u>
Capital and reserves					
Called up share capital	20		41,244		41,244
Share premium account	21		887,668		887,668
Profit and loss reserves	21		10,707,040		7,769,529
Total equity			<u>11,635,952</u>		<u>8,698,441</u>

The financial statements were approved by the board of directors and authorised for issue on 12/22/2022 | 9:09 AM PST and are signed on its behalf by:

DocuSigned by:

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 M Ricci
 Director

PROOFPOINT NI LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2020		41,244	887,668	5,786,904	6,715,816
Year ended 31 December 2020:					
Loss and total comprehensive income for the year		-	-	(4,067,341)	(4,067,341)
Credit to equity for equity settled share-based payments	5	-	-	6,049,966	6,049,966
Balance at 31 December 2020		41,244	887,668	7,769,529	8,698,441
Year ended 31 December 2021:					
Loss and total comprehensive income for the year		-	-	(2,107,970)	(2,107,970)
Credit to equity for equity settled share-based payments	5	-	-	5,045,481	5,045,481
Balance at 31 December 2021		41,244	887,668	10,707,040	11,635,952

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Proofpoint NI Limited is a private company limited by shares incorporated and registered in Northern Ireland. The registered office and principal place of business is Unit 11 Weaver's Court, Linfield Road, Belfast, Northern Ireland, BT12 5GH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Proofpoint Limited, the immediate parent company. The consolidated financial statements of Proofpoint Limited are available from Companies House or from their registered office 1st Floor West Wing, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU.

Going concern

Proofpoint NI Limited's ultimate parent company, Proofpoint, Inc., entered the 2021 financial statement year from a position of strength, with an excess of \$900M in cash and cash equivalents, strong free cash flow, and a business model built on greater than 90% recurring subscription revenue. On August 31, 2021 Proofpoint was acquired and taken private by Thoma Bravo in a leveraged buy-out and now has \$3.3B of debt on its Balance Sheet as of December 31, 2021. Even with servicing debt, Proofpoint remains in a strong financial position with around \$850M of cash and cash equivalents and strong revenue growth. Proofpoint also has access to a \$250M revolving line of credit and the additional backing of Thoma Bravo, a large and well funded private equity conglomerate. Given Proofpoint, Inc.'s strong cash position, recurring revenue base and commitment to continue growing the business, Proofpoint, Inc. has no concerns about being able to continue providing support to its UK and other non-US subsidiaries for the foreseeable future. The directors therefore believe the going concern basis is the correct basis to prepare the financial statements.

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Turnover

The turnover shown in the statement of comprehensive income represents amounts receivable from the parent undertaking during the period, for the provision of sales, marketing and consultancy support functions, exclusive of Value Added Tax.

Turnover in respect of services provided to the parent company is calculated as attributable costs plus a mark up in accordance with a transfer pricing agreement between Proofpoint NI Limited and Proofpoint, Inc., the parent company.

Royalty income is recognised on an accruals basis from the parent company Proofpoint Inc. and is presented within turnover.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	3 years straight line
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Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold buildings	Over the lease term
Fixtures, fittings and equipment	5 years straight line
Computer equipment	2 years straight line

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including other creditors, amounts owed to group undertakings and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund.

Share-based payments

The largest parent company to consolidate the company, Proofpoint Inc, has engaged in equity-settled share-based transactions with certain employees of Proofpoint NI Limited. The transactions are settled in the parent company's equity.

The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group recognised in its consolidated financial statements. The directors consider the number of unvested options granted to the company's employees, based on head count, compared to the total unvested options granted under the group plan to be a reasonable basis for allocating the expense.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors have considered whether any critical estimates or judgements have been made in the preparation of these financial statements and they believe there are none to note.

3 Turnover

An analysis of the company's turnover is as follows:

	2021 £	2020 £
Turnover analysed by class of business		
Provision of services	19,673,966	12,660,002
Royalties	1,360,671	1,165,020
	<u>21,034,637</u>	<u>13,825,022</u>
	2021 £	2020 £
Turnover analysed by geographical market		
United States of America	<u>21,034,637</u>	<u>13,825,022</u>

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

The average monthly number of persons (including the directors) employed by the company during the year was:

	2021 Number	2020 Number
Sales and marketing	9	11
Support, operations and engineering	146	142
Administration and professional services	12	11
Total	167	164

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	14,230,386	14,363,943
Social security costs	1,811,396	997,103
Pension costs	421,549	394,948
	16,463,331	15,755,994

During the current and previous year, the directors were remunerated by the parent company. As their responsibilities as directors of the company occupies an insignificant proportion of their time, no allocation of their remuneration is allocated to the company.

6 Operating loss

	2021 £	2020 £
Operating loss for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	2,650	3,267
Fees payable to the company's auditor for the audit of the company's financial statements	9,250	9,000
Depreciation of owned tangible fixed assets	414,396	450,283
Amortisation of intangible assets	6,766	-
Share-based payments	5,045,481	6,049,966
Operating lease charges	733,540	619,197

7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Other interest income	3,568	1,347

PROOFPOINT NI LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****8 Interest payable and similar expenses**

	2021 £	2020 £
Other interest	2,745	-

9 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	607,715	475,664
Adjustments in respect of prior periods	(388,213)	-
Total current tax	219,502	475,664
Deferred tax		
Origination and reversal of timing differences	(155,274)	45,023
Changes in tax rates	52,146	(1,713)
Adjustment in respect of prior periods	136,380	-
Total deferred tax	33,252	43,310
Total tax charge	252,754	518,974

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
Loss before taxation	(1,855,216)	(3,548,367)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(352,491)	(674,190)
Tax effect of expenses that are not deductible in determining taxable profit	1,141,121	1,812,436
Adjustments in respect of prior years	(251,833)	-
Effect of change in corporation tax rate	-	(1,713)
Permanent capital allowances in excess of depreciation	(126,840)	6,950
Other permanent differences	(172,083)	(622,796)
Remeasurement of deferred tax for changes in tax rates	14,880	(1,713)
Taxation charge for the year	252,754	518,974

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021 and deferred tax has been calculated at 25%.

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Intangible fixed assets

	Software £
Cost	
At 1 January 2021	61,454
Additions	24,129
At 31 December 2021	85,583
Amortisation and impairment	
At 1 January 2021	61,454
Amortisation charged for the year	6,766
At 31 December 2021	68,220
Carrying amount	
At 31 December 2021	17,363
At 31 December 2020	-

The amortisation charge is presented in administrative expenses in the statement of comprehensive income.

11 Tangible fixed assets

	Leasehold buildings £	Assets under construction £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost					
At 1 January 2021	596,739	48,125	180,675	1,132,511	1,958,050
Additions	-	71,925	-	296,688	368,613
Disposals	-	-	-	(73,717)	(73,717)
Transfers	-	(80,450)	-	80,450	-
At 31 December 2021	596,739	39,600	180,675	1,435,932	2,252,946
Depreciation and impairment					
At 1 January 2021	110,870	-	56,060	770,931	937,861
Depreciation charged in the year	119,348	-	30,469	264,579	414,396
Eliminated in respect of disposals	-	-	-	(22,739)	(22,739)
At 31 December 2021	230,218	-	86,529	1,012,771	1,329,518
Carrying amount					
At 31 December 2021	366,521	39,600	94,146	423,161	923,428
At 31 December 2020	485,869	48,125	124,615	361,580	1,020,189

PROOFPOINT NI LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021****12 Debtors**

	2021	2020
	£	£
Amounts falling due within one year:		
Corporation tax recoverable	-	220,589
Amounts owed by group undertakings	11,876,591	8,803,557
Other debtors	1,259,484	99,098
Prepayments and accrued income	127,133	90,008
	<u>13,263,208</u>	<u>9,213,252</u>
Deferred tax asset (note 17)	19,222	6,415
	<u>13,282,430</u>	<u>9,219,667</u>

13 Creditors: amounts falling due within one year

	2021	2020
	£	£
	Notes	
Other borrowings	15	150,000
Trade creditors		116,983
Amounts owed to group undertakings		1,771,983
Corporation tax		400,377
Other taxation and social security		586,503
Government grants	18	611,000
Other creditors		-
Accruals and deferred income		145,047
		<u>386,879</u>
		<u>4,023,725</u>
		<u>1,209,788</u>

14 Creditors: amounts falling due after more than one year

	2021	2020
	£	£
	Notes	
Government grants	18	-
Accruals and deferred income		611,000
		<u>294,539</u>
		<u>294,539</u>
		<u>949,186</u>

15 Borrowings

	2021	2020
	£	£
Preference shares	150,000	150,000
	<u>150,000</u>	<u>150,000</u>
Payable within one year	150,000	150,000
	<u>150,000</u>	<u>150,000</u>

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Borrowings (Continued)

The preference shares are redeemable at par any time after the date of issue and carry a fixed cumulative dividend of 8% per annum which have not been settled on the due dates and have not yet been paid at the date of approving these financial statements.

Redemption of preference shares can be made by either the company or the holder with no less than one months notice in writing.

The redeemable preference shares have attached to them the right for the holder to receive a cumulative preferential dividend of 8% per annum in priority to any payment of dividend on any other class of share. The shares grant the right to attend any general meeting of the company and entitle the holder to one vote for each share held and they rank pari passu with the ordinary shares upon winding up or on a reduction of capital.

16 Provisions for liabilities

	Notes	2021 £	2020 £
Deferred tax liabilities	17	81,222	35,163

17 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Balances:				
Accelerated capital allowances	81,222	35,163	-	-
Other timing differences	-	-	19,222	6,415
	<u>81,222</u>	<u>35,163</u>	<u>19,222</u>	<u>6,415</u>
Movements in the year:				2021 £
Liability at 1 January 2021				28,748
Charge to profit or loss				33,252
Liability at 31 December 2021				<u>62,000</u>

The deferred tax asset set out above is expected to reverse within the foreseeable future and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within the foreseeable future and relates to accelerated capital allowances that are expected to mature within the same period.

PROOFPOINT NI LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2021****18 Government grants**

	2021 £	2020 £
Arising from government grants	611,000	611,000
Deferred income is included in the financial statements as follows:		
Current liabilities	611,000	-
Non-current liabilities	-	611,000
	611,000	611,000

The company received a discretionary grant from Invest Northern Ireland to cover part of the cost of a specific project within Northern Ireland. The grant is conditional upon the company employing at least 82 employees throughout a five year period starting on 1 October 2017.

19 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	421,549	394,948

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At 31 December 2021 an amount of £76,888 (2020: £66,185) was outstanding and included within creditors.

20 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 1p each	3,963,550	3,963,550	39,636	39,636
Ordinary A shares of 1p each	37,500	37,500	375	375
Ordinary B shares of 1p each	123,342	123,342	1,233	1,233
	4,124,392	4,124,392	41,244	41,244
Preference share capital				
Issued and fully paid				
Preference shares of 1p each	15,000,000	15,000,000	150,000	150,000
Preference shares classified as liabilities			150,000	150,000

PROOFPOINT NI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

20 Share capital (Continued)

Ordinary shares

All Ordinary shares rank pari passu after preference shares in respect of dividend payments. In the event of a capital distribution (including on winding up) the company must first pay £15,000 to the holders of the Ordinary B shares before distributing the balance amongst all Ordinary share holders. All Ordinary shares grant the right to attend any general meeting of the company and entitle the holder to one vote for each share held. They do not confer any rights of redemption.

Preference shares

The preference shares are classified as liabilities and their terms are set out in note 15.

21 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

22 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	702,206	702,206
Between one and five years	2,106,619	2,808,825
	<u>2,808,825</u>	<u>3,511,031</u>

23 Ultimate controlling party

The directors regard Proofpoint Limited, a company incorporated in the UK to be the immediate parent company. Proofpoint Limited is the smallest and largest group entity preparing publicly available financial statements which include the results of Proofpoint NI Limited. Financial statements can be obtained from their registered office 1st Floor West Wing, Davidson House, Forbury Square, Reading, Berkshire, RG1 3EU.

The ultimate controlling party is Thoma Bravo, LLC.