
LINKEDIN TECHNOLOGY UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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LINKEDIN TECHNOLOGY UK LTD

COMPANY INFORMATION

Directors	Michelle Leung Benjamin Orndorff Keith Dolliver Germaine Cota Lora Blum – resigned on January 13, 2017 Susan Taylor – resigned on March 24, 2017
Registered number	06441873
Registered office	21 Tudor Street London EC4Y 0DJ
Trading Address	Castlewood House 77-91 New Oxford Street London WC1A 1DG
Independent auditors	Deloitte Chartered Accountants & Statutory Audit Firm Deloitte Touche House Earlsfort Terrace Dublin 2

LINKEDIN TECHNOLOGY UK LTD

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LINKEDIN TECHNOLOGY UK LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

INTRODUCTION

The directors present their report for the year ended 31 December 2016. This is in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

LinkedIn is the world's largest professional network on the Internet with more than 500 million members in over 200 countries and territories at 31 December 2016. LinkedIn's platform enables members to become more successful in their careers through three value propositions: managing and sharing who they are through their digital professional identity; engaging and expanding who they know through their professional network; and discovering professional knowledge and insights making them better at what they do.

PRINCIPAL RISKS AND UNCERTAINTIES

The objective of LinkedIn Technology UK Limited is to increase awareness of the LinkedIn brand and product offerings in the UK market. It does this by providing sales and marketing support services for its parent company LinkedIn Ireland Unlimited Company.

The operations and financial results are subject to various risks and uncertainties which could adversely affect the company's business and its financial condition:

- Revenue is generated from marketing services and EMEA strategic management provided to LinkedIn Ireland Unlimited Company. If demand for these services were to decrease, revenue and operating results would be adversely impacted.
- The company depends on world class talent to grow and operate the business. If the company were unable to hire, retain and motivate personnel, it would not be able to grow effectively.
- On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit". As a result of the referendum, it is expected that the British government will begin negotiating the terms of the U.K.'s future relationship with the E.U. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities. The company has reviewed the impact and these changes are not expected to impact significantly on the company's operational and financial results.

FINANCIAL KEY PERFORMANCE INDICATORS

The company's financial KPI for measuring success is revenue growth and the non-financial KPI for measuring success is member growth.

The company's business activities have continued to grow during 2017. Turnover increased by 5% from \$85,960,212 in 2015 to \$90,057,690 in 2016. Administrative expenses increased by 2% from \$76,833,439 in 2015 to \$78,707,771 in 2016. The average headcount has increased by 3% from 251 in 2015 to 259 in 2016.

LINKEDIN TECHNOLOGY UK LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Future developments

The company's turnover, headcount and administrative expenses are all expected to continue growing in 2017. This future growth is expected with the further development of the product range that the parent, LinkedIn Ireland Unlimited Company, offers in the UK market. That future growth may be affected by macro-economic conditions in the UK market.

While the UK's vote to leave the EU has created a level of uncertainty for the medium term we expect the operational activities and financial results of the company to continue to progress throughout 2017.

Review of the Business

LinkedIn Corporation is a professional network on the Internet with approximately 500 million members in over 200 countries and territories. The Company provides the majority of its products at no cost to its members. It offers approximately three product lines: Talent Solutions, which includes Hiring, and Learning and Development; Marketing Solutions and Premium Subscriptions. Its products are sold through approximately two channels, an offline field sales organization, which engages with both large and small enterprise customers, as well as an online, self-serve channel, which includes enterprise customers and individual members purchasing subscriptions. Its solutions include Free Solutions and Monetized Solutions. Its Free Solutions include Stay Connected and Informed, and Advance My Career. The Company's Monetized Solutions include Talent Solutions, which includes Hiring, and Learning and Development, Marketing Solutions and Premium Subscriptions.

Going Concern

LinkedIn Technology UK Limited earns services revenue from its parent, LinkedIn Ireland Unlimited Company, on marketing services and EMEA strategic management. The directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, the company continues to adopt the going concern assumption.

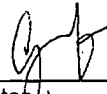
LINKEDIN TECHNOLOGY UK LTD

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

Approved by the Board and signed on its behalf by:



Director
Michelle Leung



Director
Germaine Cota

LINKEDIN TECHNOLOGY UK LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 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 assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2006.

- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The company's accounting records are maintained at Gardner House, Wilton Place, Dublin 2.

Results and dividends

The profit for the year, after taxation, amounted to \$9,111,088 (2015 - Restated - \$7,116,970). During the financial year a dividend of \$13,000,000 was paid (2015 - \$Nil).

Directors

The names of the directors of the company who held office during or since the end of the financial year are:

Michelle Leung – appointed on January 23, 2017
Benjamin Orndorff – appointed on January 23, 2017
Keith Dolliver – appointed on January 23, 2017
Germaine Cota – appointed on March 24, 2017

Lora Blum – resigned on January 13, 2017
Susan Taylor – resigned on March 24, 2017

LINKEDIN TECHNOLOGY UK LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- those directors have 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.

Events after balance sheet date

On April 3, 2017, the company amended its marketing service agreement with its immediate parent undertaking, LinkedIn Ireland Unlimited Company, intended to clarify direct costs and service fees terms as stated in the Advanced Pricing Agreement as approved by Her Majesty's Revenue & Customs. The revised agreement is effective 1 January 2016. Accordingly, the financial statements for the year ended 31 December 2016 reflect the terms of the revised arrangement between both entities.

Auditors

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 101 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intend to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the LinkedIn Ireland Unlimited Company, as the immediate parent of the entity, or by a shareholder/s holding in aggregate 5 per cent or more of the total allocated shares in the Company or more than half of the allotted shares in the entity not held by Ireland as the immediate parent.

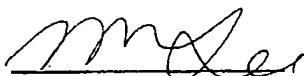
Employee consultation

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. This is achieved through formal and informal meetings and through by weekly all-hands meetings with the CEO. As of the close of 8 December 2016 ("Hard Close Date"), the merger with Microsoft ("MSFT") was effective, and this resulted in the replacement of LinkedIn's ("LNKD") awards with MSFT ones. The MSFT ESPP gives eligible employees an opportunity to become shareholders in MSFT by purchasing stock at a 10% discount. Each ESPP period runs for 3 months. Employees participating have regular amounts up to 15% deducted from their net salary each month. At the end of the 3 month ESPP offering period, the employee's ESPP deductions to date are used to purchase shares from the plan.

LINKEDIN TECHNOLOGY UK LTD

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

Approved by the Board and signed on its behalf by:



Director
Michelle Leung



Director
Germaine Cota

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINKEDIN TECHNOLOGY UK LIMITED

We have audited the financial statements of LinkedIn Technology UK Ltd for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 Auditors' 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 Auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. 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 Financial Reporting Council'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 Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with the Reduced Disclosure Framework (FRS 101); 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, based on the work undertaken in the course of the audit:

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

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 any material misstatements in the Strategic Report and the Directors' Report.

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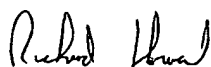
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINKEDIN TECHNOLOGY UK LIMITED

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.



Richard Howard (Senior statutory auditor)
For and on behalf of Deloitte
Chartered Accountants and Statutory Auditor

Deloitte & Touche House
Earlsfort Terrace
Dublin 2

20 September 2017

20 September 2017

LINKEDIN TECHNOLOGY UK LTD

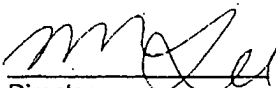
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

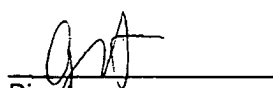
	Note	2016 \$	2015 [RESTATED] \$
Turnover		90,057,690	85,960,212
Administrative expenses		(78,707,771)	(76,833,439)
OPERATING PROFIT	2	11,349,919	9,126,773
Tax on profit	5	(2,238,831)	(2,009,803)
PROFIT FOR THE YEAR		<u>9,111,088</u>	<u>7,116,970</u>
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Income tax – SBC Deduction		101,867	1,260,413
Deferred tax – SBC Deduction		(3,886)	3,886
TOTAL ITEMS NOT RECLASSIFIED TO PROFIT OR LOSS		<u>97,981</u>	<u>1,264,299</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>9,209,069</u>	<u>8,381,269</u>

LINKEDIN TECHNOLOGY UK LTD

**BALANCE SHEET
AS AT 31 DECEMBER 2016**

		2016	2015
	Note	\$	[RESTATED] \$
Tangible assets	7	6,360,142	10,588,398
		<u>6,360,142</u>	<u>10,588,398</u>
CURRENT ASSETS			
Debtors	8	16,767,560	18,821,323
Cash at bank and in hand	9	8,251,915	5,395,049
		<u>25,019,475</u>	<u>24,216,372</u>
Creditors: amounts falling due within one year	10	(17,867,275)	(15,443,001)
NET CURRENT ASSETS		<u>7,152,200</u>	<u>8,773,371</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,512,342</u>	<u>19,361,769</u>
Creditors: amounts falling due after more than one year	11	(1,106,094)	(1,658,522)
NET ASSETS		<u>12,406,248</u>	<u>17,703,247</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,999	1,999
Other reserves		8,641,130	10,147,197
Profit and loss account		3,763,119	7,554,051
		<u>12,406,248</u>	<u>17,703,247</u>


Director
Michelle Leung


Director
Germaine Cota

The notes on pages 11 to 39 form part of these financial statements.

LINKEDIN TECHNOLOGY UK LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Other reserves	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2016	1,999	10,147,197	7,554,051	17,703,247
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year		-	9,111,088	9,111,088
Dividend	-	-	(13,000,000)	(13,000,000)
Decrease in Capital Contribution	-	(1,506,067)	-	(1,506,067)
Current Tax - SBC deduction	-	-	101,867	101,867
Deferred Tax - SBC deduction	-	-	(3,886)	(3,886)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(1,506,067)	(3,790,932)	(5,296,998)
AT 31 DECEMBER 2016	1,999	8,641,130	3,763,119	12,406,248

LINKEDIN TECHNOLOGY UK LTD

**STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Other reserves	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2015	1,999	15,395,774	6,630,040	22,027,813
Prior year adjustments (Note 19)			(7,457,259)	(7,457,259)
At 1 January 2015 – [RESTATED]	1,999	15,395,774	(827,219)	14,570,554
COMPREHENSIVE INCOME FOR THE YEAR				
Profit for the year	-	-	7,116,970	7,116,970
Decrease in capital contribution	-	(5,248,577)	-	(5,248,577)
Current tax – SBC Deduction	-	-	1,260,414	1,260,414
Deferred Tax - SBC deduction	-	-	3,886	3,886
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	(5,248,577)	1,264,299	(3,984,278)
AT 31 DECEMBER 2015	<u>1,999</u>	<u>10,147,197</u>	<u>7,554,051</u>	<u>17,703,247</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES

1.1 Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Basis of accounting

LinkedIn Technology UK Ltd (the "Company") is a company incorporated and domiciled in the United Kingdom. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (CONTINUED)

1.2 Basis of accounting (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following principal accounting policies have been applied:

1.3 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: paragraph 79(a)(iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- 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 requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

New and revised IFRSs affecting amounts reported and/ or disclosures in the financial statements.

In the current financial year, the company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

Annual improvements 2011-2013 Cycle

The annual improvements to IFRS: 2011-2013 Cycle issued by the International Accounting Standards board in December 2013 is the sixth collection of amendments issued under the annual improvement process, which is designed to make necessary, but not urgent, amendments to IFRSs.

The amendments are in the nature of clarifications rather than substantive changes to the existing requirements. The amendments impact the following standards:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.3 Financial reporting standard 101 - reduced disclosure exemptions (continued)

- IFRS 3 *Business Combinations* – Clarification of the scope exclusion for joint ventures
- IFRS 13 *Fair value Measurement* – Clarification of the scope of the portfolio exception
- IAS 40 *Investment Property* – Clarification of the interrelationship between IFRS 3 and IAS 40

None of these amendments has had any impact on the financial statements.

Annual improvements 2016-2017 Cycle

The annual improvements to IFRS: 2016-2017 Cycle issued by the Financial Reporting Council in July 2017 provide certain disclosure exemptions in relation to IFRS 16 Leases.

As the company has not adopted yet adopted IFRS 16 such amendments will be considered prospectively.

IFRIC 21 Levies

The interpretation was developed to address concerns about how to account for levies that are based on financial data for a period that is different from that in which the activities which give rise to payment of the levy occurs.

The interpretation has had no impact on the financial statements.

1.4 Revenue

The turnover shown in the profit and loss account represents amounts receivable from the immediate parent undertaking, LinkedIn Ireland Unlimited Company, during the year for the provision of marketing support services.

1.5 Tangible Fixed Assets

Tangible fixed assets are stated at historical cost, less accumulated depreciation. Assets in the course of construction are not depreciated until they are brought into use.

1.6 Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Leasehold Improvements	-	shorter of 5 years and the life of the lease
Computer Equipment	-	straight line over 2 years
Office Equipment & Fitting	-	straight line over 5 years

The extended useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any material changes in estimated accounted for on a prospective basis.

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

1.8 Going concern

LinkedIn Technology UK Limited earns services revenue from its parent, LinkedIn Ireland Unlimited Company, on costs incurred. The directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, the company continues to adopt the going concern assumption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the profit and loss account 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. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. 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 financial year

Current and deferred tax are recognised in profit or loss, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.10 Foreign Currencies

Transactions in foreign currencies are recorded in US Dollars at the rate of exchange ruling at the dates of the transactions. The resulting monetary assets and liabilities are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Exchange differences are recorded in the profit and loss account.

1.11 Share-Based Payments

Equity-settled share-based payments are measured at the fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on an accelerated recognition basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. At the end of the reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share based payment reserve. The fair value of options granted is estimated on the grant date using the Black-Scholes option valuation model. The fair value of restricted stock units is based on the fair value of the stock price of LinkedIn Corporation on the grant date for restricted stock units granted prior to December 8, 2016, and the fair value of the stock price of Microsoft Corporation for restricted stock units granted subsequent to December 8, 2016.

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

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Financial Instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity is classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Financial Instruments (Continued)

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 42. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Financial Instruments (Continued)

For listed and unlisted 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, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could 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 asset, 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 of 60 days, 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 differences 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 profit or loss. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, 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 profit or loss 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. In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Reclassification of financial assets

The Company has reclassified certain non-derivative financial assets out of held for trading (part of the FVPTL category) to AFS financial assets. Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Financial Instruments (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expires, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Financial Instruments (continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Pension Scheme

The company operates a defined contribution pension scheme and contributions are charged against profits as they fall due.

1.14 Deferred Commission

Effective from 1 January 2016, the Company changed its accounting policy to expense commissions when incurred (previously deferred); this new accounting policy more appropriately reflects the timing of services rendered and is aligned with peer companies providing similar services and operating in similar industries.

As a result, certain line items have been amended in the balance sheet, statement of comprehensive income and statement of changes in equity and the related notes to the financial statements. In addition other comparative figures have been adjusted to conform to the current year's presentation as disclosed in note 19.

1.15 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below or elsewhere in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.16 Critical accounting judgements and key sources of estimation uncertainty (continued)

Valuation of share-based payments

The ultimate parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on an accelerated recognition basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model is based on management's best estimate, and considers effects of non-transferability, exercise restrictions, and expected exercise behaviour based on available historical data.

Fair value of restricted stock units is measured using the fair value of the stock price of LinkedIn Corporation on the grant date for grants made prior to 8 December 2016, and the fair value of the stock price of Microsoft Corporation on the grant date for grants made subsequent to 8 December 2016.

Property, plant and equipment

The cost of property, plant and equipment is depreciated using the straight-line method, over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

2. OPERATING PROFIT

The operating profit is stated after charging:

	2016 \$	2015 \$
Depreciation of tangible fixed assets (Note 7)	4,612,216	2,897,537
Foreign exchange differences – (loss) and gain	357,123	(84,076)
Defined contribution pension cost	1,782,364	1,730,673
Operating lease cost	2,560,030	2,834,482
	<u>9,311,733</u>	<u>7,378,616</u>

During the year, no director received any emoluments from the company (2015 - \$NIL).

LINKEDIN TECHNOLOGY UK LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2016 \$	2015 \$
Fees for audit services	16,745	15,466
	<u>16,745</u>	<u>15,466</u>

4. EMPLOYEES

Staff costs were as follows:

	2016 \$	2015 [RESTATED] \$
Wages and salaries	42,483,806	41,189,379
Social security costs	6,504,536	5,944,324
Cost of defined contribution scheme (Note 16)	1,782,364	1,730,673
Share based payments (Note 14)	6,602,501	8,681,787
	<u>57,373,207</u>	<u>57,546,163</u>

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

	2016 No.	2015 No.
Marketing	<u>259</u>	<u>251</u>

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. TAXATION

	2016 \$	2015 [RESTATED] \$
CORPORATION TAX		
Current tax on profits for the year	1,322,054	2,606,048
TOTAL CURRENT TAX	<u>1,322,054</u>	<u>2,606,048</u>
DEFERRED TAX		
Origination and reversal of timing differences	958,693	(668,733)
Adjustment in respect of previous periods	(23,371)	-
Changes to tax rates	(18,545)	72,488
TOTAL DEFERRED TAX (Note 13)	<u>916,777</u>	<u>(596,246)</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>2,238,831</u>	<u>2,009,802</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The charge for the year can be reconciled to the profit per the income statement as follows:

	2016 \$	2015 [RESTATED] \$
Profit on ordinary activities before tax	<u>11,349,919</u>	<u>9,126,773</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	2,269,984	1,847,785

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. TAXATION – (CONTINUED)

EFFECTS OF:

Expenses not deductible for tax purposes	(28,421)	160,609
Income taxed at the higher rate	265,466	72,488
Adjustments to tax charge in respect of prior periods	(18,545)	584
Share options timing differences	(325,136)	1,252,264
Other timing differences	75,483	165,042
Commissions policy change (Note 19 – restatement)	-	(1,488,970)

TOTAL TAX CHARGE FOR THE YEAR

<u>2,238,831</u>	<u>2,009,802</u>
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6. DIVIDENDS

	2016 \$	2015 \$
Dividends paid	13,000,000	-
	<u>13,000,000</u>	<u>-</u>

On December 1, 2016, the company paid a dividend of \$13,000,000 (\$13.00 per share) (2015 - Nil).

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

7. TANGIBLE FIXED ASSETS

	Office equipment \$	Computer equipment \$	Leasehold improvements \$	Total \$
COST OR VALUATION				
At 1 January 2016	3,383,536	2,924,059	10,309,855	16,617,450
Additions	11,081	131,447	241,433	383,961
At 31 December 2016	<u>3,394,617</u>	<u>3,055,506</u>	<u>10,551,288</u>	<u>17,001,411</u>
ACCUMULATED DEPRECIATION				
At 1 January 2016	978,827	1,538,954	3,511,271	6,029,052
Charge for the period	1,015,292	766,630	2,830,295	4,612,217
Disposals	-	-	-	-
At 31 December 2016	<u>1,994,119</u>	<u>2,305,584</u>	<u>6,341,566</u>	<u>10,641,269</u>
At 31 December 2016	<u>1,400,498</u>	<u>749,922</u>	<u>4,209,722</u>	<u>6,360,142</u>
At 31 December 2015	<u>2,404,710</u>	<u>1,385,105</u>	<u>6,798,583</u>	<u>10,588,398</u>

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

8. DEBTORS

	2016 \$	2015 [RESTATED] \$
DUE AFTER MORE THAN ONE YEAR		
Other debtors	258,515	295,556
	<u>258,515</u>	<u>295,556</u>
DUE WITHIN ONE YEAR		
Amounts owed by group undertakings (i)	12,180,182	12,952,763
VAT receivable	878,174	1,635,728
Prepaid expenses	1,638,660	1,352,684
Deferred Tax (Note 13)	1,314,485	2,235,146
Corporation tax debtor	497,544	349,446
	<u>16,767,560</u>	<u>18,821,323</u>

(i) Amounts owed by group undertakings are unsecured, interest free, and repayable on demand. They are classified as loans and receivables and are therefore measured at amortized cost.

9. CASH AND CASH EQUIVALENTS

	2016 \$	2015 \$
Cash at bank and in hand	8,605,186	6,794,115
Other cash equivalents	(353,271)	(1,399,066)
	<u>8,251,915</u>	<u>5,395,049</u>

LINKEDIN TECHNOLOGY UK LTD

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. CREDITORS: Amounts falling due within one year

	2016 \$	2015 [RESTATED] \$
Trade creditors	161,024	484,578
Amounts owed to group undertakings (i)	2,959,391	241,747
Corporation tax payable	183,535	274,298
Social security taxes	4,881,923	5,533,821
Accruals	9,681,402	8,908,557
	<u>17,867,275</u>	<u>15,443,001</u>

- (i) Amounts owed to group undertakings are unsecured, interest free, and repayable on demand. They are classified as loans and receivables and are therefore measured at amortized cost.

11. CREDITORS: Amounts falling due after more than one year

	2016 \$	2015 \$
Accruals	1,106,094	1,658,522
	<u>1,106,094</u>	<u>1,658,522</u>

12. SHARE CAPITAL

	2016 \$	2015 \$
Authorised, allotted, called up and fully paid		
1,000- Issued shares of \$1.99 each	<u>1,999</u>	<u>1,999</u>

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

13. DEFERRED TAXATION

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

	2016	2015 [RESTATED]
	\$	\$
Included in debtors (Note 8)	1,314,485	2,235,146

The movement in the deferred taxation asset during the financial year was:

	2016	2015 [RESTATED]
	\$	\$
At 1 January	2,235,146	1,635,014
P&L movement arising during the year	(940,148)	596,246
Deferred tax charge to equity for the period	(3,886)	3,886
Adjustment in respect of prior years	23,373	-
At 31 December	<u>1,314,485</u>	<u>2,235,146</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2016	2015 [RESTATED]
	\$	\$
Excess of taxation depreciation over depreciation on tangible assets	520,218	133,740
Other timing differences	38,817	53,030
Share Options	755,450	559,406
Commissions policy change (Note 19 – restatement)	-	1,488,970
	<u>1,314,485</u>	<u>2,235,146</u>

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

14. SHARE BASED COMPENSATION

Share options and restricted stock units are granted to employees over the shares of the ultimate parent company, Microsoft Corporation, who is responsible for the granting of those share options. An agreement is in place with LinkedIn Corporation whereby no reimbursement for costs associated with the grant of all share options and restricted stock units will be sought from the entity. As such, amounts relating to grants are recorded as an equity contribution from LinkedIn Corporation in its capacity as owner. As LinkedIn Corporation was acquired by Microsoft Corporation on 8 December 2016, the existing share options and restricted stock units are being replaced by Microsoft share awards according to a conversion ratio valued at the acquisition date. The existing share awards would continue to exist based on the original vesting grants given to employees of the Company.

Share Options

Details of the number of share options and the weighted average exercise price, denominated in US Dollars (US\$), outstanding during the year are as follows:

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

14. SHARE BASED COMPENSATION (CONTINUED)

	2016	2016	2015	2015
	\$	\$	\$	\$
Outstanding at the beginning of the year	24,688	85.82	61,648	42.88
Granted During the year	-	-	3,296	204.04
Exercised during the year	(6,233)	19.38	(28,884)	12.81
Transferred during the year	(10,975)	169.28	(10,855)	6.34
Cancelled During the year	(7,015)	26.23	(517)	45.00
Forfeited during the year	(165)	60.48	-	45.00
Adjustment due to acquisition	674	-	-	45.00
Outstanding at the end of the year	974	15.15	24,688	85.82
Ending Exercisable	=	=	<u>19,327</u>	<u>62.00</u>

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

14. SHARE BASED COMPENSATION (CONTINUED)

The share options outstanding at the end of the year have the following weighted average remaining contractual lives and exercise prices, denominated in US Dollars (\$).

	Number Outstanding Options No.	Weighted Average remaining life in years Outstanding Options No.	Weighted average exercise price Outstanding Options \$	Number Vested and Exercisable No.	Weighted average exercisable price Vested and Exercisable \$
Exercise Price \$					
0.91 - 5.99	168	6.61	54.72	18	54.79
14.73 - 49.29	761	8.11	46.35	31	46.42
52.55 - 62.33	45	8.19	23.52	-	-
	<u>974</u>	<u>22.91</u>	<u>124.59</u>	<u>49</u>	<u>101.21</u>
	Number Outstanding Options No.	Weighted Average remaining life in years Outstanding Options No.	Weighted average exercise price Outstanding Options \$	Number Vested and Exercisable No.	Weighted average exercisable price Vested and Exercisable \$
FY15					
Exercise Price \$					
2.32	2,733	2.09	2.32	2,733	2.32
8.01	5,941	4.70	8.41	5,702	8.01
40.59	5,892	5.36	40.59	5,892	40.59
77.86	672	8.46	57.03	114	77.86
170.46	5,450	7.16	170.46	3,550	170.46
204.04	2,267	8.19	203.63	1,012	204.04
267.20	1,733	9.16	267.2	324	267.20
	<u>24,688</u>	<u>5.85</u>	<u>88.61</u>	<u>19,327</u>	<u>62.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

14. SHARE BASED COMPENSATION (CONTINUED)

Share Based Payment Expense

The company recognised total expenses of \$6,602,501 (2015: \$8,681,787) related to equity-settled share-based transactions during the year.

The share based payment reserve arises on the grant of share options and restricted stock units ("RSUs") to employees by LinkedIn Corporation.

LinkedIn Corporation has two equity incentive plans: the Amended and Restated 2003 Stock Incentive Plan (the "2003 Plan") and the 2011 Equity Incentive Plan (the "2011 Plan"). Upon the ultimate holding company's initial public offering ("IPO"), all shares that were reserved under the 2003 Plan but not issued, were assumed by the 2011 Plan. Under the 2011 Plan, the ultimate holding company has the ability to issue incentive stock options ("ISOs"), non-statutory stock options ("NSOs"), stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance units and/or performance shares. The ISOs and NSOs will be granted at a price per share not less than the fair value of the underlying common stock at date of grant. Options granted to date generally vest over a four-year period with 25% vesting at the end of one year and the remaining vest monthly thereafter. Options granted generally are exercisable up to 10 years.

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As LinkedIn Corporation was acquired by Microsoft Corporation on December 8, 2016, the existing share options and restricted stock units are being replaced by Microsoft share awards according to a conversion ratio valued at the acquisition date. The existing share awards would continue to exist based on the original vesting grants given to employees of the Company.

15. RESERVES

Other reserves

Other reserves are capital contribution relating to share-based payment charges.

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

16. PENSION COMMITMENTS

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. Contributions totalling \$1,782,364 (2015: \$1,730,673) were payable to the fund during the year, \$228,335 was outstanding at the year-end (2015: \$296,731).

17. COMMITMENTS UNDER OPERATING LEASES

The company as lessee	2016 \$	2015 \$
Lease payments under operating leases recognised as an expense in the year	2,560,030	2,834,482

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 \$	2015 \$
Within one year	2,594,853	3,194,040
In the second to fifth years inclusive	760,652	4,130,337
TOTAL	<u>3,355,505</u>	<u>7,324,377</u>

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of 3.5 years with an option to extend for a further 4.3 years at the then prevailing market rate.

18. CONTROLLING PARTY

The directors consider the immediate parent undertaking to be LinkedIn Ireland Unlimited Company, a company incorporated in The Republic of Ireland.

On 8 December 2016, Microsoft Corporation acquired LinkedIn Corporation and becomes the ultimate parent company. The company has related party transactions with its parent company, LinkedIn Ireland Unlimited Company (formerly known as LinkedIn Ireland), a company incorporated in the Republic of Ireland, its intermediate parent company (formerly its ultimate parent company), LinkedIn Corporation, a company incorporated in the United States of America.

LINKEDIN TECHNOLOGY UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

19. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE PERIOD

Effective from 1 January 2016, the Company changed its accounting policy to expense commissions when incurred (previously deferred); this new accounting policy more appropriately reflects the timing of services rendered and is aligned with peer companies providing similar services and operating in similar industries. In addition, effective from 8 December 2016, the Company's ultimate parent entity changed from LinkedIn Corporation to Microsoft Corporation.

The change in accounting policy by LinkedIn Technology UK Limited is in alignment with that of Microsoft Corporation. With effect from January 1, 2016, the Company reassessed its group's accounting policy for cost-plus service entities, where commission expenses are not to be deferred since no external revenue is recognised. As a result, certain line items have been amended in the statement of financial position, statement of profit and loss and other comprehensive income, statement of changes in equity and statements of cash flow, and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

	31 Dec 2015		31 Dec 2014	
	Previously reported	Restated	Previously reported	Restated
Balance sheet				
Current assets				
Debtors	25,604,410	18,821,323	29,992,853	22,535,594
Cash at bank and in hand	6,794,115	5,395,029		
Creditors: amounts falling due within one year	(16,842,067)	(15,443,001)		
Capital and Reserves				
Profit and loss account	14,337,138	7,554,050	6,630,040	(827,219)
	31 Dec 2015		31 Dec 2014	
	Previously reported	Restated	Previously reported	Restated
Statement of comprehensive income				
Administrative expenses	(76,018,641)	(76,833,439)	(67,884,599)	(60,427,340)
Operating profit	9,941,571	9,126,773	8,866,415	1,409,156
Tax on profit	3,498,773	2,009,803		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

20. POST BALANCE SHEET EVENTS

On April 3, 2017, the company amended its marketing service agreement with its immediate parent undertaking, LinkedIn Ireland Unlimited Company, intended to clarify direct costs and service fees terms as stated in the Advanced Pricing Agreement as approved by Her Majesty's Revenue & Customs. The revised agreement is effective 1 January 2016. Accordingly, the financial statements for the year ended 31 December 2016 reflect the terms of the revised arrangement between both entities.