Registration number: 06441873

# LinkedIn Technology UK Limited

Financial Statements

for the Year Ended 31 December 2017

**LinkedIn Technology UK Limited**

**Contents**

# LinkedIn Technology UK Limited

## Company Information

| | |
|---|---|
| **Directors** | Michelle Leung<br>Benjamin Orndorff<br>Keith Dolliver<br>Lisa Sato |
| **Registered number** | 06441873 |
| **Registered office** | Castlewood House<br>77-91 New Oxford Street<br>London<br>WC1A 1DG |
| **Independent Auditors** | Deloitte Ireland LLP<br>Deloitte & Touche House<br>Earlsfort Terrace<br>*Dublin 2* |

# LinkedIn Technology UK Limited

## Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017. 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 year ended 31 December 2017. 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, a company registered in the Republic of Ireland.

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

• LinkedIn Technology UK Limited earns revenue for the provision of marketing and EMEA Strategic management services to its parent LinkedIn Ireland Unlimited Company.
• 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". Arising from this the British government continues 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 reduced by 2% from $90,057,690.00 in 2016 to $88,097,922.00 in 2017. Administrative expenses increased by 5% from $78,707,771.00 in 2016 to $82,512,157.00 in 2017. The average headcount has increased by 3% from 251 in 2016 to 259 in 2017.

**Future developments**

The company's turnover, headcount and administrative expenses are all expected to grow in 2018. 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 2018.

# LinkedIn Technology UK Limited

## Strategic Report for the Year Ended 31 December 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 three primary product lines: Talent Solutions, (which includes Hiring, and Learning and Development) Marketing Solutions and Premium Subscriptions. Its products are sold through 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. The Company's 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.

The principal activity of the company is the provision of marketing activities for the LinkedIn group in the UK.

**Going concern**
LinkedIn Technology UK Limited earns revenue for the provision of marketing and EMEA Strategic management services to its parent LinkedIn Ireland Unlimited Company. 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.

Approved by the Board on 21 September 2018 and signed on its behalf by:

.........................................
Michelle Leung
Director

.........................................
Lisa Sato
Director



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LinkedIn Legal

# LinkedIn Technology UK Limited

## Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

**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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 $4,378,583 (2016 $9,111,088).

During the financial year no dividend was paid. (2016- $13,000,000).

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

Lora Blum (resigned 23 January 2017)

Susan Taylor (resigned 24 March 2017)

Michelle Leung (appointed 23 January 2017)

Benjamin Orndorff (appointed 23 January 2017)

Keith Dolliver (appointed 23 January 2017)

Germaine Cota (appointed 24 March 2017 and resigned 17 August 2018)

The following director was appointed after the year end:

Lisa Sato (appointed 17 August 2018)

**Disclosure of information to the auditors**
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that :
• so far as the directors are aware, there is no relevant information of which they know the company's auditor is unaware, and
• those directors have taken all the steps that they 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 auditor is aware of that information.

**Events after the balance sheet date**
There have been no significant events affecting the company since the year end, other than that noted in note 19.

***Auditors***
The auditors, Deloitte Ireland LLP, 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 shareholder/s has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends 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 bi-weekly all-hands meetings with the CEO. 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.

Approved by the Board on 21 September 2018 and signed on its behalf by:

| | |
|---|---|
| ................................................ | ................................................ |
| Michelle Leung | Lisa Sato |
| Director | Director |



SDC LinkedIn Legal

**Deloitte.**

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

## Independent auditor's report to the members of LinkedIn Technology UK Limited

### Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of LinkedIn Technology UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account
- the Statement of Comprehensive Income
- the Balance Sheet
- the Statement of Changes in Equity
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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## Independent auditor's report to the members of LinkedIn Technology UK Limited

### Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### Responsibilities of directors

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 for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the entity's (or where relevant, the consolidated) financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's (or where relevant, the group's) internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's (or where relevant, the group's) ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e gives a true and fair view).

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Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

**Independent auditor's report to the members of LinkedIn Technology UK Limited**

**Auditor's responsibilities for the audit of the financial statements (continued)**

- Where the auditor is required to report on consolidated financial statements, obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

**Report on other legal and regulatory requirements**

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report has 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 directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or

We have nothing to report in respect of these matters.

**Use of our report**

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

Richard Howard

Richard Howard (Senior Statutory Auditor)
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Date: 25 September 2018

# LinkedIn Technology UK Limited

## Profit and Loss Account for the Year Ended 31 December 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| Turnover | | 88,097,922 | 90,057,690 |
| Administrative expenses | 2 | (82,512,157) | (78,707,771) |
| **Operating profit** | | **5,585,765** | **11,349,919** |
| Tax on profit | 5 | (1,207,182) | (2,238,831) |
| **Profit for the year** | | **4,378,583** | **9,111,088** |

The above results were derived from continuing operations.

## LinkedIn Technology UK Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2017

| | Note | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| Profit for the year | | 4,378,583 | 9,111,088 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Income Tax - SBC deduction | | - | 101,867 |
| Deferred Tax - SBC deduction | | 293,120 | (3,886) |
| | | 293,120 | 97,981 |
| Total comprehensive income for the year | | 4,671,703 | 9,209,069 |

The notes on pages 13 to 32 form an integral part of these financial statements.

## LinkedIn Technology UK Limited

## (Registration number: 06441873)
## Balance Sheet as at 31 December 2017

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 7 | 2,782,321 | 6,360,142 |
| **Current assets** | | | |
| Debtors | 8 | 39,801,049 | 16,767,560 |
| Cash at bank and in hand | 9 | 3,600,342 | 8,251,915 |
| | | 43,401,391 | 25,019,475 |
| **Creditors:** Amounts falling due within one year | 10 | (29,582,889) | (17,867,275) |
| **Net current assets** | | 13,818,502 | 7,152,200 |
| **Total assets less current liabilities** | | 16,600,823 | 13,512,342 |
| **Creditors:** Amounts falling due after more than one year | 11 | (1,070,817) | (1,106,094) |
| **Net assets** | | 15,530,006 | 12,406,248 |
| **Capital and reserves** | | | |
| Called up share capital | 12 | 1,999 | 1,999 |
| Other reserves | 15 | 7,093,185 | 8,641,130 |
| Profit and loss account | | 8,434,822 | 3,763,119 |
| Shareholders' funds | | 15,530,006 | 12,406,248 |

Approved by the Board on 21 September 2018 and signed on its behalf by:

Michelle Leung
Director

Lisa Sato
Director

The notes on pages 13 to 32 form an integral part of these financial statements.



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## LinkedIn Technology UK Limited

## Statement of Changes in Equity for the Year Ended 31 December 2017

| | Share capital $ | Other reserves $ | Retained earnings $ | Total $ |
|---|---|---|---|---|
| At 1 January 2017 | 1,999 | 8,641,130 | 3,763,119 | 12,406,248 |
| Profit for the year | - | - | 4,378,583 | 4,378,583 |
| Decrease in Capital Contribution | - | (1,547,945) | - | (1,547,945) |
| Deferred Tax - SBC deduction | - | - | 293,120 | 293,120 |
| At 31 December 2017 | 1,999 | 7,093,185 | 8,434,822 | 15,530,006 |

| | Share capital $ | Other reserves $ | Retained earnings $ | Total $ |
|---|---|---|---|---|
| At 1 January 2016 | 1,999 | 10,147,197 | 7,554,050 | 17,703,246 |
| Profit for the year | - | - | 9,111,088 | 9,111,088 |
| Dividends | - | - | (13,000,000) | (13,000,000) |
| Decrease in Capital Contribution | - | (1,506,067) | - | (1,506,067) |
| Income Tax - SBC deduction | - | - | 101,867 | 101,867 |
| Deferred Tax - SBC deduction | - | - | (3,886) | (3,886) |
| At 31 December 2016 | 1,999 | 8,641,130 | 3,763,119 | 12,406,248 |

The notes on pages 13 to 32 form an integral part of these financial statements.

## 1 Accounting policies

**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.

**Basis of accounting**
LinkedIn Technology UK Ltd (the "Company") is a company incorporated and domiciled in the United Kingdom. These financial statements present information about the Company as an individual undertaking.

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, including key management personnel..

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:
• 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:

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

The IFRSs adopted by the EU applied by the company in the preparation of these financial statements are those that were effective at 1 January 2017. In the current year, the company applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) and as adopted by the EU that are mandatorily effective for an accounting period that begins on or after 1 January 2017. The adoption has not had any material impact on the disclosures or the amounts reported in these financial statements:

• Amendments to IAS 7 Disclosure Initiative - The Company has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. As the Company has availed of the exemption permitted by FRS 101 to present the Statement of Cash Flows the application of these amendments had no impact on the Company's financial statements.

• Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - The Company has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Company's financial statements as the Company does not have any deductible temporary differences.

• Annual Improvements to IFRSs 2014-2016 Cycle - The Company has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014 - 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Company. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. As the company does hold such interests these amendments has had no impact on the Company's financial statements.

**Revenue recognition**

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 and EMEA strategic management services.

**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.

**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:

| **Asset class** | **Depreciation method and rate** |
|---|---|
| Leasehold Improvements | shorter of 5 years and the life of the lease |
| Computer Equipment | straight line over 2 years |
| Office Equipment & Furniture and Fittings | straight line over 3 - 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 estimates accounted for on a prospective basis.

During 2017 the useful lives of certain categories of fixed assets were reassessed and aligned to fixed assets of similar nature in Microsoft. The impact of the change in estimates in the current year was to decrease depreciation by $68,409. There is no impact in respect of future periods.

**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.

**Going concern**
LinkedIn Technology UK Limited earns revenue for the provision of marketing and EMEA Strategic management services to its parent LinkedIn Ireland Unlimited Company. 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.

**Tax**
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.

**Foreign currency transactions and balances**
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.

**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.

If the parent company levies an intercompany charge on the Company in relation to the share-based payments, the amount of that charge is offset against the capital contribution. If the amount of recharge exceeds the capital contribution, that excess is accounted for as a distribution to the parent company.

**Financial Instruments**
***Classification***
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.

***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 remeasurement 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 are 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.

**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.

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.

***Derecognition of financial assets***

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, 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.

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 remeasurement 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.

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

**Trade 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.

**Dividends**
Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

**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.

**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/(crediting)

| | | 2017 | 2016 |
|---|---|---|---|
| | | $ | $ |
| Depreciation of tangible fixed assets | 7 | 4,202,414 | 4,612,216 |
| Foreign exchange (losses)/gains | | (17,019) | 357,123 |
| Defined contribution pension cost | | 1,603,068 | 1,782,364 |
| Operating lease cost | | 2,197,618 | 2,560,030 |

During the year, no director received any emoluments. (2016: Nil). Directors emoluments were borne by a fellow group company.

## 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:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Fees for audit services | 19,149 | 16,745 |

No other fees were paid in relation to any other services, except as disclosed above. (2016: $Nil)

## 4 Staff costs

Staff costs were as follows:

| | | 2017 | 2016 |
|---|---|---|---|
| | | $ | $ |
| Wages and salaries | | 47,596,745 | 42,483,807 |
| Social security costs | | 7,634,582 | 6,504,536 |
| Pension costs, defined contribution scheme | 16 | 1,603,068 | 1,782,364 |
| Share-based payment expenses | 14 | 5,611,633 | 6,602,501 |
| | | 62,446,028 | 57,373,208 |

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

| | 2017 | 2016 |
|---|---|---|
| | No. | No. |
| Marketing | 259 | 251 |

## 5 Income tax

Tax charged in the profit and loss account

| | | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **Corporation tax** | | | |
| Current tax on profits for the year | | 1,486,150 | 1,322,054 |
| UK corporation tax adjustment in respect of prior periods | | 348,529 | - |
| | | 1,834,679 | 1,322,054 |
| **Deferred tax** | | | |
| Origination and reversal of timing differences | | (710,475) | 958,693 |
| Adjustment in respect of prior periods | | 47 | (23,371) |
| Arising from changes in tax rates and laws | | 82,931 | (18,545) |
| Total deferred taxation | 13 | (627,497) | 916,777 |
| Tax expense in the profit and loss account | | 1,207,182 | 2,238,831 |

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Profit before tax | 5,585,765 | 11,349,919 |
| Corporation tax at standard rate | 1,075,260 | 2,269,984 |
| Expenses not deductible for tax purposes | 174,613 | (28,421) |
| Income taxed at the higher rate | - | 265,466 |
| Adjustments to tax charge in respect of prior periods | 348,576 | (18,545) |
| Share options timing differences | (667,490) | (325,136) |
| Other tax effects for reconciliation between accounting profit and tax expense | 276,223 | 75,483 |
| Total tax charge | 1,207,182 | 2,238,831 |

## 6 Dividends

| | 2017 $ | 2016 $ |
|---|---|---|
| Final dividend of $Nil (2016 - $13.00) per ordinary share | - | 13,000,000 |

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

## 7 Tangible assets

| | Leasehold Improvements $ | Office equipment $ | Computer equipment $ | Total $ |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2017 | 10,551,288 | 3,394,617 | 3,055,506 | 17,001,411 |
| Additions | 329,881 | 20,012 | 274,399 | 624,292 |
| At 31 December 2017 | 10,881,169 | 3,414,629 | 3,329,905 | 17,625,703 |
| **Depreciation** | | | | |
| At 1 January 2017 | 6,341,566 | 1,994,118 | 2,305,286 | 10,640,970 |
| Charge for the year | 2,862,249 | 676,971 | 663,192 | 4,202,412 |
| At 31 December 2017 | 9,203,815 | 2,671,089 | 2,968,478 | 14,843,382 |
| **Carrying amount** | | | | |
| At 31 December 2017 | 1,677,354 | 743,540 | 361,427 | 2,782,321 |
| At 31 December 2016 | 4,209,721 | 1,400,498 | 749,923 | 6,360,142 |

## 8 Trade and other debtors

| | | 2017 $ | 2016 $ |
|---|---|---|---|
| Other debtors** | | - | 258,515 |
| Amounts owed by group undertakings* | | 34,448,626 | 12,180,182 |
| VAT receivable | | 902,899 | 878,174 |
| Prepayments | | 2,175,506 | 1,638,660 |
| Deferred tax | 13 | 2,235,102 | 1,314,485 |
| Corporation tax debtor | | 38,916 | 497,544 |
| Total current trade and other debtors | | 39,801,049 | 16,767,560 |

* 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.

** Other debtors represents balances which are due after more than one year.

## 9 Cash and cash equivalents

| | 2017 $ | 2016 $ |
|---|---|---|
| Cash at bank | 3,600,342 | 8,251,915 |

## 10 Creditors: Amounts falling due within one year

| | 2017 $ | 2016 $ |
|---|---|---|
| Trade creditors | 385,701 | 161,024 |
| Amounts due to related parties* | 15,079,870 | 2,959,391 |
| Corporation tax payable | - | 183,535 |
| Social security taxes | 1,523,051 | 4,881,923 |
| Accrued expenses | 12,594,267 | 9,681,402 |
| | 29,582,889 | 17,867,275 |

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

The directors consider that the carrying value of creditors approximates fair value.

## 11 Creditors:Amounts falling due after more than one year

| | 2017 $ | 2016 $ |
|---|---|---|
| Accruals | 1,070,817 | 1,106,094 |

The directors consider that the carrying value of creditors approximates fair value.

## 12 Share capital

**Allotted, called up and fully paid shares**

| | 2017 No. | 2017 $ | 2016 No. | 2016 $ |
|---|---|---|---|---|
| 1,000- Issued shares of $1.999 each | 1,000 | 1,999 | 1,000 | 1,999 |

# LinkedIn Technology UK Limited

## Notes to the Financial Statements for the Year Ended 31 December 2017

### 13 Deferred tax

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

| | | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **Include in debtors** | | | |
| Deferred tax | 8 | 2,235,102 | 1,314,485 |
| Deferred tax assets | | 2,235,102 | 1,314,485 |

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

| | At 1 January 2017<br>$ | Recognised in *profit and loss*<br>$ | Recognised in *equity*<br>$ | At 31 December 2017<br>$ |
|---|---|---|---|---|
| Accelerated tax depreciation | 520,218 | 286,340 | - | 806,558 |
| Other items | 38,817 | 10,587 | - | 49,404 |
| Share-based payment | 755,450 | 330,570 | 293,120 | 1,379,140 |
| Net tax assets/(liabilities) | 1,314,485 | 627,497 | 293,120 | 2,235,102 |

## 14 SHARE BASED PAYMENTS

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. 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.

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.

(i) Share Options

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

| | 2017 Value $ | 2017 Price $ | 2016 Value $ | 2016 Price $ |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 974 | 15 | 24,688 | 86 |
| Excercised During the year | (61) | 20 | (6,233) | 19 |
| Transferred During the year | - | - | (10,975) | 169 |
| Cancelled During the year | (54) | 12 | (7,015) | 26 |
| Forfeited During the year | (314) | 20 | (165) | 60 |
| Adjustment due to acquisition | - | - | 674 | - |
| Outstanding at the end of the year | 545 | 12 | 974 | 15 |

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 of Outstanding Options | Weighted Average reaming life in years Outstanding Options | Weighted average exercise price Outstanding Options | Number Vested and Exercisable | Weighted average exercisable price Vested and Exercisable |
|---|---|---|---|---|---|
| 0.91 - 5.99 | 146 | 5.61 | 54.49 | 146.00 | 54.49 |
| 14.73 - 49.29 | 399 | 7.12 | 46.09 | 191.00 | 46.09 |
| | 545 | 12.73 | 100.58 | 337.00 | 100.58 |

(ii) Restricted Stock Units

LinkedIn Corporation began granting RSUs to employees of the Company in November 2011, which generally vests over a four-year period with 25% vesting at the end of year one and the remaining vest quarterly thereafter.

| | Number of Underlying Shares | Weighted average grant date fair value | Number of Underlying Shares | Weighted average grant date fair value |
|---|---|---|---|---|
| | 2017 | 2017 | 2016 | 2016 |
| | No. | $ | No. | $ |
| Outstanding Beginning Balance | 230,740 | 58.01 | 78,350 | 211.21 |
| Granted | 116,667 | 64.19 | 61,804 | 108.62 |
| Vested | (103,231) | 58.26 | (34,213) | 192.71 |
| Forfeited | (33,867) | 61.47 | (10,212) | 195.69 |
| Transfer In | 27,657 | 58.42 | 4,105 | 197.69 |
| Transfer Out | (23,620) | 59.16 | (12,073) | 173.69 |
| Adjustment due to Acquisition | - | 0.00 | 142,979 | 0.00 |
| Outstanding Ending Balance | 214,346 | 60.63 | 230,740 | 58.01 |

Share Based Payment Expense

The company recognised total expenses of $5,611,632 (2016: $6,602,501) 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 Microsoft Corporation, previously LinkedIn Corporation.

## 15 Reserves

**Other reserves**

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

### 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 $1,603,068 (2016:$ 1,782,363) were payable to the fund during the year, $290,615 was outstanding at the year-end (2016: $228,335).

### 17 Obligations under operating leases

**Operating leases**

The amount of non-cancellable operating lease payments recognised as an expense during the year was $2,197,618 (2016 - $2,560,030)

The total future value of minimum lease payments is as follows:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Within one year | - | 2,594,853 |
| In two to five years | - | 760,652 |
| Total | - | 3,355,505 |

### 18 Controlling party

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

LinkedIn Technology UK Limited has related party transactions with its ultimate parent company Microsoft Corporation; its immediate parent company LinkedIn Ireland Unlimited Company which is a company incorporated in the Republic of Ireland and with its related entity LinkedIn Corporation, formerly its ultimate parent company. LinkedIn Corporation is a company which is incorporated in the United States of America.

The consolidated financial statements of Microsoft Corporation are physically available at One Microsoft Way, Redmond, Washington, 98052-6399.

### 19 Post Balance Sheet Events

On 19 January, 2018 the company entered into a new legal arrangement with its landlord to extend the property lease to January 2019.

### 20 Comparatives

Comparative amounts have been reclassified, where necessary, to conform with the current year presentation.