

Registered number 5094083

SFDC UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2013

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SFDC UK LIMITED

COMPANY INFORMATION

| | |
|--------------------------|---|
| DIRECTORS | Rafael Brown (resigned 30 September 2013) Jose Luiz Moura Neto Joe Allanson (appointed 30 September 2013) Sam Fleischmann (appointed 30 September 2013 & resigned 31 October 2013) |
| COMPANY SECRETARY | Jose Luiz Moura Neto (Brazil) |
| REGISTERED OFFICE | Block 2 Lotus Park The Causeway Staines, Middlesex TW18 3BA United Kingdom |
| COMPANY NUMBER | 5094083 |
| SOLICITORS | Baker & McKenzie London 100 New Bridge Street London EC4V 6JA United Kingdom |
| BANKERS | Deutsche Bank AG 6 Bishopsgate London EC2N 4DA United Kingdom |
| AUDITORS | Ernst & Young Chartered Accountants Annville House Newtown Waterford Ireland |

SFDC UK LIMITED

CONTENTS

| | Page |
|--|---------------|
| Directors' report | 1 - 4 |
| Independent auditors' report | 5 - 6 |
| Profit and loss account | 7 |
| Balance sheet | 8 |
| Notes to the financial statements | 9 - 20 |

SFDC UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2013

The Directors present their report and the financial statements of SFDC UK Limited (the "Company") for the year ended 31 January 2013

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Review of the 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. In addition, the Company assists other parties in the sale of similar products and services via the provision of sales support, marketing, technical support and other support services.

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

| | 2013 £000 | 2012 £000 | Change % |
|-----------------------------|--------------|--------------|-------------|
| Turnover | 80,394 | 56,623 | 42% |
| Total operating expenses | (76,009) | (54,055) | 41% |
| Operating profit | 4,385 | 2,568 | 71% |
| Profit before taxation | 4,475 | 2,826 | 58% |
| Shareholders' funds | 25,052 | 20,048 | 25% |
| Average number of employees | 327 | 234 | 57% |

The profit and loss account for the year ended 31 January 2013, and the balance sheet as at that date are set out on pages 7 and 8, respectively. The profit on ordinary activities for the year amounted to £4,475,287 (2012 – profit £2,825,913).

The full year result demonstrates that the movement to Cloud Computing is driving growth for the Company. The Sales Cloud, Service Cloud, and Custom Cloud businesses have delivered outstanding results.

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:

- In the short term, in light of illiquidity in the financial markets, the cost of funds may increase.
- The Company has policies in place, such that deferred terms are only granted to customers who 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 the 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.

SFDC UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2013

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or in an alternative position and provide appropriate training to achieve this aim.

EMPLOYEE INVOLVEMENT

The Company aims to improve the performance of the organisation through the development of its employees. Employee involvement is encouraged by means of team working, workers committees and working parties.

Where deemed necessary by management, employees or their representative views are taken into account in making decisions which are likely to affect employees' interests.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no contributions to political parties during the year. Charitable contributions were insignificant.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors in office at the date of this Report have each confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given in and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

SFDC UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve these 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 those financial statements, the directors are required to


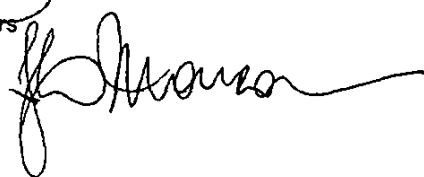
- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RE-APPOINTMENT OF AUDITORS

The auditors, Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office as auditors of the Company. Per S.485 of the Companies Act 2006, a resolution proposing their reappointment will be submitted at the Annual General Meeting.

This report was approved by the board on 30 January 2014 and signed on its behalf

Directors 




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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SFDC UK LIMITED

We have audited the financial statements of SFDC UK Limited for the year ended 31 January 2013 which comprise Profit and Loss Account, the Balance Sheet, and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2013 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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Matters on which we are required to report by exception

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

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

A handwritten signature in black ink, appearing to read 'Tom O'Keeffe'.

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

31 January 2014

SFDC UK LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2013**

| | Note | 2013 £ | As restated * 2012 £ |
|--|------|--------------|----------------------------|
| TURNOVER - CONTINUING ACTIVITIES | 1,2 | 80,394,169 | 56,622,800 |
| Distribution costs | | (44,602,032) | (29,743,663) |
| Administrative expenses | | (31,407,267) | (24,311,168) |
| OPERATING PROFIT | 4 | 4,384,870 | 2,567,969 |
| Interest receivable and similar charges | 5 | 90,417 | 257,944 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 4,475,287 | 2,825,913 |
| Tax on profit on ordinary activities | 6 | - | - |
| PROFIT FOR THE FINANCIAL YEAR | | 4,475,287 | 2,825,913 |

All amounts relate to continuing operations

There are no recognised gains or losses other than the profit attributable to the shareholders of the Company in the amount of £4,475,287 for the year ended 31 January 2013 (year ended 31 January 2012 – profit £2,825,913) Therefore, a separate statement of total recognised gains or losses has not been prepared

* The figures for 2012 in relation to Distribution costs and Administrative expenses have been reclassified. A total expense of £12,776,408 as presented within the Distribution costs has been reclassified to Administrative expenses in order to more accurately represent its nature

The notes on pages 9 to 20 form part of these financial statements

SFDC UK LIMITED
REGISTERED NUMBER: 5094083

BALANCE SHEET
AS AT 31 JANUARY 2013

| | Note | £ | 2013 £ | £ | 2012 £ |
|--|------|-------------------|-------------------|-------------------|-------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 7 | | 989,729 | | 1,082,986 |
| Financial assets | 8 | | 2,747 | | 2,747 |
| | | | <u>992,476</u> | | <u>1,085,733</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 9 | 41,869,884 | | 26,852,065 | |
| Cash and bank | | 193,415 | | 5,476,451 | |
| | | <u>42,063,299</u> | | <u>32,328,516</u> | |
| CREDITORS (amounts falling due within one year) | 10 | (18,003,676) | | (13,366,469) | |
| NET CURRENT ASSETS | | | <u>24,059,623</u> | | <u>18,962,047</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>25,052,099</u> | | <u>20,047,780</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 11 | | 1 | | 1 |
| Profit and loss account | 12 | | 25,052,098 | | 20,047,779 |
| SHAREHOLDERS' FUNDS | 12 | | <u>25,052,099</u> | | <u>20,047,780</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30 January 2014

Director

The notes on pages 9 to 20 form part of these financial statements

SFDC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2013**

7 TANGIBLE FIXED ASSETS

| | Leasehold improvement £ | Fixtures and furniture £ | Hardware and Software £ | Total £ |
|-----------------------|-------------------------------|--------------------------------|-------------------------------|------------|
| Cost | | | | |
| At 1 February 2012 | 1,408,288 | 470,444 | 540,809 | 2,419,541 |
| Additions | - | - | 373,382 | 373,382 |
| At 31 January 2013 | 1,408,288 | 470,444 | 914,191 | 2,792,923 |
| Depreciation | | | | |
| At 1 February 2012 | 636,430 | 358,705 | 341,420 | 1,336,555 |
| Charge for the year | 188,497 | 105,408 | 172,734 | 466,639 |
| At 31 January 2013 | 824,927 | 464,113 | 514,154 | 1,803,194 |
| Net book value | | | | |
| At 31 January 2013 | 583,361 | 6,331 | 400,037 | 989,729 |
| At 31 January 2012 | 771,858 | 111,739 | 199,389 | 1,082,986 |

8. FINANCIAL FIXED ASSET

| | Shares in group company £ |
|--|------------------------------------|
| Unlisted investments at cost | |
| At 1 February 2012 and 31 January 2013 | 2,747 |
| Net book value | |
| At 31 January 2013 | 2,747 |
| At 31 January 2012 | 2,747 |

In the opinion of the Directors, the value of the unlisted investment is not less than the book amount shown above

SFDC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2013**

9. DEBTORS
(amounts falling due within one year)

| | 2013 £ | 2012 £ |
|---------------------------------|-------------------|-------------------|
| Trade debtors | - | 52,063 |
| Amounts owed by group companies | 39,487,414 | 21,808,589 |
| Group notes receivable | 1,602,814 | 4,166,773 |
| Other | 132,058 | 37,037 |
| Group interest receivable | 131,155 | 39,031 |
| Prepayments and accrued income | 213,475 | 335,363 |
| VAT | 302,968 | 413,209 |
| | <u>41,869,884</u> | <u>26,852,065</u> |

10. CREDITORS
(amounts falling due within one year)

| | 2013 £ | 2012 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 485,422 | 292,773 |
| Amounts owed to group undertakings | 2,591,505 | 1,619,195 |
| PAYE and NI | 7,909,542 | 5,899,473 |
| Pension | 284,735 | 419,201 |
| Accruals | 6,732,472 | 5,135,827 |
| | <u>18,003,676</u> | <u>13,366,469</u> |

11. SHARE CAPITAL

| | 2013 £ | 2012 £ |
|------------------------------------|-----------|-----------|
| Allotted, called up and fully paid | | |
| 1 Ordinary share of £1 | <u>1</u> | <u>1</u> |

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2013 £ | 2012 £ |
|-------------------------------|-------------------|-------------------|
| Opening shareholders' funds | 20,047,780 | 17,161,637 |
| Profit for the financial year | 4,475,287 | 2,825,913 |
| Stock-based compensation | 529,032 | 60,230 |
| Closing shareholders' funds | <u>25,052,099</u> | <u>20,047,780</u> |

SFDC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2013**

13 SHARE-BASED PAYMENTS (continued)

The opening and, consequently, the closing number of share options in issue and exercisable are not disclosed for administrative reasons. This information is available for the entire group but not by individual entity. Group accounts are available as disclosed at note 18.

The weighted average remaining contractual life of options outstanding at year end was four (3.7) years.

Options are exercised on a regular basis throughout the year.

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

The Company estimated its future stock price volatility considering both observed option-implied volatilities and historical volatility calculations for both the Company and a group of peer comparable companies. Management believes this is the best estimate of the expected volatility over the 4-year weighted average expected life of its option grants. As of 31 January 2013, the Company's estimate of its future stock price volatility varies between 42.5% and 51.3%.

The risk-free rate for periods within the contractual life of the option is based on the rate for a 3.7-year U.S. government security at the time of the option grant.

The following table lists the inputs to the model used for the years ended 31 January 2013, and 31 January 2012.

| | 2013 | 2012 |
|-------------------------------------|--------------|--------------|
| Dividend yield (%) | - | - |
| Expected share price volatility (%) | 42.5 - 51.3% | 47.1 - 51.3% |
| Risk-free interest rate (%) | 0.43 - 0.77% | 0.66 - 1.77% |
| Expected life of option (years) | 3.7 years | 3.7 years |
| Weighted average share price | \$105,6855 | \$97,3474 |

The opening and, consequently, the closing number of share options in issue and exercisable are not disclosed for administrative reasons. This information is available for the entire group but not by individual entity. Group accounts are available as disclosed at note 18.

SFDC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2013**

13 SHARE-BASED PAYMENTS (continued)

Employee Stock Purchase Plan

As of 15th December 2011 a new Employee Stock Purchase Plan was launched, giving the employees of SFDC UK Limited to set aside 2 to 15% of their eligible compensation to purchase Salesforce com stock at a discount

During this first 6-month enrolment period, which runs from 15th December 2011 to 15th June 2012, the ESPP contribution of each employee is taken out of the monthly paycheck on an after-tax basis and accumulated in a non-interest-bearing withholding account until the first purchase date at 15 June 2012

This withholding account is reported in the Balance Sheet as accruals (Note 10) for an amount at 31 January 2013 of £333,702 (2012 £261,311)

14. DIRECTORS' AND SECRETARY'S INTERESTS IN SHARE CAPITAL

The Directors who served throughout the year had no interest in the share capital of the Company during the year

All of the share options are for shares in salesforce com, inc , the ultimate controlling party and the parent undertaking of both the largest and smallest group of undertakings of which the Company is a member

SFDC UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2013**

16. PENSIONS

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 £1,891,005 (2012: £1,167,309). Contributions outstanding at year-end amounted to £284,735 (2012: £419,201) payable by the Company.

17. RELATED PARTY TRANSACTIONS

The Company is a member of the Salesforce.com group of companies and the financial statements reflect the effect of this membership. The Company is not separately disclosing transactions with other group companies where both parties to the transaction are 100% subsidiaries of the Group as it is availing of the exemption in accordance with Financial Reporting Standard 8, and the consolidated financial statements of the Group are publicly available.

18. CONTROLLING PARTIES

The Company's immediate parent company is Salesforce.com Sàrl, a company incorporated in Switzerland. The ultimate controlling party and the parent undertaking of both the largest and the smallest groups of undertakings of which the Company is a member and for which group financial statements are drawn up is Salesforce.com, Inc., a company incorporated in the United States of America. Copies of its consolidated financial statements may be obtained from Salesforce.com, Inc., The Landmark @ One Market Street, Suite 300, San Francisco, CA 94105, United States of America.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on

30 January 2014

