

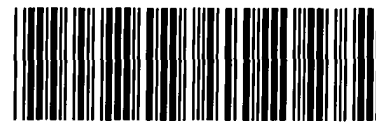
Registered number: 05094083

SALESFORCE.COM EMEA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2018

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SALESFORCE.COM EMEA LIMITED

COMPANY INFORMATION

DIRECTORS	Jose Luiz Moura Neto Joachim Wettermark
COMPANY SECRETARY	Jose Luiz Moura Neto (British)
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

SALESFORCE.COM EMEA LIMITED

CONTENTS

	Pages
Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditors' Report	6 - 8
Statement of Comprehensive Income	9
Balance Sheet	10
Statements of Changes in Equity	11
Notes to the Financial Statements	12 - 32

SALESFORCE.COM EMEA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2018

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

The immediate parent company of salesforce.com EMEA 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 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:

	2018 £000	2017 £000	Variation %
Turnover	1,508,412	1,019,419	48
Total operating expenses	(1,485,644)	(1,001,699)	48
Operating profit	22,769	17,720	28
Profit before tax	26,196	18,696	40
Shareholders' funds	88,424	65,588	35
Average number of employees	1,252	1,011	24

The statement of comprehensive income for the year ended 31 January 2018 and the balance sheet as at that date are set out on pages 9 and 10, respectively. The profit before tax for the year amounted to £26,195,830 (2017 – £18,695,761). Increase in activity due to the movement to Cloud Computing is driving growth for the Company.

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.

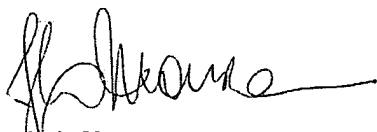
SALESFORCE.COM EMEA LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2018**

THE COMPANY AND THE ENVIRONMENT

The Company is committed to conducting its activities with due care and regard for the environment and to continual improvement 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 and 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.

This report was approved by the board on 18 OCTOBER 2018 and signed on its behalf.



Jose Luiz Moura Neto
Director

SALESFORCE.COM EMEA LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JANUARY 2018**

The Directors present their report and the Financial Statements for the year ended 31 January 2018.

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 2018 are set out on pages 9 to 32.

The Directors do not propose a dividend and therefore the profit after taxation for the year of £21,187,774 (2017: £14,726,649) is credited to reserves.

FUTURE DEVELOPMENTS

There are no developments requiring comment.

GOING CONCERN

On the basis of current financial projections and available funds and facilities, 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
Joachim Wettermark

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no contribution to political parties during the year. Charitable contributions amounted to £32,691 (2017 - £68,980).

RESEARCH AND DEVELOPMENT

The Company engages in ongoing research and development on behalf of another group entity.

POST BALANCE SHEET EVENTS

In April 2018, the Company issued a short term loan to SFDC Ireland Limited. This has subsequently been repaid in full.

SALESFORCE.COM EMEA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

PRINCIPAL RISKS AND UNCERTAINTIES

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.

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.

This report was approved by the board on 19 OCTOBER 2018 and signed on its behalf.


Jose Luiz Moura Neto
Director

SALESFORCE.COM EMEA LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2018**

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

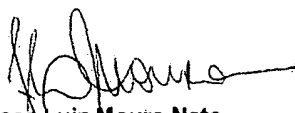
Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 18 OCTOBER 2018 and signed on its behalf.



Jose Luiz Moura Neto
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALESFORCE.COM EMEA LIMITED

Opinion

We have audited the financial statements of salesforce.com EMEA Limited for the year ended 31 January 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 25, 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 2018 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALESFORCE.COM EMEA LIMITED (Continued)

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.

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALESFORCE.COM EMEA LIMITED (Continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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.



Tom O'Keeffe (Senior statutory auditor)
for and on behalf of Ernst & Young, Statutory Auditor
Waterford

Date: 25/10/18

SALESFORCE.COM EMEA LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2018**

	Note	2018 £	2017 £
Turnover	4	1,508,412,128	1,019,418,587
Gross profit		1,508,412,128	1,019,418,587
Distribution costs		(813,515,923)	(485,610,203)
Administrative expenses		(672,127,678)	(516,088,526)
Operating profit	5	22,768,527	17,719,858
Interest receivable and similar income	7	3,711,975	1,176,000
Interest payable and similar charges	8	(284,672)	(200,097)
Profit before tax		26,195,830	18,695,761
Tax on profit on ordinary activities	11	(5,008,056)	(3,969,112)
Profit for the financial year		21,187,774	14,726,649
Fair value movement on available for sale financial assets	20	(1,952,677)	-
Total comprehensive income for the year		<u>19,235,097</u>	<u>14,726,649</u>

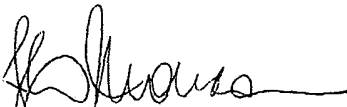
The notes on pages 12 to 32 form part of these financial statements.

SALESFORCE.COM EMEA LIMITED

**BALANCE SHEET
AS AT 31 JANUARY 2018**

	Note	2018 £	2017 £
Non current assets			
Tangible assets	12	27,448,485	18,730,546
Investments	13	95,492	2,747
		<u>27,543,977</u>	<u>18,733,293</u>
Current assets			
Debtors: amounts falling due after more than one year	14	95,236,468	45,850,686
Debtors: amounts falling due within one year	14	815,202,870	657,467,726
Current asset investments	17	255,279,646	8,948,776
Cash and cash equivalents		384,227,151	397,394,909
		<u>1,549,946,135</u>	<u>1,109,662,097</u>
Creditors: amounts falling due within one year	15	(1,464,788,588)	(1,057,345,469)
Net current assets		<u>85,157,547</u>	<u>52,316,628</u>
Total assets less current liabilities		<u>112,701,524</u>	<u>71,049,921</u>
Creditors: amounts falling due after more than one year	16	(24,277,872)	(5,461,795)
Net assets		<u><u>88,423,652</u></u>	<u><u>65,588,126</u></u>
Capital and reserves			
Called up share capital	19	1	1
Fair value reserve	20	(1,952,677)	-
Retained earnings	20	90,376,328	65,588,125
Shareholders' Funds		<u><u>88,423,652</u></u>	<u><u>65,588,126</u></u>

The financial statements of salesforce.com EMEA Limited were approved and authorised for issue by the board and were signed on its behalf on *18 October 2018*.


Jose Luiz Moura Neto
 Director

SALESFORCE.COM EMEA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2018**

	Called up share capital	Fair value reserve	Retained earnings	Total shareholders' funds
	£	£	£	£
At 1 February 2017	1	-	65,588,125	65,588,126
Comprehensive income for the year				
Profit for the financial year	-	-	21,187,774	21,187,774
Other comprehensive income (Note 20)	-	(1,952,677)	-	(1,952,677)
Total comprehensive income for the year	-	(1,952,677)	21,187,774	19,235,097
Share based payments (Note 23)	-	-	3,600,429	3,600,429
At 31 January 2018	1	(1,952,677)	90,376,328	88,423,652

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2017**

	Called up share capital	Retained earnings	Total shareholders' funds
	£	£	£
At 1 February 2016	1	49,264,433	49,264,434
Comprehensive income for the year			
Profit for the financial year	-	14,726,649	14,726,649
Total comprehensive income for the year	-	14,726,649	14,726,649
Share based payments (Note 23)	-	1,597,043	1,597,043
At 31 January 2017	1	65,588,125	65,588,126

The notes on pages 12 to 32 form part of these financial statements.

SALESFORCE.COM EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2018

1. General presentation

salesforce.com EMEA Limited is a company incorporated in the United Kingdom under the Companies Act. 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.com EMEA Limited ("the Company") for the year ended 31 January 2018 were authorised for issue by the board of Directors on *18th October 2018* and the balance sheet was signed on the board's behalf by Jose Luiz Moura Neto. 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.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of salesforce.com Sàrl. The results of salesforce.com Sàrl are included in the consolidated Financial Statements of salesforce.com inc, which are available to the public and can be obtained as set out in Note 24.

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 Payment;
- (b) the requirements of paragraphs 6 and 21 of IFRS 1 First-time Adoption of International Financial Reporting Standards;
- (c) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (e) 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;
- (f) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (g) the requirements of IAS 7 Statement of Cash Flows;
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

2. Accounting policies (continued)

- (i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (j) 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.

The relevant standard IFRS 15 Revenue from contracts with customers and its interpretations were published but not yet applicable for the annual accounts beginning on 1 February 2017.

IFRS 15 Revenue from contracts with customers will be effective for the year ending January 2019 and onwards.

Where required, equivalent disclosures are given in the group accounts of salesforce.com, inc. The group accounts of salesforce.com, inc. are available to the public and can be obtained as set out in Note 24.

2.2 Going concern

On the basis of current financial projections and available funds and facilities, 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.

2.3 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:

Leasehold improvements	- 10 years
Fixtures & fittings	- 5 years
Computer hardware	- 3 years
Software	- 3 years

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.

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

2. Accounting policies (continued)

2.4 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.

SALESFORCE.COM EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2018

2. Accounting policies (continued)

2.5 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 utilised. 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 realised 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.

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

2. Accounting policies (continued)

2.6 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 recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The Company commences revenue recognition when all of the following conditions are satisfied:

- there is persuasive evidence of an arrangement;
- the service has been or is being provided to the customer;
- the collection of the fees is reasonably assured; and
- the amount of fees to be paid by the customer is fixed or determinable.

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

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.

Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

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.

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

2. Accounting policies (continued)

2.6 Revenue recognition (continued)

Multiple deliverable arrangements

The Company enters into arrangements with multiple deliverables that generally include multiple subscriptions, premium support and professional services. If the deliverables have standalone value upon delivery, the Company accounts for each deliverable separately. Subscription services have standalone value as such services are often sold separately. In determining whether professional services have standalone value, the Company considers the following factors for each professional services agreement: availability of the 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 service start date and the contractual dependence of the subscription service on the customer's satisfaction with the professional services work.

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.

2.7 Deferred revenue

The deferred revenue balance does not represent the total contract value of annual or multi-year, non-cancellable subscription agreements. Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from subscription services described above and is recognised as the revenue recognition criteria are met. The Company generally invoices customers in annual instalments. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, size and new business linearity within the quarter.

Deferred revenue that will be recognised in the statement of comprehensive income during the succeeding twelve month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent.

2.8 Deferred commissions

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 noncancellable terms of the related customer contracts.

2.9 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.

SALESFORCE.COM EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2018

2. Accounting policies (continued)

2.10 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.

2.11 Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the statement of comprehensive income on a straight line basis over the lease term or, where appropriate, over the period to anticipated termination date. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis.

2.12 Finance costs

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

2.13 Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

All financial assets are recognised initially at fair value, and, in case of investments not at fair value, directly attributable transaction costs through profit or loss.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for sale financial assets

Available-for-sale financial investments include equity securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve.

SALESFORCE.COM EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2018

2. Accounting policies (continued)

2.13 Financial instruments (continued)

The Company evaluates its available-for-sale financial assets and whether the ability and intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and when the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment can include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

SALESFORCE.COM EMEA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2018

2. Accounting policies (continued)

2.13 Financial instruments (continued)

With the exception of equity instruments that are classified or designated as AFS, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

2.14 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.

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

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 recognized in the financial statements:

Trade debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit ratings of the debtor, the ageing profile of the debtors and historical experience.

Taxation

Management judgment is required to determine the amount of deferred tax assets that can be recognized, 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 11.

4. Turnover

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

	2018 £	2017 £
SaaS subscription services	1,182,782,155	813,016,978
Professional consulting and other services	278,757,907	183,497,462
Related party services	46,872,066	22,904,147
	<u>1,508,412,128</u>	<u>1,019,418,587</u>

The Company's primary source of revenue is subscription revenue related to sale of salesforce.com services to third party customer 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.

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

5. Operating profit

Operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	3,489,111	2,889,389
Staff costs (see Note 9)	139,626,997	133,856,419
Foreign exchange loss	465,675	3,741,555
Operating lease rentals	<u>8,649,969</u>	<u>5,406,384</u>

6. Auditor's remuneration

Fees payable to auditor for the statutory audit of the Company's Financial Statements were £106,403 (2017 - £112,529). There were no non-audit services provided by the Company's statutory auditor during the fiscal year.

7. Interest receivable and similar income

	2018 £	2017 £
Interest receivable from group companies	<u>3,711,975</u>	<u>1,176,000</u>

8. Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	284,672	200,097
	<u>284,672</u>	<u>200,097</u>

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

9. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	82,681,983	86,954,463
Social security costs	26,702,058	19,428,694
Other pension costs	7,409,157	5,799,757
Share-based payments (Note 23)	22,833,799	21,673,505
	<u>139,626,997</u>	<u>133,856,419</u>

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

	2018 No.	2017 No.
Management	1	1
Administration	549	468
Sales	702	542
	<u>1,252</u>	<u>1,011</u>

10. Directors' remuneration and transactions

	2018 £	2017 £
Remuneration of the highest paid Director	826,714	762,171
Accrued pension at the end of the year	21,390	19,371
	<u>848,104</u>	<u>781,542</u>
 Directors' emoluments	 848,104	 781,542
	<u>848,104</u>	<u>781,542</u>

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

11. Taxation

(a) The tax charge comprises

	2018	2017
	£	£
Corporation tax		
UK corporation tax	5,931,093	4,475,152
Adjustments in respect of previous periods	(1,299,829)	(12,825)
Total current tax	<u><u>4,631,264</u></u>	<u><u>4,462,327</u></u>
Deferred tax		
Current year	487,483	(293,876)
Effect of changes in tax rates	59,190	29,387
Adjustments in respect of prior periods	(169,881)	(228,726)
Total deferred tax	<u><u>376,792</u></u>	<u><u>(493,215)</u></u>
Taxation on profit	<u><u>5,008,056</u></u>	<u><u>3,969,112</u></u>

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

11. Taxation (continued)

(b) Reconciliation of the tax charge

The tax expense in the statement of comprehensive income for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are reconciled below:

	2018 £	2017 £
Profit before tax	<u>26,915,830</u>	<u>18,695,761</u>
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	5,019,552	3,739,152
Effects of:		
Expenses not deductible for tax purposes	1,587,014	1,396,315
Adjustments to tax charge in respect of prior periods	(1,469,710)	(241,551)
Share options	(187,990)	(954,192)
Tax rate changes	59,190	29,388
Total tax charge for the year	<u><u>5,008,056</u></u>	<u><u>3,969,112</u></u>

(c) Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK tax legislation, which provided for the rate to reduce from 20% to 19% from 1 April 2017. This change to the UK corporation tax rate was substantively enacted as part of the Finance Bill 2016, in addition to a future reduction 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.

The closing deferred tax asset at 31 January 2018 has been calculated at 18% / specified blended rate reflecting the tax rate at which the deferred tax asset is expected to be utilized in future periods.

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

12. Tangible assets

	Leasehold improvements £	Fixtures and furniture £	Computer hardware £	Software £	Total £
Cost					
At 1 February 2017	18,940,744	2,570,033	4,856,900	-	26,367,677
Additions	9,384,804	941,446	1,872,343	8,457	12,207,050
Disposals	-	-	(741,283)	-	(741,283)
At 31 January 2018	<u>28,325,548</u>	<u>3,511,479</u>	<u>5,987,960</u>	<u>8,457</u>	<u>37,833,444</u>
Depreciation					
At 1 February 2017	3,797,817	1,108,505	2,730,809	-	7,637,131
Depreciation charge for the year	1,909,291	430,879	1,148,824	117	3,489,111
Disposals	-	-	(741,283)	-	(741,283)
At 31 January 2018	<u>5,707,108</u>	<u>1,539,384</u>	<u>3,138,350</u>	<u>117</u>	<u>10,384,959</u>
Net book value					
At 31 January 2018	<u>22,618,440</u>	<u>1,972,095</u>	<u>2,849,610</u>	<u>8,340</u>	<u>27,448,485</u>
At 31 January 2017	<u>15,142,927</u>	<u>1,461,528</u>	<u>2,126,091</u>	<u>-</u>	<u>18,730,546</u>

Asset retirement obligations (ARO) are included in the leasehold improvements for which the cost at 31 January 2018 amounts to £1,465,630 (2017 - £1,215,821).

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

13. Investments

	Shares in group companies £
Cost	
At 1 February 2017	2,747
Additions	92,745
At 31 January 2018	<u>95,492</u>
Net book value	
At 31 January 2018	<u>95,492</u>
At 31 January 2017	<u>2,747</u>

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

14. Debtors

	2018 £	2017 £
Due after more than one year		
Deferred commissions - Long term	94,429,120	45,170,082
Prepayments - Long term	807,348	680,604
	<u>95,236,468</u>	<u>45,850,686</u>
Due within one year		
Trade debtors	667,538,139	530,554,338
Amounts owed by group undertakings	45,244,662	67,347,742
Other debtors	8,007,714	2,117,587
Prepayments - Short term	3,162,358	2,193,137
Deferred commissions - Short term	88,050,880	52,907,716
Deferred taxation (Note 18)	3,199,117	2,347,206
	<u>815,202,870</u>	<u>657,467,726</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	4,024,815	3,178,922
Amounts owed to group undertakings	288,066,919	166,776,611
Other taxation and social security	27,289,588	22,959,839
Corporation tax	1,339,621	1,349,181
Defined contribution pension scheme accrual	1,122,207	825,170
Accruals	84,774,173	71,910,530
Deferred revenue	1,057,484,237	789,992,079
Derivative liabilities (Note 17)	687,028	353,137
	<u>1,464,788,588</u>	<u>1,057,345,469</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Deferred revenue	24,277,872	5,461,795
	<u>24,277,872</u>	<u>5,461,795</u>

17. Current asset investments

	2018 £	2017 £
Derivatives		
Derivative assets	9,754,030	8,948,776
Derivative liabilities (Note 15)	<u>(687,028)</u>	<u>(353,137)</u>
	<u>9,067,002</u>	<u>8,595,639</u>
Short term investments		
Market funds investments	<u>245,525,616</u>	<u>-</u>

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

18. Deferred taxation

The Company expects to have continued taxable profits in the year ended 31 January 2018 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:

	2018 £	2017 £
At beginning of year	2,347,206	2,872,192
Charged to profit or loss	(546,674)	264,490
Charged to other comprehensive income	1,228,704	(1,018,203)
Prior year adjustment	169,881	228,727
At end of year	<u>3,199,117</u>	<u>2,347,206</u>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Book depreciation in excess of capital allowances	(1,153,088)	(847,508)
Temporary differences trading	113,893	99,348
Share based payments	4,238,312	3,095,366
	<u>3,199,117</u>	<u>2,347,206</u>

19. Called-up share capital

	2018 £	2017 £
Shares classified as equity		
Authorised		
1,000- (2017 - 1,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1- (2017 - 1) Ordinary share of £1	<u>1</u>	<u>1</u>

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

20. Other reserves

Fair value reserve

The fair value reserve represents the aggregate of the cumulative unrealized gains and losses on available 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 23 for further information on share based payments.

21. 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:

	2018	2017
	Land and	Land and
	buildings	buildings
	£	£
- within one year	8,444,022	5,267,691
- between two and five years	33,348,781	33,406,689
- after five years	55,565,184	63,898,073
	<u>97,357,987</u>	<u>102,572,453</u>

Operating lease payments represent rentals payable by the Company for certain of its office properties. Leases are negotiated for an average term of 14 years and rentals are fixed for an average of 14 years with no option to extend. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

22. 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 £7,409,157 (2017 - £5,799,757). Total employer and employee contributions outstanding at year-end amounted to £1,122,207 (2017 - £825,170) payable by the Company (Note 15).

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

23. 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) 2018	Number 2018	Weighted average share price on date of release (USD) 2017	Number 2017
Released	\$96.1007	353,224	\$76.1355	296,701
Closing balance	-	646,316	-	950,526

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 2.41 years (2017: 3.00 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) 2018	Number 2018	Weighted average share price on date of release (USD) 2017	Number 2017
Released	\$92.0970	130,963	\$77.4396	41,389
Closing balance	-	383,901	-	487,116

The range of exercise prices for options outstanding at the end of the year was \$6.3600 - \$80.9900 (2017: \$11.0500 - \$80.9900). The weighted average recognition period for the remaining stock options is 2.26 years (2017: 3.06 years).

SALESFORCE.COM EMEA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2018**

23. 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) 2018	Number 2018	Weighted average share price on date of release (USD) 2017	Number 2017
Exercised	\$60.7483	124,527	\$61.5777	96,127

The expense recognised for share-based payments in respect of employee services received during the year to 31 January 2018, is £22,833,799 (2017 - £21,673,505). An amount of £1,932,721 (2017 - £1,544,024) 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.

24. 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, 3rd Floor, San Francisco, CA 94105, United States of America or at the following website: <http://investor.salesforce.com>.

25. Post balance sheet events

There were no events occurring after the balance sheet date that required disclosure, or adjustment to the Financial Statements of the Company, other than those disclosed in the Directors Report.