Registration number: 01624297

Microsoft Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2022

Microsoft Limited

Contents

Microsoft Limited

Company Information

Directors	Keith R Dolliver Benjamin O Orndorff Clare L Barclay
Company secretary	Reed Smith Corporate Services Limited
Registered office	Microsoft Campus Thames Valley Park Reading Berkshire RG6 1WG
Solicitors	Reed Smith LLP Broadgate Tower 20 Primrose Street London EC2A 2RS
Bankers	Citibank, N.A. PO Box 449 Riverdale House Molesworth Street SE13 7EU
Auditors	Deloitte Ireland LLP Chartered Accountants & Statutory Audit Firm Deloitte & Touche House Earlsfort Terrace Dublin 2

Microsoft Limited

Strategic Report for the Year Ended 30 June 2022

The directors present their report for the year ended 30 June 2022.

Principal activity
Microsoft Limited, a subsidiary of Microsoft Corporation, is engaged in distributing computer software, peripherals, and hardware to customers, providing support for systems, devices and application software for business, professional and home use, and in providing marketing and support services to other group companies. The principal area of business activity is the United Kingdom.

Fair review of the business
The results for the year are shown on page 17. The Company recorded a profit before taxation of £228,618,000 (2021: profit before taxation of £220,520,000). The Directors expect the Company will continue to generate positive cash flows for the foreseeable future and will have sufficient financial resources to meet its liabilities as they fall due. The Company maintained a strong balance sheet and had net assets at 30 June 2022 of £623,815,000 (2021: £541,595,000).

Turnover is generated from the distribution of computer software, peripherals, and hardware to customers (referred to as "Product" in Note 4), the Services business through its Managed Support and Consulting divisions and commission income. Product has decreased marginally from £1,633,655,000 (2021) to £1,574,453,000. Services and others have increased from £3,227,972,000 (2021) to £4,710,013,000 as a result of growth in our Intelligent Cloud, Productivity and Business Processes, and More Personal Computing segments.

The growth in the business is the primary cause of the material movements seen in the Balance Sheet.

The key performance indicator for the Company is based on return on employee investment. The return on employee investment in the current year was 32% (2021: 35%). This is calculated as a percent of total profit for the year divided by employee costs, excluding share-based payment expenses (note 8). The Company is committed to ensuring all employees are focused on the overall group strategy, and as such employee involvement is a key focus for the Company: refer to "Employee involvement" paragraph in the Directors' Report.

Microsoft Corporation continues to transform its business as the productivity and platform company for the mobile-first and cloud-first world. Microsoft Limited will continue to support Microsoft Corporation's efforts in the UK market in creating new opportunities for partners, increasing customer satisfaction and improving our service excellence, business efficacy, and internal processes. As part of the transformation and growth plans Microsoft Corporation acquired Xandr in June 2022 through a stock purchase agreement. On the 6th June 2022 111 employees of AppNexus Europe Limited (a wholly-owned subsidiary of Xandr) migrated as part of the deal to become employees of Microsoft Limited.

Strategy, objective and business model
The Directors have not presented a separate analysis of the strategy, objectives or business model of the Microsoft group as this analysis has been disclosed as part of the Microsoft Corporation consolidated Form 10-K for the year ended 30 June 2022 at www.microsoft.com. Microsoft Limited's business model is expected to remain consistent as it continues to distribute computer software, peripherals, and hardware to customers and to provide marketing and support services to other group companies.

Principal risks and uncertainties
The principal risks and uncertainties of the Company are intrinsically linked to the other Microsoft group companies; their performance continues to be strong and there is not considered to be a significant risk to the Company's continuing profitability. The Company has no significant borrowings or foreign exchange exposure.

Cash flow risk, credit risk, liquidity risk and market risk

Cash flow risk

Financial risk of changes in foreign currency exchange rates are mitigated by short payment terms by its ultimate parent company, Microsoft Corporation and access to their cash pool where required. The Company does not use derivative financial instruments for speculative purposes or to hedge risks. Cash flow risk is largely mitigated due to support provided by its parent company, Microsoft Corporation.

Credit risk

The Company's principal financial assets are third party debtors, accrued income and intercompany debtors. The Company's credit risk is primarily attributable to its third party debtors. This is not considered a significant risk as the other group companies continue to perform well and the Company would be supported through intercompany arrangements in the event of a significant default.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company relies on the ability of its parent company, Microsoft Corporation, to make funds available when needed. The Company has not identified any risk associated with Microsoft Corporation's ability or intent to continue to make funds available to the Company if needed. Microsoft Corporation continues to perform well and has issued a letter of support to the Company guaranteeing its solvency.

Market risk

The Company's long-term success is dependent on its ability to attract and retain talented employees, to remain at the forefront of technological advances and wider long-term market trends. The Company and Group continue to invest in attracting and retaining high-calibre individuals representing diverse backgrounds, experiences and skill sets and developing new technology to mitigate these risks.

COVID-19

The occurrence of regional epidemics or a global pandemic such as COVID-19 may adversely affect our operations, financial condition, and results of operations. The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The extent to which global pandemics impact our business going forward will depend on factors such as the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. Management have evaluated the financial impact of COVID-19 on the entity operations, solvency and liquidity and to date no significant impacts as a result of COVID-19 have been identified to cast doubt on the entity's ability to continue as a going concern.

Brexit
The Company has concluded that there is no envisaged short term substantial risk to operations, given that the Company:
• does not have supply chain requirements impacted by EU Exit
• has not identified any significant issues with staff mobility
• is not overly reliant on UK-EU trade, its most significant customers being UK based

However, given the uncertainty surrounding the impact of EU Exit in the medium to long-term, we continue to maintain a watching brief to monitor changes and to facilitate the early identification and implementation of any required mitigations.

Other risks
Other risks include cyber-attacks, security vulnerabilities, outages, data losses, disruption of our online services and supply problems which could lead to reduced revenue, increased costs, liability claims, or harm to our competitive position. See a discussion of these factors and other risks under Risk Factors in Microsoft Corporation's consolidated fiscal year 2022 Form 10-K.

Section 172 (1) Statement
Section 172 of the Companies Act 2006 requires a director of a company to act in a way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. The Directors acknowledge their responsibility, and the following disclosure sets out how the Directors have regard to the matters set out in section 172 (1) (a)-(f).

The Company is a subsidiary of the Microsoft group and therefore consideration of stakeholder engagement is intrinsically linked to the wider Microsoft strategy in order to achieve a greater aligned impact. Microsoft seek to ensure that stakeholder voices are considered and gain input and outside perspectives into the Company to inform business decisions through a variety of feedback channels. Microsoft is committed to conducting business in a way that is principled, transparent, and accountable and the foundations of this commitment is expressed in Microsoft's Standards of Business Conduct which apply to all employees. These standards require legal compliance and also broader commitments to address accessibility, diversity and inclusion, human rights and privacy. In support of these Standards Microsoft strive to build a workplace that embraces trust where every employee feels free to ask questions and raise concerns when something doesn't seem right. Microsoft offers employees, customers, suppliers, and other external parties' multiple ways to report compliance concerns.

Customers
Customer feedback and insights are critical in shaping how the business enhances existing products and services and develop new ones. Insights from customers are gained through online feedback, support communities, product satisfaction surveys, usability studies, research forums, business account managers and our customer service representatives.

Employees
Attracting and retaining talented and diverse employees is critical to the Company's long-term success. To support this the Company seeks to create a respectful, rewarding, diverse and inclusive work environment. This is focussed around the concept of a growth mindset which starts with a belief that everyone can grow and develop. Employee feedback is sought in multiple ways including a bi-annual online anonymous poll around the Microsoft work experience including workgroups, organisation, and the Company as a whole. The senior leadership team and individual managers use this feedback to further improve areas of strength and address opportunities for improvement.

Suppliers

The Company extends the expectation of high standards of business conduct to the suppliers who do business with Microsoft through requiring them to uphold human rights, labour, health and safety, environment, and business ethics practices in our Supplier Code of Conduct. Supplier engagement is sought through workshops and trainings, supplier advisory boards, a supplier summit and participation in industry coalitions. An anonymous voice of the supplier survey is also conducted.

Environment

The Directors have considered the importance of climate change and working towards Microsoft's strategy for a sustainable future which focuses on climate, ecosystems, water, and waste. On climate, this includes a commitment to becoming carbon negative by 2030, shifting to 100% renewable energy by 2025 and investing in new technologies and innovative sustainability solutions.

Approved by the Board on 22 March 2023 and signed on its behalf by:

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Benjamin O Orndorff

Director

Microsoft Limited

Directors' Report for the Year Ended 30 June 2022

The directors present their report and the audited financial statements for the year ended 30 June 2022.

Dividends
The directors approved a dividend for the year of £34,500,000 (2021: £255,000,000).

Going concern
The financial statements are prepared on a going concern basis.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future and at the balance sheet date had sufficient financial resources to meet its liabilities as they fall due.

The directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

No events occurred after the balance sheet date that would impact significantly on the financial statements.

Directors of the Company
The directors, who held office during the financial year and up to the date of signing, were as follows:

Keith R Dolliver

Benjamin O Orndorff

Clare L Barclay

Risk and uncertainties

The principal risks and uncertainties of the Company are intrinsically linked to the other Microsoft Group companies. These are detailed in the Strategic Report.

Future developments
The Company expects no changes to the business model in the foreseeable future and the board is looking forward to sustaining the level of revenue and operating profits in the following years.

Employee involvement
The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and Company. This is achieved through formal and informal meetings and internal communications.

In addition to direct feedback channels a bi-annual employee survey (Employee Signals) is conducted, the purpose of which is to develop an understanding of employee attitudes about their experiences working at Microsoft. Managers take action based on MS Poll results to improve employee engagement and retention, which in turn drives business success.

Microsoft offers stock awards as a long-term incentive to employees, used to recognise and reward anticipated performance and future contributions.

Employment of disabled persons

The Company values diversity and sees equal opportunity as making the best use of the talents of all employees and potential employees. As such it is the Company's policy to give full and fair consideration to applications for employment by disabled persons, bearing in mind the abilities of the applicant concerned. The Company will not tolerate discrimination in the workplace and aims to ensure that each employee feels valued, and has the opportunity to contribute fully to the success of the Company.

The Company's general policy on training and promotion is to fit the qualifications and potential of each member of its staff to the appropriate job and career in the business. This policy is applied to disabled persons in the same way as to other staff.

In the event of an employee becoming disabled, the Company endeavours to continue their employment, retraining them where appropriate, provided there are duties which they can perform considering the particular handicap or disability.

Corporate Governance Statement

The Company is a subsidiary of the Microsoft group and as such is intrinsically linked to the corporate governance framework developed by Microsoft Corporation which is designed to ensure the authority and practices in place enable the review and evaluation of worldwide business operations and making of decisions independent of management. The Microsoft group has developed corporate governance policies and practices to help it fulfil its responsibilities to shareholders and recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders including employees, customers, suppliers, government, and the public. The Board of Microsoft Limited ("The Board") follow this framework wherever possible to help with effective governance at the local level.

The corporate governance framework at Microsoft :

- Establishes and preserves management accountability to company owners by appropriately distributing rights and responsibilities among board members, managers, and shareholders.
- Provides a structure for management and the board to set objectives and monitor performance.
- Strengthens and safeguards our culture of business integrity and responsible business practices.
- Encourages the efficient use of resources and requires accountability for stewardship of those resources.

Board composition

The Board of the Company consists of two representatives from the department for Corporate, External, and Legal Affairs (CELA), and the local country general manager. The membership of the Board doesn't rotate on a regular basis, however as the Board applies the governance principles developed by the Microsoft Group whose board members are elected annually by the shareholders of Microsoft Corporation, the Board is satisfied the correct processes are in place to enable the review and evaluation of business operations and making of decisions independent of management.

Oversight of management and risk
Oversight of management and risk is intrinsically linked to the board of Microsoft Corporation who:

- Oversee management and act to assure that shareholder long-term interests are served.
- Through oversight, review, and counsel, establishes and promotes Microsoft's business and organizational objectives.
- Oversees business affairs and integrity, works with management to determine the Company's mission and long-term strategy.
- Performs the annual Chief Executive Officer evaluation.
- Oversees CEO succession planning and internal control over financial reporting and external audit.
- Assess whether management has an appropriate framework to manage risks and whether that framework is operating effectively.
- Engages with management on risk as part of broad strategic and operational discussions which encompass interrelated risks, as well as on a risk-by-risk basis.

The Board of the Company is satisfied that the actions of the board of Microsoft Corporation ensure the oversight of management and risk are given the appropriate consideration and are applied to the Company through the Board's engagement with senior management, and through the established communication channels with employees, customers, and suppliers.

Board meetings
The Company generally holds one meeting per year, and will hold additional special meetings, as necessary. Additionally, the Board and other members of the management team of the Company regularly convene committee meetings to discuss key matters relevant to the Company.

Engagement with Stakeholders
The Company and Microsoft Corporation maintains an active dialogue with shareholders to ensure a diversity of perspectives are thoughtfully considered. Microsoft shareholders are invited to contact the board about corporate governance or the Board of Directors.

Information on engagement with stakeholders, including customers, employees and suppliers is set out in the strategic report.

Board compensation
The Board believes that director compensation should be based on time spent carrying out Board and committee responsibilities and be competitive with comparable companies. The Board also believes that a significant portion of director compensation should align director interests with the long-term interests of shareholders. Management will periodically report to the Compensation Committee how the Company's director compensation practices compare with those of other large public corporations. The Board will change its director compensation practices only upon the recommendation of the Compensation Committee.

Information regarding remuneration of the directors of Microsoft Limited can be found in note 9.

Microsoft corporate governance documents are available at
https://www.microsoft.com/en-us/Investor/corporate-governance/policies.aspx

Environmental report

Emissions and energy consumption

Microsoft's greenhouse gas (GHG) inventory calculations are compiled according to the GHG Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Scope 2 Guidance: An amendment to GHG Protocol Corporate Standard. As such, Microsoft calculates Scope 2 emissions using both a location-based and market-based methodology but tracks its GHG reduction goals according to the market-based method to capture the impact of Microsoft's 100% renewable electricity commitment. In following GHGP requirements for calculating market-based Scope 2 emissions, Microsoft prefers renewable electricity in the hierarchy for selecting market-based emission factors because Microsoft procures 100% renewable electricity for global (and specifically UK) electricity consumption. Renewable electricity carries a zero emission factor, therefore Microsoft's market-based Scope 2 emissions for electricity consumption are zero.

Microsoft calculates emissions primarily using metered activity data, but estimates based on appropriate proxies (such as office floor area and data center IT capacity) where metered activity data is not available. For the UK GHG inventory, Microsoft uses emission factors from the US EPA's Emission Factor Hub to calculate Scope 1 emissions, and the electricity emission factor annually provided by the UK's Defra to calculate Scope 2 emissions. The global warming potential (GWP) used to characterize impacts from CH4, N2O, and fugitive refrigerants are based on the IPCC's Fourth Assessment Report (AR4).

Summary of greenhouse gas emissions and energy consumption for the year ended 30 June 2022 :

Name and description	Unit of measurement	2022	2021
Scope 1 (direct) GHG emissions	Metric Tons CO2e	580	550
Scope 2 (indirect location-based) GHG emissions	Metric Tons CO2e	1,388	2,359
Scope 2 (indirect market-based) GHG emissions	Metric Tons CO2e	1	2
Energy consumption	MWh	10,264	13,005
Emissions Intensity Ratio	Metric Tons CO2e/ GBP revenue in millions	1	1

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that, so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware and the director has taken all the steps that ought to have been taken as director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provision of the s418 of the Companies Act 2006.

Auditors

Deloitte Ireland LLP have expressed their willingness to continue in office as auditor. Unless the members take action (as set out in section 488 of the Companies Act 2006) to prevent the deemed reappointment of the auditors, Deloitte Ireland LLP will be deemed to be reappointed for the financial year ending on 30 June 2022 at the end of the period for appointing auditors.

Microsoft Limited

Directors' Report for the Year Ended 30 June 2022 (continued)

Approved by the Board on 22 March 2023 and signed on its behalf by:

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Benjamin O Orndorff
Director

Microsoft Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' . Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these 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 proper accounting records that 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.

Deloitte.

Deloitte Ireland LLP
Chartered Accountants &
Statutory Audit Firm

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROSOFT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Microsoft Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Profit and Loss Account;
- the Statement of Comprehensive Income;
- the Balance Sheet;
- the Statement of Changes in Equity;
- the related notes 1 to 25.

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Deloitte.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included

- Assessesing the liquidty avaialble to the company as at the balance sheet date and in the period subsequent to the year end
- Assessing the liquidity available to the company on the basis of its continuing business model; and,
- Assessing thw ability of other group companies to provide support to the Company as necessary to allow it to pay its liabilities as they fall due

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROSOFT LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act 2006 and UK Corporation tax legislation.

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These include the General Data Protection Regulation (GDPR) and possible inadvertent software patent infringements under governing law including the UK Patents Act 1977 and European Patent Convention.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above we identified the greatest potential for fraud in the following areas and our specific procedures performed to address it are described below;

Revenue recognition – cut-off

- We assessed the design and determined the implementation of key controls over the revenue process relating to the recogniion of volume licensing revenue
- We selected a sample of volume licensing revenue transactions in and around the balance sheet date to determine the appropriateness of revenue being recognised.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROSOFT LIMITED (CONTINUED)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Richard Howard

Richard Howard
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, 29 Earlsfort Terrace, Dublin 2

Date: 22 March 2023

Microsoft Limited

Profit and Loss Account for the Year Ended 30 June 2022

	Note	2022 £ 000	2021 £ 000
Turnover	4	6,284,466	4,861,627
Cost of sales		(5,027,402)	(3,824,768)
Gross profit		1,257,064	1,036,859
Distribution costs		(101,874)	(86,982)
Administrative expenses		(917,547)	(725,567)
Operating profit		237,643	224,310
Other finance income	6	2,291	1,817
Interest receivable from group undertakings	6	354	80
Other finance costs	7	(11,658)	(5,681)
Interest payable to group undertakings	7	(12)	(6)
		(9,025)	(3,790)
Profit before tax		228,618	220,520
Tax on profit	11	(240,202)	(51,451)
(Loss)/profit for the year		(11,584)	169,069

The notes on pages 21 to 50 form an integral part of these financial statements.

Microsoft Limited

Statement of Comprehensive Income for the Year Ended 30 June 2022

	Note	2022 £ 000	2021 £ 000
(Loss)/profit for the year		(11,584)	169,069
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations	22	8,976	6,199
Income tax effect	22	(1,705)	(1,178)
		7,271	5,021
Total comprehensive income for the year		(4,313)	174,090

The above results were derived from continuing operations.

Microsoft Limited

(Registration number: 01624297)
Balance Sheet as at 30 June 2022

	Note	30 June 2022 £ 000	30 June 2021 £ 000
Fixed Assets			
Tangible assets	13	178,640	196,153
Investments	14	-	61
Non current debtors	16	240,459	248,316
		419,099	444,530
Current assets			
Stocks	15	1,617	1,965
Debtors	16	4,123,520	3,282,957
Cash at bank and in hand		175	44
		4,125,312	3,284,966
Creditors: Amounts falling due within one year	17	(3,816,648)	(3,071,173)
Net current assets		308,664	213,793
Total assets less current liabilities		727,763	658,323
Creditors: Amounts falling due after more than one year	18	(188,310)	(194,605)
Provisions for liabilities	20	(41,127)	(37,803)
Deferred tax liabilities	11	(6,256)	(4,799)
Net assets excluding pension asset		492,070	421,116
Net pension asset	22	131,745	120,479
Net assets		623,815	541,595
Capital and reserves			
Called up share capital	21	15	15
Profit and loss account		623,800	541,580
Shareholders' funds		623,815	541,595

Approved by the Board on 22 March 2023 and signed on its behalf by:

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Benjamin O Orndorff
Director

The notes on pages 21 to 50 form an integral part of these financial statements.

Microsoft Limited

Statement of Changes in Equity for the Year Ended 30 June 2022

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2021	15	541,580	541,595
Loss for the year	-	(11,584)	(11,584)
Actuarial gain or loss on defined benefit pension schemes (note 22)	-	8,976	8,976
Income tax effect	-	(1,705)	(1,705)
Total comprehensive loss	-	(4,313)	(4,313)
Dividends (note 12)	-	(34,500)	(34,500)
Share based payment - contribution received (note 23)	-	124,114	124,114
Income tax effect of share based payments transactions	-	16,400	16,400
Deferred tax on Pension	-	(13,589)	(13,589)
Deferred tax on Share based payments	-	(5,892)	(5,892)
At 30 June 2022	15	623,800	623,815

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2020	15	526,478	526,493
Profit for the year	-	169,069	169,069
Actuarial gain or loss on defined benefit pension schemes (note 22)	-	6,199	6,199
Income tax effect	-	(1,178)	(1,178)
Total comprehensive income	-	174,090	174,090
Dividends (note 12)	-	(255,000)	(255,000)
Share based payment - contribution received (note 23)	-	81,778	81,778
Income tax effect of share based payments transactions	-	14,247	14,247
Deferred tax on Pension	-	346	346
Deferred tax on Share based payments	-	(359)	(359)
At 30 June 2021	15	541,580	541,595

1 General information

Microsoft Limited ("the Company") is a private company, limited by shares, incorporated in the UK under the Companies Act 2006 and is registered in England and Wales. The registered office address is shown on page 1. The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The group accounts of Microsoft Corporation can be obtained as set out in Note 25.

2 Accounting policies

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

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Summary of disclosure exemptions
In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK ("UK-adopted international accounting standards"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

• A Cash Flow Statement and related notes;
• Disclosures in respect of transactions with wholly owned subsidiaries;
• Disclosures in respect of capital management;
• The effects of new but not yet effective IFRSs;
• Disclosures of transactions with a management entity that provides key management personnel services to the Company;
• Comparative period reconciliations for share capital, intangible assets and investment properties;
• IFRS 2 Share Based Payments in respect of group settled share based payments; and
• Certain disclosures required by IFRS 13 Fair Value Measurement, IFRS 15 Revenue from Contracts with Customers, and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Where relevant, equivalent disclosures have been given in the group accounts of Microsoft Corporation. The group accounts of Microsoft Corporation are available to the public and can be obtained as set out in note 25.

2 Accounting policies (continued)

Measurement convention
The financial statements are prepared on the historical cost basis, with the exception of the Pension which is revalued, and the share based payments which are recorded initially at fair value.

Changes in accounting policy
There have been no significant changes in accounting policy during the year.

Going concern
The financial statements are prepared on a going concern basis.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future and at the balance sheet date had sufficient financial resources to meet its liabilities as they fall due.

The directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

No events occurred after the balance sheet date that would impact significantly on the financial statements.

Revenue
The principal activity of the Company during the year was the marketing and distribution of computer software, peripherals, and hardware. The Company transacts directly with customers in the British market and records revenue and related costs from the Volume Licensing, Online (Business to Consumer), Microsoft Business Solutions ("MBS") and Hardware product lines of business. Other activities are the Managed Support business, which provides onsite technical experts to enhance the performance of customers' investment in Microsoft's technology, and commission income from the marketing of computer software, peripherals and video game consoles.

Product Revenue and Service and Other Revenue
Product revenue includes sales from operating systems; cross-device productivity applications; server applications; business solution applications; desktop and server management tools; software development tools; video games; and hardware such as PCs, tablets, gaming and entertainment consoles, other intelligent devices, and related accessories. Service and other revenue includes sales from cloud-based solutions that provide customers with software, services, platforms, and content such as Microsoft Office 365, Microsoft Azure, Microsoft Dynamics 365, and Xbox Live; solution support; and consulting services.

Revenue Recognition
Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognised net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

2 Accounting policies (continued)

Nature of Products and Services
Licences for on-premises software provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licences or subscribe to licences, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premises licences is recognised upfront at the point in time when the software is made available to the customer. In cases where we allocate revenue to software updates, primarily because the updates are provided at no additional charge, revenue is recognised as the updates are provided, which is generally rateably over the estimated life of the related device or licence.

Certain volume licensing programs, including Enterprise Agreements, include on-premises licences combined with Software Assurance ("SA"). SA conveys the rights to new software and upgrades released over the contract period and provides support, tools, and training to help customers deploy and use products more efficiently. On-premises licences are considered distinct from SA and therefore separate performance obligations when sold with SA. Revenue allocated to SA is generally recognised rateably over the contract period as customers simultaneously consume and receive benefits, given that SA comprises distinct goods or services that are satisfied over time.

Cloud services, which allow customers to use hosted software over the contract period without taking possession of the software, are provided on either a subscription or consumption basis. Revenue related to cloud services provided on a subscription basis is recognised rateably over the contract period. Revenue related to cloud services provided on a consumption basis, such as the amount of storage used in a period, is recognised based on the customer's utilisation of such resources. When cloud services require a significant level of integration and interdependency with software and the individual components are not considered distinct, all revenue is recognised over the period in which the cloud services are provided.

Our hardware is generally highly dependent on, and interrelated with, the underlying operating system and cannot function without the operating system. In these cases,.the hardware and software licence are accounted for as a single performance obligation and revenue is recognised at the point in time when ownership is transferred to resellers or directly to end-customers through retail stores and online marketplaces.

Refer to Note 4 - Revenue from contracts with customer for further information, including revenue by significant product and service offerings. For more information on our contract balances see Note 4 contract balances.

Commission Income
Revenue includes commission income receivable under agreements with sister companies in Ireland based on a mark-up on eligible costs incurred. Revenue is recognised in the period in which the costs are incurred and once the values are approved by the Microsoft group.

Interest income
Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2 Accounting policies (continued)

Foreign currencies
Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax
Current tax is based on taxable profit for the year and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

In assessing tax uncertainties, if it is probable that the tax authority will accept a tax treatment on examination, the Company measures its income taxes in the financial statements consistent with the tax treatment used in its income tax return. Otherwise, it measures the effect of the uncertainty using the method that is expected to better predict the resolution of the uncertainty, being:
• most likely amount, representing the single most likely amount in a range of possible outcomes; or
• expected value, representing the sum of the probability-weighted amounts in the range of possible outcomes

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2 Accounting policies (continued)

Tangible assets
Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Provision is made for any permanent diminution in value. The Company performs an impairment analysis on an annual basis.

Depreciation is calculated so as to write off the cost, less residual value of fixed assets on a straight-line basis over their expected useful lives at the following rates:
Office equipment, furniture and fittings 3 years
Computer and technical equipment 1 - 4 years
Leasehold improvements over the period of the lease

Residual value is calculated at date of acquisition, and reassessed annually. There are no material guarantees over residual values.

Investments
Investments in subsidiary undertakings are stated at cost, less any provision for impairment in value. The Company performs an impairment analysis on an annual basis.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of the business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2 Accounting policies (continued)

Leases
We determine if an arrangement is a lease at inception. Leases are included in tangible assets, other current liabilities, and other long-term liabilities in our balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made, estimate of costs to dismantle or restore the underlying asset to the original condition, and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

We have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain equipment leases, such as vehicles, we account for the lease and non-lease components as a single lease component. Additionally, for certain equipment leases, we apply a portfolio approach to effectively account for the lease ROU assets and liabilities.

Lease liabilities are remeasured and the related right-of-use assets are adjusted whenever:
• The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate where appropriate.
• The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
• A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

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

2 Accounting policies (continued)

Defined benefit pension obligation
The defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of plan assets minus the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension asset.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Past service costs, interest, and return on plan assets are recognised immediately in profit or loss.

Share based payments
The Company has adopted IFRS 2 in respect of share awards granted by the parent company, Microsoft Corporation, to the employees of the Company. The estimated fair value of equity-based instruments are recognised as an expense over the vesting period with a corresponding credit to retained earnings, recognised as a capital contribution in the Company's Statement of Changes in Equity. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period and adjusted for the effect of non-market based vesting conditions. The fair value of share awards is determined on the date of grant, based on the parent company's stock price and less the dividends that will not be received during the vesting period.

2 Accounting policies (continued)

Financial instruments

Initial recognition
Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, or fair value through other comprehensive income (OCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial liabilities

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, and loans and borrowings including bank overdrafts.

Classification and measurement
Financial assets

For purposes of subsequent measurement, financial assets are classified in two categories:
• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

2 Accounting policies (continued)

Financial assets at amortised cost

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables, and balances with other group companies.

Financial assets at fair value through other comprehensive income (FVTOCI)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

• The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial liabilities

The measurement of financial liabilities depends on their classification,as described below:

Loans and borrowings

After initial recognition,interest-bearingloans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.The EIR amortisation is included as finance costs in the statementof profitor loss.

Payables are measured at amortised cost.

Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when the rights to receive cash flows from the asset have expired or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2 Accounting policies (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

Impairment of financial assets

Measurement of Expected Credit Losses

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages under IFRS 9's general approach. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision methodology that is based on company's historical credit loss experience adjusted following an assessment of both current and forward-looking factors specific to the debtors and the economic and political environment, as obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate.

2 Accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

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

Revenue from contracts with customers
Our contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct goods or services that should be accounted for separately versus together may require significant judgement. Certain cloud services, such as Office 365, depend on a significant level of integration and interdependency between the desktop applications and cloud services. Judgement is required to determine whether the software licence is considered distinct and accounted for separately, or not distinct and accounted for together with the cloud services and recognised over time.

Judgement is required to determine the standalone selling price ("SSP") for each separate performance obligation. We use a single amount to estimate SSP for items that are not sold separately, including on-premises licences sold with SA or software updates provided at no additional charge. We use a range of amounts to estimate SSP when we sell each of the products and services separately and need to determine whether there is a discount that needs to be allocated based on the relative SSP of the various products and services.

In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, we may use information such as the size of the customer and geographic region in determining the SSP.

Due to the various benefits from and the nature of our SA programme, judgement is required to assess the pattern of delivery, including the exercise pattern of certain benefits across our portfolio of customers. Our products are generally sold with a right of return and we may provide other credits or incentives, which are accounted for as variable consideration when estimating the amount of revenue to recognise using either the most likely amount or expected value method. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. We recognise revenue only to the extent that it is highly probable that a significant reversal of any incremental revenue will not occur.

Sources of Estimation Uncertainty:

Revenue from contracts with customers
Key estimates for revenue recognition are: determining the nature and timing of satisfaction of performance obligations, and determining the SSP of performance obligations, variable consideration, and other obligations such as product returns and refunds and product warranties. These estimates are sensitive to changes in circumstances and the actual results and outcomes may differ from management's estimates and assumptions.

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

Defined Benefit Pension Scheme

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality rates. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 22.

Transfer Pricing

Similar to other groups who operate on a transnational basis, there is a degree of estimation uncertainty relating to the appropriate charge for services provided by fellow group undertakings and the assessment of what is deemed arm's length transaction prices for the purposes of calculating the charge to income tax. The Company makes a best estimate on an annual basis of the appropriate transfer pricing rates to be applied.

The directors do not believe there are any other critical accounting judgements or key sources of estimation uncertainty that are critical in preparing the accounts.

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Product	1,574,453	1,633,655
Services and others	4,710,013	3,227,972
	6,284,466	4,861,627

The analysis of the Company's turnover for the year by class of business is as follows:

	2022 £ 000	2021 £ 000
Sales to third parties	5,338,708	4,058,142
Sales within the group	945,758	803,485
	6,284,466	4,861,627

As permitted by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 revenue is not analysed by geographical market as in the opinion of the directors the disclosure of this information would be seriously prejudicial to the interests of the Company.

4 Turnover (continued)

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when revenue is recognised prior to invoicing, or deferred income when revenue is recognised subsequent to invoicing. For multi-year agreements, we generally invoice customers annually at the beginning of each annual coverage period. We record a receivable related to revenue recognised for multi-year on-premises licences as we have an unconditional right to invoice and receive payment in the future related to those licences. Contract balances were as follows:

Current assets and liabilities

	30 June 2022 £ 000	30 June 2021 £ 000
Current Assets		
Trade debtors	1,254,882	890,241
Non-current trade debtors	6,930	12,969
Accrued income - due within one year	477,803	303,227
Non-current accrued income	132,177	142,111
Creditors: Amounts falling due within one year		
Deferred income	1,612,307	1,481,210
Creditors: Amounts falling due after more than one year		
Deferred income	101,614	93,314

Deferred income is comprised mainly of unearned revenue related to volume licensing programmes, which may include SA and cloud services, net of deferred rebates. Deferred income is generally invoiced annually at the beginning of each contract period for multi-year agreements and recognised rateably over the coverage period. Deferred income also includes payments for: consulting services to be performed in the future; Office 365 subscriptions; Xbox Live subscriptions; Windows 10 post-delivery support; Dynamics business solutions; and other offerings for which we have been paid in advance and earn the revenue when we transfer control of the product or service.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we have determined our contracts generally do not include a significant financing component. The primary purpose of our invoicing terms is to provide customers with simplified and predictable ways of purchasing our products and services, not to receive financing from our customers, such as invoicing at the beginning of a subscription term with revenue recognised rateably over the contract period, or to provide customers with financing, such as multi-year on-premises licences that are invoiced annually with revenue recognised upfront.

5 Profit for the year

Arrived at after charging/(crediting)

	2022 £ 000	2021 £ 000
Depreciation expense	46,036	41,903
Foreign exchange gains	(2,393)	(372)
Lease expense - property	(306)	4,818
Loss on disposal of property, plant and equipment	343	3,476
Auditors remuneration for audit services (note 10)	170	143

6 Other interest receivable and other income

	2022 £ 000	2021 £ 000
Other finance income	2,291	1,817
Interest receivable from group undertakings	354	80
	2,645	1,897

7 Interest payable and other expenses

	2022 £ 000	2021 £ 000
Other finance costs	6,003	236
Interest on obligations under finance leases	1,118	1,100
Interest payable to group undertakings	12	6
Other gains or losses	4,537	4,345
	11,670	5,687

8 Staff costs

The aggregate payroll costs were as follows:

	2022 £ 000	2021 £ 000
Wages and salaries	568,027	492,934
Social security costs	72,022	61,131
Defined contribution pension costs	54,924	44,189
Share-based payment expenses	124,114	81,778
	819,087	680,032

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Sales and distribution	4,598	3,725
Administration	357	244
	4,955	3,969

9 Directors' remuneration

One director (2021: Two) received remuneration through the Company. All other directors did not receive any remuneration in respect of qualifying services as directors of the Company in the current period or in the prior period and do not have any employment contracts with the Company.

Details of the remuneration of the highest paid director of the Company are as follows. Remuneration in respect of qualifying services £623k (2021: £416k) and company contributions to money purchase pension schemes £Nil (2021: £Nil). The highest paid director exercised no share options in the year (2021: £Nil) and had 13,295 shares receivable (2021: 11,440) as per the terms of the equity settled share award scheme outlined in note 23. During the year the highest paid director was granted 6,890 share awards, and had 5,035 share awards vest, resulting in interests at the end of the year of 13,295.

One director received shares under a long-term incentive scheme.

10 Auditors' remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	170	143

11 Taxation

Tax charged/(credited) in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	109,746	47,126
UK corporation tax adjustment to prior periods	137,135	157
	246,881	47,283
Deferred taxation		
Arising from origination and reversal of temporary differences	(347)	1,760
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(1,812)	(764)
Deferred tax expense (credit) relating to changes in tax rates or laws	(4,520)	3,172
Total deferred taxation	(6,679)	4,168
Tax expense in the profit and loss account	240,202	51,451

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2021 - 19%). The actual tax charge for the current and previous years differs from the standard rate for the reasons set up in the following reconciliation:

11 Taxation (continued)

	2022 £ 000	2021 £ 000
Profit before tax	228,618	220,520
Corporation tax at standard rate	43,437	41,899
Increase in current tax from adjustment for prior periods	137,135	157
Increase from effect of capital allowances depreciation	975	2,404
Increase from effect of expenses not deductible in determining taxable profit	61,303	515
Increase from effect of exercise employee share options	(9,737)	1,139
Deferred tax credit from unrecognised temporary difference from a prior period	(1,812)	(765)
Deferred tax (credit)/expense relating to changes in tax rates or laws	(1,273)	3,609
Deferred tax expense from unrecognised tax loss or credit	454	1,314
Other tax effects for reconciliation between accounting profit and tax expense	9,720	1,179
Total tax charge	240,202	51,451

Subsequent to the year end, a bilateral agreement was reached in relation to the transfer pricing methodology used by the Company in purchasing products and services and its provision of marketing and sales support within the Microsoft Corporation group. As a result of the agreement, additional tax was paid in the United Kingdom of £136m relating to prior years.

11 Taxation (continued)

Deferred tax
Deferred tax assets and liabilities

Deferred tax movement during the year:

	At 1 July 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	Recognised in other £ 000	At 30 June 2022 £ 000
Timing difference in respect of capital allowances	3,938	1,569	-	-	-	5,507
Share-based Payment	21,383	5,682	-	(5,892)	-	21,173
Pension benefit obligations	(30,120)	12,478	(1,705)	(13,589)	-	(32,936)
Net tax assets / (liabilities)	(4,799)	19,729	(1,705)	(19,481)	-	(6,256)

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, and the UK deferred tax as at 30 June 2022 has been calculated based on this rate.

12 Dividends

	30 June 2022 £ 000	30 June 2021 £ 000
Paid dividend of £2,300 (2021 - £17,000) per each Ordinary shares	34,500	255,000

13 Tangible assets

	Furniture, fittings and office equipment £ 000	Leases and leasehold improvements £ 000	Computer and technical equipment £ 000	Total £ 000
Cost or valuation				
At 1 July 2020	26,389	219,929	32,556	278,874
Additions	2,981	46,888	7,020	56,889
Disposals	(4,782)	(7,568)	(2,984)	(15,334)
Transfers	1,968	(2,877)	909	-
At 30 June 2021	26,556	256,372	37,501	320,429
At 1 July 2021	26,556	256,372	37,501	320,429
Additions	1,820	21,515	5,423	28,758
Disposals	(264)	(534)	(4,730)	(5,528)
Transfers	253	(258)	(8)	(13)
At 30 June 2022	28,365	277,095	38,186	343,646
Depreciation				
At 1 July 2020	17,318	47,765	29,904	94,987
Charge for year	6,482	31,391	4,030	41,903
Eliminated on disposal	(4,773)	(4,859)	(2,982)	(12,614)
Transfers	383	(387)	4	-
At 30 June 2021	19,410	73,910	30,956	124,276
At 1 July 2021	19,410	73,910	30,956	124,276
Charge for the year	4,789	36,676	4,571	46,036
Eliminated on disposal	(264)	(304)	(4,730)	(5,298)
Transfers	-	-	(8)	(8)
At 30 June 2022	23,935	110,282	30,789	165,006
Carrying amount				
At 30 June 2022	4,430	166,813	7,397	178,640
At 30 June 2021	7,146	182,462	6,545	196,153
At 1 July 2020	9,071	172,164	2,652	183,887

14 Investments

Subsidiaries	£ 000
Cost or valuation	
At 1 July 2021	61
Disposals	(61)
At 30 June 2022	-
Carrying amount	
At 30 June 2022	-
At 30 June 2021	61

During the financial year, the Company dissolved its investment in Lionhead Studios Ltd, a wholly-owned subsidiary.

Details of the subsidiaries as at 30 June 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held 2022	2021
Softomotive UK Ltd	Software licencing, software as a service and provision of professional services	The Broadgate Tower Third Floor, 20 Primrose Street, London, EC2A 2RS	Ordinary shares	100%	100%

There is only one class of share issued by Softomotive UK Ltd and all shares have equal voting rights.

15 Stock

	30 June 2022 £ 000	30 June 2021 £ 000
Finished goods and goods for resale	1,617	1,965

16 Debtors

	30 June 2022 £ 000	30 June 2021 £ 000
Trade debtors	1,254,882	890,241
Provision for impairment of trade debtors	(22,009)	(11,945)
Net trade debtors	1,232,873	878,296
Amounts owed by group undertakings	898,758	683,839
Prepayments	1,507,606	1,377,205
Other debtors	6,480	1,766
Accrued income	477,803	303,227
Corporation tax asset	-	38,624
Total current trade and other debtors	4,123,520	3,282,957
Non-current accrued income	132,177	142,111
Non-current prepayments	93,881	85,765
Non-current trade debtors	6,930	12,969
Non-current receivables	7,471	7,471
Total trade and other debtors	4,363,979	3,531,273

Interest is received on amounts owed by group undertakings using a Reuter's 12-month interest rate. Intercompany debtors are repayable on demand. All amounts are due within one year and unsecured.

Prepayments are primarily made up of Intercompany Unearned COGS, which are the Intercompany element of Third Party Unearned Revenue. In accordance with matching principles and to ensure Microsoft Limited's margin achieve the agreed Transfer Price, the intercompany element must be recognised in line with the third party revenue transactions.

Current and non-current accrued income is a result of timing differences between revenue recognition and the invoicing to customers. Refer to note 4 for more details.

17 Creditors: amounts falling due within one year

	30 June 2022 £ 000	30 June 2021 £ 000
Trade creditors	20,121	33,378
Other creditors	16,613	8,248
Accrued expenses	638,698	538,961
Amounts due to group undertakings	958,035	679,730
Social security and other taxes	405,680	306,545
Deferred income	1,612,307	1,481,210
Lease obligations	25,575	23,101
Corporation tax liability	139,619	-
	3,816,648	3,071,173

Interest is paid on amounts owed to group undertakings using a Reuter's 12-month interest rate. Intercompany creditors are repayable on demand. These amounts are unsecured.

18 Creditors: Amounts falling due after more than one year

	30 June 2022 £ 000	30 June 2021 £ 000
Deferred income	101,614	93,314
Lease obligations	86,696	101,078
Other	-	213
	188,310	194,605

19 Lease arrangements

We have leases for corporate offices, retail stores, and certain equipment. Our leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year.

Right-of-Use Assets	30 June 2022 £ 000	30 June 2021 £ 000
Opening Balance	120,231	106,788
Additions	11,865	33,419
Depreciation expense for the year	(23,806)	(19,976)
	108,290	120,231

All lease figures are included in the Leases and leasehold improvements category in the tangible assets note.

Amounts recognized in profit and loss were as follows:

	30 June 2022 £ 000	30 June 2021 £ 000
Depreciation expense on right-of-use assets	23,806	19,976
Interest expense on lease liabilities	1,118	1,100
	24,924	21,076

Obligations under lease commitments

Effective interest rate	Maturity	30 June 2022 £ 000
0.22% to 1.19% a.a.	2022 to 2036	112,271
		112,271

	30 June 2022 £ 000	30 June 2021 £ 000
Current	25,575	23,101
Non-current	86,696	101,078
	112,271	124,179

19 Lease arrangements (continued)

Changes in liabilities arising from financing activities

	On July 1, 2021 £ 000	Cash flows £ 000	Exchange variation £ 000	New leases £ 000	Others £ 000	On 30 June, 2022 £ 000
Leasing activities	124,179	(24,891)	-	11,865	1,118	112,271

Maturities of lease liabilities were as follows:

	30 June 2022 £ 000	30 June 2021 £ 000
Undiscounted lease payments to be paid		
Not later than 1 year	26,016	23,481
Later than 1 year and not later than 5 years	68,016	78,146
Later than 5 years	18,566	23,658
	112,598	125,285

As of 30 June 2022 the Company has £11 million in lease arrangements that have not yet commenced.

20 Provisions for liabilities

	Dilapidations £ 000	Buyback provision £ 000	Other provisions £ 000	Total £ 000
At 1 July 2021	5,734	7,471	24,598	37,803
Charged to the profit and loss account in the year	593	-	24,321	24,914
Increase/(decrease) in existing provisions	1,224	-	(22,814)	(21,590)
At 30 June 2022	7,551	7,471	26,105	41,127

The provision for dilapidations is being built up to provide for potential charges at the end of the lease period on rental properties. On average the leases expire within 3 to 9 years of the year end date.

The buyback provision relates to a contract in which at the contract completion date in 3 years the customer has the option for the Company to buy back devices at a guaranteed value. The number of devices to be bought back is uncertain.

Other provisions relate to National Insurance Contributions (NIC) which will become payable on the vesting of share awards. The share awards vest over a 5 year period. Employees do not make any payment for the share awards. The provision has been calculated based on the share price at the balance sheet date of $256.83 and the rate of NIC is 15.05%. As the provision value is linked to the share price the final settlement value is uncertain.

21 Share capital

Allotted, called up and fully paid shares

	30 June 2022 No. 000	30 June 2022 £ 000	30 June 2021 No. 000	30 June 2021 £ 000
Ordinary shares of £1 each	15	15	15	15

Authorised shares
The authorised share capital of the Company was 15,000 shares of £1 each (2021: 15,000 shares of £1 each)

Rights, preferences and restrictions
Ordinary shares have the following rights, preferences and restrictions:
The shares have attached to them full voting, dividend and capital distribution rights. They do not confer any rights of redemption.

22 Pension and other schemes

Defined contribution pension schemes
The group operates a defined contribution scheme in the UK for all eligible employees. The assets of the scheme are held separately from those of the Company in an independently administered fund, for the benefit of employees and their dependants. The assets of the scheme are managed by Trustees of the fund. The pension cost charge for the financial year represents contributions payable by the Company to the scheme and amounted to £54,924,000 (2021: £44,189,000). Included in accruals at financial year end is £5,399,000 payable to the fund (2021: £4,527,000).

Defined benefit pension schemes
The group operates a defined benefit scheme in the UK.

The assets of the scheme are held separately from those of Microsoft Limited, being managed by Blackrock.

To develop the assumption for the expected long-term rate of return on assets, the Company considered the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. This resulted in the selection of a 3.8% assumption for 2022 (2021 : 1.9%).

22 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows;

	30 June 2022 £ 000	30 June 2021 £ 000
Fair value of scheme assets	338,664	408,780
Present value of scheme liabilities	(206,919)	(288,301)
Defined benefit pension scheme surplus	131,745	120,479

Scheme assets

Changes in the fair value of scheme assets are as follows:

	30 June 2022 £ 000	30 June 2021 £ 000
Opening fair value of scheme assets	408,780	409,510
Interest income on plan assets	7,434	6,057
Contributions by employer	-	3,120
Return on plan assets	(71,291)	(851)
Benefits paid	(6,259)	(9,056)
Net pension scheme assets	338,664	408,780

Analysis of assets

The major categories of scheme assets are as follows:

	30 June 2022 £ 000	30 June 2021 £ 000
Cash and cash equivalents	20,044	19,013
Debt Instruments	224,207	198,575
Equity Instruments	100,785	127,110
Assets held by insurance company	50,887	62,142
Other	(57,259)	1,940
	338,664	408,780

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

22 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	30 June 2022 £ 000	30 June 2021 £ 000
Present value at start of period	288,301	299,902
Past service cost	-	236
Interest cost	5,144	4,270
Effect of changes in experience adjustments	12,770	(6,499)
Effect of changes in financial assumptions	(93,037)	(4,774)
Effect of changes in demographic assumption	-	4,222
Benefits paid	(6,259)	(9,056)
Present value at end of year	206,919	288,301

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	30 June 2022 %	30 June 2021 %
RPI max 5%	2.84	2.94
RPI max 2.5%	1.90	2.01
CPI max 3%	1.90	2.13
Discount rate	3.80	1.90
Money purchase section projection rate	5.47	4.10
RPI Inflation	3.00	3.10
CPI Inflation	2.40	2.40
Deferred pension revaluation	2.40	2.40

There have been no changes in mortality assumptions when compared to 30 June 2021 based on 113%/100% for Males/Females of SAPS 3 Light tables.

22 Pension and other schemes (continued)

Amounts recognised in the income statement

	30 June 2022 £ 000	30 June 2021 £ 000
Interest on obligation	(5,144)	(4,270)
Interest income on pension scheme assets	7,434	6,057
Past service cost	-	(236)
	2,290	1,551

Amounts taken to the Statement of Comprehensive Income

	30 June 2022 £ 000	30 June 2021 £ 000
Effect of changes in financial assumptions	93,037	4,773
Effect of changes in experience adjustments	(12,770)	6,499
Effect of changes in demographic assumption	-	(4,222)
Return on plan assets	(71,291)	(851)
Amounts recognised in the Statement of Comprehensive Income	8,976	6,199

23 Share-based payments

Stock awards are grants that entitle the holder to shares of Microsoft common stock as the award vests. Stock awards generally vest over a period of four or five years.

Microsoft also have an employee stock purchase plan ("the Plan") for all eligible employees. Shares of Microsoft common stock may be purchased by employees at a discounted price compared to the market value.

IFRS 2 requires that equity-settled share based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period. The expense recognised in the period arising from transactions accounted for on equity-settled share based payment transactions is £124,113,802 (2021 - £81,777,755). Stock awards granted during the financial year were 811,382 shares (2021 - 874,082). Awards outstanding at the end of the financial year were 1,673,994 (2021 - 1,817,365).

The estimated average share price at the date share awards vested during the year ended 30 June 2022 was $298.04 (2021 - $230.34).

The unvested awards at 30 June 2022 had a weighted average remaining contractual life of 3.40 years (2021 - 3.30 years).

24 Related party transactions

As at 30 June 2022 and 30 June 2021, the Company was a wholly owned subsidiary of Microsoft Corporation. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 and has therefore not disclosed transactions with other wholly owned entities of Microsoft Corporation.

There have been no transactions entered into with non-wholly owned subsidiaries of Microsoft Corporation. Details of balances held with other group undertakings can be found in notes 16 and 17.

25 Parent and ultimate parent undertaking

The immediate parent company is Microsoft Ireland Research, registered address; 70 Sir John Rogerson's Quay, Dublin 2, D02R296, Ireland. The ultimate parent undertaking of the Company, which is also the controlling undertaking and the largest and smallest company preparing group accounts in which the results of the Company are consolidated, is Microsoft Corporation, a company incorporated in the state of Washington in the United States of America. Copies of Microsoft Corporation's annual report are available at www.microsoft.com or on written request from the Investor Relations Department, at the registered address; Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.