

Registered number:

05094083

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**SALESFORCE UK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JANUARY 2020**



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<b>SALESFORCE UK LIMITED</b>
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**COMPANY INFORMATION**

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**DIRECTORS** Jose Luiz Moura Neto (resigned 9 July 2019)  
Joachim Wettermark  
Edward Lievens (appointed 9 July 2019, resigned 22 October 2020)

**COMPANY SECRETARY** Abogado Nominees Limited

**REGISTERED NUMBER** 05094083

**REGISTERED OFFICE** Floor 26 Salesforce Tower  
110 Bishopsgate  
London  
United Kingdom  
EC2N 4AY

**INDEPENDENT AUDITORS** Ernst & Young  
Chartered Accountants  
The Atrium  
Maritana Gate  
Canada street  
Waterford  
Ireland

**BANKERS** Deutsche Bank AG  
6 Bishopsgate  
London  
EC2N 4DA  
United Kingdom

**SOLICITORS** Baker & McKenzie London  
100 New Bridge Street  
London  
EC4V 6JA  
United Kingdom

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**SALESFORCE UK LIMITED**

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## SALESFORCE UK LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2020

The Directors, in preparing this strategic report, have complied with Section 414C of the Companies Act 2006.

The immediate parent company of Salesforce UK Limited (the "Company") is salesforce.com Sàrl, a company incorporated in Switzerland. The ultimate controlling party and the parent undertaking of both the largest and the smallest groups of undertakings of which the Company is a member and for which group financial statements are drawn up is salesforce.com, inc., a company incorporated in the United States of America. The Company is a member of the salesforce.com group of companies (the "Group").

#### REVIEW OF BUSINESS

The Company provides software as a service (SaaS) and other consulting and support services to assist organisations in the easy distribution of information to customers. The Company engages in ongoing research and development on behalf of another group entity.

The Company acts as a contracting party with third party customers in the UK since September 1<sup>st</sup> (before: EMEA region) for subscriptions and renewals, reselling the solutions of another group entity SFDC Ireland Limited.

The Company's key financial and other performance indicators during the year were as follows:

	<b>2020</b>	<b>2019</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Turnover	2,443,381	1,982,402	23
Total operating expenses	(2,402,943)	(2,130,148)	13
Operating profit/(loss)	40,438	(147,746)	127
Profit/(Loss) before tax	44,348	(143,289)	131
Shareholders' funds	168,733	124,844	35
Average number of employees	1,880	1,519	24

The statement of comprehensive income for the year ended 31 January 2020 and the balance sheet as at that date are set out on pages 13 and 14, respectively. The profit before tax for the year amounted to £44,348,266 (2019 – £143,288,826 loss). The overall profit has increased in comparison to prior year as there has been an increase in activity due to the movement to Cloud Computing, which is driving growth for the Company. In addition, in prior year there were additional costs due to the impact of retrospective IFRS 15 adoption and related intercompany agreements, which are not incurred this year.

#### PRINCIPAL RISKS AND UNCERTAINTIES

Under UK Company Law (Section 417 – Companies Act 2006), the Company is required to give a description of the principal risks and uncertainties faced:

- The Company has policies in place to ensure that all customers demonstrate an appropriate payment history and satisfy credit worthiness procedures. The Company benefits from the Group's comprehensive credit insurance coverage.
- The Company aims to mitigate liquidity risk by managing cash generation via its operations and continuing support of the ultimate parent company, salesforce.com, inc.
- The Company manages its cash flow risk, where significant, by the use of derivatives and other financial instruments.
- The Company manages the risks associated with marketable securities through adoption of group policies.
- The United Kingdom (UK) withdrew from the European Union (EU) on 31 January 2020. The transition period lasted until 31 December 2020 at which point the UK completed its withdrawal from the EU Customs Union and single market. During the transition period, negotiations were completed and a trade agreement between the two parties was reached on 24th of December. The agreement being recent, it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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**SALESFORCE UK LIMITED**


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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**


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**PRINCIPAL RISKS AND UNCERTAINTIES (continued)**

In December 2019, the novel coronavirus and resulting disease ("COVID-19") was first reported in the Wuhan region of China. After ongoing assessment of the rapid spread, number of cases and countries affected, on March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The COVID-19 pandemic has created significant global economic uncertainty, adversely impacted the business of the salesforce Group's (the "Group") customers and partners, impacted the Group's business and results of operations and could further impact the Group's results of operations and the Group's cash flows in the future. In response to the COVID-19 pandemic, the Group has been guided by our core values of trust, customer success, innovation and equality. In the first fiscal quarter of 2021, the Group took actions in response to the pandemic that focused on maintaining business continuity, helping our employees, helping our customers and communities, and preparing for the future and the long-term success of our business. For example, the Group has continued to pay all of our hourly and salaried workers and support staff and announced a 90 day no significant layoff pledge in March 2020; is innovating and delivering new solutions to help its' customers succeed such as Salesforce Care and work.com, a suite of applications built on the Group's platform designed to help customers re-open safely and have sourced millions of units of Personal Protective Equipment for doctors, nurses and first responders in the United States and other countries.

The ultimate extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance will depend on certain developments, including the duration of the outbreak, the severity of the disease, responsive actions taken by public health officials, the impacts on our customers and our sales cycles, our ability to generate new business leads, the impacts on our customer, employee and industry events, and the effects on our vendors, all of which are uncertain and currently cannot be predicted. As a result, the extent to which the COVID-19 pandemic will continue to impact the Company's financial condition or results of operations is uncertain. In response to the COVID-19 pandemic, the Group and the Company have cancelled or delayed some customer events, and shifted many of them, including Dreamforce, World Tours, Connections, Basecamps and Salesforce.org's Higher Ed Summit, to virtual-only experiences. We may deem it advisable to similarly alter, postpone or cancel entirely additional customer, employee and industry events in the future. Our shift to creating virtual customer, employee and industry events may not be successful, and we may not be able to showcase our products as well as or generate the same customer interest, opportunities and leads through virtual events as we have historically done through in-person events.

Due to our subscription based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations until future periods. If the COVID-19 pandemic has a substantial impact on our employees', partners' or customers' productivity, our results of operations and overall financial performance may be harmed. In addition, the global macroeconomic effects of the COVID-19 pandemic and related impacts on our customers' business operations and their demand for our products and services may persist for an indefinite period, even after the COVID-19 pandemic has subsided.

The impact of COVID-19, including the impact on our customers' ability or willingness to pay, our ability to collect, and the temporary financial flexibility offered to some customers, has affected and may continue to affect trends related to the seasonal nature of unearned revenue, accounts receivable and operating cash flow. While not material to date, we may experience increasing credit loss risks from accounts receivable in future periods depending on the duration or degree of economic slowdown caused by the COVID-19 pandemic, and our actual experience in the future may differ from our past experiences or current assessments. While significant uncertainty remains as to the ongoing economic and possible follow-on effects of the pandemic, including the impact on our customers' ability or willingness to pay, we expect to collect the majority of amounts deferred as of April 30, 2020 during the remainder of FY21. As a result of the impact to date in Q1 FY21 of COVID-19 and our current assumptions related to the extent to which the pandemic will affect our business going forward, we expect our business in fiscal 2021 to continue to grow, albeit at rates lower than planned prior to the COVID-19 pandemic. Additionally, no liquidity constraints have identified at Group level. Hence, we do not believe that there is any impact to the going concern assumption for the Company.

## SALESFORCE UK LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

#### THE COMPANY AND THE ENVIRONMENT

The Company is committed to conducting its activities with due care and regard for the environment and to making continual improvements to achieve a high standard of environmental performance. The Company is committed to managing and reducing its greenhouse gas emissions and their contribution to climate change. The Company is also committed to managing and reducing its water consumption and ensuring that all its wastewater is treated to the highest environmental standards. The Company is committed to reducing quantities of waste produced and actively uses recyclable products.

#### STATEMENT ON ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH COMPANY

The Company's Board of Directors (the "Board") considers that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 of the Companies Act 2006) during the year ended 31 January 2020.

The Board convenes board meetings on a quarterly cadence, and stakeholders from key business lines of the Company provide input into board papers, which are reviewed by the Directors in advance of the meetings. In order to supplement the Board's understanding of issues, risks and developments facing the Company, representatives/executives from the key functions of the business and advisors of the Company attend the board meetings to discuss such items and answer questions the Directors may have.

Within the group of companies of which salesforce.com, inc. is the ultimate parent company (the "Group"), the Group believes the business of business is to make the world a better place for all of the Group's stakeholders, including the Group's stockholders, customers, employees, partners, the planet and the communities in which the Group works and lives, as outlined in the Group's Stakeholder Impact Report<sup>1</sup>. As part of the Group, the Company is aligned with these values. The stakeholders of the Company mirror those of the Group and the Board of Directors strives to thoughtfully consider these stakeholders in its decision-making process in line with Group policies and priorities.

Details of the Company's engagement with the key stakeholder groups of the Company in the financial year are set out below:

Stakeholder	Engagement
Workforce	<p>As a service provider, the Company's employees and workers are extremely important stakeholders in the Company's operations. Employee wellbeing and engagement are a key focus of the Company and the Group as a whole.</p> <p>The Company's culture is driven by our core values of trust, customer success, innovation and equality. The Board believes the Company culture fosters open dialogue, collaboration, recognition and a sense of family, all of which allow us to attract and retain the best talent. There is Group-wide investment in programs designed to enhance employee success and create a safe, healthy and engaging working environment - examples include:</p>

<sup>1</sup> The Stakeholder Impact Report is a comprehensive annual report which outlines the Group's operations, commitments and practices and policies in relation to the protection of, and engagement with, key stakeholder groups. The report includes an independent review report completed by an independent body. This report is available at [www.salesforce.com/company/sustainability](http://www.salesforce.com/company/sustainability)

<b>SALESFORCE UK LIMITED</b>
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<b>STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020</b>
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Stakeholder	Engagement
<b>Workforce (continued)</b>	<ul style="list-style-type: none"> <li>• A global annual review of salaries and bonuses to ensure everyone is paid equally for equal work, and to close any unexplained gaps. The Group and the Company are committed to promoting equal pay.</li> <li>• employee-led and founded employee resource groups, which provide a community for underrepresented groups and their allies, offer professional development and mentoring opportunities, and empower employees to be responsive equality leaders in their community.</li> </ul> <p>Through the Company's quarterly board meetings, the Directors are kept informed of the impact on the workforce as a result of the ever-changing business environment in which the Company operates. In particular, during the year ended 31 January 2020, the Board received presentations from representatives of the Company's workforce relating to the potential impact of, and actions taken as a result of, the UK's planned departure from the European Union ("Brexit"). While Brexit has created some regulatory and operational uncertainty for the Company, the Board have been kept informed of the risks posted to the Company's workforce and have been careful to reduce and mitigate adverse impacts of Brexit on the Company's workforce.</p>
<b>Customers</b>	<p>Customers are key stakeholders of the Company. Our subscription business model means that our success is dependent on our customers' success; customers will only renew their business with the Company if we continue to provide value to them, and renewals are essential to our long-term business prospects.</p> <p>To ensure that the customers' priorities and concerns are informing Company business decisions, we periodically solicit customer feedback principally through customer surveys and engagement with the Company's advisory boards which meet with leadership delegates of customers of the Company. In particular, a UK Strategic Advisory Board has been set up by the Company, and is supported by the Group. This advisory body meets periodically with senior leadership delegates from the largest customers of the Company. In addition, an annual survey is disseminated to customers to solicit feedback on our performance and services, and the results are considered by UK leadership in the decisions made relating to how our services are managed.</p> <p>Feedback received from customers is taken into account in strategic decisions about how we develop our products and manage our services to promote long-term customer success.</p> <p>The implementing strategy of the Company is guided by the policies of the Group and the Board is kept informed of the service provision by the Company through presentations provided from key parts of the business to the Board in the quarterly board meetings.</p>

<b>SALESFORCE UK LIMITED</b>
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<b>STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020</b>
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Stakeholder	Engagement
<b>Customers (continued)</b>	<p>As the Company provides services to other entities within the Group, the customers of the Company also include other Group companies. All relationships with other Group companies are governed by intercompany agreements on arms-length terms. All intercompany agreements are reviewed and approved by the Directors and the terms of the intercompany agreements are routinely reviewed to ensure that they are at arms-length.</p>
<b>Suppliers</b>	<p>Our suppliers are a critical part of the Company's community.</p> <p>The Company aims to work with suppliers that share our core values and operate with integrity, respect, and transparency. The Board believes that partnering with small businesses and diverse suppliers is not just the right thing to do; it is smart business. The Group and the Company strive to have a majority of the suppliers owned and operated by at least one of the following: minorities as defined by the country where the business was established; women; veterans; service-disabled veterans; persons who are lesbian, gay, bisexual, or transgender; or persons with a disability.</p> <p>The Board is focused on ensuring the Company treats suppliers fairly, and has received regular presentations on the payment practices of the Company and in particular the transparent implementation of the requirements of the Payment Practices Regulations 2017.</p> <p>The Board is also committed to ensuring that there is no slavery and human trafficking anywhere in the business or supply chain of the Company. The Company aligns its stance against modern slavery and human trafficking, and the Board reviews and approves a statement detailing the actions of the Company and the Group in accordance with the provisions of the Modern Slavery Act 2015.</p>
<b>Environment and Community</b>	<p>The Group and the Company consider the environment to be one of our key stakeholders and are committed to harnessing Salesforce's culture of innovation to improve the state of the world. To that end, the Group and the Company are working to play a meaningful role in creating a sustainable, low-carbon future by integrating sustainability into their business operations. This includes not only managing Salesforce's own environmental footprint as it continues to grow, but also participating in initiatives to help others drive impactful climate action. The Board believes that improving its environmental footprint and addressing sustainability risks contributes to the long-term benefit of the Company, and its stakeholders.</p> <p>For example, the Group and the Company are committed to delivering all customers a carbon neutral cloud and to move toward complete reliance on renewable energy for our global operations by 2022. There is Group-wide investment in programs designed to mitigate the environmental risk posed by the Group - examples include:</p>



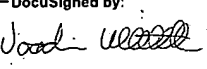
# SALESFORCE UK LIMITED

## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2020

Stakeholder	Engagement
<b>Environment and Community (continued)</b>	<ul style="list-style-type: none"> <li>the setting of an internal price on carbon by offsetting all of our Scope 1 and 2 emissions, as well as the parts of our Scope 3 (indirect emissions) related to delivering a carbon neutral cloud and all employee commuting and business travel emissions.</li> <li>the Group, along with a coalition of business, civil society, and U/N. leaders, committed to set 1.5 degree Celsius science-based emissions targets to prevent the damaging effect of climate change.</li> </ul> <p>In particular, the Board of Directors discussed compliance with Energy Savings Opportunity Scheme and the Company's obligations in relation to the same.</p> <p>In addition, within the Group we believe that businesses can be powerful platforms for social change, and we have championed causes we believe have a positive impact on our communities. We began as a different kind of company, focused on integrating philanthropy into our DNA with the 1-1-1 model, which pledges 1% of our employees' time, 1% of our revenue and 1% of our product to the community, and continue with this as one of our core values. The Group continues to provide free and highly discounted technology to the non-profit and education sectors, with over 46,000 non-profits, higher education organizations and philanthropies currently using Salesforce technology today. This Group-wide initiative has been implemented by the Company.</p>

This report was approved by the board on 1/20/2021 and signed on its behalf.

(Jan 20, 2021)

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Joachim Wettermark Director

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**SALESFORCE UK LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 JANUARY 2020**

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The Directors present their report and the Financial Statements for the year ended 31 January 2020.

**RESULTS FOR THE YEAR, DIVIDEND AND STATE OF AFFAIRS**

The statement of comprehensive income, balance sheet and related notes for the year ended 31 January 2020 are set out on pages 13 to 43.

The Directors do not propose a dividend and therefore the profit after taxation for the year of £32,721,722 (2019: £117,582,397 debited) is credited to reserves.

**FUTURE DEVELOPMENTS**

There are no developments requiring comment.

**GOING CONCERN**

On the basis of current financial projections, available funds and facilities and taking into consideration the impact of COVID-19 on the Company as mentioned in the Strategic report, the Directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future and therefore consider it appropriate to prepare the Financial Statements on the going concern basis.

**DIRECTORS**

The Directors of the Company who served during the year and up to the date of signing the Financial Statements were:

Jose Luiz Moura Neto (resigned 9 July 2019)

Joachim Wettermark

Edward Lievens (appointed 9 July 2019, resigned 22 October 2020)

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Company made no contribution to political parties during the year. Charitable contributions amounted to £20,675 (2019 - £30,210).

**RESEARCH AND DEVELOPMENT**

The Company engages in ongoing research and development on behalf of another group entity. The R&D expenses amounted to £4,184,152 (2019 - £6,815,349).

**POST BALANCE SHEET EVENTS**

Other than the COVID-19, which is summarised in the principal risks and uncertainties section of the strategic report, there were no events occurring after the balance sheet date that required disclosure, or adjustment to the financial statements of the Company.

**FINANCIAL INSTRUMENTS**

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. We seek to minimize the impact of certain foreign currency fluctuations by hedging certain balance sheet exposures with foreign currency forward contracts. Any gain or loss from settling these contracts is offset by the loss or gain derived from the underlying balance sheet exposures. In accordance with our policy, the hedging contracts we enter into have maturities of less than three months. Additionally, by policy, we do not enter into any hedging contracts for trading or speculative purposes.

The Company aims to mitigate liquidity risk by managing cash generation via its operations and the continuing support of the ultimate parent company salesforce.com, inc.

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**SALESFORCE UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**DISCLOSURE OF INFORMATION TO AUDITORS**

Having made the requisite enquiries, so far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and the Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**REAPPOINTMENT OF AUDITORS**

Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office as auditor and in accordance with Section 485 of the Companies Act 2006, a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible be identical to that of other employees.

**EMPLOYEE CONSULTATION**

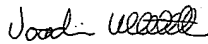
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The Company, through its ultimate parent, salesforce.com, inc., operates a number of share option plans (the "Option Plans"). Some employees are entitled to a grant of options or other share awards once they commence employment. Employees are also entitled to participate in a stock purchase plan.

**STATEMENT ON ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH COMPANY**

Section 172(1) statement in strategic report summarizes how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regards including on the principal decisions taken by the Company during the financial year.

This report was approved by the board on 1/20/2021 and signed on its behalf.

(Jan 20, 2021)

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**Joachim Wettermark**  
Director

**SALESFORCE UK LIMITED**

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 JANUARY 2020**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable UK law and regulation.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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:

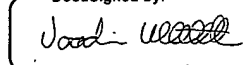
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 to 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.

This report was approved by the board on 1/20/2021 and signed on its behalf.

(Jan 20, 2021)

DocuSigned by:



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**Joachim Wettermark**

Director

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALESFORCE UK LIMITED**

### **Opinion**

We have audited the financial statements of Salesforce UK Limited for the year ended 31 January 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 28, 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 (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2020 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 below. 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **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.

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.



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working world**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALESFORCE UK LIMITED (continued)**

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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALESFORCE UK LIMITED**  
(continued)

**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.

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.



Ronan Clinton (Senior statutory auditor)  
for and on behalf of Ernst & Young, Statutory Auditor  
Waterford

22 January 2021

<b>SALESFORCE UK LIMITED</b>
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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 JANUARY 2020**

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	Note	2020 £	2019 £
Turnover	4	2,443,381,212	1,982,401,817
		<u>2,443,381,212</u>	<u>1,982,401,817</u>
<b>Gross profit</b>			
Distribution costs		(827,462,576)	(1,013,893,578)
Administrative expenses		(1,575,391,623)	(1,116,071,229)
Other expenses		(89,265)	(182,994)
<b>Operating profit/(loss)</b>	5	<u>40,437,748</u>	<u>(147,745,984)</u>
Interest receivable and similar income	8	5,978,268	4,789,474
Interest payable and similar charges	9	(2,067,750)	(332,316)
<b>Profit/(loss) before tax</b>		<u>44,348,266</u>	<u>(143,288,826)</u>
Tax on profit/loss on ordinary activities	12	(11,626,544)	25,706,429
<b>Profit/(loss) for the financial year</b>		<u>32,721,722</u>	<u>(117,582,397)</u>
Fair value movement on current asset investments	22	2,958,833	(461,016)
<b>Total comprehensive income/(loss) for the year</b>		<u><u>35,680,555</u></u>	<u><u>(118,043,413)</u></u>

The Notes on pages 16 to 43 form part of these financial statements.



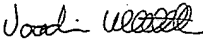
<b>SALESFORCE UK LIMITED</b>
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<b>BALANCE SHEET AS AT 31 JANUARY 2020</b>
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	Note	2020 £	2019 £
<b>Non current assets</b>			
Property, plant and equipment	13	34,810,410	32,695,746
Right-of-use assets	14	71,084,478	-
Investments	15	95,492	95,492
		<u>105,990,380</u>	<u>32,791,238</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	16	176,226,894	251,799,162
Debtors: amounts falling due within one year	16	1,061,089,267	1,115,931,904
Current asset investments	19	205,164,603	251,632,025
Cash and cash equivalents		30,711,569	421,803,424
		<u>1,473,192,333</u>	<u>2,041,166,515</u>
Creditors: amounts falling due within one year	17	(1,332,433,069)	(1,928,114,911)
<b>Net current assets</b>		<u>140,759,264</u>	<u>113,051,604</u>
<b>Total assets less current liabilities</b>		<u>246,749,644</u>	<u>145,842,842</u>
Creditors: amounts falling due after more than one year	18	(78,016,180)	(20,998,842)
<b>Net assets</b>		<u>168,733,464</u>	<u>124,844,000</u>
<b>Capital and reserves</b>			
Called up share capital	21	1	1
Fair value reserve	22	545,140	(2,413,693)
Retained earnings	22	168,188,323	127,257,692
<b>Shareholders' Funds</b>		<u>168,733,464</u>	<u>124,844,000</u>

The financial statements of Salesforce UK Limited were approved and authorised for issue by the board and were signed -  
on its behalf on 1/20/2021  
(Jan 20, 2021)

**Joachim Wettermark**  
Director

DocuSigned by:  
  
80DACC756BA43E...

<b>SALESFORCE UK LIMITED</b>
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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2020**

	Called up share capital	Fair value reserve	Retained earnings	Total shareholders' funds
	£	£	£	£
At 1 February 2019	1	(2,413,693)	127,257,692	124,844,000
<b>Comprehensive income for the year</b>				
Profit for the financial year	-	-	32,721,722	32,721,722
Other comprehensive income (Note 22)	-	2,958,833	-	2,958,833
<b>Total comprehensive income for the year</b>	-	2,958,833	32,721,722	35,680,555
Share based payments (Note 25)	-	-	8,208,909	8,208,909
<b>At 31 January 2020</b>	<u>1</u>	<u>545,140</u>	<u>168,188,323</u>	<u>168,733,464</u>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 JANUARY 2019**

	Called up share capital	Fair value reserve	Retained earnings	Total shareholders' funds
	£	£	£	£
Restated at 1 February 2018	1	(1,952,677)	234,157,087	232,204,411
<b>Comprehensive income for the year</b>				
Loss for the financial year	-	-	(117,582,397)	(117,582,397)
Other comprehensive income (Note 22)	-	(461,016)	-	(461,016)
<b>Total comprehensive income for the year</b>	-	(461,016)	(117,582,397)	(118,043,413)
Share based payments (Note 25)	-	-	10,683,002	10,683,002
<b>At 31 January 2019</b>	<u>1</u>	<u>(2,413,693)</u>	<u>127,257,692</u>	<u>124,844,000</u>

The Notes on pages 16 to 43 form part of these financial statements.

<b>SALESFORCE UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**1. General presentation**

Salesforce UK limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on the Company information page. The nature of the Company's operations and its principal activities are set out in the review of business on page 1.

The financial statements of Salesforce UK Limited (formerly salesforce.com EMEA Limited) ("the Company") for the year ended 31 January 2020 were authorised for issue by the board of Directors on 1/20/2021 and the balance sheet was signed on the board's behalf by Joachim Wettermark. The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

**2. Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

The Company's Financial Statements are presented in Sterling. The amounts disclosed in the Financial Statements are not rounded off, except where otherwise indicated.

**2.1 Basis of accounting**

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council. These financial statements including the comparative figures were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") as issued by the Financial Reporting Council and in accordance with Companies Act 2006.

The Financial Statements have been prepared on the historical cost basis, except where otherwise indicated. The principal accounting policies adopted are set out below.

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

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payments\*;
- b) the requirements of IFRS 7 Financial Instruments: Disclosures\*;
- c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement\*;
- d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- e) the requirement of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- f) the requirements of IAS 7 Statement of Cash Flows;
- g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- h) exemption from the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 199(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from contracts with customers;
- i) The requirements of paragraph 52 and 58 of IFRS 16 Leases;
- j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- k) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

<b>SALESFORCE UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**2. Accounting policies (continued)****2.1 Basis of accounting (continued)**

\*Equivalent disclosures are provided in the consolidated financial statements of salesforce.com, inc..

The Company's immediate parent Company is salesforce.com Sàrl, a Company incorporated in Switzerland.

The ultimate controlling party and the parent undertaking of both the largest and the smallest groups of undertakings of which the Company is a member and for which group financial statements are drawn up is salesforce.com, inc., a company incorporated in the United States of America. Copies of its consolidated financial statements may be obtained from salesforce.com, inc., salesforce Tower, 415 Mission Street, 3rd Floor, San Francisco, CA 94105, United States of America.

**2.2 New standards, amendments and IFRIC interpretations**

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for the year ended 31 January 2020.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. Details of these new requirements are described in Note 26.

In the current year, the Company has applied IFRIC 23 Uncertainty over income tax treatments that is effective for the year ended 31 January 2020. IFRIC 23 clarifies the application of the recognition and measurement requirements in IAS 12 income taxes when there is uncertainty over income tax treatment.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2020 have had material impact on the Company's financial statements.

**2.3 Going concern**

On the basis of current financial projections, available funds and facilities and taking into consideration the impact of COVID-19 on the Company as mentioned in the Strategic report, the Directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future and therefore consider it appropriate to prepare the Financial Statements on the going concern basis.

**2.4 Tangible fixed assets**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

All tangible assets are recognised initially at cost and thereafter carried at cost less depreciation and impairment charged subsequent to the date of the revaluation.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

<b>SALESFORCE UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. Accounting policies (continued)**

**2.4 Tangible fixed assets (continued)**

Leasehold improvements	- Shorter of 10 years or the lease term
Fixtures & fittings	- 5 years
Computer hardware	- 3 years
Software	- 3 years
Right-of-use assets	- Shorter of the lease term or the underlying asset's useful life

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. Impairment losses are recognised in the profit and loss account as incurred.

An item of tangible fixed assets 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 the profit and loss account in the period of derecognition.

**2.5 Impairment of non-financial assets**

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

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**SALESFORCE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. Accounting policies (continued)****2.6 Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

***Current tax and deferred tax for the year***

Current and deferred tax are recognised in the statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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**SALESFORCE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. Accounting policies (continued)****2.7 Revenue recognition**

The Company derives its revenues from three sources:

- a) subscription revenues, which are comprised of subscription fees from customers accessing salesforce.com's enterprise cloud computing services ("the SaaS Services") and from customers paying for additional support beyond the standard support that is included in the basic subscription fees;
- b) consulting and professional services such as process mapping, project management, implementation services and other revenue. "Other revenue" consists primarily of training and support fees; and
- c) the provision of services to related parties under cost plus arrangements.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the services supplied (as outlined above), stated net of value added taxes. The Company recognizes revenue when performance obligations have been satisfied and for the Company this is when the services have transferred to the customer and the customer has control of these.

The Company determines the amount of revenue to be recognised through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

The Company's subscription service arrangements are non-cancelable and do not contain refund-type provisions.

The Company generally invoices customers annually. Typical payment terms provide that the customers pay within 30 days of invoice.

***Subscription and support revenues***

Subscription and support revenues are recognised rateably over the contract term beginning on the commencement date of each contract, which is the date the SaaS Services are made available to the customer.

***Professional services and other revenues***

The Company's professional services contracts are on a time and material basis or fixed price basis. When these services are not combined with subscription revenues as a single unit of accounting, as discussed above, these revenues are recognised as the services are rendered for time and material contracts, and when the milestones are achieved and accepted by the customer for fixed price contracts. Training revenues are recognised as the services are performed.

<b>SALESFORCE UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

## **2. Accounting policies (continued)**

### **2.7 Revenue recognition (continued)**

#### ***Multiple deliverable arrangements***

The Company enters into arrangements with multiple deliverables that generally include multiple subscriptions, premium support and professional services.

A performance obligation is a promise in a contract with a customer to transfer products or services that are distinct. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require significant judgment. Cloud Services and software licenses are distinct as such offerings are often sold separately. In determining whether professional services are distinct, we consider the following factors for each professional services agreement:

- Availability of services from other vendors.
- The nature of the professional services.
- The timing of when the professional services contract was signed in comparison to the subscription start date.
- The contractual dependence of the service on the customer's satisfaction with the professional services work.

To date, we have concluded that all of the professional services included in contracts with multiple performance obligations are distinct.

The Company allocates the transaction price to each performance obligation on a relative standalone selling price ("SSP") basis. The SSP is the price at which it would sell a promised product or service separately to a customer.

#### ***Related party services revenue***

The Company invoices related parties for services provided under the applicable intercompany agreements quarterly in arrears. Revenue is recognised in the period to which it refers and is not deferred.

#### ***Contract balances***

##### ***Contract assets***

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### ***Trade receivables***

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

##### ***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.



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**SALESFORCE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. Accounting policies (continued)****2.7 Revenue recognition (continued)***Cost to obtain a contract*

Deferred commissions are the incremental costs that are directly associated with non-cancellable subscription contracts with customers and consist of sales commissions paid to the direct sales force of the Company or related entities. Commissions are deferred and amortized over the non-cancellable terms of the related customer contracts.

**2.8 Pension**

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet.

**2.9 Foreign currency**

The Financial Statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

**2.10 Leases**

The Company leases various properties. Rental contracts are typically made for fixed periods of 1 to 15 years but may have extension options.

The Company assesses whether a contract is or contains a lease at inception of the contract. This assessment involves the exercise of judgment about whether it depends on a specific asset, whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct use of the asset.

The Company recognises right-of-use assets and lease liabilities at the lease commencement dates, except for: short term leases of 12 months or less; leases with a remaining lease term of less than 12 months at transition date; and low value asset leases which are expensed in the statement of statement of comprehensive income on a straight-line basis over the lease term.

Contracts may contain both lease and non-lease components. However, for leases of properties for which the Company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

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**SALESFORCE UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**


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**2. Accounting policies (continued)**
**2.10 Leases (continued)**

If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Under IFRS 16, at lease commencement, the lease payments (which determine the lease liability) consist of all of the following payments relating to the use of the underlying asset during the lease term:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Restoration costs
- The amount of the initial measurement of lease liability

The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The right-of-use asset is subject to testing for impairment if there is an indicator for impairment, as for owned assets.

Right-of-use assets are included in the heading "Right-of-use assets" and the lease liabilities in the headings "Creditors amounts falling due within one year" and "Creditors amounts falling due after more than one year".

<b>SALESFORCE UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. Accounting policies (continued)****2.11 Finance costs**

As explained below, where financial liabilities are measured at amortized cost using the effective interest method, interest expense is recognised on an effective yield basis in the statement of comprehensive income within finance costs.

**2.12 Financial instruments***Initial recognition*

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*i) Financial assets*

(a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

- Equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

*(b) Financial assets at amortised cost*

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

*(c) Financial assets at fair value through profit or loss*

The following financial assets are classified at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortized cost or FVOCI.
- equity investments that are held for trading,
- equity investments for which the entity has not elected to recognize fair value, and
- gains and losses through OCI.

<b>SALESFORCE UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**2. Accounting policies (continued)**

**2.12 Financial instruments (continued)**

*ii) Financial liabilities*

The basic financial liabilities of the entity are trade and other creditors, amounts owed to group undertakings, and bank overdrafts.

Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liabilities is (i) contingent consideration that may be paid by an acquirer as part of a business combination, (ii) held for trading, or (iii) it is designated as at fair value through profit or loss (FVTPL).

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial liabilities subsequently measured at amortized cost.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

*iii) Offsetting*

Financial assets and liabilities are offset and 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 realize the asset and settle the liability simultaneously.

*iv) Impairment of financial assets*

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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**SALESFORCE UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**


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**2. Accounting policies (continued)**
**2.12 Financial instruments (continued)**

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

v) *Derecognition of financial assets and liabilities*

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the obligations are discharged, cancelled, or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**2.13 Share based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by the Directors using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

At each balance sheet date before vesting, the cumulative expense is calculated to represent the extent to which the vesting period has expired and also to reflect management's best estimate of the achievement or otherwise of non-market conditions. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the remainder of the new vesting period for the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately.

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**SALESFORCE UK LIMITED**


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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**


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**2. Accounting policies (continued)**
**2.13 Share based payments (continued)**

An intercompany agreement has been established between SFDC International Ltd. and the Company in respect of awards to the Company's employees. It applies to all awards which vest, are exercised, or otherwise give rise to taxable income in the UK. For accounting purposes, the annual amount recharged to the Company is charged to equity and only the amortised expense for the period is recognised in the statement of profit or loss and other comprehensive income.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

IAS 1.122 requires disclosures of the significant judgments that affect the amounts recognised in the financial statements. This does not mean that every accounting judgment should be disclosed. However, disclosure would be appropriate in cases where the accounting outcome is materially different dependent on the judgment taken. The following judgments (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

*Impairment of trade receivables*

When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See Note 16 for the net carrying amount of the receivables and associated impairment provision.

*Taxation*

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in Note 12.

*Performance obligations*

Judgment is required to determine the SSP (standalone selling price) for each distinct performance obligation. The Company determines SSP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration include the Company's discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where services are sold, price lists, our go-to-market strategy, historical sales and contract prices. As its go-to-market strategies evolve, it may modify its pricing practices in the future, which could result in changes to SSP. In certain cases, it is able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company use a single amount to estimate SSP when it has observable prices. If SSP is not directly observable, for example when pricing is highly variable, it uses a range of SSP. The Company determines the SSP range using information that may include market conditions or other observable inputs. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customer size and geography.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**4. Turnover**

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

	2020 £	2019 £
SaaS subscription services	1,966,905,549	1,562,279,008
Professional consulting and other services	392,976,266	363,466,627
Related party services	83,499,397	56,656,182
	<u>2,443,381,212</u>	<u>1,982,401,817</u>

The Company's primary source of revenue is subscription revenue related to the sale of salesforce.com services to third party customers and other related services. In addition, the Company continues to provide services to other related parties.

Turnover by geographical segment has not been disclosed in accordance with part 3 paragraph 68 of Statutory Instruments 2008 no.410.

*Assets and liabilities related to contracts with customers*

The Company has recognised the following assets and liabilities related to contracts with customers:

	31-Jan-20 £	31-Jan-19 £
Trade receivables	655,197,330	879,503,207
Contract assets	10,631,649	4,341,873
Contract liabilities	1,138,321,392	1,423,599,202

*(i) Significant changes in contract assets and liabilities*

Contract assets have increased as the Company has provided more services ahead of the agreed payment schedules. The Company did not recognize any loss allowance for contract assets.

Contract liabilities for expected contracts have decreased. The decrease in 2020 was due to decrease in overall contract activity.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**4. Turnover (continued)***(ii) Revenue recognised in relation to contract liabilities*

The following table shows how much of the revenue recognised in the current reporting period related to carried-forward contract liabilities

	2020 £	2019 £
Amounts included in contract liabilities at the beginning of the year	<u>1,423,599,202</u>	<u>1,061,427,043</u>

*(iii) Assets recognised from costs to fulfil a contract*

In addition to the contract balances disclosed above, the Company has also recognised an asset in relation to costs to fulfil long term contracts.

	2020 £	2019 £
Asset recognised from costs incurred to fulfil a contract at 31 January	329,073,989	408,399,453
Amortisation and impairment loss recognised as cost of providing services during the period	<u>167,671,367</u>	<u>141,225,803</u>

**5. Operating profit / (loss)**

Operating profit / (loss) is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets (see Note 13,14)	14,172,792	4,931,099
Staff costs (see Note 10)	416,189,307	216,502,491
Foreign exchange loss/ (gain)	3,839,531	(1,548,829)
Impairment of contract assets	31,840	394,072
Amortisation and impairment loss recognised as cost of providing services during the period	167,671,367	141,225,803
*Expense relating to variable lease payments not included in lease liabilities	6,337,896	-
*Expense relating to short-term leases	8,915	-
*Lease expense	<u>-</u>	<u>8,530,243</u>

\*The Company initially applied IFRS 16 at 1 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of application. In 2019 lease expense is for operating leases under IAS 17 while in 2020 these expenses relate to lease liabilities under IFRS 16.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**6. Financial instruments**

The Company has the following assets measured at fair value through profit and loss or at fair value through other comprehensive income:

	2020 £	2019 £
Market fund investments	198,369,483	229,827,680
Derivative financial assets	<u>6,795,120</u>	<u>21,804,345</u>

The Company has the following financial liabilities measured at fair value through profit or loss:

	2020 £	2019 £
Derivative financial liabilities	<u>1,888,993</u>	<u>5,327,790</u>

**7. Auditor's remuneration**

Fees payable to auditor for the statutory audit of the Company's Financial Statements were £131,838 (2019 - £110,472). There were no non-audit services provided by the Company's statutory auditor during the fiscal year.

**8. Interest receivable and similar income**

	2020 £	2019 £
Interest receivable from group companies	2,046,754	4,789,474
Other interest receivable	3,931,514	-
	<u>5,978,268</u>	<u>4,789,474</u>

**9. Interest payable and similar expense**

	2020 £	2019 £
Bank interest payable	365,803	332,316
*Interest payable on lease liabilities	1,701,947	-
	<u>2,067,750</u>	<u>332,316</u>

\*The Company initially applied IFRS 16 at 1 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2019 interest expense relating to lease liabilities is for finance lease under IAS 17 while in 2020 the interest expense is for lease liabilities under IFRS 16.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**10. Staff costs**

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	315,872,793	150,621,754
Social security costs	49,594,890	25,916,663
Other pension costs	11,652,281	9,120,965
Share-based payments (Note 25)	39,069,343	30,843,109
	<u>416,189,307</u>	<u>216,502,491</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	2019 No.
Management	1	1
Administration	730	650
Sales	1,149	868
	<u>1,880</u>	<u>1,519</u>

One driver of the increase in staff numbers during the year is group acquisitions, which resulted in approximately 124 (2019: 170) staff being integrated into the Company.

**11. Directors' remuneration and transactions**

	2020 £	2019 £
Remuneration of the highest paid Director	716,472	1,043,463
Accrued pension at the end of the year	713	18,514
	<u>717,185</u>	<u>1,061,977</u>
Directors' emoluments	1,100,627	1,069,977
	<u>1,100,627</u>	<u>1,069,977</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**12. Taxation****(a) The tax charge comprises**

	2020 £	2019 £
<b>Corporation tax</b>		
UK corporation tax	12,263,149	9,542,315
Adjustments in respect of previous periods	87,665	(459,186)
Foreign tax relief/other relief	(392,565)	(365,064)
<b>Total current tax</b>	<u>11,958,249</u>	<u>8,718,065</u>
<b>Deferred tax</b>		
Current year	(502,330)	(34,493,979)
Effect of changes in tax rates	117,748	80,803
Adjustments in respect of prior periods	52,877	(3,744)
Other	-	(7,574)
<b>Total deferred tax</b>	<u>(331,705)</u>	<u>(34,424,494)</u>
<b>Taxation on profit</b>	<u>11,626,544</u>	<u>(25,706,429)</u>

**(b) Tax included within equity**

	2020 £	2019 £
Corporation tax	4,576,919	4,000,847
Deferred tax	545,207	4,447,368
<b>Total tax included in equity</b>	<u>- 5,122,126</u>	<u>8,448,215</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**12. Taxation (continued)****(c) Reconciliation of the tax charge**

The tax expense in the statement of comprehensive income for the year is the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are reconciled below:

	2020 £	2019 £
Profit/(loss) before tax	<u>44,348,267</u>	<u>(143,288,826)</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	8,426,171	(27,224,877)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	2,739,102	2,214,893
Adjustments to tax charge in respect of prior periods	205,413	(462,930)
Share options	,898,937	522,216
Tax rate changes	52,877	80,803
Effects of overseas tax rates	(392,565)	(365,065)
Losses utilized in the year	(303,391)	(463,895)
Other	-	(7,574)
<b>Total tax charge for the year</b>	<u><u>11,626,544</u></u>	<u><u>(25,706,429)</u></u>

**(d) Factors that may affect future tax charges**

Changes to the UK corporate tax rates were substantively enacted as part of Finance Bill 2016 (on September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at balance sheet date continue to be measured at a rate of 17%. The FY20 deferred tax balance is measured at the enacted corporation tax rate as at 31 January 2020 as appropriate (17%). If FY20 deferred tax closing balances were measured at the revised 19% rate, deferred tax would have been £10,297,962 rather than £9,213,966.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**13. Property, plant and equipment**

	Leasehold improvements £	Fixtures and furniture £	Computer hardware £	Software £	Total £
<b>Cost</b>					
At 1 February 2019	35,256,951	4,149,384	8,524,729	21,281	47,952,345
Additions	4,982,387	1,070,300	2,595,507	-	8,648,194
Disposals	78,923	(3,148)	(2,290)	-	73,485
At 31 January 2020	<u>40,318,261</u>	<u>5,216,536</u>	<u>11,117,946</u>	<u>21,281</u>	<u>56,674,024</u>
<b>Depreciation</b>					
At 1 February 2019	8,307,886	2,106,113	4,838,530	4,070	15,256,599
Depreciation charge for the year	3,421,842	781,423	2,359,270	7,095	6,569,630
Disposals	38,712	(411)	(916)	-	37,385
At 31 January 2020	<u>11,768,440</u>	<u>2,887,125</u>	<u>7,196,884</u>	<u>11,165</u>	<u>21,863,614</u>
<b>Net book value</b>					
At 31 January 2020	<u><u>28,549,821</u></u>	<u><u>2,329,411</u></u>	<u><u>3,921,062</u></u>	<u><u>10,116</u></u>	<u><u>34,810,410</u></u>
At 31 January 2019	<u><u>26,949,065</u></u>	<u><u>2,043,271</u></u>	<u><u>3,686,199</u></u>	<u><u>17,211</u></u>	<u><u>32,695,746</u></u>

Asset retirement obligations (ARO) are included in the leasehold improvements for which the cost at 31 January 2020 amounts to £600,532 (2019 - £1,509,598).

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**14. Right-of-use assets**

	<b>Buildings</b>
	<b>£</b>
<b>Cost</b>	
At 1 February 2019	-
Effect of adoption of IFRS 16: Leases	78,092,558
Additions	595,082
Disposals	-
At 31 January 2020	<u>78,687,640</u>
<b>Depreciation</b>	
At 1 February 2019	-
Depreciation charge for the year	7,603,162
Disposals	-
At 31 January 2020	<u>7,603,162</u>
<b>Net book value</b>	
At 31 January 2020	<u><u>71,084,478</u></u>
At 31 January 2019	<u><u>-</u></u>

The total cash outflow for leases in 2020 amounted to £ 9,075,719.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**15. Investments**

	Shares in group companies £
<b>Cost</b>	
At 1 February 2019	95,492
Additions	-
At 31 January 2020	<u>95,492</u>
<b>Net book value</b>	
At 31 January 2020	<u>95,492</u>
At 31 January 2019	<u>95,492</u>

The shares included above represent investments in unlisted equities which are less than 20% of the nominal value of issued shares.

**16. Debtors**

	2020 £	2019 £
<b>Due after more than one year</b>		
Contract costs- Long term	176,226,894	250,990,091
Prepayments - Long term	-	809,071
	<u>176,226,894</u>	<u>251,799,162</u>
<b>Due within one year</b>		
Trade debtors	655,197,330	879,503,207
Amounts owed by group undertakings (interest free)*	195,640,139	57,203,795
Amounts owed by group undertakings (interest bearing)**	28,015,001	-
Contract assets	10,631,649	4,341,873
Other debtors	4,680,741	5,372,331
Prepayments - Short term	4,863,345	3,764,282
Contract costs- Short term	152,847,096	157,409,362
Deferred taxation (Note 20)	9,213,966	8,337,054
	<u>1,061,089,267</u>	<u>1,115,931,904</u>

\*Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

\*\*Amounts owed by group undertakings are unsecured, interest bearing at a variable rate and are repayable on demand. During the year the interest rate ranged from 0.70635% to 0.72948%.

<b>SALESFORCE UK LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**17. Creditors: Amounts falling due within one year**

	2020 £	2019 £
Trade creditors	4,966,862	6,761,044
Amounts owed to group undertakings	18,472,929	357,005,079
Other taxation and social security	51,448,492	31,429,246
Corporation tax	2,959,992	-
Defined contribution pension scheme accrual	2,032,922	1,686,695
Accruals	115,652,904	123,304,697
Contract liabilities	1,127,108,023	1,402,600,360
Derivative liabilities (Note 6)	1,888,993	5,327,790
Lease liabilities	7,901,952	-
	<u>1,332,433,069</u>	<u>1,928,114,911</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

**18. Creditors: Amounts falling due after more than one year**

	2020 £	2019 £
Amounts falling due after more than one year and less than five years:		
Contract liabilities	11,213,369	20,998,842
Lease liabilities	25,714,226	-
	<u>36,927,595</u>	<u>20,998,842</u>
Amounts falling due after more than five years:		
Lease liabilities	41,088,585	-
	<u>78,016,180</u>	<u>20,998,842</u>

**19. Current asset investments**

	2020 £	2019 £
<b>Short term investments</b>		
Market fund investments	198,369,483	229,827,680
Derivative financial assets	6,795,120	21,804,345
	<u>205,164,603</u>	<u>251,632,025</u>



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

**20. Deferred taxation**

The Company expects to have continued taxable profits in the year ended 31 January 2020 and future periods. On this basis, a deferred tax asset has been recognised in the Financial Statements for the current period. To the extent that the future tax deduction associated with share based payments exceeds the cumulative book expense for outstanding unvested, unreleased and/or unexercised share options and awards, the related deferred tax asset has been recognised in the statement of changes in equity.

The deferred tax included in the Company's balance sheet is as follows:

	2020 £	2019 £
At beginning of year	8,337,054	(30,527,234)
Charged to profit or loss	449,453	34,413,176
Charged to other comprehensive income	-	4,447,368
Prior year adjustment	68,950	3,744
Charged to equity	358,509	-
<b>At end of year</b>	<b><u>9,213,966</u></b>	<b><u>8,337,054</u></b>

The deferred tax asset/(liability) is made up as follows:

	2020 £	2019 £
Book depreciation in excess of capital allowances	(1,309,358)	(1,351,696)
Temporary differences trading	266,415	147,877
Share based payments	10,256,909	9,540,873
	<b><u>9,213,966</u></b>	<b><u>8,337,054</u></b>

At 31 January 2020 there was unrecognised deferred tax asset relating to losses of £Nil (2019: £271,455).

**21. Called-up share capital**

	2020 £	2019 £
<b>Shares classified as equity</b>		
<b>Authorised</b>		
1,000- (2019 - 1,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
1- (2019 - 1) Ordinary share of £1	<u>1</u>	<u>1</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**22. Other reserves***Fair value reserve*

The fair value reserve represents the aggregate of the cumulative unrealized gains and losses on current asset investments for sale of financial assets.

*Retained earnings*

The profit and loss account represent the profits and losses retained in the current and prior periods.

The movement in cumulative expense in relation to share based payments since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity, see Note 25 for further information on share based payments.

**23. Financial commitments**

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

	<b>2020</b>	<b>2019</b>
	<b>Land and</b>	<b>Land and</b>
	<b>buildings</b>	<b>buildings</b>
	<b>£</b>	<b>£</b>
- within one year	-	8,949,497
- between two and five years	-	35,162,303
- after five years	-	47,078,456
	<u>-</u>	<u>91,190,256</u>

The Company initially applied IFRS 16 at 1 February 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. In 2019 financial commitments relates to operating leases under IAS 17.

**24. Retirement benefit schemes**

The Group operates a defined contribution pension scheme in which the majority of employees participate. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the scheme and amounted to £11,652,281 (2019 - £9,120,965). Total employer and employee contributions outstanding at year-end amounted to £2,032,922 (2019 - £1,686,695) payable by the Company (Note 17).

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FOR THE YEAR ENDED 31 JANUARY 2020**

**25. Share based payments**

The Company, through its ultimate parent, salesforce.com, inc., operates three types of share based compensation plans.

**Restricted Share Unit (RSU)**

Restricted Stock Units are Shares which the participating employees shall assume full ownership of upon vesting.

RSUs do not have a purchase price; rather, the full value of an RSU is earned through the service performed to the Company during the vesting period by the holder and are issued when the award vests.

The vesting schedule is a 4 year vest. 25% will vest one year from the grant date and 6.25% will vest quarterly thereafter.

RSU	Weighted average share price on date of release (USD) 2020	Number 2020	Weighted average share price on date of release (USD) 2019	Number 2019
Released	\$158.5081	353,265	\$129.6330	292,888
Closing balance	-	773,896	-	772,316

For the remaining RSUs at year end the market price on release date is yet to be established. The weighted average recognition period for the remaining RSUs is 2.59 years (2019: 2.50 years).

**Stock Options (SO)**

A Stock Option is a right to buy a specified number of salesforce.com common stock at the market price as of when the option grant is approved by the Salesforce Compensation Committee. Stock options are granted to selected employees in order to attract and retain the best available personnel for positions of substantial responsibility.

The vesting term is a total of four years with 25% vesting one year from the grant date and 6.25% vesting quarterly thereafter.

Stock option	Weighted average share price on date of release (USD) 2020	Number 2020	Weighted average share price on date of release (USD) 2019	Number 2019
Released	\$159.1471	185,069	\$134.6121	211,887
Closing balance	-	645,559	-	590,876

The range of exercise prices for options outstanding at the end of the year was \$19.1800 - \$162.8100 (2019: \$7.0600 - \$122.0300). The weighted average recognition period for the remaining stock options is 2.95 years (2019: 2.43 years).

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JANUARY 2020**

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**25. Share based payments (continued)****Employee Stock Purchase Plan**

An Employee Stock Purchase Plan (ESPP) allows eligible employees of the Company the opportunity to purchase salesforce.com stock (NYSE Ticker: CRM) at a discount.

Through the ESPP, an employee is able to contribute 2% to 15% of eligible compensation to be used toward the purchase of salesforce.com shares. Stock will be purchased twice a year at a 15% discount off the lesser of these two price scenarios: a) the price of salesforce.com stock on the purchase date or b) the price of salesforce.com stock on the first day of an employee's annual ESPP cycle.

ESPP	Weighted average share price on date of release (USD) 2020	Number 2020	Weighted average share price on date of release (USD) 2019	Number 2019
Exercised	\$104.0719	220,396	\$90.5714	107,892

The expense recognised for share-based payments in respect of employee services received during the year to 31 January 2020, is £39,069,343 (2019 - £30,843,109). An amount of £3,086,782 (2019 - £2,234,787) relating to stock-based expense has been booked in equities.

The exercise price disclosures are given in US Dollars (US\$) as this is the currency in which the options are exercisable and the underlying stocks are quoted.

**26. Changes in accounting policies**

In the current year, the Company has applied IFRIC 23 Uncertainty over income tax treatments that is effective for the year ended 31 January 2020. There was no impact on the financial statements as a result of IFRIC 23.

IFRS 16 is a new accounting standard that is effective for the year ended 31 January 2020. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 January 2020.

The date of initial application of IFRS 16 for the Company is 1 February 2019.

The Company has applied IFRS 16 using the modified retrospective approach which:

- Requires the Company to recognize the cumulative adjustment to retained earnings as of the date of initial adoption. The outstanding rentals of leases are discounted using the incremental borrowing rate at the date of transition.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

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**26. Changes in accounting policies (continued)**

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses on a straight line basis.

Lease expense is presented within 'administrative expenses' in statement of comprehensive income.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has elected not to apply IFRS 16 to leases of low-value items
- For existing contracts, the Company has not reassessed whether a contract is or contains a lease.
- The Company has elected to combine non-lease components with their associated lease components when accounting for lease liabilities and ROU assets for all of its underlying classes of assets.

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 February 2019.

**Measurement of right-of-use assets**

On transition the associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 January 2019 (see Note 14).

**Measurement of lease liabilities**

	£
Operating lease commitments disclosed as at 31 January 2019	91,190,256
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(8,808,446)
Less: short-term leases not recognised as a liability	(843,608)
Lease liability recognised as at 1 February 2019	81,538,202
Weighted average incremental borrowing rate applied to lease liabilities on transition	2.2%

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**27. Controlling party**

The Company's immediate parent Company is salesforce.com Sàrl, a Company incorporated in Switzerland.

The ultimate controlling party and the parent undertaking of both the largest and the smallest group of undertakings of which the Company is a member and for which group Financial Statements are drawn up is salesforce.com inc. a Company incorporated in the United States of America. Copies of its consolidated Financial Statements may be obtained from salesforce.com inc., salesforce Tower, 415 Mission Street, 3<sup>rd</sup> Floor, San Francisco, CA 94105, United States of America or at the following website:  
<http://investor.salesforce.com>.

**28. Post balance sheet events**

Other than COVID-19 which is summarized in the principal risks and uncertainties section of the strategic report, there were no events occurring after the balance sheet date that required disclosure, or adjustment to the financial statements of the Company.