

**ORACLE CORPORATION UK LIMITED**

**Strategic Report, Directors' Report and Financial Statements for the year ended 31 May 2018**

**Registered No. 1782505**



**STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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## **COMPANY INFORMATION**

### **DIRECTORS**

D. Hudson  
S. Allison  
G. Sharpe  
B. Ely (resigned 28 January 2019)

### **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 2018.

### 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 cloud licence and on-premise licence deployment model includes Oracle Applications, Oracle Database and Oracle Fusion Middleware software among others. The Company's hardware products include Oracle Engineered Systems, servers, storage and industry-specific products among others; and related support and services. The Company provides cloud and on-premise offerings 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.

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 distribution contract entered into by the Company covers the sale of licences and equipment (hardware) and the provision of support services and training. Costs relating to the contract are recognised as "cost of sales".

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:

	2018 £'000	2017 £'000	Change %
Turnover – continuing operations	1,599,794	788,131	103
Profit on ordinary activities before interest and taxation	41,567	26,879	55
Profit for the financial year	34,459	11,588	197
Shareholder's funds / (deficit)	58,511	(63,318)	192

Total revenue increased by 103% due to the fact that 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 has reported an increase in its profit on ordinary activities before interest and taxation of £14,688,000 mainly due to a decrease in net costs associated with the Company pension plan.

The Company has reported an increase in profit for the financial year of £22,871,000 due to the above mentioned decrease in net costs associated with the Company pension plan and the decreased tax charge incurred for the year.

Shareholder's funds increased by £121,829,000 at 31 May 2018 compared to 31 May 2017 mainly due to the decrease in the pension liability at 31 May 2018. The decreased 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 risk of Brexit and the potential adverse impact on the UK market.

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.

By order of the board



Director: Glenn Sharpe  
Date: 27 February 2019

## **DIRECTORS' REPORT**

The directors present their report and audited financial statements for the year ended 31 May 2018.

### **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.

On 28 January 2019, Benedict Ely resigned from the board.

### **Results for the year and state of affairs as at 31 May 2018**

The Statement of Comprehensive Income and the Statement of Financial Position for the year ended 31 May 2018 are set out on pages 12 and 13 respectively. During the year the company made a profit of £34,459,000 (2017: £11,588,000). Shareholder's funds at 31 May 2018 were £58,511,000 (2017: deficit of £63,318,000).

### **Dividends**

No dividends were declared or paid during the year (2017: £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, Advanced Customer Services 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. This includes the acquisitions of Micros Systems UK Limited a provider of integrated software and hardware solutions to the hospitality and retail industries, 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 and NetSuite UK Limited which provide a suite of cloud-based financials/enterprise resource planning (ERP) and omnichannel commerce software.

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 during the year the trade and net assets of Moat Europe Limited, Wercker Limited and Zenedge UK Limited all of which provide cloud based services.

### **Charitable and political donations**

During the year the Company made charitable donations of £161,000 (2017: £31,000). There were no political donations made during the year (2017: £nil).

### **Events since the year end**

On 28 March 2018, Oracle Corporation entered into a definitive agreement to acquire Aconex. Aconex provides a cloud-based platform that connects owners, contractors and their project teams in the construction, infrastructure, energy and resources sectors, providing project-wide visibility and control between the many different organizations collaborating across their projects. Legal entity combination for Aconex (UK) Limited, a UK registered company occurred on 1 June 2018. The Aconex (UK) Limited consideration was £1,061,834. Legal entity combination for Aconex Services Limited, a UK registered company occurred on 1 August 2018. The Aconex Services Limited consideration was £7,476,552.

On 15 May 2018, Oracle Corporation entered into a definitive agreement to acquire Grapeshot. Grapeshot provides contextual brand safety and targeting solutions for digital advertisers and publishers. Legal entity combination for Grapeshot Limited, a UK registered company occurred on 1 August 2018. The Grapeshot Limited consideration was £11,058,931.

On 27 November 2018, Oracle Corporation entered into a definitive agreement to acquire Talari. Talari provides software defined wide area network solutions to help customers more efficiently reach the other side of their network, while optimizing the end-user quality of experience utilizing commodity hardware and proprietary software. Legal entity combination for Talari UK Limited, a UK registered company occurred on 1 February 2019. The Talari UK Limited consideration was £77,448.

The Oracle UK Pension Plan Trustee is currently considering the options to equalise Guaranteed Minimum Payments in relation to the Oracle UK Pension Plan. A full actuarial valuation of the Oracle UK Pension Plan is due to be carried out at 31 May 2019.

### **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 involvement*

Oracle places considerable value on the ongoing involvement of its employees and continues its practice of keeping them informed on matters affecting them and on various factors affecting Oracle's performance. Employees are informed through a number of channels including formal and informal meetings, employee surveys, intranet sites and a weekly email news bulletin. In addition, through employee representatives, employees can engage in dialogue with management. This furthers the aims, plans and objectives of the business and enables Oracle management to seek the views and ideas of its employees.

#### *Disabled employees*

Oracle is an Equal Employment Opportunity Employer. Oracle believes in treating each employee and applicant for employment fairly and with dignity. Oracle bases employment decisions on merit, experience, and potential, without regard to race, colour, national origin, sex, marital status, sexual orientation, gender identity, age, religion, disability, protected veteran status, or any other characteristic prohibited by local law.

Oracle's Equal Employment Opportunity policy is founded on the philosophy that employees and applicants for employment must be treated equitably. Oracle does not discriminate based on personal preference or physical characteristics, and experience confirms that supporting policies and practices with a strong commitment to equal employment opportunity is a good business practice. Oracle seeks to build an inclusive workforce and work environment. Oracle makes every effort to attract, invest in, and develop the talents of diverse people who reflect the society and community in which we live. Oracle welcomes and supports people of all races, ethnicities, cultures, and religions and seeks to foster teamwork and effective partnerships among employees. Oracle provides equitable treatment and reasonable accommodations for employees with disabilities in accordance with individual needs, business realities or local laws. These accommodations may include job retraining, an adjusted work schedule, special equipment or transportation, medical leave or job modification to optimise their performance.

### **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 £94,404,000 (2017: £86,004,000).

### **Sustainability statement**

Information regarding our environmental policy and global sustainability initiatives and solutions are available on Oracle's website [www.oracle.com/corporate/citizenship](http://www.oracle.com/corporate/citizenship). The information posted on or accessible through the website is not incorporated into these financial statements.

### **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**

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.



## **DIRECTORS' REPORT (continued)**

### **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.

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: 27 February 2019

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

### **Opinion**

We have audited the financial statements of Oracle Corporation UK Limited for the year ended 31 May 2018 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 May, 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORACLE CORPORATION UK LIMITED (continued)**

### **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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORACLE CORPORATION UK LIMITED (continued)**

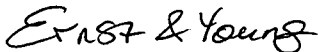
### **Auditor's responsibilities for the audit of the financial statements**

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.

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

### **Use of our report**

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



Brian Lenihan (Senior statutory auditor)  
for and on behalf of Ernst & Young,  
Chartered Accountants and Statutory Audit Firm  
Dublin, Ireland

Date: 27 February 2019

## STATEMENT OF COMPREHENSIVE INCOME

	Note	2018 £'000	2017 £'000
<b>Turnover – continuing operations</b>	2.13	<b>1,599,794</b>	<b>788,131</b>
Cost of sales		(766,593)	-
<b>Gross profit</b>		<b>833,201</b>	<b>788,131</b>
Administration expenses		(791,634)	(761,252)
<b>Profit on ordinary activities before interest and taxation</b>		<b>41,567</b>	<b>26,879</b>
Interest receivable and similar income	5	1,506	3,556
Interest payable and similar charges	6	(8,968)	(5,825)
Gain on acquisition	21	-	1,686
Profit on disposal of land and buildings		3,054	-
<b>Profit on ordinary activities before taxation</b>	7	<b>37,159</b>	<b>26,296</b>
Taxation charge on profit on ordinary activities	8	(2,700)	(14,708)
<b>Profit for the financial year</b>		<b>34,459</b>	<b>11,588</b>
<b>Other comprehensive income: items that will not be reclassified to profit and loss</b>			
Actuarial gain / (loss) on pension scheme	20	56,684	(128,177)
Movement on deferred tax relating to actuarial gain / (loss)	17	105	(4,412)
<b>Other comprehensive income / (loss) net of tax</b>		<b>56,789</b>	<b>(132,589)</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>91,248</b>	<b>(121,001)</b>

The notes on pages 15 to 39 are an integral part of these financial statements.

The financial statements on pages 12 to 39 were authorised for issue by the Board of Directors on 27 February 2019 and were signed on its behalf.


# STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
<b>Non-current assets</b>			
Intangible assets	10	159,305	160,517
Tangible assets	11	355,095	282,767
Investments	12	-	-
Debtors: amounts falling due after one year	13	33,400	260,674
		<b>547,800</b>	<b>703,958</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	567,834	142,101
Cash at bank	14	103,806	154,978
		<b>671,640</b>	<b>297,079</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(931,340)</b>	<b>(786,499)</b>
<b>Net current liabilities</b>		<b>(259,700)</b>	<b>(489,420)</b>
<b>Total assets less current liabilities</b>		<b>288,100</b>	<b>214,538</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(16,706)</b>	-
Provisions for liabilities	16	(6,783)	(12,394)
Pension liability	20	(206,100)	(265,462)
<b>Net assets / (liabilities)</b>		<b>58,511</b>	<b>(63,318)</b>
<b>Capital and reserves</b>			
Called up share capital	18	10,200	10,200
Other reserves		166,237	135,656
Profit and loss account - deficit		(117,926)	(209,174)
<b>Shareholder's funds / (deficit)</b>		<b>58,511</b>	<b>(63,318)</b>

The notes on pages 15 to 39 are an integral part of these financial statements.

The financial statements on pages 12 to 39 were authorised for issue by the Board of Directors on 27 February 2019 and were signed on its behalf.

Approved by the Board

  
Director: Glenn Sharpe  
Date: 27 February 2019

**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
<b>At 1 June 2016</b>	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)
<b>At 31 May 2017</b>	10,200	135,656	(209,174)	(63,318)
Profit for the financial year	-	-	34,459	34,459
Other comprehensive income	-	-	56,789	56,789
Total comprehensive income for the year	-	-	91,248	91,248
Share based payment transaction (Note 22)	-	30,581	-	30,581
<b>At 31 May 2018</b>	10,200	166,237	(117,926)	58,511

## 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 cloud licence and on-premise licence deployment model includes Oracle Applications, Oracle Database and Oracle Fusion Middleware software among others. The Company's hardware products include Oracle Engineered Systems, servers, storage and industry-specific products among others; and related support and services. The Company provides cloud and on-premise offerings 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.

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 distribution contract entered into by the Company covers the sale of licences and equipment (hardware) and the provision of support services and training. Costs relating to the contract are recognised as "cost of sales".

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's 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 that 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, including:
  - 10(d), statement of cash flows
  - 16, statement of compliance with all IFRS
  - 38A, requirement for minimum of two primary statements, including cash flow statements
  - 111, cash flow statement information
- IAS 7 *Statement of cash flows*.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.2 Basis of preparation (continued)

- 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.
- 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).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.3 Foreign exchange translation (continued)

##### *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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.7 Income taxes (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position 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.

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 Statement of Financial Position 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.8 Financial assets (continued)

##### *Impairment of financial assets*

The Company assesses at each Statement of Financial Position 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.

#### 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* 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.

The cost of providing benefits under the defined benefit portion of the plans are determined using the projected unit credit 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.

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **2. Summary of significant accounting policies (continued)**

#### **2.11 Pensions and other post-employment benefits (continued)**

The combined scheme asset or liability in the Statement of Financial Position 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.

#### **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's sources of revenues include: (1) cloud and license revenues, which include the sale of: cloud services and license support; and cloud license and on-premise licenses, which represent licenses purchased by customers for use in both cloud and on-premise deployments; (2) hardware revenues, which include the sale of hardware products including Oracle Engineered Systems, servers, storage, industry-specific hardware; and hardware support revenues; and (3) services revenues, which are earned from providing cloud, license and hardware-related services including consulting, advanced customer support and education services. Revenues are generally recognised net of any taxes collected from customers and subsequently remitted to governmental authorities.

Cloud license and on-premise license revenues are recognised when: (1) the Company enter into a legally binding arrangement with a customer for the license of software; (2) delivery and acceptance of products; and (3) the sale price is fixed or determinable and free of contingencies or significant uncertainties. Revenues that are not recognised at the time of license sale because the foregoing conditions are not met, are generally recognised when those conditions are subsequently met.

Many cloud license and on-premise license arrangements include license support contracts, which are entered into at the customer's option. The Company recognise the related fees rateably over the term of the arrangement, typically one year. License support contracts provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the support period and include internet access to technical content, as well as internet and telephone access to technical support personnel. License support contracts are generally priced as a percentage of the net cloud license and on-premise license fees and are generally invoiced in full at the beginning of the support term.

Revenues from the sales of non-software elements are recognised when: (1) persuasive evidence of an arrangement exists; (2) delivery and acceptance of the products or services; and (3) the sale price is fixed or determinable. Revenues that are not recognised at the time of sale because the foregoing conditions are not met are recognised when those conditions are subsequently met. When applicable, reduction in revenues for estimated returns or certain other incentive programs where there is the ability to sufficiently estimate the effects of these items. Where an arrangement is subject to acceptance criteria and the acceptance provisions are not perfunctory (for example, acceptance provisions that are long-term in nature or are not included as standard terms of an arrangement), revenues are recognised upon the earlier of receipt of written customer acceptance or expiration of the acceptance period.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.13 Turnover and segmental information (continued)

Revenues for cloud services offerings sold on a subscription basis are generally recognised rateably over the contract term commencing with the date the service is made available to customers. Revenues for cloud services offerings sold on a usage basis are generally recognised as the customer consumes the service, provided all other revenue recognition criteria have been satisfied.

Revenues from the sale of hardware products are generally recognized upon delivery of the hardware product to the customer provided all other revenue recognition criteria are satisfied. Hardware support contracts are entered into at the customer's option and are recognised rateably over the contractual term of the arrangements, which is typically one year, provided all other revenue recognition criteria have been satisfied.

For arrangements with multiple elements, turnover is allocated to each element of the transaction based upon its fair value. If the fair value of any undelivered element cannot be measured objectively then turnover is deferred until all elements are delivered, services have been performed or until fair value can be objectively determined. When the fair value of a licence has not been established, the residual method to recognise turnover is adopted if the fair value of all undelivered elements is determinable. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognised as turnover.

The Company also enter into multiple-element arrangements that may include a combination of various software related and non-software related products and services offerings including cloud licenses and on-premise licenses, license support, cloud services offerings, hardware products, hardware support, consulting, advanced customer support services and education. In such arrangements, the Company first allocate the total arrangement consideration based on the relative selling prices of the software group of elements as a whole and then to the non-software elements. The Company then further allocate consideration within the software group to the respective elements within that group. After the arrangement consideration has been allocated to the software group of elements and non-software group of elements, the Company account for each respective element in the arrangement as described above.

Many of the Company's cloud license and on-premise license arrangements include consulting implementation services sold separately under consulting engagement contracts and are included as a part of our services business. Consulting revenues from these arrangements are generally accounted for separately from cloud license and on-premise license revenues because the arrangements qualify as services transactions. The more significant factors considered in determining whether the revenues should be accounted for separately include the nature of services (i.e., consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors, timing of payments and impact of milestones or acceptance criteria on the realisability of the license fee. Revenues for consulting services are generally recognised as the services are performed.

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

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

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. Summary of significant accounting policies (continued)

#### 2.18 Impairment of non-financial assets (continued)

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.

#### *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.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Staff costs

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

	2018 £'000	2017 £'000
<b>Employee costs during the year amounted to:</b>		
Wages and salaries	421,416	417,747
Social security costs	52,070	49,916
Pension costs	17,386	16,252
Share based payment transaction (Note 22)	30,581	31,655
	<b>521,453</b>	<b>515,570</b>

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

	2018 Number	2017 Number
Sales	3,439	3,368
Research and development	700	711
General and administration	437	464
Marketing	123	79
	<b>4,699</b>	<b>4,622</b>

The remuneration of the directors was as follows:

	2018 £'000	2017 £'000
Emoluments	635	547
Company contributions to money purchase pension scheme	61	57
	<b>696</b>	<b>604</b>

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 (2017: two directors).

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

	2018 Number	2017 Number
Money purchase and defined benefit schemes	3	3

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

	2018 £'000	2017 £'000
Emoluments	231	213
Company contributions to money purchase pension scheme	29	28
	<b>260</b>	<b>241</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. Staff costs (continued)

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

	2018	2017
	£'000	£'000
Accrued pension	116	145

### 5. Interest receivable and similar income

	2018	2017
	£'000	£'000
Interest receivable from other group undertakings	1,269	2,693
Bank interest receivable	106	149
Other interest receivable	131	714
	1,506	3,556

### 6. Interest payable and similar charges

	2018	2017
	£'000	£'000
Restructuring provision-unwinding of discount (Note 16)	119	283
On loans from other group undertakings	1,072	939
Finance costs	1,255	-
Other finance costs (Note 20)	6,522	4,603
	8,968	5,825

### 7. Profit on ordinary activities before taxation

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

	2018	2017
	£'000	£'000
Depreciation of tangible assets – owned	95,100	67,858
Amortisation of intangible assets	1,624	1,624
Operating lease rentals - plant and machinery	22	7
- land and buildings	6,151	6,085
Auditors' remuneration	229	277
Research and development expenditure	94,404	86,004
Restructuring costs	23,239	27,373
Defined pension contributions	17,386	16,252
Gain on acquisition	-	(1,686)
Foreign exchange gain	(7,941)	(7,655)

Auditor's remuneration during the year includes £62,275 (2017: £36,720) audit fees relating to other group companies.

Restructuring costs above relate to a restructuring initiative. The total expense of £23,239,000 (2017: £27,373,000) includes a credit of £1,065,000 (2017: expense of £1,742,000) due to the unwinding of net present values of onerous leases which had a tax credit impact of £202,000 (2017: expense of £345,000) and an expense of £24,304,000 (2017: £25,631,000) due to severance which had a tax impact of £4,618,000 (2017: £5,083,000).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. Taxation charge on profit on ordinary activities

<i>a) Analysis of charge in the year:</i>	2018		2017	
	£'000	£'000	£'000	£'000
<i>Current tax</i>				
UK corporation tax for the year	4,524		3,416	
Adjustments in respect of previous periods	244		549	
Foreign tax	195		82	
Total current tax		4,963		4,047
<i>Deferred tax</i>				
Origination and reversal of timing differences	(2,549)		8,944	
Adjustment in respect of previous periods	20		-	
Effect of changes in tax rates	266		1,717	
		(2,263)		10,661
Taxation charge on profit on ordinary activities		2,700		14,708

#### *b) Factors affecting tax charge 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% (2017: 19.83%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	37,159	26,296
Profit on ordinary activities multiplied by the standard rate of tax in the UK of 19% (2017: 19.83%)	7,060	5,215
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,674	796
Adjustments in respect of prior periods	264	549
Effect of change in tax rate	266	1,717
Non-taxable income	-	(334)
Non taxable gains	(459)	715
Share based payment/employee share scheme relief	-	(1,033)
Group relief not paid for	(191)	(291)
Foreign tax	158	66
Pension costs and contributions	-	(6,304)
Share based payments	(4,327)	(6,390)
Unrecognised deferred tax asset	(1,745)	20,002
Total tax charge for the year	2,700	14,708

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

#### *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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

#### 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%. 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 2018 (2017: £nil).

### 10. Intangible assets

	<i>Goodwill</i>	<i>Customer relationships</i>	<i>Software support agreements</i>	<i>Other support agreements</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost</i>					
At 1 June 2017	370,962	6,367	2,600	548	380,477
Additions (Note 21)	412	-	-	-	412
At 31 May 2018	371,374	6,367	2,600	548	380,889
<i>Amortisation:</i>					
At 1 June 2017	215,900	3,350	553	157	219,960
Charged during the year	-	1,340	221	63	1,624
At 31 May 2018	215,900	4,690	774	220	221,584
<i>Net book value</i>					
At 31 May 2018	155,474	1,677	1,826	328	159,305
At 31 May 2017	155,062	3,017	2,047	391	160,517

The useful lives of all intangible assets, other than goodwill, are finite and disclosed in the accounting policies Note 2.17.

## 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 2017	10,307	51,854	85,385	360,962	7,721	18,451	534,680
Additions	-	-	12,704	174,152	889	669	188,414
Disposals	(1,049)	-	(10,014)	(25,125)	(520)	(785)	(37,493)
At 31 May 2018	9,258	51,854	88,075	509,989	8,090	18,335	685,601
<i>Depreciation:</i>							
At 1 June 2017	-	25,207	33,145	173,189	5,734	14,638	251,913
Charge for the year	-	1,526	5,092	87,098	519	865	95,100
Disposals	-	-	(534)	(15,525)	(168)	(280)	(16,507)
At 31 May 2018	-	26,733	37,703	244,762	6,085	15,223	330,506
<i>Net book value:</i>							
At 31 May 2018	9,258	25,121	50,372	265,227	2,005	3,112	355,095
At 31 May 2017	10,307	26,647	52,240	187,773	1,987	3,813	282,767

### 12. Investments

	<i>2018 £'000</i>	<i>2017 £'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)	(3,146)
Charge for the year	-	-
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 2018 has been compared to the recoverable amount. Impairment charge represents the deficit between the carrying value and the recoverable amount at 31 May 2018. The recoverable amount was determined based on the fair market value less cost of disposal of the investment at 31 May 2018.

## 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 2018, 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
Anker Limited	United Kingdom	100%	Dormant Company

### 13. Debtors

	2018 £'000	2017 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	526,544	108,055
Prepayments	4,051	5,974
Corporation tax	37,129	9,561
Other tax debtors	-	18,511
Other current assets	110	-
	<u>567,834</u>	<u>142,101</u>
<i>Amounts falling due after one year:</i>		
Amounts owed from other group undertakings	-	228,970
Other debtors	879	1,551
Deferred tax asset (see note 17)	32,521	30,153
	<u>33,400</u>	<u>260,674</u>
	<u>601,234</u>	<u>402,775</u>

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 £13,742,111 (2017: £12,936,017) 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

	2018 £'000	2017 £'000
<i>Amounts falling due within one year:</i>		
Trade creditors	15,246	12,554
Amounts owed to other group undertakings	10,460	627,309
Other taxes and social security	82,557	81,257
Deferred revenue	751,424	3,674
Accruals	71,653	61,705
	<b>931,340</b>	<b>786,499</b>
<i>Amounts falling due after one year:</i>		
Deferred revenue	16,706	-
	<b>948,046</b>	<b>786,499</b>

Outstanding amounts in respect of the defined contribution scheme payable at the Statement of Financial Position date were £nil (2017: £nil). Amounts owed to other 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 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	<b>8,410</b>	<b>3,984</b>	<b>12,394</b>
At 1 June 2017	8,410	3,984	12,394
Credit to the Statement of Comprehensive Income	(1,065)	-	(1,065)
Additions and effect of change in the discount rates & change in cost/square metre	-	(420)	(420)
Unwinding of discount and effect of change in the discount rates & the change in cost/square metre	119	-	119
Utilised during the year	(4,245)	-	(4,245)
At 31 May 2018	<b>3,219</b>	<b>3,564</b>	<b>6,783</b>

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% (2017: 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**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax asset excluding deferred tax on pension liability	<b>24,997</b>	20,816
Deferred tax asset on pension liability (see Note 20)	<b>7,524</b>	9,337
<b>At 31 May</b>	<b>32,521</b>	<b>30,153</b>
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 June</b>	<b>30,153</b>	47,760
Credit/(charge) to the Statement of Comprehensive Income (see Note 8(a))	<b>2,283</b>	(10,661)
Adjustment in respect of prior years (see Note 8(a))	<b>(20)</b>	-
Adjustment in respect of acquired assets	-	116
Charge to the Statement of Changes in Shareholder's Equity	-	(2,650)
Credit/(charge) to Other Comprehensive Income	<b>105</b>	(4,412)
<b>At 31 May</b>	<b>32,521</b>	<b>30,153</b>
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<i>Net deferred tax assets:</i>		
Capital allowances in excess of depreciation	<b>1,268</b>	148
Short term timing differences	<b>308</b>	417
Deferred tax asset on unused losses	<b>8,848</b>	8,848
Deferred tax asset on pension liability (see Note 20)	<b>7,524</b>	9,337
Deferred tax asset on share based payments	<b>14,573</b>	11,403
<b>At 31 May</b>	<b>32,521</b>	<b>30,153</b>

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

The Company now has tax losses of £161,565,454 (at 17% - £27,466,127) available for offset against future trading profits. The company has a history of trading losses but has been profitable for the past three years. As a result, the directors believe that there 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 2018 for unrecognised losses of £18,617,654 at the enacted rate of 17% (2017: £20,387,348 at the enacted rate of 17%) that is not expected to be recovered in the next 5 years.

There was an unrecognised deferred tax asset as at 31 May 2018 for other temporary differences of £41,603,482 at the enacted rate of 17% (2017 £49,251,175 at the enacted rate of 17%) that is not expected to be recovered in the next 5 years.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. Called up share capital

	2018 £'000	2017 £'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 £9,259,749 (2017: £9,634,325) are due within one year. The minimum annual rentals for the total lease obligations relating to land and buildings will be paid as follows:

	2018 £'000	2017 £'000
<i>Expiring:</i>		
-within one year	9,260	9,634
-within two to five years	31,957	34,988
-after five years	18,808	25,938
	60,025	70,560

### 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 2018. Scheme assets are stated at their market values at the respective Statement of Financial Position 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)

	2018 £'000	2017 £'000
<i>Scheme assets at fair value</i>		
Cash, cash equivalents and investment funds	36,048	25,637
Fair value of scheme assets	36,048	25,637
Present value of scheme liabilities	(242,148)	(291,099)
Defined benefit pension scheme deficit	(206,100)	(265,462)
Related deferred tax asset (see Note 17)	7,524	9,337
Net liability in the Statement of Financial Position at 31 May	(198,576)	(256,125)

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

	2018 £'000	2017 £'000
<i>Recognised in Statement of Comprehensive Income</i>		
Expected return on scheme assets	753	702
Interest obligation	(7,275)	(5,305)
Other finance cost	(6,522)	(4,603)
Total recognised in the Statement of Comprehensive Income	(6,522)	(4,603)
	2018 £'000	2017 £'000
<i>Taken to Other Comprehensive Income</i>		
Return on plan assets (excluding interest income)	683	1,875
Effect of changes in demographic assumptions	-	18,050
Effect of experience adjustments on plan liabilities	(1,425)	(3,909)
Changes in assumptions underlying the present value of scheme liabilities	57,426	(144,193)
Total pension expense recognised in Other Comprehensive Income	56,684	(128,177)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The major assumptions used by the actuary were:

	2018	2017
	%	%
<i>Main assumptions:</i>		
Rate of salary increases	4.10	4.25
Rate of increase in pensions in payment	2.10	2.25
Discount rate	2.90	2.5
Expected rates of return on scheme assets:		
Equities, Diversified growth funds	4.60	4.75
Inflation assumption	3.10	3.25
Post-retirement mortality		
Current pensioners at 60-65 – male	23.50	23.40
Current pensioners at 60-65 – female	25.40	25.20
Future pensioners at 40 – male	26.20	26.10
Future pensioners at 40 – female	28.30	28.10

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

	2018	2017
	£'000	£'000
At 1 June	291,099	156,338
Interest cost	7,275	5,305
Benefits paid	(225)	(596)
Actuarial (gains)/losses	(56,001)	130,052
At 31 May	242,148	291,099

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

	2018	2017
	£'000	£'000
At 1 June	25,637	18,256
Expected return on plan assets	753	702
Benefits received	(225)	(596)
Actuarial gains	683	1,875
Employer contributions	9,200	5,400
At 31 May	36,048	25,637

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

	GBP 000's	Sensitivities from Base FY 2018 (one item changed with all other things held constant)			
	Base FY 2018	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	242,148	+24,872	-22,645	-10,626	+31,331

## 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.

The Oracle UK Pension Plan Trustee is currently considering the options to equalise Guaranteed Minimum Payments in relation to the Oracle UK Pension Plan. A full actuarial valuation of the Oracle UK Pension Plan is due to be carried out at 31 May 2019.

### 21. Business combinations

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

	Date of acquisition	Consideration
Moat Europe Limited	1 August 2017	£455,597
Wercker Limited	1 October 2017	£84,917
Zenedge UK Limited	1 May 2018	£21,494

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
<b>Moat Europe Limited</b>					
Debtors	167	-	-	167	-
Cash	160	-	-	160	-
Tangible fixed assets	17	-	-	17	-
Creditors due within one year	(203)	-	-	(203)	-
	141	-	-	141	-
Consideration	-	-	-	(456)	-
Goodwill	-	-	-	-	(315)
Goodwill arising from acquisitions during the year					315

	Book value £'000	Policy alignment £'000	Fair value adjustments £'000	Fair value £'000	Goodwill £'000
<b>Wercker Limited</b>					
Debtors	28	-	-	28	-
Cash	10	-	-	10	-
Creditors due within one year	(12)	-	-	(12)	-
	26	-	-	26	-
Consideration	-	-	-	(85)	-
Goodwill	-	-	-	-	(59)
Goodwill arising from acquisitions during the year					59

## 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>
<b>Zenedge UK Limited</b>					
Debtors	2	-	-	2	-
Cash	13	-	-	13	-
Creditors due within one year	(32)	-	-	(32)	-
	(17)	-	-	(17)	-
Consideration	-	-	-	(21)	-
Goodwill	-	-	-	-	(38)
Goodwill arising from acquisitions during the year					38
Total goodwill arising from acquisitions during the year (Note 10)					412

### 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 £30,581,000 for the year ended 31 May 2018 (2017: £31,655,000).

During the year ended 31 May 2018, the Company had one share-based payment scheme (with various grants), which is described below:

	2018	2017
Date of grant	10 July 2017	30 June 2016 20 September 2016 26 October 2016
Number granted	327,151	458,838
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 2018 is £6.83 (2017: £5.64). This was calculated by applying a Black Scholes option pricing model. The model inputs were the share price at grant date which ranged from £37.39 to £37.39 (2017: £5.44 to £31.94), average volatility of 22.40% (2017: 23.27%), estimated term of 4.67 years (2017: 4.82 years) and risk free interest rates ranging from 1.77% to 1.77% (2017: 1% to 1.8%).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Share based payments (continued)

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.

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.

	2018	2018	2017	2017
	No.	WAEP (£)	No.	WAEP (£)
Outstanding at 31 May	2,317,288	31.21	2,131,927	30.93

The specific exercise prices and weighted average remaining contractual life of options outstanding as at the Statement of Financial Position 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
2018	2018	2018	2017	2017	2017
0.29 – 3.71	6	3.87	0.29 – 3.71	12	5.36
3.94 – 5.81	5	3.87	3.94 – 5.81	7	3.89
5.87 – 6.51	-	-	5.87 – 6.51	-	-
6.63 – 8.40	4	2.94	6.63 – 8.40	17	2.12
8.54 – 10.01	3	5.42	8.54 – 10.01	7	6.04
10.19 – 11.70	1	4.55	10.19 – 11.70	2	3.00
11.80 – 13.66	6	3.28	11.80 – 13.66	9	5.27
13.71 – 15.30	4	7.00	13.71 – 15.30	3	4.64
15.74 – 19.46	495	1.61	15.74 – 19.46	821	2.40
19.55 – 22.65	687	4.05	19.55 – 22.65	25	5.28
22.94 – 58.13	3,065	5.86	22.94 – 58.13	4,673	6.13
58.14 – 89.19	-	-	58.14 – 89.19	9	0.91
	<u>4,276</u>	<u>5.06</u>		<u>5,585</u>	<u>5.55</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. Share based payments (continued)

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).

### 23. Events since the year end

On 28 March 2018, Oracle Corporation entered into a definitive agreement to acquire Aconex. Aconex provides a cloud-based platform that connects owners, contractors and their project teams in the construction, infrastructure, energy and resources sectors, providing project-wide visibility and control between the many different organizations collaborating across their projects. Legal entity combination for Aconex (UK) Limited, a UK registered company occurred on 1 June 2018. The Aconex (UK) Limited consideration was £1,061,834. Legal entity combination for Aconex Services Limited, a UK registered company occurred on 1 August 2018. The Aconex Services Limited consideration was £7,476,552.

On 15 May 2018, Oracle Corporation entered into a definitive agreement to acquire Grapeshot. Grapeshot provides contextual brand safety and targeting solutions for digital advertisers and publishers. Legal entity combination for Grapeshot Limited, a UK registered company occurred on 1 August 2018. The Grapeshot Limited consideration was £11,058,931.

On 27 November 2018, Oracle Corporation entered into a definitive agreement to acquire Talari. Talari provides software defined wide area network solutions to help customers more efficiently reach the other side of their network, while optimizing the end-user quality of experience utilizing commodity hardware and proprietary software. Legal entity combination for Talari UK Limited, a UK registered company occurred on 1 February 2019. The Talari UK Limited consideration was £77,448.

The Oracle UK Pension Plan Trustee is currently considering the options to equalise Guaranteed Minimum Payments in relation to the Oracle UK Pension Plan. A full actuarial valuation of the Oracle UK Pension Plan is due to be carried out at 31 May 2019.

### 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>.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**24. Immediate and ultimate parent undertaking (continued)**

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 27 February 2019.