

ORACLE CORPORATION UK LIMITED

Strategic Report, Directors' Report and Financial Statements for the year ended 31 May 2017

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STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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COMPANY INFORMATION

DIRECTORS

D. Hudson
S. Allison
G. Sharpe
B. Ely

SECRETARY

D. Hudson

AUDITOR

Ernst & Young, Chartered Accountants,
Ernst & Young Buildings,
Harcourt Centre,
Harcourt Street,
Dublin 2,
Ireland.

REGISTERED OFFICE

Oracle Parkway,
Thames Valley Park,
Reading,
Berkshire,
RG6 1RA.

BANKERS

JP Morgan Chase Bank,
25 Bank Street,
Canary Wharf,
London,
E14 5JP.

SOLICITORS

Baker & McKenzie LLP,
100 New Bridge Street,
London,
EC4V 6JA.

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 May 2017.

Principal activities

Oracle Corporation UK Limited (the Company) provides products and services that address all aspects of corporate information technology (IT) environments—applications, platform and infrastructure.

The Company's Cloud offerings provide a comprehensive and fully integrated stack of application, platform, compute, storage and networking services in all three primary layers of the cloud: Software as a Service (SaaS), Platform as a Service (PaaS) and Infrastructure as a Service (IaaS). The Company's on-premise IT offerings include: Oracle Applications, Oracle Database and Oracle Fusion Middleware software, among others; hardware products including Oracle Engineered Systems, servers, storage and industry-specific products, among others; and related support and services. The Company provides cloud and on-premise offerings worldwide to businesses of many sizes, government agencies, educational institutions and resellers with a sales force positioned to offer the combinations that best suit customer needs. Oracle Corporation UK Limited continues to represent a group company of Oracle Corporation in respect of these products and services and as such earns commission on these activities instead of bearing the full risks and rewards of fulfilling increasingly complex customer requirements in these areas.

Oracle Corporation UK Limited also provides consulting services on its own behalf.

Key financial & performance indicators (KPIs)

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

	<i>2017</i>	<i>2016</i>	<i>Change</i>
	<i>£'000</i>	<i>£'000</i>	<i>%</i>
Turnover – continuing operations	788,131	857,580	(8)
Profit on ordinary activities before interest and taxation	26,879	36,004	(25)
Profit for the financial year	11,588	24,957	(54)
Shareholder's (deficit) / funds	(63,318)	28,678	(321)

Total revenue decreased by 8% due to a number of factors including a reduction in the commission income in relation to the hardware and hardware support lines of business.

The Company has reported a decrease in its profit on ordinary activities before interest and taxation of £9,125,000 during the year mainly due to the above mentioned decrease in revenue.

The Company has reported a decrease in profit for the financial year of £13,369,000, the reduction in profit is mainly due to the increased corporation tax charge incurred for the year.

Equity shareholder funds decreased by £91,996,000 at 31 May 2017 compared to 31 May 2016 mainly due to the increase in the pension liability at 31 May 2017. The increased pension liability is due to changes in actuarial assumptions relating to the defined benefit underpin.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The directors consider that the following are the principal risk factors that could materially and adversely affect the Company's future result or financial position:

- Significant changes in the market place in which the business operates.
- The risk of increased inflation having an adverse impact on served markets.
- The risk of unrealistic increases in wages or infrastructure costs impacting adversely on competitiveness of the Company and its principal customers.
- The risk of adverse exchange movements.
- Funding requirements are a major consideration in making contributions to the Company's pension plans. The funded status of the Company's pension plans will depend primarily on the actual return on assets and the discount rate used to calculate certain benefits.

The Company has controls in place to limit each of these potential exposures and management and the directors regularly review, reassess and proactively limit the associated risk. These risks are managed by innovative product sourcing, strict control of costs and close attention to customer service levels. The Company has insurances, business policies and organisation structures to limit these risks and the Board of Directors closely monitor the Company's trading activities to manage credit, liquidity and other financial risks.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in interest rates. The Company has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance.

Interest rate cash flow risk

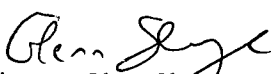
The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets relate to cash balances, all of which earn interest at variable rates. Interest bearing liabilities relate to loans from group undertakings, of which interest is paid at variable rates.

Future developments

The Company intends to continue to develop its range of products and services.

On 1 June 2017, the Company reorganised its distribution activities so that it now acts as a principal in providing products and services rather than as an agent. The Company does not believe that, as implemented, a distributor model imposes any significant additional risks on the business.

By order of the board


Director: Glenn Sharpe
Date: 23 February 2018

DIRECTORS' REPORT

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

Directors and their interests

The current directors are listed on page 2.

Neither the directors, nor their immediate families, have any material interest in the shares of the Company or in the share capital of any other group company including the ultimate parent company Oracle Corporation.

Results for the year and state of affairs as at 31 May 2017

The Statement of Comprehensive Income and the Statement of Financial Position for the year ended 31 May 2017 are set out on pages 11 and 12 respectively. During the year the company made a profit of £11,588,000 (2016: £24,957,000). Shareholder's funds at 31 May 2017 amounted to a deficit of £63,318,000 (2016: funds of £28,678,000).

Dividends

No dividends were declared or paid during the year (2016: £nil).

Software business

The software business is comprised of two segments: (1) new software license and cloud software subscriptions, and (2) software license updates and product support.

New Software Licenses and Cloud Software Subscriptions: The new software licenses and cloud software subscriptions segments of the software business include database, middleware and applications software licenses, as well as cloud software subscriptions that provide access to a broad range of the software offerings. The growth in the new software license and cloud software subscription business is affected by the strength of general economic and business conditions, governmental budgetary constraints and competitive position of software products and acquisitions.

Software License Updates and Product Support: Customers that purchase software license updates and product support are granted rights to unspecified product upgrades and maintenance releases issued during the support period, as well as technical support assistance. The growth of software license updates and product support business is influenced by three factors: (1) the percentage of support contract customer base that renews its support contracts, (2) the amount of new support contracts sold in connection with the sale of new software licenses, and (3) the amount of support contracts assumed from companies acquired by Oracle Corporation UK Limited.

The directors of Oracle Corporation UK Limited believe that the software license updates, product support and cloud software subscription business will continue to grow for the following reasons:

- Acquisitions over the past number of years have significantly increased the support contract base, as well as the portfolio of products available to be licensed.
- To a large extent, all customers purchase license updates and product support when they buy new software licenses, resulting in a further increase in the support contract base. Even if new license business growth was flat, software license updates and product support business would continue to grow assuming renewal and cancellation rates remained relatively constant since substantially all new software license transactions add to the support contract base.
- Substantially all customers, including customers from acquired companies, renew their support contracts when eligible for renewal.

Hardware systems business

The hardware systems business consists of: (1) hardware systems products and (2) hardware systems support. The hardware systems business will continue to form an integral part of the Company's core strategy due to expected continued demand for the Company's hardware system products and hardware systems support offerings.

DIRECTORS' REPORT (continued)

Services business

Services business primarily consists of Consulting, On Demand and Education business.

Acquisitions

An active acquisition program is an important element of the Company's corporate strategy. In recent years, the Company's ultimate parent undertaking, Oracle Corporation, has invested significantly in acquiring companies, products, services and technologies, including the acquisitions of Micros Systems UK Limited a provider of integrated software and hardware solutions to the hospitality and retail industries and Maxymiser Limited a leading provider of cloud based software that enables marketers to test, target, and personalise what a customer sees on a web page or mobile app, substantially increasing engagement and revenue.

Oracle Corporation's acquisition program supports the Company's long-term strategic direction, strengthens its competitive position, particularly in the applications and cloud software marketplace and expands its customer base.

In addition, Oracle Corporation UK Limited acquired the trade and net assets of NetSuite UK Limited which provide a suite of cloud-based financials/enterprise resource planning (ERP) and omnichannel commerce software.

Charitable and political donations

During the year the Company made charitable donations of £31,000 (2016: £25,000). There were no political donations made during the year (2016: £nil).

Events since the year end

On 18 May 2017 Oracle Corporation entered into a definitive agreement to acquire Wercker. Wercker empowers organizations and their development teams to achieve continuous integration and continuous delivery goals with micro-services and Docker. Legal entity combination for Wercker Limited, a UK registered company occurred on 1 October 2017. The Wercker Limited consideration was £84,917.

On 25 May 2017 Oracle Corporation entered into a definitive agreement to acquire Moat, a leader in viewability measurement who also offer a SaaS analytics platform for digital advertisers and publishers. Legal entity combination for Moat Europe Limited, a UK registered company occurred on 1 August 2017. The Moat Europe Limited consideration was £455,597.

The Company has entered into an agreement to sell the Blythe Valley Park facility to a third party for an amount of £8,350,000 with a completion date of 30 April 2018. The assets are currently held in fixed assets in the Freehold Land and Freehold Building categories with a net book value of £5,459,000. The projected gain on the transaction will be £3,094,000 less any associated costs to sell the site that will have to be incurred.

On 1 June 2017, the Company reorganised its distribution activities so that it now acts as a principal in providing products and services rather than as an agent. The Company does not believe that, as implemented, a distributor model imposes any significant additional risks on the business.

On 20 December 2017, Oracle Corporation UK Limited entered into a loan agreement with its subsidiary, MF UK FC Limited, whereby the Company would provide a loan facility of £75,000,000.

Going concern

The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)). In preparing the financial statements, the directors consider it appropriate to continue to use the going concern assumption on the basis that the Company has sufficient sources of cash flow and the Company's ultimate parent company, Oracle Corporation, has indicated that it will provide such financial support to the Company to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of the approval of the financial statements, but only in the event funds are not otherwise available to the Company to meet its liabilities.

DIRECTORS' REPORT (continued)

Employees

Employee consultation

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through formal and informal meetings, the internal intranet and a weekly email news bulletin.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Research and development

Research and development expenditure, other than on fixed assets, is expensed to the Statement of Comprehensive Income in the year in which it is incurred. The amount included in the Statement of Comprehensive Income in respect of such expenditure is £86,004,000 (2016: £92,168,000).

Disclosure of information to auditor

The directors confirm that, so far as they are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing this report, of which the Company's auditor is unaware. The directors also confirm they have taken all the steps that they ought to have taken in order to make them aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Non-preparation of group financial statements

The Company was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA. In accordance with the exemption granted by Section 401 of the Companies Act 2006, the Company does not prepare consolidated financial statements as publicly available consolidated group financial statements are drawn up by the ultimate parent undertaking of the Company. As a result, these accounts present information relating to the Company as an individual undertaking and do not contain consolidated financial information as the parent of a group.

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

UK 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 accounting standards in the United Kingdom (including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)). Under UK company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

DIRECTORS' REPORT (continued)

Directors' responsibility statement (continued)

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


- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Independent auditor

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young, as auditor of the Company.

By order of the board



Director: Glenn Sharpe
Date: 23 February 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORACLE CORPORATION UK LIMITED

We have audited the financial statements of Oracle Corporation UK Limited for the year ended 31 May 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Shareholder's Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements 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 May 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Continued/...

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORACLE CORPORATION UK LIMITED (Continued)

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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.

Ermst & Young

Dermot Daly (Senior statutory auditor)
For and on behalf of Ernst & Young
Chartered Accountants and Statutory Audit Firm

Dublin

Date: *27 February 2018*

STATEMENT OF COMPREHENSIVE INCOME

	Note	2017 £'000	2016 £'000
Turnover – continuing operations	2.13	788,131	857,580
Administration expenses		(761,252)	(821,576)
Profit on ordinary activities before interest and taxation		26,879	36,004
Interest receivable and similar income	5	3,556	3,818
Interest payable and similar charges	6	(5,825)	(5,783)
Impairment of investments	12	-	(3,146)
Gain on acquisition	21	1,686	-
Profit on ordinary activities before taxation	7	26,296	30,893
Taxation charge on profit on ordinary activities	8	(14,708)	(5,936)
Profit for the financial year		11,588	24,957
Other comprehensive income: items that will not be reclassified to profit and loss			
Actuarial loss on pension scheme	20	(128,177)	(7,649)
Movement on deferred tax relating to actuarial loss	17	(4,412)	3,497
Other comprehensive loss net of tax		(132,589)	(4,152)
Total comprehensive (loss)/income for the year		(121,001)	20,805

The notes on pages 14 to 37 are an integral part of these financial statements.

The financial statements on pages 11 to 37 were authorised for issue by the Board of Directors on 23 February 2018 and were signed on its behalf.


STATEMENT OF FINANCIAL POSITION

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	10	160,517	163,034
Tangible assets	11	282,767	193,369
Investments	12	-	-
Debtors: amounts falling due after one year	13	260,674	275,797
		<u>703,958</u>	<u>632,200</u>
Current assets			
Debtors: amounts falling due within one year	13	142,101	141,581
Cash at bank	14	154,978	137,125
		<u>297,079</u>	<u>278,706</u>
Creditors: amounts falling due within one year	15	<u>(786,499)</u>	<u>(730,454)</u>
Net current liabilities		<u>(489,420)</u>	<u>(451,748)</u>
Total assets less current liabilities		214,538	180,452
Provisions for liabilities	16	(12,394)	(13,692)
Pension liability	20	(265,462)	(138,082)
		<u>(277,856)</u>	<u>(251,774)</u>
Net (liabilities) / assets		<u>(63,318)</u>	<u>28,678</u>
Capital and reserves			
Called up share capital	18	10,200	10,200
Other reserves		135,656	106,651
Profit and loss account - deficit		<u>(209,174)</u>	<u>(88,173)</u>
Shareholder's (deficit) / funds		<u>(63,318)</u>	<u>28,678</u>

The notes on pages 14 to 37 are an integral part of these financial statements.

The financial statements on pages 11 to 37 were authorised for issue by the Board of Directors on 23 February 2018 and were signed on its behalf.

Approved by the Board


Director: Glenn Sharpe
Date: 23 February 2018

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Called up share capital	Other reserves	Profit and loss account /(deficit)	Shareholder's fund / (deficit)
	£'000	£'000	£'000	£'000
At 1 June 2015	10,200	88,242	(108,978)	(10,536)
Profit for the financial year	-	-	24,957	24,957
Other comprehensive loss	-	-	(4,152)	(4,152)
Total comprehensive income for the year	-	-	20,805	20,805
Share based payment transaction (Note 22)	-	18,409	-	18,409
At 31 May 2016	10,200	106,651	(88,173)	28,678
Profit for the financial year	-	-	11,588	11,588
Other comprehensive loss	-	-	(132,589)	(132,589)
Total comprehensive loss for the year	-	-	(121,001)	(121,001)
Share based payment transaction (Note 22)	-	31,655	-	31,655
Deferred tax relating to share based payments (Note 17)	-	(2,650)	-	(2,650)
As at 31 May 2017	10,200	135,656	(209,174)	(63,318)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Oracle Corporation UK Limited (the Company) provides products and services that address all aspects of corporate information technology (IT) environments—applications, platform and infrastructure.

The Company's Cloud offerings provide a comprehensive and fully integrated stack of application, platform, compute, storage and networking services in all three primary layers of the cloud: Software as a Service (SaaS), Platform as a Service (PaaS) and Infrastructure as a Service (IaaS). The Company's on-premise IT offerings include: Oracle Applications, Oracle Database and Oracle Fusion Middleware software, among others; hardware products including Oracle Engineered Systems, servers, storage and industry-specific products, among others; and related support and services. The Company provides cloud and on-premise offerings worldwide to businesses of many sizes, government agencies, educational institutions and resellers with a sales force positioned to offer the combinations that best suit customer needs. Oracle Corporation UK Limited continues to represent a group company of Oracle Corporation in respect of these products and services and as such earns commission on these activities instead of bearing the full risks and rewards of fulfilling increasingly complex customer requirements in these areas.

Oracle Corporation UK Limited also provides consulting services on its own behalf.

Oracle Corporation UK Limited is a private limited Company incorporated in the United Kingdom with a registered address at Oracle Parkway, Thames Valley Park, Reading, Berkshire, RG6 1RA, United Kingdom.

2. Summary of significant accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are set out below. These financial statements are prepared on a going concern basis and in accordance with UK GAAP (accounting standards issued by the Financial Reporting Council of the United Kingdom). The Company financial statements comply with Financial Reporting Standard 101, Reduced Disclosure Framework ('FRS 101') and the Companies Act 2006.

2.1 Going concern

The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)). In preparing the financial statements, the directors consider it appropriate to continue to use the going concern assumption on the basis that the Company has sufficient sources of cash flow and the Company's ultimate parent company, Oracle Corporation, has indicated that it will provide such financial support to the Company to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of the approval of the financial statements, but only in the event funds are not otherwise available to the Company to meet its liabilities.

2.2 Basis of preparation

The financial information presented in these financial statements has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Boards (IASB) and with International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations. The Company has however availed of the following disclosure exemptions available under FRS 101:

- IAS 1 *Presentation of financial statements* paragraph 79 (a) (iv) and paragraph 134 to 136 -Information about its objectives, policies and processes for managing capital and puttable financial instruments.
- IAS 7 *Statement of cash flows*.
- IAS 8, '*Accounting policies, changes in accounting estimates and errors*'. Paragraph 30 and 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective. IAS 16 Property, plant and equipment paragraph 73 (e) – Reconciliation of the carrying amount at the beginning and end of the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.2 Basis of preparation (continued)

- IAS 24 *Related party disclosures* paragraph 17 and 18A (disclosure of key management personnel) and the disclosure of related party transactions entered into between two or more members of a group as per paragraph 8(k) of FRS 101.
- IAS 36 *Impairment of assets* paragraph 134 (d) to 134 (f) - Disclosures regarding detailed information about the estimates used to measure recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives.
- IAS 38 *Intangible assets* paragraph 118 (e) - Reconciliation of the carrying amount at the beginning and end of the period.
- IFRS 2 *Share-based payments* paragraph 45 (b) and 46 to 52 - The number and weighted average exercise price in respect of each category of movement in share options during the year.
- IFRS 3 *Business combinations* paragraphs 62, B64 (d), (e), (g), (h), (j) – (m), (n – ii), (o-ii), (p), (q-ii), B66 and B67 – Disclosures outlining the primary reasons for the business combinations, a qualitative description of the factors that make up the goodwill recognised goodwill, information in relation to any contingent consideration arrangements, fair value (and other relates disclosures) of acquired receivables, information in relation to contingent liabilities, goodwill expected to be deductible for tax purposes, the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.
- IFRS 7 *Financial instruments disclosures* – exemption available from all disclosures of this standard.
- IFRS 13 *Fair Value Measurement* paragraphs 91 to 99.

The Company was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA. In accordance with the exemption granted by Section 401 of the Companies Act 2006, the Company does not prepare consolidated financial statements as publicly available consolidated group financial statements are drawn up by the ultimate parent undertaking of the Company. As a result, these accounts present information relating to the Company as an individual undertaking and do not contain consolidated financial information as the parent of a group. The Company and its subsidiaries are included in the consolidated financial statements of Oracle Corporation, a Company incorporated in the United States of America with principal place of business being 500 Oracle Parkway, Redwood Shores, California 94065, USA.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.3 Foreign exchange translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' which is the Company's functional currency and all values are rounded to the nearest thousand (£'000),

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets, other than freehold land; at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Freehold buildings	2.5% per annum
Leasehold buildings	20%-50% per annum or term of the lease whichever is shorter
Computer equipment	33%-50% per annum
Office equipment	33% per annum
Office furniture	10%-20% per annum

2.5 Leased assets

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in creditors. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any lease incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Lease incentives are recognised as a reduction of the rental expense over the lease term on a straight line basis.

2.6 Dilapidations

Provision has been made, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, for the costs expected to be incurred in returning leasehold premises to their original state when exiting at the conclusion of the agreement. The provision has been estimated using information provided by property surveyors.

2.7 Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in shareholder's funds. In this case, the tax is also recognised in Other Comprehensive Income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.7 Income taxes (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences, carried forward tax credits or tax losses can be utilised. In accordance with the requirements of IFRS 2, Share-based Payments, the Company recognises deferred taxes related to the excess of the tax deduction of share based payments over the cumulative remuneration expense charged to the Statement of Comprehensive Income directly to Equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.8 Financial assets

The Company classifies its financial assets in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of Oracle Corporation UK Limited all financial assets were determined to be loans and receivables, trade and other receivables and cash and cash equivalents.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently at amortised cost using the Effective Interest Rate (EIR) method, less impairment.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within borrowings in current liabilities.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets which can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.9 Financial liabilities

The Company classifies its financial liabilities in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*. This includes trade creditors which are measured initially at fair value. Financial liabilities are measured subsequently at amortised cost using the EIR method.

2.10 Investments in subsidiaries

Investments in subsidiaries comprise investments in unquoted companies. They are accounted for in accordance with the requirements of IAS 27 *Separate Financial Statements* (IAS 27) and are carried at cost less any provision for impairment.

2.11 Pensions and other post-employment benefits

The Company operates one pension plan Oracle UK Pension Plan which has both a defined contribution and defined benefit structure for membership.

In September 2014, Oracle Corporation acquired MICROS Systems Inc. (MICROS). Pursuant to the Merger Agreement and applicable Maryland law, Oracle Corporation UK Limited inherited liabilities related to three retirement savings plans under Micros UK Pension Schemes (Plan). The Plan represented a combination of defined benefit and defined contribution retirement savings plans.

The cost of providing benefits under the defined benefit portion of the plans are determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the Statement of Comprehensive Income on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the Statement of Comprehensive Income. Losses are measured at the date the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year.

The difference between the expected return on plan assets and the interest cost is recognised in the Statement of Comprehensive Income as interest payable and similar charges.

Actuarial gains and losses are recognised in full in Other Comprehensive Income in the period in which they occur. Contributions to the defined contribution portion of the “Oracle UK Pension” scheme are recognised in the Statement of Comprehensive Income in the period in which they become payable.

The combined scheme asset or liability in the balance sheet comprises the total of the present value of the obligation (using an appropriate discount rate) less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities in the published bid price. The value of a net pension asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.12 Share based payment

The employees of the Company participate in a group wide share based payment plan operated by Oracle Corporation. Awards arising from that plan have been categorised as an equity settled scheme.

The cost of share based payment is measured by reference to the fair value at the date at which it is granted. The fair value of share-based compensation is recognised over the period in which the performance and/or service conditions are fulfilled ending on the date on which the relevant employee becomes fully entitled to the award. The cost is recognised in the Statement of Comprehensive Income with a corresponding increase in equity over the vesting period.

The fair value is determined by using an appropriate valuation model. For details of share based payments, refer to Note 22.

2.13 Turnover and segmental information

The Company acts as an undisclosed agent for another group company in the sale of various software related and non-software related products and services, offerings include new software licenses, software license updates and product support, cloud SaaS, PaaS and IaaS offerings, hardware products, hardware support, advanced customer support services and education. The Company acts in its own name but on account of and at the risk of another group company.

The Company receives commissions and mark-up on the costs incurred for their sale as sales agents in respect of revenues generated from the sale of software licenses, software license updates and product support, SaaS, PaaS and IaaS offerings, hardware products, hardware support, advanced customer support services and education which are remitted to another group company.

Royalty income is recognised as services are rendered in line with the royalty agreement.

The Company also provides consulting services on its own account. Revenue is recognised as services are rendered.

The analysis of turnover and profit on ordinary activities before taxation by class of business has been omitted because the directors believe that to provide competitors with access to this information would be seriously prejudicial to the interest of the Company.

2.14 Research and development costs

Research and development expenditure, other than on fixed assets, is expensed to the Statement of Comprehensive Income in the year in which it is incurred.

2.15 Restructuring provision

Provision for restructuring costs are made in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*. The amount recognised is the discounted value of the estimated future charge. The provision is reviewed annually and any unutilised provision is released to the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.16 Business combinations

The Company applies the acquisition method in accounting for business combinations including business combinations under common control. The consideration transferred by the Company to acquire the net assets is calculated as the sum of the acquisition-date fair value of assets transferred and liabilities incurred which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognised identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the fair value of consideration transferred over the acquisition date fair values of identifiable net assets.

Goodwill is carried at cost less accumulated impairment losses.

2.17 Intangible assets

Intangible assets acquired as part of a business combination that qualify for separate recognition are recognised initially at their fair value.

UK Company law requires that goodwill is written off over a period of time which does not exceed its useful economic life. However, the Company does not believe this gives a true and fair view because not all goodwill declines in value. In addition, since goodwill that does decline in value rarely does so on a straight-line basis, straight-line amortisation of goodwill over an arbitrary period does not reflect the economic reality. Oracle Corporation UK Limited considers goodwill an indefinite-lived intangible asset that is not amortised over an arbitrary period, rather, the Company accounts for goodwill in accordance with FRS 101. Therefore in order to present a true and fair view of the economic reality under FRS 101, goodwill is considered indefinite-lived and is not amortised. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful economic life of goodwill cannot be predicted with a satisfactory level of reliability nor can the pattern in which goodwill diminishes be known. The Company performs a qualitative assessment at the end of each reporting period to determine if any events or circumstances exist, such as an adverse change in business climate or a decline in the overall industry that would indicate that it would more likely than not reduce the fair value of a reporting unit below its carrying amount, including goodwill.

All intangible assets are accounted for subsequently using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual value and useful lives are reviewed at each reporting date. The following useful lives are applied:

Customer relationships	4.75 years
Software support agreements	11.75 years
Other support agreements	8.75 years

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

2.18 Impairment of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Goodwill is tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

3. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 11 for the carrying amount of the tangible fixed assets, and Note 2.4 for the useful economic lives for each class of assets.

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. See Note 20 for the disclosures of the defined benefit pension scheme.

Impairment of financial, non-financial assets and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and use an interest rate to discount them. Estimated uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Critical accounting estimates and judgments (continued)

Provisions for liabilities

Restructuring provisions are established when a detailed restructuring plan has been drawn up, resolved upon by the responsible decision-making level of management and communicated to the employees who are affected by the plan. These provisions are recognised at the present value of future disbursements and estimating these expected costs is subject to uncertainty.

Similarly a dilapidation provision is made for the costs expected to be incurred in returning leasehold premises to their original state when exiting at the conclusion of the agreement. This provision has been estimated using information provided by property surveyors which is based on certain assumptions such as an estimated cost per square metre to make good the property. The estimation of this cost involves uncertainty.

4. Staff costs

Particulars of employees (including executive directors) are shown below:

	2017 £'000	2016 £'000
Employee costs during the year amounted to:		
Wages and salaries	417,747	451,831
Social security costs	49,916	52,992
Pension costs	16,252	17,103
Share based payment transaction (Note 22)	31,655	18,409
	515,570	540,335

The average monthly number of persons employed by the Company during the year was as follows:

	2017 Number	2016 Number
Sales	3,368	3,703
Research and development	711	706
General and administration	464	483
Marketing	79	84
	4,622	4,976

The remuneration of the directors was as follows:

	2017 £'000	2016 £'000
Emoluments	547	488
Company contributions to money purchase pension scheme	57	35
	604	523

The above amounts do not include any gains made on the exercise of share options. There were two directors who exercised share options during the year (2016: two directors).

The number of directors who were members of pension schemes was as follows:

	2017 Number	2016 Number
Money purchase and defined benefit schemes	3	3

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Staff costs (continued)

The amounts overleaf for remuneration include the following in respect of the highest paid director:

	2017	2016
	£'000	£'000
Emoluments	213	191
Company contributions to money purchase pension scheme	28	21
	<u>241</u>	<u>212</u>

The highest paid director did exercise share options during the year.

The highest paid director had accrued entitlements under a defined benefit pension scheme as follows:

	2017	2016
	£'000	£'000
Accrued pension	<u>145</u>	<u>180</u>

5. Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest receivable from other group undertakings	2,693	2,678
Bank interest receivable	149	316
Other interest receivable	714	824
	<u>3,556</u>	<u>3,818</u>

6. Interest payable and similar charges

	2017	2016
	£'000	£'000
Restructuring provision-unwinding of discount (Note 16)	283	88
On loans from other group undertakings	939	1,119
Other finance costs (Note 20)	4,603	4,576
	<u>5,825</u>	<u>5,783</u>

7. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/ (crediting):

	2017	2016
	£'000	£'000
Depreciation of tangible assets – owned	67,858	51,179
Amortisation of intangible assets	1,624	1,624
Operating lease rentals - plant and machinery	7	2
- land and buildings	6,085	4,624
Auditors' remuneration	277	187
Research and development expenditure	86,004	92,168
Impairment of investments	-	3,146
Restructuring costs	27,373	52,467
Gain on acquisition	(1,686)	-
Foreign exchange gain	(7,655)	(1,261)

Auditor's remuneration during the year includes £36,720 (2016: £23,150) audit fees relating to other group companies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Profit on ordinary activities before taxation (continued)

Restructuring costs above relate to a restructuring initiative. The total expense of £27,372,636 (2016: £52,467,246) includes an expense of £1,741,793 (2016: £3,211,144) due to space abandonment actions which had a tax impact of £345,398 (2016: £644,000) and an expense of £25,630,843 (2016: £39,739,950) due to severance which had a tax impact of £5,082,596 (2016: £7,947,990). Also included in the restructuring costs for the year ended 31 May 2016 is the buyout of the Micros UK Pension Scheme. The buyout of the Plan-related liabilities cost £9,516,152 for which there is no comparable expense for the year ended 31 May 2017.

8. Taxation charge on profit on ordinary activities

<i>a) Analysis of charge in the year:</i>	2017		2016	
	£'000	£'000	£'000	£'000
<i>Current tax</i>				
UK corporation tax for the year	3,416		7,819	
Adjustments in respect of previous periods	549		(960)	
Foreign tax	82		38	
Total current tax		4,047		6,897
<i>Deferred tax</i>				
Origination and reversal of temporary differences	8,944		(7,703)	
Adjustments in respect of previous periods	-		401	
Effect of changes in tax rates	1,717		6,341	
		10,661		(961)
Taxation charge on profit on ordinary activities		14,708		5,936

b) Factors affecting tax credit for the year:

The tax assessed on the profit on ordinary activities for the year is different than the standard rate of UK corporation tax of 19.83% (2016: 20%). The differences are reconciled below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	26,296	30,893
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19.83% (2016: 20%)	5,215	6,179
<i>Effects of:</i>		
Expenses not deductible for tax purposes	796	864
Adjustments in respect of prior periods	549	(559)
Effect of change in tax rate	1,717	6,341
Non-taxable income	(334)	-
Depreciation on non-qualifying freehold and leasehold buildings	715	707
Pension costs and contributions	-	415
Share based payment/employee share scheme relief	(1,033)	79
Group relief not paid for	(291)	(299)
Incremental foreign tax	66	38
Recognition of deferred tax asset on tax losses forward	(6,304)	(4,553)
Recognition of deferred tax asset on share based payment credits	(6,390)	(3,905)
Unrecognised deferred tax asset on other temporary difference	20,002	-
Impairment of investments	-	629
Total tax charge for the year	14,708	5,936

The recognition of deferred tax assets on tax losses forward and share based payment credits is further described in Note 17.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Taxation charge on profit on ordinary activities (continued)

c) *Factors that may affect future tax charges*

Based on current capital investment plans, the Company expects to claim capital allowances in excess of depreciation in future years.

Aside from the Company's ability to claim capital allowances in excess of depreciation, there are no significant factors affecting the future tax charge of the company.

d) *Tax rate change*

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly the Company's profits for this accounting period are taxed at 19.83%. A further reduction to the main rate of corporation tax to 17% from 1 April 2020 has also been enacted at the Statement of Financial Position. Therefore a rate of 17% has been applied to the deferred tax asset at the end of the year.

9. Dividends

No dividends were paid during the year ended on 31 May 2017 (2016: £nil).

10. Intangible assets

	<i>Goodwill</i>	<i>Customer relationships</i>	<i>Software support agreements</i>	<i>Other support agreements</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>					
At 1 June 2016	371,855	6,367	2,600	548	381,370
Additions (Note 21)	748	-	-	-	748
Other adjustments (Note 21)	(1,641)	-	-	-	(1,641)
At 31 May 2017	370,962	6,367	2,600	548	380,477
<i>Amortisation:</i>					
At 1 June 2016	215,900	2,010	332	94	218,336
Charged during the year	-	1,340	221	63	1,624
At 31 May 2017	215,900	3,350	553	157	219,960
<i>Net book value</i>					
At 31 May 2017	155,062	3,017	2,047	391	160,517
At 31 May 2016	155,955	4,357	2,268	454	163,034

The useful lives of all intangible assets, other than goodwill, are finite and disclosed in the accounting policies above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Tangible assets

	<i>Freehold Land £'000</i>	<i>Freehold Buildings £'000</i>	<i>Leasehold Buildings £'000</i>	<i>Computer Equipment £'000</i>	<i>Office Equipment £'000</i>	<i>Office Furniture £'000</i>	<i>Total £'000</i>
<i>Cost</i>							
At 1 June 2016	10,307	51,854	70,798	226,347	7,695	16,761	383,762
Additions	-	-	14,597	144,353	853	1,690	161,493
Disposals	-	-	(10)	(9,738)	(827)	-	(10,575)
At 31 May 2017	10,307	51,854	85,385	360,962	7,721	18,451	534,680
<i>Depreciation:</i>							
At 1 June 2016	-	23,906	27,717	119,588	5,711	13,471	190,393
Charge for the year	-	1,301	5,438	59,102	850	1,167	67,858
Disposals	-	-	(10)	(5,501)	(827)	-	(6,338)
At 31 May 2017	-	25,207	33,145	173,189	5,734	14,638	251,913
<i>Net book value:</i>							
At 31 May 2017	10,307	26,647	52,240	187,773	1,987	3,813	282,767
At 31 May 2016	10,307	27,948	43,081	106,759	1,984	3,290	193,369

12. Investments

	<i>2017 £'000</i>	<i>2016 £'000</i>
<i>Cost</i>		
At 1 June	3,146	3,146
At 31 May	3,146	3,146
<i>Impairment</i>		
At 1 June	(3,146)	-
Charge for the year	-	(3,146)
At 31 May	(3,146)	(3,146)
<i>Total</i>	-	-

Impairment charge

In accordance with IAS 36 'Impairment of assets' the carrying value of a subsidiary at 31 May 2017 has been compared to the recoverable amount. Impairment charge represents the deficit between the carrying value and the recoverable amount at 31 May 2017. The recoverable amount was determined based on the fair market value less cost of disposal of the investment at 31 May 2017.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Investments (continued)

Subsidiary undertakings	Country of incorporation	Interest in ordinary shares	Principal activity
MF UK FC Limited	United Kingdom	100%	Holding Company

At 31 May 2017, the following material subsidiaries were indirectly owned:

Indirect subsidiary undertakings	Country of incorporation	Interest in ordinary shares	Principal activity
MICROS Systems Holdings GmbH	Germany	100%	Holding Company
Torex Retail Holdings Limited	United Kingdom	100%	Holding Company
Micros Retail Holdings Europe Limited	United Kingdom	100%	Dormant Company
Torex Retail Solutions UK Limited	United Kingdom	100%	Dormant Company
Micros Retail Services UK Limited	United Kingdom	100%	Dormant Company
Hugin Sweda International Limited	United Kingdom	100%	Dormant Company

13. Debtors

	2017 £'000	2016 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	108,055	115,124
Prepayments	5,974	6,567
Corporation tax	9,561	17,944
Other tax debtors	18,511	1,946
	142,101	141,581
<i>Amounts falling due after one year:</i>		
Amounts owed from other group undertakings	228,970	226,352
Other debtors	1,551	1,685
Deferred tax asset (see note 17)	30,153	47,760
	260,674	275,797
	402,775	417,378

Amounts owed from group undertakings are unsecured and bear interest at current LIBOR rates plus a margin of 0.375%.

14. Restricted cash

Included in cash at bank is a bank balance of £12,936,017 (2016: £8,335,656) which has restricted usage based on the security agreement in place between Oracle Corporation UK Limited and the Trustees of Oracle UK Pension Plan.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	12,554	11,900
Amounts owed to other group undertakings	627,309	498,674
Other taxes and social security	81,257	151,003
Accruals	65,379	68,877
	<u>786,499</u>	<u>730,454</u>

Outstanding amounts in respect of the defined contribution scheme payable at the balance sheet date were £nil (2016: £nil). Amounts owed to group undertakings are unsecured and bear interest at current LIBOR rates plus a margin of 0.6%.

16. Provisions for liabilities

	Restructuring Provision £'000	Dilapidation Provision £'000	Total Provision £'000
At 1 June 2015	7,250	3,908	11,158
Charged to the Statement of Comprehensive Income	3,211	-	3,211
Additions and effect of change in the discount rates & change in cost/square metre	-	(179)	(179)
Unwinding of discount and effect of change in the discount rates & the change in cost/square metre	88	-	88
Utilised during the year	(597)	11	(586)
At 31 May 2016	<u>9,952</u>	<u>3,740</u>	<u>13,692</u>
At 1 June 2016	9,952	3,740	13,692
Charged to the Statement of Comprehensive Income	1,742	-	1,742
Additions and effect of change in the discount rates & change in cost/square metre	-	244	244
Unwinding of discount and effect of change in the discount rates & the change in cost/square metre	283	-	283
Utilised during the year	(3,567)	-	(3,567)
At 31 May 2017	<u>8,410</u>	<u>3,984</u>	<u>12,394</u>

The restructuring provision relates to lease termination costs and provision for onerous lease payments discounted using real pre-tax discount rates ranging from 0.65% to 3.27% (2016: 0.65% to 3.27%) in accordance with IAS 37. This provision is reviewed annually. Any unutilised provision is released at the time that the directors do not expect any further charges to occur.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Deferred taxation

	2017 £'000	2016 £'000
Deferred tax asset excluding deferred tax on pension liability	20,816	22,905
Deferred tax asset on pension liability (see Note 20)	9,337	24,855
Closing balance including deferred tax asset on pension liability	<u>30,153</u>	<u>47,760</u>
	2017 £'000	2016 £'000
At 1 June including deferred tax asset on pension liability	47,760	43,302
(Charge)/Credit to the Statement of Comprehensive Income (see Note 8(a))	(10,661)	961
Adjustment in respect of acquired assets	116	-
(Charge) to the Statement of Changes in Shareholder's Equity	(2,650)	-
(Charge)/Credit to Other Comprehensive Income	(4,412)	3,497
At 31 May including deferred tax asset on pension liability	<u>30,153</u>	<u>47,760</u>
	2017 £'000	2016 £'000
<i>Net deferred tax assets:</i>		
Capital allowances in excess of depreciation	148	11,926
Short term timing differences	417	1,304
Deferred tax asset on unused tax losses	8,848	5,321
Deferred tax asset on pension liability (see Note 20)	9,337	24,855
Deferred tax asset on share based payments	11,403	4,354
At 31 May including deferred tax asset on pension liability	<u>30,153</u>	<u>47,760</u>

The deferred tax asset is based on a corporation tax rate of 17%.

As a result of agreement with HM Revenue & Customs in the current year, the Company now has tax losses of £171,975,423 (at 17% - £29,235,822) available for offset against future trading profits in the next 20 years. The company has a history of trading losses but has been profitable for the past three years. As a result, the directors believe that this is sufficient evidence available to recognise a deferred tax asset in the current year.

There was an unrecognised deferred tax asset as at 31 May 2017 for unrecognised losses of £20,387,348 at the enacted rate of 17% (2016: £25,611,225 at the enacted rate of 18%) and is not expected to be recovered in the next 5 years.

There was an unrecognised deferred tax asset as at 31 May 2017 for other temporary differences of £49,251,175 at the enacted rate of 17% (2016 £nil) that is not expected to be recovered in the next 5 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Called up share capital

	2017 £'000	2016 £'000
<i>Authorised:</i>		
20,000,000 Ordinary shares of £1 each	20,000	20,000
<i>Allotted, called up and fully paid:</i>		
10,200,000 Ordinary shares of £1 each	10,200	10,200

19. Guarantees and other financial commitments

Lease commitments

Lease payments amounting to £9,634,325 (2016: £7,201,553) are due within one year. The minimum annual rentals for the total lease obligations relating to land and buildings will be paid as follows:

	2017 £'000	2016 £'000
<i>Expiring:</i>		
-within one year	9,634	7,202
-within two to five years	34,988	18,336
-after five years	25,938	8,409
	70,560	33,947

20. Pension and other post-employment benefits

The Company operates a pension plan for employees, Oracle UK Pension Plan. The plan was significantly restructured with effect from 1 June 2004, with a defined contribution and benefit structure for membership after that date. Contributions prior to 1 June 2004 are referred to as Section 1 contributions. Contributions paid after 31 May 2004 are referred to as Section 2 contributions. The Oracle UK Pension Plan is a money purchase plan but with a minimum defined benefits pension underpin that applies to Section 1 benefits only. The minimum defined benefits pension underpin does not apply to Section 2 benefits.

Under the Oracle UK Pension Plan there are no informal practices giving rise to constructive obligations that are required to be included in the measurements of scheme liabilities. The scheme does not invest in the Company's own financial instruments, including property or other assets owned by the Company.

A full actuarial valuation of the Oracle UK Pension Plan was carried out on 31 May 2016 and was the basis used to assess all the liabilities of the scheme at 31 May 2017. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension and other post-employment benefits (continued)

	2017 £'000	2016 £'000
<i>Scheme assets at fair value</i>		
Cash, cash equivalents and investment funds	25,637	18,256
Fair value of scheme assets	25,637	18,256
Present value of scheme liabilities	(291,099)	(156,338)
Defined benefit pension scheme deficit	(265,462)	(138,082)
Related deferred tax asset (see Note 17)	9,337	24,855
Net liability in the balance sheet at 31 May	(256,125)	(113,227)

The amounts recognised in the Statement of Comprehensive Income and Other Comprehensive Income for the year are analysed as follows:

	2017 £'000	2016 £'000
<i>Recognised in Statement of Comprehensive Income</i>		
Expected return on scheme assets	702	646
Interest obligation	(5,305)	(5,222)
Other finance cost	(4,603)	(4,576)
Total recognised in the Statement of Comprehensive Income	(4,603)	(4,576)
	2017 £'000	2016 £'000
<i>Taken to Other Comprehensive Income</i>		
Return/(loss) on plan assets (excluding interest income)	1,875	(744)
Effect of changes in demographic assumptions	18,050	-
Effect of experience adjustments on plan liabilities	(3,909)	(15,842)
Changes in assumptions underlying the present value of scheme liabilities	(144,193)	8,937
Total pension expense recognised in Other Comprehensive Income	(128,177)	(7,649)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension and other post-employment benefits (continued)

The major assumptions used by the actuary were:	2017 %	2016 %
<i>Main assumptions:</i>		
Rate of salary increases	4.25	3.90
Rate of increase in pensions in payment	2.25	1.90
Discount rate	2.50	3.40
Expected rates of return on scheme assets:		
Equities, Diversified growth funds	4.75	5.20
Inflation assumption	3.25	2.90
Post-retirement mortality		
Current pensioners at 60-65 – male	23.40	23.90
Current pensioners at 60-65 – female	25.20	26.20
Future pensioners at 40 – male	26.10	26.60
Future pensioners at 40 – female	28.10	29.10

Changes in the present value of the plan liability are analysed as follows:

	2017 £'000	2016 £'000
At 1 June	156,338	175,355
Disposals	-	(29,446)
Interest cost	5,305	5,222
Benefits paid	(596)	(1,698)
Actuarial losses	130,052	6,905
At 31 May	291,099	156,338

Changes in the fair value of plan assets are analysed as follows:

	2017 £'000	2016 £'000
At 1 June	18,256	47,195
Disposals	-	(29,643)
Expected return on plan assets	702	646
Benefits received	(596)	(1,698)
Actuarial (losses) / gains	1,875	(744)
Employer contributions	5,400	2,500
At 31 May	25,637	18,256

The sensitivity of the present value of the benefit obligation to changes in the weighted principal assumptions are:

	Sensitivities from Base FY 2017 (one item changed with all other things held constant)				
	Base FY 2017	Minus 0.25% discount rate	Plus 0.25% discount rate	Minus 0.25% inflation rate	Plus 0.25% inflation rate
Present value of benefit obligations	291,099	+30,793	-27,975	-35,153	+38,379

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension and other post-employment benefits (continued)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Statement of Financial Position.

21. Business combinations

During the year Oracle Corporation UK Limited acquired the trade and net assets of the following companies:

	Date of acquisition	Consideration
Textura Europe Limited	1 August 2016	£136,589
Opower Limited	1 August 2016	£460,440
NetSuite UK Limited	1 January 2017	£4,724,415
Dyn UK Limited	1 April 2017	£1,166,067

All consideration was satisfied by cash. The net assets at the date of acquisition were as follows:

	Book value £'000	Policy alignment £'000	Fair value adjustments £'000	Fair value £'000	Goodwill £'000
NetSuite UK Limited					
Debtors	1,363	-	-	1,363	-
Cash	6,624	-	-	6,624	-
Tangible fixed assets	1,725	-	-	1,725	-
Creditors due within one year	(2,593)	-	(214)	(2,807)	-
Creditors due after one year	(582)	-	-	(582)	-
	6,537	-	(214)	6,323	-
Consideration	-	-	-	(4,724)	-
Gain	-	-	-	-	(1,599)
Gain arising from acquisitions during the year					(1,599)

	Book value £'000	Policy alignment £'000	Fair value adjustments £'000	Fair value £'000	Goodwill £'000
Opower Limited					
Debtors	740	-	-	740	-
Cash	52	-	-	52	-
Tangible fixed assets	29	-	-	29	-
Creditors due within one year	(274)	-	-	(274)	-
	547	-	-	547	-
Consideration	-	-	-	(460)	-
Gain	-	-	-	-	(87)
Gain arising from acquisitions during the year					(87)
Total gain arising from acquisitions during the year					(1,686)

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Business combinations (continued)

	<i>Book value</i>	<i>Policy alignment</i>	<i>Fair value adjustments</i>	<i>Fair value</i>	<i>Goodwill</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Dyn UK Limited.					
Debtors	109	-	-	109	-
Cash	607	-	-	607	-
Tangible fixed assets	95	-	-	95	-
Creditors due within one year	(237)	-	-	(237)	-
	(574)	-	-	574	-
Consideration	-	-	-	(1,166)	-
Goodwill	-	-	-	-	592
Goodwill arising from acquisitions during the year					592

	<i>Book value</i>	<i>Policy alignment</i>	<i>Fair value adjustments</i>	<i>Fair value</i>	<i>Goodwill</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Textura Europe Limited					
Debtors	10	-	-	10	-
Cash	57	-	-	57	-
Tangible fixed assets	4	-	-	4	-
Creditors due within one year	(90)	-	-	(90)	-
	(19)	-	-	(19)	-
Consideration	-	-	-	(137)	-
Goodwill	-	-	-	-	156
Goodwill arising from acquisitions during the year					156

Total goodwill arising from acquisitions during the year (Note:10)

748

Other Adjustments

£'000

Maxymiser Limited

Fair value adjustments

Research and development tax refund	1,311
Deferred tax asset	330
	1,641

Fair value adjustments

Fair value adjustments made to the net assets of Maxymiser Limited relate to a pre legal entity combination Research and Development tax credit received from the HMRC amounting to £1,311,000.

Fair value adjustments made to the net assets of Maxymiser Limited relate to a deferred tax asset of £330,000 relating to transferrable tax losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Share based payments

The ultimate parent undertaking, Oracle Corporation awards stock options under the equity plan. Generally, stock options vest from one to four years from the date of grant, have a 10 year option life, and the exercise price equals or exceeds the market price on the date of grant.

The share based payment expense was £31,655,000 for the year ended 31 May 2017 (2016: £18,409,000).

During the year ended 31 May 2017, the Company had one share-based payment scheme (with various grants), which is described below:

	2017	2016
Date of grant	30 June 2016 20 September 2016 26 October 2016	2 July 2015 4 September 2015 5 October 2015
Number granted	458,838	574,147
Contractual life	10 years	10 years
Type of arrangement	General employee share option plan	
Vesting conditions	25% annually on anniversary of grant date	

The estimated weighted average fair value of each share option granted in 2017 is £5.64 (2016: £4.88). This was calculated by applying a Black Scholes option pricing model. The model inputs were the share price at grant date which ranged from £5.44 to £31.94 (2016: £25.38 to £27.60), average volatility of 23.27% (2016: 24.09%), estimated term of 4.82 years (2016: 4.9 years) and risk free interest rates ranging from 1% to 1.8% (2016: 0.5% to 1.5%).

The Company uses the implied volatility of its publicly traded, longest-term options in order to estimate future stock price trends as the Company believes that implied volatility is more representative of future stock price trends than historical volatility. The fair value of the unvested portion of share-based payments granted is recognised over the remaining service period using the accelerated expense attribution method, net of estimated forfeitures. In determining whether an award is expected to vest, the Company uses an estimated, forward-looking forfeiture rate based upon the historical forfeiture rates. Stock-based compensation expense recorded using an estimated forfeiture rate is updated for actual forfeitures annually. The expected life input is based on historical exercise patterns and post vesting termination behaviour. The risk-free interest rate input is based on United States Treasury Instruments. The expected dividend rate was zero prior to the first dividend declaration by Oracle Corporation on 18 March 2009 as Oracle Corporation did not historically pay cash dividends on its common stock and did not anticipate doing so for the foreseeable future for grants issued prior to 18 March 2009. For grants issued subsequent to 18 March 2009, an annualised dividend yield based on the per share dividend declared by the Oracle Corporation Board of Directors was used.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. Share based payments (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of Restricted Stock Units (all assumed as part of the business combinations) outstanding at the end of the year.

	2017	2017	2016	2016
	No.	WAEP (£)	No.	WAEP (£)
Outstanding at 31 May	2,131,927	30.93	1,560,464	27.48

The specific exercise prices and weighted average remaining contractual life of options outstanding as at the balance sheet date are as follows:

Range of exercise prices	Number ('000)	Weighted average remaining contractual life	Range of exercise prices	Number ('000)	Weighted average remaining contractual life
2017	2017	2017	2016	2016	2016
0.29 – 3.71	12	5.36	0.29 – 3.71	84	6.57
3.94 – 5.81	7	3.89	3.94 – 5.81	38	5.23
5.87 – 6.51	-	-	5.87 – 6.51	13	4.29
6.63 – 8.40	17	2.12	6.63 – 8.40	1	1.77
8.54 – 10.01	7	6.04	8.54 – 10.01	13	2.78
10.19 – 11.70	2	3.00	10.19 – 11.70	15	6.66
11.80 – 13.66	9	5.27	11.80 – 13.66	9	5.08
13.71 – 15.30	3	4.64	13.71 – 15.30	47	0.16
15.74 – 19.46	821	2.40	15.74 – 19.46	39	3.46
19.55 – 22.65	25	5.28	19.55 – 22.65	2,426	2.76
22.94 – 58.13	4,673	6.13	22.94 – 58.13	6,957	6.57
58.14 – 89.19	9	0.91	58.14 – 89.19	17	1.80
	<u>5,585</u>	<u>5.55</u>		<u>9,659</u>	<u>5.55</u>

In terms of the staff share incentive scheme, share options are offered on a combined option and deferred sale basis. Options vest over a period of four years (depending on the option type), as long as the employee is in the employment of the company on the anniversary of the grant date. All shares must be taken up by way of payment to the group of the exercise prices and any applicable withholding taxes or pursuant to a broker assisted “cashless exercise arrangement” by no later than 10 years after the date of grant. The exercise price is not less than the market value of the ordinary shares of Oracle Corporation.

In the case of termination of service due to a termination or retirement, any vested shares must be exercised by the earlier of 3 months or the original expiration date with unvested shares being forfeited.

In the event of termination due to disability or death, vested shares must be exercised by the earlier of 12 months or the original expiration date, with unvested shares being forfeited (with the exception that terminations due to death allow accelerated vesting of 2 years).

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Events since the year end

On 18 May 2017 Oracle Corporation entered into a definitive agreement to acquire Wercker. Wercker empowers organizations and their development teams to achieve continuous integration and continuous delivery goals with micro-services and Docker. Legal entity combination for Wercker Limited, a UK registered company occurred on 1 October 2017. The Wercker Limited consideration was £84,917.

On 25 May 2017 Oracle Corporation entered into a definitive agreement to acquire Moat, a leader in viewability measurement who also offer a SaaS analytics platform for digital advertisers and publishers. Legal entity combination for Moat Europe Limited, a UK registered company occurred on 1 August 2017. The Moat Europe Limited consideration was £455,597.

The Company has entered into an agreement to sell the Blythe Valley Park facility to a third party for an amount of £8,350,000 with a completion date of 30 April 2018. The assets are currently held in fixed assets in the Freehold Land and Freehold Building categories with a net book value of £5,459,000. The projected gain on the transaction will be £3,094,000 less any associated costs to sell the site that will have to be incurred.

On 1 June 2017, the Company reorganised its distribution activities so that it now acts as a principal in providing products and services rather than as an agent. The Company does not believe that, as implemented, a distributor model imposes any significant additional risks on the business.

On 20 December 2017, Oracle Corporation UK Limited entered into a loan agreement with its subsidiary, MF UK FC Limited, whereby the Company would provide a loan facility of £75,000,000.

24. Immediate and ultimate parent undertaking

The immediate parent Company and controlling party is Oracle Corporation UK Holdings Limited, a Company incorporated in England and Wales, whose principal place of business is Oracle Parkway, Thames Valley Park, Reading, Berkshire, RG6 1RA, United Kingdom.

The smallest and largest group in which the results of Oracle Corporation UK Limited are consolidated is that headed by Oracle Corporation, a Company incorporated in the State of Delaware, USA, whose principal place of business is 500 Oracle Parkway, Redwood Shores, California 94065. The consolidated financial statements of Oracle Corporation are available to the public from this address. Copies of Oracle Corporation's consolidated financial statements are also available on the Oracle website:
<http://www.oracle.com/us/corporate/investor-relations/index.html>.

The ultimate parent undertaking and controlling party is Oracle Corporation, a Company incorporated in the State of Delaware, USA.

25. Approval of financial statements

The Directors approved the financial statements and authorised them for issue on 23 February 2018.