

Box.com (UK) Limited

Report and financial statements

Registered number 08097316

31 January 2019

THURSDAY



L8HA1MJK

LD2

31/10/2019

#165

COMPANIES HOUSE

Contents

Company information	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report to the shareholders of Box.com (UK) Limited	7
Income Statement	10
Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the financial statements	14

Company Information

Directors

D C Smith
J R Mannie
M S Sagoo
C A B Carolan
M A Rafiq
D B Leeb

Company Secretary

Citco Management (UK) Limited

Registered Office

14th-15th Floors
White Collar Factory
1 Old Street Yard
London
EC1Y 8AF

Independent Auditor

Ernst & Young LLP
1 More London Riverside
London
SE1 2AF

Bankers

Bank of America Merrill Lynch
2 King Edward Street
London
EC1A 1HQ

Strategic report

The directors present their strategic report for the year ended 31 January 2019.

Review of the business

For the year 1 February 2018 to 31 January 2019 the principal activity was the provision of Software-as-a-Service (SaaS) providing a secure and scalable content collaboration platform to both Business and Consumers in all global regions outside the United States.

2019 was the sixth full year of trading for Box.com (UK) Limited.

Box provides an enterprise content management platform that enables organizations of all sizes to securely manage enterprise content while allowing easy, secure access and sharing of this content from anywhere, on any device. With our SaaS cloud-based platform, users can collaborate on content both internally and with external parties, automate content-driven business processes, develop custom applications, and implement data protection, security and compliance features to comply with internal policies and industry regulations. Our platform enables people to securely view, share and collaborate on content, across multiple file formats and media types, without having to open a desktop application or download the content to their mobile device. The software integrates with leading enterprise business applications, and is compatible with multiple application environments, operating systems and devices, ensuring that workers have access to their critical business content whenever and wherever they need it.

We are building a rich technology partner ecosystem around Box. Our platform integrates with the applications of leading enterprise technology providers, including Microsoft, IBM, Salesforce.com, Apple, Google, and others.

During the year our commitment to customer service, in addition to the security and collaboration features of our software and the scalability solutions our customers expect, has resulted in a solid base for the business to build on and we expect future demand for our services to be strong.

Results and KPI's

The financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the requirements of the Companies Act 2006.

Key financial and other performance indicators during the year were as follows:

	2019	2018	Change
	\$	\$	%
Turnover	140,644,031	102,541,728	37%
Operating Loss	(15,045,958)	(26,535,314)	(43%)
Current assets as % of current liabilities ('quick ratio')	90%	100%	(10%)
Average number of employees	150	110	36%

Strategic report (*continued*)

Turnover increased by 37% during the year as Box continued to successfully penetrate the content collaboration market throughout FY19 and increase its revenue in subscription services. The increase in subscription services was due to the addition of new customers while at the same time expanding revenue from its existing customer base helping Box to cement its position in the market.

The Company's "quick ratio" (current assets as a percentage of current liabilities) has slightly decreased primarily due to an increase in deferred revenue (88%) and decrease in cash (9%), which offset the increase in trade debtors. Deferred revenue primarily increased due to large multi-year deals being booked in the financial year as well as the increased billing activity of the company.

The total average number of employees increased by 36% during the year. This was largely attributable to increased investment in sales and marketing headcount in order to consolidate and drive the revenue growth across the business.

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks.

The key business and financial risks and uncertainties affecting the Company are continually monitored by the directors and appropriate steps are taken to eliminate or reduce their impact. The following risks are significant to the Company's operations:

- **SLA Breach.** The Company could suffer integrity and financial loss, should a significant SLA breach or period of downtime occur. The directors believe that the procedures and measures in place that are enforced mitigate the risks of an outage occurring wherever possible.
- **Competitive Risks.** The Company faces competitive risks from large multi-nationals entering into the market providing "loss leader" services. The directors believe that the brand is very strong, and continued investment in sales and marketing activity will continue to strengthen existing and new customer relationships.
- **Legislative Risks.** The Company faces a legislative risk in certain countries around the security and physical location of electronic data. These legislative standards are subject to continuous revision and any new directive could have a material impact on the ability of the group to supply services at a profit. The directors are confident that current security measures are robust but also continue to appraise additional global datacentre resources.
- **Credit risk.** The Company conducts significant due diligence on potential customers before sales are made and rigorous procedures are enforced to ensure payments are received from customers on time.

By order of the board



Director

J R Mannie

30/10/2019

14-15th Floors
White Collar Factory
1 Old Street Yard
London, EC1Y 8AF
UK

Directors' report

The directors present their report for the year ended 31 January 2019.

Directors

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

D C Smith
J R Mannie
M S Sagoo
C A B Carolan (Appointed 7 March 2018)
M A Rafiq (Appointed 10 May 2018)
D B Leeb (Appointed 19 July 2018)

Proposed dividend

The directors do not recommend the payment of a dividend (2018: \$nil).

Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is dependent for its working capital on funds provided to it by Box Inc, the Company's ultimate holding undertaking.

Box Inc has indicated to the Company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Political and charitable contributions

The Company made no political or UK charitable contributions during the year (2018: nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the necessary steps required to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report (*continued*)

Auditors

In accordance with Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and EY LLP will therefore continue in office.

By order of the board



Director

J R Mannie

14-15th Floors
White Collar Factory
1 Old Street Yard
London, EC1Y 8AF
UK

30/10/2019

Directors' responsibilities statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK General Accepted Accounting Practice).

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 operating results of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Box.com (UK) Limited

Opinion

We have audited the financial statements of Box.com (UK) Limited for the year ended 31 January 2019 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 January 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report 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.

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

Independent auditors' report to the members of Box.com (UK) Limited *(continued)*

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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditors' report to the members of Box.com (UK) Limited
(continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Ernst & Young LLP

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, UK

Date 30 October 2019

Income Statement
for the year ended 31 January 2019

	<i>Note</i>	2019	2018
		£	£
Turnover		140,644,031	102,541,728
Cost of sales		(2,357,775)	(3,454,740)
		<hr/>	<hr/>
Gross profit		138,286,256	99,086,988
Administrative expenses		(153,332,214)	(125,622,302)
		<hr/>	<hr/>
Operating loss	2	(15,045,958)	(26,535,314)
Interest receivable and charges	5	(110,930)	907,884
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(15,156,888)	(25,627,430)
Tax on loss on ordinary activities	6	-	-
		<hr/>	<hr/>
Loss for the financial year		(15,156,888)	(25,627,430)
		<hr/>	<hr/>

The results derive from continuing operations.

Statement of Other Comprehensive Income

For the year ended 31 January 2019

<i>Notes</i>	2019 £	2018 £
Loss for the year	(15,156,888)	(25,627,430)
Other comprehensive income	-	-
Total comprehensive Loss for the year	(15,156,888)	(25,627,430)

Statement of Financial Position
at 31 January 2019

	<i>Note</i>	2019	2018
		\$	\$
Fixed assets			
Tangible assets	7	6,584,692	4,307,537
Intangible assets	8	-	482,672
Investments	9	43,927	43,927
Current assets			
Debtors: amounts falling due within one year	10	60,146,162	53,799,653
Debtors: amounts falling due within more than one year		2,690,328	2,710,727
Cash at bank and in hand		34,915,023	38,310,542
		<u>97,751,513</u>	<u>94,820,922</u>
Creditors: amounts falling due within one year	11	<u>(109,205,813)</u>	<u>(94,921,520)</u>
Net current liabilities		<u>(11,454,300)</u>	<u>(100,598)</u>
Total assets less current liabilities		<u>(4,825,681)</u>	<u>4,733,538</u>
Creditors: amounts falling due after more than one year	12	<u>(10,166,804)</u>	<u>(9,638,598)</u>
Net liabilities		<u>(14,992,485)</u>	<u>(4,905,060)</u>
Capital and reserves			
Called up share capital	13	10,020,489	10,020,489
Share Premium account	14	20,576,766	20,576,766
Other reserves	14	98,348,916	93,279,453
Profit and loss account	14	(143,938,656)	(128,781,768)
Shareholder's funds	15	<u>(14,992,485)</u>	<u>(4,905,060)</u>

These financial statements were approved by the directors on 30/10/2019 and were signed accordingly:
By order of the board

Director
J R Mannie

Statement of Changes in Equity
for the year ended 31 January 2019

	Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	£	£	£	£	£
At 1 February 2018	10,020,489	20,576,766	93,279,453	(128,781,768)	(4,905,060)
Loss and total comprehensive loss for the year	-	-	-	(15,156,888)	(15,156,888)
Other contributions	-	-	-	-	-
Charge in relation to Share Based Payments	-	-	5,069,463	-	5,069,463
At 31 January 2019	10,020,489	20,576,766	98,348,916	(143,938,656)	(14,992,485)

Statement of Changes in Equity
for the year ended 31 January 2018

	Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	£	£	£	£	£
At 1 February 2017	10,020,489	20,576,766	66,996,176	(103,154,338)	(5,560,907)
Loss and total comprehensive loss for the year	-	-	-	(25,627,430)	(25,627,430)
Other contributions	-	-	22,132,890	-	22,132,890
Charge in relation to Share Based Payments	-	-	4,150,387	-	4,150,387
At 31 January 2018	10,020,489	20,576,766	93,279,453	(128,781,768)	(4,905,060)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements are prepared in accordance with the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the requirements of the Companies Act in 2006.

The Company has taken advantage of Financial Reporting Standard 102 section 1.12 "Reduce disclosure for subsidiaries". The Company is a qualifying entity within a group whose financial statements are publicly available. The following disclosure exemptions were taken:

- (a) the requirements of Section 4 Statement of Financial Position paragraph 4.12 (a)(iv)
- (b) the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17 (d)
- (c) the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Going Concern

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons.

The Company is dependent for its working capital on funds provided to it by Box Inc, the Company's ultimate holding undertaking.

Box Inc has indicated to the Company that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Presentation currency

The presentational currency of Box.Com (UK) Limited is USD.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and comprises purchase cost, together with the incidental costs of installation and commissioning. These costs include external consultancy fees and internal employment costs which are directly and exclusively related to the underlying asset. The cost of self-constructed assets includes the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within income.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated from the date an asset becomes available for use and is written off on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated on the same basis as owned assets over the shorter of the lease term and their useful lives. The principal periods used for this purpose are:

Short leasehold land and buildings	Shorter of lease term or useful life
Fixtures, fittings and equipment	2 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Assets are impaired when the value in use of those assets is less than their carrying amount.

Any impairment losses are reversed when there is a change in the economic conditions or in the expected use of the asset which impacts their value in use. The amount of any reversal is limited to increasing the carrying value of the relevant assets to the carrying value that would have been recognised had the original impairment not occurred.

Intangible assets

Assets are classified as intangible if they are capable of being separated or divided from the entity, sold, transferred, rented or exchanged; or if the cost arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or other rights or obligations.

Intangible Assets are amortized in accordance with the requirements of section 18 of FRS 102, with amortization commencing upon completion of contractual or other legal rights. Amortization is calculated from the date an asset becomes available for use and is written off on a straight-line basis over the estimated useful lives of each asset. The principal periods used for this purpose are:

Platform Contribution Transaction Licence	5 years
---	---------

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

Non – listed investments are measured at cost, less provisions for impairment.

The directors conduct an annual impairment review based solely on the subsidiaries owned by Box.Com (UK) Limited.

Turnover and Revenue recognition

Revenue represents the amounts, excluding value added tax, derived from the provision of goods and services to customers.

Revenue is derived from three sources:

- (1) Subscription revenue, which is comprised of subscription fees from customers utilizing our cloud-based Enterprise Content Collaboration services that include routine customer support;
- (2) Revenue from customers purchasing our premier support package; and
- (3) Revenue from professional services such as implementing best practice use cases, project management and implementation services.

Revenues are recognised when it is probable those future economic benefits will flow and that these benefits can be measured reliably.

Revenues are measured at the fair value of the consideration received or receivable.

Notes (continued)

1 Accounting policies (continued)

Turnover and Revenue recognition (continued)

Revenue from subscription services is recognised on a straight line basis over the service period.

Revenue from professional services is recognised based on project completion percentage.

Revenue from other services is recognised when the services are rendered.

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Share-based payments

The share option programme allows employees of the Company to acquire share certificates of the Group. As the Company itself has no obligation, it measures the services of these employees as an equity-settled share-based payment transaction.

The fair value at the date of grant to employees of share options is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options ('vesting period'). The cumulative expense recognised for equity-settled share-based payment transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest.

The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. See note 17 for further detail

2 Operating loss

	2019 \$	2018 \$
The operating loss is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
Depreciation	1,183,575	446,928
Amortization	482,672	1,215,002
Auditors' remuneration for the audit of these financial statements	75,000	75,000
Operating leases	2,467,411	1,996,139

Notes *(continued)*

3 Remuneration of directors

	2019 \$	2018 \$
Directors' emoluments	604,947	631,359
Amounts receivable under long term incentive schemes	760,468	365,713
Company contributions to pension schemes	23,052	20,089
	<u> </u>	<u> </u>

Director's remuneration in respect of the services provided by four of the directors for the year ended 31 January 2019 have been borne by other group companies. These directors are also directors of other companies within the Box group. During FY19 no time was allocated for their services to the Company and as such the directors do not consider that they received any remuneration for their incidental services to the Company for the year ended 31 January 2019 (2018: nil).

There are no separate directors' pension schemes in existence. All employees are offered the choice to join the Group Personal Pension Scheme.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was \$632,284 (2018: \$828,849), and Company pension contributions of \$741 (2018: \$7,191) were made to a pension scheme on his behalf.

	Number of directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under:		
Pension schemes	2	2
	<u> </u>	<u> </u>
The number of directors who exercised share options was	-	-
	<u> </u>	<u> </u>
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	2	2
	<u> </u>	<u> </u>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2019	Number of employees 2018
Management	2	2
Sales and Marketing	124	93
Administration	24	15
	<hr/>	<hr/>
	150	110
	<hr/>	<hr/>

The aggregate payroll costs were as follows:

	2019 \$	2018 \$
Wages and salaries	21,199,516	18,591,961
Social security costs	2,067,983	1,771,684
Amounts receivable under long term incentive schemes	5,069,463	4,150,387
Pension costs	556,313	446,141
	<hr/>	<hr/>
	28,893,275	24,960,173
	<hr/>	<hr/>

Box.com (UK) Limited had a Group Personal Pension Scheme (a defined contribution scheme) in place throughout FY19 and makes a contribution up to 6% of the employee's basic annual salary to the scheme. For employees to obtain the 6% contribution from the employer they must join the scheme and contribute a minimum of 6% of basic annual salary.

5 Interest receivable and other charges

	2019 \$	2018 \$
Net exchange (loss)/gains on other transactions	(110,930)	907,884
	<hr/>	<hr/>
	(110,930)	907,884
	<hr/>	<hr/>

Notes (continued)

6 Taxation

	2019 \$	2018 \$
<i>UK corporation tax</i>		
UK Corporation tax on loss for the year	-	-
Adjustment in respect of prior years	-	-
	<hr/>	<hr/>
Total current tax charge/(credit)	-	-
<i>Deferred tax</i>		
Origination/ reversal of timing differences	-	-
Adjustment in respect of prior years	-	-
Differences in Deferred Tax arising from changes in rate	-	-
	<hr/>	<hr/>
Total deferred tax (credit)/charge	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-

	2019 \$	2018 \$
The tax assessed for the year is different from the UK corporation tax rate of 19% (2018: 19.16%). The differences are explained below:		
(Loss) on ordinary activities before tax	(15,156,888)	(25,627,430)
	<hr/>	<hr/>
Standard rate of corporation tax in the UK 19% (2018: 19.16%)	(2,879,809)	(4,910,216)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Permanent timing differences	76,253	45,348
Movement in unrecognised deferred tax asset	2,803,556	4,864,868
	<hr/>	<hr/>
Total tax (credit) (see above)	-	-
	<hr/>	<hr/>

At 31 January 2019, the Company had unrecognised deferred tax assets relating to losses carried forward of \$133,519,207 and decelerated capital allowances of \$567,960.

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate at 19% for the years starting the 1 April 2017, 2018 and 2019. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring fence profits) for the year starting 1 April 2020, setting the rate at 17%.

Notes (continued)

7 Tangible fixed assets

	Computers and equipment	Leasehold improvements land and buildings	Fixtures and fittings	Total
	\$	\$	\$	\$
Cost				
At beginning of year	1,578,752	4,064,214	836,481	6,479,447
Additions	1,440,153	1,586,921	433,656	3,460,730
At end of year	3,018,905	5,651,135	1,270,137	9,940,177
Depreciation				
At beginning of year	676,050	1,129,137	366,723	2,171,910
Charge for year	497,458	467,284	218,833	1,183,575
At end of year	1,173,508	1,596,421	585,556	3,355,485
Net book value				
At 31 January 2019	1,845,397	4,054,714	684,581	6,584,692
At 31 January 2018	902,702	2,935,077	469,758	4,307,537

8 Intangible assets

	Licences	Total
	\$	\$
Cost		
At beginning of year	9,898,615	9,898,615
Additions	-	-
Impairment	-	-
At end of year	9,898,615	9,898,615
Amortization		
At beginning of year	9,415,943	9,415,943
Charge for year	482,672	482,672
At end of year	9,898,615	9,898,615
Net book value at 31 January 2019	-	-
Net book value at 1 February 2018	482,672	482,672

Notes (continued)

8 Intangible assets (continued)

The Company has a longstanding agreement with Box Intl Technology Limited under a Platform Contribution Transaction Licence ("PCT Agreement"), to use the Box Technology and Existing Marketing Intangibles.

Licences are being amortized as follows:

- PCT licence as entered into on 25 June 2013 is being amortized over the directors' estimate of its useful economic life of 5 years

The directors have conducted an impairment review of the intangible assets as at 31 January 2018. In accordance with Section 27 the directors have reviewed the future economic value of the intangible assets, and as such have considered there to be no impairment (2018: \$Nil).

9 Investments

	2019 \$	2018 \$
Non-listed Investments	43,927	43,927
	<u>43,927</u>	<u>43,927</u>

Details of investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of Company	Holding	Proportion of voting rights & shares held	Nature of Business
Box Deutschland GmbH	Ordinary Shares	100%	Marketing & Sales Development on behalf of Box.com (UK) Limited
Box France SARI.	Ordinary Shares	100%	Marketing & Sales Development on behalf of Box.com (UK) Limited
Box Canada Inc	Ordinary Shares	100%	Marketing & Sales Development on behalf of Box.com (UK) Limited
Box.Com (Australia) Pty Ltd	Ordinary Shares	100%	Marketing & Sales Development on behalf of Box.com (UK) Limited
Box Netherlands BV	Ordinary Shares	100%	Marketing & Sales Development on behalf of Box.com (UK) Limited

Notes (continued)

Investments (continued)

Secure Cloud Collaboration Sweden AB	Ordinary Shares	100%	Marketing & Sales Development on behalf of Box.com (UK) Limited
--------------------------------------	-----------------	------	---

10 Debtors

	2019 \$	2018 \$
Amounts falling due within one year:		
Trade debtors	56,566,987	49,281,852
Deferred commissions	2,873,709	3,257,456
Other debtors and deposits	273,487	817,519
Prepayments and accrued income	431,979	442,826
	<hr/>	<hr/>
	60,146,162	53,799,653

	2019 \$	2018 \$
Amounts falling due after more than one year:		
Deferred commissions	2,008,315	1,963,017
Prepayments and accrued income	682,013	747,710
	<hr/>	<hr/>
	2,690,328	2,710,727

11 Creditors: amounts falling due within one year

	2019 \$	2018 \$
Trade creditors	462,151	1,004,321
Amounts owed to group undertakings	16,472,161	19,333,687
Taxation and social security	-	-
Other creditors	925,420	421,973
Accruals and deferred income	91,346,081	74,161,539
	<hr/>	<hr/>
	109,205,813	94,921,520

Notes *(continued)*

12 Creditors: amounts falling after more than one year

	2019 \$	2018 \$
Payments received on account	3,924,629	2,179,549
Deferred income	6,242,175	7,459,049
	<u>10,166,804</u>	<u>9,638,598</u>

13 Called up share capital

	2019 \$	2018 \$
<i>Allotted, called up and fully paid</i>		
Equity: 6,596,550 Ordinary shares	10,020,489	10,020,489
PAR value (\$1.51905)		

14 Movement in reserves

	Share premium account \$	Other reserves \$	Profit and loss account \$	Total \$
At beginning of year	20,576,766	93,279,453	(128,781,768)	(14,925,549)
Retained loss for the year	-	-	(15,156,888)	(15,156,888)
Other contributions	-	-	-	-
Charge in relation to Share Based Payments (see note 17)	-	5,069,463	-	5,069,463
At end of year	<u>20,576,766</u>	<u>98,348,916</u>	<u>(143,938,656)</u>	<u>(25,012,974)</u>

Notes (continued)

15 Reconciliation of movements in shareholder's funds

	2019 \$	2018 \$
Loss for the financial year	(15,156,888)	(25,627,430)
Charge in relation to share based payments (see note 17)	5,069,463	4,150,387
Other contributions	-	22,132,890
	<hr/>	<hr/>
Net (decrease)/increase in shareholder's funds	(10,087,425)	655,847
Opening shareholder's funds	(4,905,060)	(5,560,907)
	<hr/>	<hr/>
Closing shareholder's funds	(14,992,485)	(4,905,060)
	<hr/>	<hr/>

16 Leasing agreements

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2019 Land and buildings \$	2018 Land and buildings \$
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	-	-
Over five years	21,490,167	25,498,069
	<hr/>	<hr/>
	21,490,167	25,498,069
	<hr/>	<hr/>

17 Share-based payments

Summary of outstanding options

The Company participates in the 2006 Stock Incentive Plan, the 2011 Equity Incentive Plan and the 2015 Equity Incentive Plan (collectively, "the Plan") of the Company's ultimate parent, Box, Inc., under which share-based awards were outstanding at 31 January 2019. Stock awards granted under the Plan may be (i) incentive stock options (ISOs), (ii) nonqualified stock options (NSOs), (iii) Restricted Stock Units (RSUs), (iv) Restricted Stock Awards (RSAs) or (v) Stock Appreciation Rights (SARs), as determined at the time of grant.

The Company also participates in the 2015 Employee Stock Purchase Plan ("the ESPP") of Box, Inc.

All share-based awards granted under the Plan are accounted for as equity-settled, share-based payment transactions under Section 26 of FRS 102. The Company recognized share-based compensation expense of US\$2,903,647, US\$4,150,387 and US\$5,069,463 respectively for the periods ended 31 January 2017, 2018 and 2019.

Notes (continued)

17 Share-based payments (continued)

Stock Options

Stock options granted under the Plan generally vest 25% one year from the vesting commencement date and 1/48th per month thereafter conditional upon the employee's continuing service to the Company. Stock options granted under the Plan are settled in shares of our parent's common stock. Generally, the exercise price per share of all options must equal at least 100% of the fair market value per share of our common stock on the date the grants are approved by our parent's Board, and an option's term may not exceed 10 years. An incentive stock option held by a participant who owns more than 10% of the total combined voting power of all classes of our stock, or any parent or subsidiary corporations, may not have a term in excess of five years and must have an exercise price of at least 110% of the fair market value per share of our common stock on the date of grant.

We determine the fair value of stock options issued to employees on the date of grant using the Black-Scholes option pricing model, which is impacted by the fair value of our parent's common stock, as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected volatility of our parent's common stock over the term of the option awards, the expected term of the awards, risk-free interest rates and the expected dividend yield.

The assumptions used in the Black-Scholes option pricing model were determined as follows:

- *Fair Value of Common Stock.* We use the market closing price for our Class A common stock as reported on the New York Stock Exchange to determine the fair value of our common stock at each grant date.
- *Expected Term.* The expected term represents the period that our share-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options and 2015 ESPP purchase rights.
- *Expected Volatility.* Beginning in fiscal year 2019, we estimate the expected volatility of the stock option grants and 2015 ESPP purchase rights based on the historical volatility of our parent's Class A common stock over a period equivalent to the expected term of the stock option grants and 2015 ESPP purchase rights, respectively. In previous years, the expected volatility was derived from the historical stock volatilities of several unrelated public companies within the same industry that we considered to be comparable to our business over a period equivalent to the expected term of the stock option grants and 2015 ESPP purchase rights as we did not have sufficient trading history of our parent's Class A common stock.
- *Risk-free Interest Rate.* The risk-free rate that we use is based on the implied yield available on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options and 2015 ESPP purchase rights.
- *Dividend Yield.* We have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, and, therefore, use an expected dividend yield of zero.

No other features of options granted were incorporated into the measurement of fair value.

Notes (continued)

17 Share-based payments (continued)

The fair value of stock options granted to employees during the periods ended 31 January 2017 and 2018 are shown below. There were no stock options granted in 2019.

	Year Ended 31 January 2017	Year Ended 31 January 2018
Stock Price.....		
Expected term (in years).....	US\$16.40	US\$19.85
Volatility.....	6.0	6.0
Risk-free interest rate	40%	39%
Dividend yield.....	2.0%	2.0%
	0%	0%

The following table summarizes stock option activity and related information for the years ended 31 January 2018 and 2019:

	Shares Subject to Options Outstanding		Weighted-Average Remaining Contractual Life (Years)
	Shares Subject to Outstanding Options	Weighted-Average Exercise Price	
Balance as of 31 January 2017.....	463,612	US\$ 12.17	6.86
Options granted	60,000	19.85	
Options exercised	(159,230)	8.06	
Options forfeited/cancelled	(38,598)	14.28	
Options transferred in (out), net	7,500	4.52	
Balance as of 31 January 2018.....	333,284	US\$ 15.10	8.13
Options granted.....	-	-	
Options exercised.....	(124,404)	14.11	
Options forfeited/cancelled.....	(153,656)	17.18	
Options transferred in (out), net.....	-	-	
Balance as of 31 January 2019.....	55,224	US\$ 11.54	5.62
Exercisable as of 31 January 2019	55,182	US\$ 11.53	5.62

The weighted-average grant date fair value of options granted to employees was US\$6.77 and US\$7.97, respectively, during the periods ended 31 January 2017 and 2018. No options were granted during the period ended 31 January 2019. The range of exercise prices for options outstanding at 31 January 2017, 2018, and 2019 was US\$0.16 to US\$17.85, US\$0.16 to US\$19.85, and US\$0.16 to US\$19.85, respectively.

Restricted Stock Units

Restricted stock units granted under the Plan generally vest 25% one year from the vesting commencement date and 1/16th per quarter thereafter conditional upon the employee's continuing service to the Company. Restricted stock units granted under the Plan are settled in shares of our parent's common stock upon vesting. The fair value of restricted stock units is determined by the estimated fair value of our parent's common stock at the time of grant.

Notes (continued)

17 Share-based payments (continued)

Because restricted stock units granted under the Plan do not incorporate any other optionality features and because we have never declared or paid any cash dividends and do not plan to pay cash dividends in the foreseeable future, no other features were incorporated into the measurement of fair value.

The following table summarizes restricted stock unit activity and related information for the years ended 31 January 2018 and 2019:

	Number of Restricted Stock Units Outstanding	Weighted- Average Grant Date Fair Value
Unvested balance—January 31, 2017	<u>476,433</u>	US\$ 15.48
Granted	426,437	18.46
Vested		15.47
	(95,201)	14.98
Forfeited/cancelled	<u>(68,915)</u>	
	(69,068)	15.13
Transferred in (out), net		
Unvested balance—January 31, 2018	<u>669,686</u>	US\$ 17.47
Granted	609,410	22.37
Vested	(136,196)	17.45
Forfeited/cancelled	(376,714)	18.18
Transferred in (out) net	<u>116,320</u>	17.40
Unvested balance—January 31, 2019	<u>882,506</u>	US\$ 20.55

Employee expenses

During the financial year the Company recorded employee expenses of \$5,069,463 (2018: \$4,150,387) related to share-based payments.

2015 ESPP

As of 31 January 2019 there was \$1,239,111 (2018: \$472,500) of unrecognized stock-based compensation expense related to our 2015 ESPP that is expected to be recognized over the remaining term of the respective offering periods.

Determination of Fair Value

We determine the fair value of ESPP purchase rights issued to employees on the date of grant using the Black-Scholes option pricing model, which is impacted by the fair value of our parent's common stock, as well as changes in assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected volatility of our parent's common stock over the term of the option awards, the expected term of the awards, risk-free interest rates and the expected dividend yield.

Notes *(continued)*

17 Share-based payments *(continued)*

The fair value of ESPP purchase rights granted to employees during the years ended 31 January 2017, 2018 and 2019 were as follows:

	Year Ended 31 January 2017	Year Ended 31 January 2018	Year Ended 31 January 2019
Employee Stock Purchase Plan			
Stock Price	US\$12.27-14.75	US\$16.67-18.46	US\$21.31-24.74
Expected term (in years)	0.5-2.0	0.5-2.0	0.5-2.0
Volatility	39%-60%	28%-43%	37%-50%
Risk-free interest rate	0.5%-0.9%	0.9%-1.4%	2%-2.8%
Dividend yield	0%	0%	0%

No other features of ESPP purchase rights granted were incorporated into the measurement of fair value.

18 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The ultimate parent Company is Box Inc. The immediate parent Company is Box Intl Technology Limited, a Company registered in the United Kingdom.

The smallest and largest group in which the results of the Company are consolidated is that headed by Box Inc - 900 Jefferson Avenue, Redwood City, California, incorporated in The United States.