

Registered number: 02212202

Microsoft Mobile UK Limited
Directors' report and financial statements
For the year ended 31 December 2018



Microsoft Mobile UK Limited

Company Information

Directors

Keith Dolliver
Leigh Anne Kiviat
Benjamin Omdorff

Company secretary

Reed Smith Corporate Services Limited

Registered number

02212202

Registered office

The Broadgate Tower Third Floor
20 Primrose Street
London
EC2A 2RS

Independent auditor

Deloitte LLP
Statutory Auditor
Abbots house
Abbey street
Reading
RG1 3BD

Solicitors

Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London
EC2A 2RS

Microsoft Mobile UK Limited

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Microsoft Mobile UK Limited

**Strategic report
For the year ended 31 December 2018**

The Directors present their Strategic report for Microsoft Mobile UK Limited (the 'Company') for the year ended 31 December 2018.

Principal activity

The principal activity of Microsoft Mobile UK Limited was the sale and marketing of mobile communication devices. As noted below the Company is now in the process of winding down operations.

Fair review of the business

The principal area of business activity for Microsoft Mobile UK Limited, a subsidiary of Microsoft Mobile UK Holdings Limited, is the United Kingdom. The Company no longer has a mobile phone strategy apart from winding up operations.

Key performance indicators

The Directors do not monitor the performance of the Company at a statutory level through the use of key performance indicators (KPI's). The Microsoft group manages its business and manages the delivery of its strategic objectives through the application of KPI's at a business group level.

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including credit and liquidity. The Company does not use derivative financial instruments for speculative purposes or to hedge these risks, as they are largely mitigated due to support provided by its parent company, Microsoft Corporation.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for outstanding obligations, the Company relies on support from its ultimate parent company, Microsoft Corporation.

Credit risk

The Company's principal financial assets are intercompany. The Company's credit risk is primarily attributable to its intercompany debtors. This is not considered a significant risk as the performance of other group companies continues to be strong.

This report was approved by the board on 30 September 2019 and signed on its behalf.


Benjamin Odenoff
Director

Directors' report
For the year ended 31 December 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activity

Microsoft Mobile UK Limited no longer has an operating strategy and is now in the process of winding down operations.

Results and dividends

The profit for the year, after taxation, amounted to £45,000 (2017 - loss profit £3,997,000).

A dividend of £nil (2017 - £nil) was paid in the year. The Directors do not recommend the payment of a final dividend for the year (2017 - £nil).

Directors

The Directors who served during the year and up to the date of signing were:

Keith Dolliver
Leigh Anne Kiviat
Benjamin Omdorff

Strategy and future developments

Strategy

The Company no longer has a mobile phone strategy apart from winding up operations.

Future developments

Future developments are discussed in the Fair review of the business section of the Strategic report on page 1.

Risks and uncertainties

The Company's business activities, together with the factors likely to affect its future development, principal risks and uncertainties, financial risk management objectives, performance and position are set out in the Strategic report and the Directors' report.

Insurance of Directors

Following shareholder approval, the Company has provided an indemnity for its Directors and the Secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Going concern

The Directors acknowledge that the business is no longer a cash generating entity and has stated their intention to dissolve the entity. The entity will cease to trade and the Company will at some point commence the statutory work necessary for dissolution. Using this background, we do not consider the entity meeting the going concern criteria even if dissolution takes longer than 12 months after the signing of these financial statements.

Matters covered in the strategic report

Details on strategy, financial risk management, and future development are provided in the Strategic report on page 1.

Directors' report (continued)
For the year ended 31 December 2018

Directors' responsibilities statement

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

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the audited 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 audited financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the audited 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.

Disclosure of information to the auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed 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 a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 September 2019 and signed on its behalf.



Benjamin Oradurff
Director

Independent auditor's report to the members of Microsoft Mobile UK Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Microsoft Mobile UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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 statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

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

Basis for opinion

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

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

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Microsoft Mobile UK Limited

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.

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.

Independent auditor's report to the members of Microsoft Mobile UK Limited

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.



Julian Rae (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom



7 October 2019

**Statement of comprehensive income
For the year ended 31 December 2018**

	Note	2018 £000	2017 £000
Turnover	3	-	2
Cost of sales		(4)	(33)
Gross loss		(4)	(31)
Administrative expenses		(819)	(3,962)
Operating loss	4	(823)	(3,993)
Interest receivable and similar income	8	932	214
Profit/(loss) before taxation		109	(3,779)
Tax on profit/(loss)	9	(154)	(218)
Loss for the financial year attributable to owners of the Company		(45)	(3,997)
Other comprehensive income		-	-
Total comprehensive income for the year		(45)	(3,997)

The above results were derived from discontinued operations. There was no comprehensive income or expenses other than shown above.

The notes on pages 10 to 20 form part of these financial statements.

**Statement of comprehensive income
For the year ended 31 December 2018**

	Note	2018 £000	2017 £000
Turnover	3	-	2
Cost of sales		(4)	(33)
Gross loss		(4)	(31)
Administrative expenses		(819)	(3,962)
Operating loss	4	(823)	(3,993)
Interest receivable and similar income	8	932	214
Profit/(loss) before taxation		109	(3,779)
Tax on profit/(loss)	9	(154)	(218)
Loss for the financial year attributable to owners of the Company		(45)	(3,997)
Other comprehensive income		-	-
Total comprehensive income for the year		(45)	(3,997)

The above results were derived from discontinued operations. There was no comprehensive income or expenses other than shown above.

The notes on pages 10 to 20 form part of these financial statements.

Balance sheet
As at 31 December 2018

	Note	2018 £000	2017 £000
Current assets			
Debtors: amounts falling due within one year	10	75,442	98,626
		<u>75,442</u>	<u>98,626</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(1,981)	(25,120)
		<u>(1,981)</u>	<u>(25,120)</u>
Net current assets		73,461	73,506
Total assets less current liabilities		73,461	73,506
Net assets		73,461	73,506
Capital and reserves			
Called-up share capital	13	20,000	20,000
Profit and loss account		53,461	53,506
		<u>73,461</u>	<u>73,506</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Benjamin Orndorff
Director
Date: 30 September 2019

The notes on pages 10 to 20 form part of these financial statements.

Microsoft Mobile UK Limited

**Statement of changes in equity
For the year ended 31 December 2018**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2017	20,000	57,503	77,503
Comprehensive Income for the year			
Loss for the year	-	(3,997)	(3,997)
Total comprehensive income for the year	-	(3,997)	(3,997)
At 1 January 2018	20,000	53,506	73,506
Comprehensive income for the year			
Loss for the year	-	(45)	(45)
Total comprehensive income for the year	-	(45)	(45)
At 31 December 2018	20,000	53,461	73,461

The notes on pages 10 to 20 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

Microsoft Mobile UK Limited is a private Company limited by shares incorporated in England. The registration number is 02212202. The registered office is The Broadgate Tower Third Floor, 20 Primrose Street, London, EC2A 2RS. The principal activity can be found in the Strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Microsoft Corporation as at 31 December 2018 and these financial statements may be obtained from One Microsoft Way, Redmond, Washington, USA.

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies (continued)

1.3 New standards

The Company applied for the the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The following new or revised standards have no material impact on the financial statements due to the nature of the intercompany revenue and balances.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases was issued in January 2016 and is applicable to annual reporting periods beginning on or after 01 January 2019. The Company decided not to early adopt IFRS 16.

1.4 Going concern

The Company's business activities, together with the factors likely to affect its future development, principal risks and uncertainties, financial risk management objectives, performance and position are set out in the strategic report and the Directors' report.

The Directors acknowledge that the business is no longer a cash generating entity and has stated their intention to dissolve the entity. The entity will cease to trade and the Company will at some point commence the statutory work necessary for dissolution. Using this background, the Directors do not consider the entity meeting the going concern criteria even if dissolution takes longer than 12 months after the signing of these financial statements.

**Notes to the financial statements
For the year ended 31 December 2018**

1. Accounting policies (continued)

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 Deferred Income

The Company has deferred income in respect of some of its service sales. Deferred income is treated as a liability in the balance sheet and is released to the Statement of comprehensive income when the economic benefit from these activities flows into the organisation.

1.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies (continued)

1.8 Financial Instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

1.9 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies (continued)

1.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

1.11 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.12 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies (continued)

1.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In preparing the financial statements, the Directors have made the following judgements:

Intercompany balances

Determining whether there are indicators of impairment of the Company's intercompany receivables. Factors taken into consideration in reaching a decision include the economic viability and expected future financial performance of the group entities, as well as any significant changes to the technological, market, economic or legal environments in which the operate.

Management believe there are no further areas that involve a higher degree of judgement or areas where assumptions and estimates are material to the financial statements.

Notes to the financial statements
For the year ended 31 December 2018

3. Turnover

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	-	2
	<u>-</u>	<u>2</u>

4. Operating loss

The operating loss is stated after charging/(crediting):

	2018 £000	2017 £000
Exchange differences	(3)	(97)
Bad debt written off	(199)	-
	<u>(199)</u>	<u>-</u>

5. Auditor's remuneration

The Company paid the following amounts to its auditor in respect of the audit of the financial statements:

	2018 £000	2017 £000
Audit of the financial statements	65	80
	<u>65</u>	<u>80</u>

The Auditors' did not carry out any other services other than that of the audit of the financial statements during the year.

**Notes to the financial statements
For the year ended 31 December 2018**

6. Employees

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	-	34
	<u>-</u>	<u>34</u>

There were no employees during the year.

7. Directors' remuneration

The Directors did not receive any remuneration during the year. The Directors of the Company are remunerated by Microsoft Corporation for all their services to the group.

8. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from amounts owed by group undertakings	932	214
	<u>932</u>	<u>214</u>

9. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	154	109
Adjustments in respect of previous periods	-	109
	<u>154</u>	<u>218</u>
Total current tax	<u>154</u>	<u>218</u>
Taxation on profit/(loss) on ordinary activities	<u>154</u>	<u>218</u>

Notes to the financial statements
For the year ended 31 December 2018

9. Taxation (continued)

The tax assessed for the year is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before tax	109	(3,779)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	21	(727)
Effects of:		
Expenses not deductible for tax purposes	189	688
Adjustments to tax charge in respect of prior periods	-	109
Effects of group relief/ other reliefs	(56)	(60)
Deferred tax not recognised on temporary difference	-	208
Total tax charge for the year	154	218

Factors that may affect future tax charges

The standard rate of tax applied on ordinary activities is 19% (2017: 19.25%). The finance (No.2) Act 2017 received royal assent on 16 November 2017 which will reduce the rate further to 17% from 1 April 2020. The new rates have accordingly been recognised in these accounts when calculating deferred tax.

Deferred Taxation

The deferred tax asset and liability are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and the tax laws) that have been enacted or substantively enacted by the balance sheet date. The deferred tax has therefore been calculated at 17%.

10. Debtors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed by group undertakings	75,403	98,039
Other debtors	5	-
Prepayments and accrued income	34	587
	75,442	98,626

Amounts owed by group undertakings includes a loan of £35,000,000 and £45,736,139 which are repayable upon demand. Interest is due on loans with group undertakings using a Reuters one-month interest rate.

Notes to the financial statements
For the year ended 31 December 2018

11. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	-	2
Amounts owed to group undertakings	1,650	24,896
Corporation tax	263	218
Other creditors	1	-
Accruals and deferred income	67	4
	<u>1,981</u>	<u>25,120</u>

Amounts owed to Group undertaking relates to outstanding amounts for good and services supplied and paid for on behalf of the entity during the financial year. They are repayable on demand.

12. Deferred Taxation

	2018 £000	2017 £000
At beginning of year	-	(12,516)
Movements arising from transfer of pension liabilities	-	12,516
	<u>-</u>	<u>12,516</u>

At 31 December 2018 there were unrecognised deferred tax losses of £5,180,000 (2017: £5,180,000).

13. Share capital

	2018 £000	2017 £000
Authorised and allotted		
20,000,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

Notes to the financial statements
For the year ended 31 December 2018

14. Pension commitments

The group operated a defined benefit scheme in the UK which was transferred out to Microsoft Limited on 1 January 2017.

Reconciliation of fair value of plan liabilities were as follow:

	2018 £000	2017 £000
Opening defined benefit obligation	-	286,554
Transferred to Microsoft Limited	-	(286,554)
Closing defined benefit obligation	-	-

Reconciliation of fair value of plan assets were as follows:

	2018 £000	2017 £000
Opening fair value of scheme assets	-	360,179
Transferred to Microsoft Limited	-	(360,179)
	-	-

15. Controlling party

The immediate parent Company is Microsoft Mobile UK Holdings Limited (formerly Nokia UK Holdings Limited), a Company registered in England and Wales at the registered office The Broadgard Tower Third Floor, 20 Primrose Street, London, United Kingdom, EC2A 2RS.

The ultimate parent Company and controlling party is Microsoft Corporation, a company based in Redmond, Washington, USA. Microsoft Corporation is the smallest and largest group into which the Company's results are consolidated. Copies of Microsoft Corporation's annual report are available on written request from the Investor Relations Department at their registered address Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.