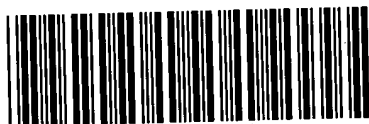


MICROSOFT PROPERTIES UK LIMITED

Report and Financial Statements

Year ended 30 June 2015

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MICROSOFT PROPERTIES UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

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MICROSOFT PROPERTIES UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K R Dolliver
B O Orndorff
Michel Van der Bel

SECRETARY

Reed Smith Corporate Services Limited

REGISTERED OFFICE

Microsoft Campus
Thames Valley Park
Reading
Berkshire
RG6 1WG

BANKERS

Citibank, N.A.
PO BOX 449
Riverdale House
Molesworth Street
London
SE13 7EU

SOLICITORS

Reed Smith LLP
Beaufort House
15 Botolph Street
London
EC3A 7EE

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge
United Kingdom

TAX ADVISERS

KPMG LLP
Arlington Business Park
Theale
Berkshire
RG7 4SD

MICROSOFT PROPERTIES UK LIMITED

STRATEGIC REPORT

The directors present their Strategic Report for Microsoft Properties UK Limited ("the Company") for the year ended 30 June 2015.

REVIEW OF BUSINESS

The principal activity of the company in the current and preceding year is property investment.

During the year the company has continued to operate satisfactorily.

The results for the year and financial position of the company are shown on pages 6 and 7.

The company generates income from the rental of properties to other group companies. The company consistently returns an operating profit as rental incomes exceed depreciation for the year. The company has reported a profit for the year ended 30 June 2015 of £1,190,000 (2014: profit of £1,494,000). The company generates positive cash flows because the largest component of operating costs is the depreciation charge.

STRATEGY, OBJECTIVES 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 2015, which are publicly available. Microsoft Limited's business model is expected to remain as it continues to provide marketing and support services to Microsoft's UK customer base.

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. The company's principal financial assets are bank balances and cash, and other receivables. The main liabilities of the company are due to other group companies and are not considered a significant risk as their performance continues to be strong.

Approved by the Board of Directors
and signed on behalf of the Board



Michel Van der Bel

Director

30 March 2016

MICROSOFT PROPERTIES UK LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2015.

DIVIDENDS

The company announced total dividends for the year of £1,494,000 (2014: £1,216,000).

GOING CONCERN

The company had £15 million of net current liabilities due to other group companies at 30 June 2015. The company used this financing for the construction of properties to be used by Microsoft group companies. Technically, the group could demand repayment from the company at short notice. If this happened, the company would need to find significant alternative funding at short notice. However, the company has a letter of support that Microsoft Corporation will not seek collection of the debt unless the company having made its repayment is able to meet its liabilities. This support is made available for the foreseeable future. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

DIRECTORS

The directors who served during the year and to the date of signing are listed on page 1.

AUDITOR

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 he ought to have taken as a director in order to make himself 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 provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor. The company passed elective resolutions dispensing with the requirements to hold annual general meetings and to re-appoint auditors annually.

Approved by the Board and signed on its behalf by:

Michel Van der Bel
Director

30 March 2016



MICROSOFT PROPERTIES UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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). 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 accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROSOFT PROPERTIES UK LIMITED

We have audited the financial statements of Microsoft Properties UK Limited for the year ended 30 June 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Julian Rae
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, UK
30 March 2016

MICROSOFT PROPERTIES UK LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 June 2015

	Note	2015 £'000	2014 £'000
TURNOVER	2	3,007	3,007
GROSS PROFIT		3,007	3,007
Administrative expenses		(1,221)	(1,244)
OPERATING PROFIT	3	1,786	1,763
Interest receivable and similar income	5	5	14
Interest payable and similar charges	6	(83)	(81)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,708	1,696
Tax charge on profit on ordinary activities	7	(518)	(202)
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	1,190	1,494

All amounts derive from continuing activities.

There are no recognised gains or losses for the current and preceding financial years other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

MICROSOFT PROPERTIES UK LIMITED

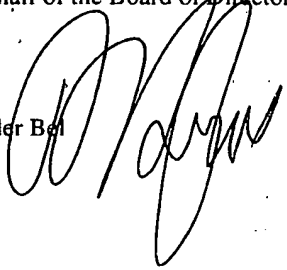
BALANCE SHEET 30 June 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Tangible assets	9	42,837	44,030
CURRENT ASSETS			
Debtors	10	93	81
CREDITORS: amounts falling due within one year	11	(15,387)	(16,277)
NET CURRENT LIABILITIES		(15,294)	(16,196)
TOTAL ASSETS LESS CURRENT LIABILITIES		27,543	27,834
PROVISIONS FOR LIABILITIES	12	(2,407)	(2,394)
NET ASSETS		25,136	25,440
CAPITAL AND RESERVES			
Called up share capital	13	23,942	23,942
Profit and loss account	14	1,194	1,498
SHAREHOLDER'S FUNDS	14	25,136	25,440

The financial statements of Microsoft Properties UK Limited, registration number 02611800 were approved and authorised for issue by the Board of Directors on 30 March 2016.

Signed on behalf of the Board of Directors

Michel Van der Beek
Director



MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2015

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been consistently applied in both the current and preceding financial years.

Accounting convention

The financial statements are prepared under the historical cost convention.

The properties do not qualify to be treated as investment properties as defined by SSAP19 and accordingly have not been revalued to market value but are subject to annual depreciation.

Cash flow statement

Under FRS1 "Cash flow statements" the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Going concern

The company had £15 million of net current liabilities due to other group companies at 30 June 2015. The company used this financing for the construction of properties to be used by Microsoft group companies. Technically, the group could demand repayment from the company at short notice. If this happened, the company would need to find significant alternative funding at short notice. However, the company has a letter of support that Microsoft Corporation will not seek collection of the debt unless the company having made its repayment is able to meet its liabilities. This support is made available for the foreseeable future. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Turnover

Turnover, which excludes value added tax, represents the value of rental services provided in the period.

Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Provision is made for permanent diminution in value.

Depreciation is calculated so as to write off the cost, less residual value of fixed assets over their expected useful lives at the following rates:

Freehold buildings	Over 40 years
Land	Not depreciated

Residual value is calculated on prices prevailing at the date of acquisition.

Taxation

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

Deferred taxation is provided in full on material timing differences at the rate of taxation anticipated to apply when these differences crystallise. 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.

A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities recognised have not been discounted.

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2015

2. TURNOVER

Turnover represents rental income arising in the United Kingdom which is wholly derived from the principal activity.

3. OPERATING PROFIT

	2015 £'000	2014 £'000
Operating profit is stated after charging:		
Depreciation – owned assets	1,193	1,193
Auditor's remuneration – audit services	<u>11</u>	<u>11</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors receive their remuneration for services to group companies from Microsoft Corporation. The proportion of this remuneration that is allocated for their services to Microsoft Properties UK Limited is £nil (2014: £nil).

The company had no employees during the year ended 30 June 2015 (2014: none).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £'000	2014 £'000
Interest receivable from fellow subsidiary company	<u>5</u>	<u>14</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Interest payable to parent company	<u>83</u>	<u>81</u>

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2015

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
Current tax:		
United Kingdom corporation tax – current year	505	524
Total current tax charge	505	524
Deferred tax (note 12) – differences between capital allowances and depreciation:		
Origination and reversal of timing differences	13	37
Impact of change in tax rates	-	(359)
Total tax charge for the year	518	202

Reconciliation to current tax charge:

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 22.5%. The actual tax charge for the current and previous years differs from the standard rate for the reasons set out in the following reconciliation.

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	1,708	1,696
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.75% (2014: 22.5%)	354	382
Effects of:		
Expenses not deductible for tax purposes	164	179
Capital allowances in excess of depreciation	(13)	(37)
Total current tax charge	505	524

8. DIVIDENDS

	2015 £'000	2014 £'000
6.24p per equity share (2014 5.08p per equity ordinary share)	1,494	1,216

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2015

9. TANGIBLE FIXED ASSETS

	Buildings £'000	Land £'000	Total £'000
Cost			
At 1 July 2014 and 30 June 2015	47,544	8,812	56,356
Depreciation			
At 1 July 2014	12,326	-	12,326
Charge for the year	1,193	-	1,193
At 30 June 2015	13,519	-	13,519
Net book value			
At 30 June 2015	34,025	8,812	42,837
At 30 June 2014	35,218	8,812	44,030

10. DEBTORS

	2015 £'000	2014 £'000
Other debtors	93	81

All amounts are due within one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Amounts owed to fellow subsidiaries	3,763	3,762
Amounts due to parent company	11,383	12,262
Corporation tax	241	253
	15,387	16,277

Interest is paid on amounts owed to group undertakings except short-term trading balances using a Reuter's 12-month interest rate.

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2015

12. PROVISIONS FOR LIABILITIES

The deferred tax provision consists of the following amounts:

	30 June 2015 £'000	30 June 2014 £'000
Capital allowances in excess of depreciation	<u>(2,407)</u>	<u>(2,394)</u>
		£'000
Balance at 1 July 2014		(2,394)
Charged to the profit and loss in the year		<u>(13)</u>
Balance at 30 June 2015		<u>(2,407)</u>

The Finance Act 2015, which provides for reductions in the main rate of corporation tax from 21% to 20% effective from 1 April 2016, to 19% effective from 1 April 2017 and 18% effective from 1 April 2020 was substantively enacted on 8 July 2015. At the Summer Budget 2015 These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. The rate change will also impact the amount of any future cash tax payments.

13. CALLED UP SHARE CAPITAL

	30 June 2015 £'000	30 June 2014 £'000
Authorised, called up, allotted and fully paid:		
50,000 ordinary shares of £1 each	50	50
23,892,025 redeemable ordinary shares of £1 each	<u>23,892</u>	<u>23,892</u>
	<u>23,942</u>	<u>23,942</u>

The redeemable ordinary shares are redeemable at par by the company on one month's written notice. In all other respects they rank pari passu with the ordinary shares.

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2015

14. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Called up share capital £'000	Profit and loss account £'000	Total 2015 £'000	Total 2014 £'000
At the beginning of the year	23,942	1,498	25,440	25,162
Profit for the financial year	-	1,190	1,190	1,494
Dividends (note 8)	-	(1,494)	(1,494)	(1,216)
At the end of the year	<u>23,942</u>	<u>1,194</u>	<u>25,136</u>	<u>25,440</u>

15. ULTIMATE PARENT COMPANY

The ultimate parent undertaking of the company, which is also the controlling undertaking, is Microsoft Corporation, a company incorporated in the state of Washington in the United States of America. Microsoft Corporation is the parent of the only group into which the results are consolidated. Copies of Microsoft Corporation's annual report are available on written request from the Investor Relations Department, Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.

16. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures", transactions with other group undertakings within, and investee related parties of, the Microsoft Corporation group have not been disclosed in these financial statements.