

MICROSOFT PROPERTIES UK LIMITED

**Report and Financial Statements
Year ended 30 June 2016**

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MICROSOFT PROPERTIES UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

CONTENTS

	Page number
Officers and professional advisers	1
Strategic report	3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and Loss Account and Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

MICROSOFT PROPERTIES UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K R Dolliver

B O Orndorff

M Van der Bel resigned 3 October 2016

C H Rose appointed 1 September 2016

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

SE13 7EU

SOLICITORS

Reed Smith LLP

Beaufort House

15 St Botolph Street

London

EC3A 7EE

AUDITOR

Deloitte LLP

Chartered Accountants and Statutory Auditor

Deloitte House

Station Place

Cambridge

CB1 2FP

MICROSOFT PROPERTIES UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS (continued)

TAX ADVISERS

KPMG LLP
Arlington Business Park
Theale
Berkshire
RG7 4SD

MICROSOFT PROPERTIES UK LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 30 June 2016.

BUSINESS REVIEW

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 7 and 8.

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 2016 of £1,333k (2015: profit of £1,190k). 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 2016, which are publicly available. Microsoft Properties UK Limited's business model is expected to remain as it continues to hold investment properties which generate income from other entities in the group.

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 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



C H Rose
Director
15 December 2016

MICROSOFT PROPERTIES UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2016.

DIVIDENDS

The directors approved a dividend for the year of £1,190k (2015: £1,494k).

GOING CONCERN

The company had £14 million of net current liabilities due to other group companies at 30 June 2016. The company used this financing for the construction of properties to be used by Microsoft group companies. 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 it made available for the foreseeable future. The directors have a reasonable expectation that the company has adequate resources to continue in operation existence for at least 12 months. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

RISKS 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 PROSPECTS

The company will continue to support other group companies and in view of the current economic climate, the board is looking forward to sustaining the level of revenue and profits in the following years.

DIRECTORS

The directors who served during the year and up to the date of this report unless otherwise stated are shown on page 1.

AUDITOR

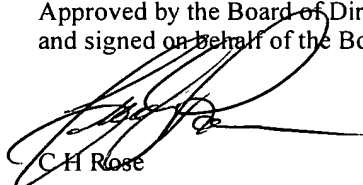
Each of the persons who is a director at the date of approval of this report confirms that:

- 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 of Directors
and signed on behalf of the Board



C H Rose

Director
15 December 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 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'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 2016 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice, United Kingdom Accounting Standards and applicable law including FRS 101 Reduced Disclosure Framework.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, United Kingdom Accounting Standards and applicable law including FRS 101 Reduced Disclosure Framework; 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.

Julian Rae 
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, UK
15 December 2016

MICROSOFT PROPERTIES UK LIMITED

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2016

	Note	2016 £'000	2015 restated £'000
TURNOVER	2	3,007	3,007
GROSS PROFIT		3,007	3,007
Administrative expenses		(1,223)	(1,221)
OPERATING PROFIT	3	1,784	1,786
Interest receivable and similar income	5	6	5
Interest payable and similar charges	6	(76)	(83)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,714	1,708
Tax on profit on ordinary activities	7	(381)	(518)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,333	1,190
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,333	1,190

All amounts derive from continuing operations.

There was no other comprehensive income or expenses other than those shown in the Profit and Loss Account and Other Comprehensive Income above.

MICROSOFT PROPERTIES UK LIMITED

BALANCE SHEET
30 June 2016

	Note	2016 £'000	2015 restated £'000
FIXED ASSETS			
Investment property	9	41,644	42,837
		<u>41,644</u>	<u>42,837</u>
CURRENT ASSETS			
Debtors	10	87	93
		<u>87</u>	<u>93</u>
CREDITORS			
Creditors: amounts falling due within one year	11	(13,920)	(15,146)
Corporation tax		<u>(248)</u>	<u>(241)</u>
		<u>(14,167)</u>	<u>(15,387)</u>
NET CURRENT LIABILITIES		<u>(14,081)</u>	<u>(15,294)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,563</u>	<u>27,543</u>
CREDITORS: amounts falling due in more than one year			
Deferred tax liability	12	<u>(2,284)</u>	<u>(2,407)</u>
NET ASSETS		<u>25,279</u>	<u>25,136</u>
CAPITAL AND RESERVES			
Called up share capital	13	23,942	23,942
Profit and loss account		<u>1,337</u>	<u>1,194</u>
SHAREHOLDERS' FUNDS		<u>25,279</u>	<u>25,136</u>

The financial statements of Microsoft Properties UK Limited, registration number 02611800, were approved and authorised for issue by the Board of Directors on 15 December 2016.

Signed on behalf of the Board of Directors



C H Rose
Director

MICROSOFT PROPERTIES UK LIMITED

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 July 2014 restated	23,942	1,498	25,440
Total comprehensive income for the year			
Profit or loss for the year	-	1,190	1,190
	<u>-</u>	<u>1,190</u>	<u>1,190</u>
Total comprehensive income for the year	-	1,190	1,190
Dividends	8 -	(1,494)	(1,494)
	<u>-</u>	<u>(1,494)</u>	<u>(1,494)</u>
Total contributions by and distributions to owners	-	(1,494)	(1,494)
	<u>-</u>	<u>(1,494)</u>	<u>(1,494)</u>
Balance at 30 June 2015 restated	<u>23,942</u>	<u>1,194</u>	<u>25,136</u>

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 July 2015	23,942	1,194	25,136
Total comprehensive income for the year			
Profit or loss for the year	-	1,333	1,333
	<u>-</u>	<u>1,333</u>	<u>1,333</u>
Total comprehensive income for the year	-	1,333	1,333
Dividends	8 -	(1,190)	(1,190)
	<u>-</u>	<u>(1,190)</u>	<u>(1,190)</u>
Total contributions by and distributions to owners	-	(1,190)	(1,190)
	<u>-</u>	<u>(1,190)</u>	<u>(1,190)</u>
Balance at 30 June 2016	<u>23,942</u>	<u>1,337</u>	<u>25,279</u>

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES

Microsoft Properties UK Limited (the “Company”) is a company incorporated and domiciled in the UK.

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), 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 the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 16.

The Company’s ultimate parent undertaking, Microsoft Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Microsoft Corporation are prepared in accordance with US generally accepted accounting principles (GAAP) and are available to the public and may be obtained from the Investor Relations Department, Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.

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;
- Comparative period reconciliations for share capital, tangible fixed assets and investment properties;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy, (see note 16); and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Microsoft Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement 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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 July 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES (continued)

Measurement convention

The financial statements are prepared on the historical cost basis.

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at historical cost less accumulated depreciation.

Going concern

The company had £14m of net current liabilities due to other group companies at 30 June 2016. 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 it 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 any permanent diminution in value.

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:

Land	Not depreciated
Freehold buildings	Over 40 years

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

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation.

In applying the historic cost model in IAS 40 Investment Property:

- i. investment properties are held at historic cost; and
- ii. depreciation is provided in respect of investment properties applying the historic cost model.

Rental income from investment property is accounted for as described in the Turnover accounting policy.

Any property interest held under an operating lease may also be accounted for as an investment property. IAS 40 allows the company to make this choice on a property-by-property basis.

Financial instruments

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes party to the contractual provision of the instrument. Because of their short term nature the carrying amount of trade receivables and trade payables approximates their fair value. Trade receivables and payables are initially recognised at fair value and subsequently at amortised cost less any provision for impairment. Cash and cash equivalents include cash at bank and in hand.

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES (continued)

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, 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 directors believe there are no critical accounting judgements and no key sources of estimation uncertainty.

2. TURNOVER

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

3. OPERATING PROFIT

	2016	2015
	£'000	£'000
Operating profit is stated after charging/(crediting)		
Rentals under operating leases		
Depreciation - owned assets	1,193	1,193
Auditor's remuneration:		
- audit services	11	11
	<u>11</u>	<u>11</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration in respect of qualifying services as directors of the Company in the current period or in the prior period and they not have any employment contracts with the Company.

The company had no employees in either the current or preceding year.

MICROSOFT PROPERTIES UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 30 June 2016**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016 £'000	2015 £'000
Interest receivable from fellow group undertakings	<u>6</u>	<u>5</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable on loans to parent company	<u>76</u>	<u>83</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
United Kingdom corporation tax	<u>504</u>	<u>505</u>
Total current tax	504	505
Deferred tax - current year	(123)	-
Origination and reversal of timing differences	<u>-</u>	<u>13</u>
Total tax charge for the year	<u>381</u>	<u>518</u>

Reconciliation to total tax charge:

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20.00% (2015: 20.75%). The actual tax charge for the current and previous years differs from the standard rate for the reasons set out in the following reconciliation:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	<u>1,714</u>	<u>1,708</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.75%)	343	354
Effects of:		
Tax credit on ordinary activities at 20.00%	-	-
Expenses not deductible for tax purposes	159	164
Short-term timing differences	<u>(121)</u>	<u>-</u>
Total tax charge	<u>381</u>	<u>518</u>

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

8. DIVIDENDS

	2016 £'000	2015 £'000
Paid - 4.98p per equity ordinary share (2015: 6.24p per equity ordinary share)	1,190	1,494

9. INVESTMENT PROPERTY

	2016 £'000	2015 £'000
Cost		
Balance at 1 July	56,356	56,356
Balance at 30 June	56,356	56,356
Accumulated depreciation		
Balance at 1 July	13,520	12,326
Charge for the year	1,192	1,193
Balance at 30 June	14,712	13,520
Net book value		
Balance at 30 June	41,644	42,837

10. DEBTORS

	2016 £'000	2015 £'000
Other debtors	87	93

Interest is received on amounts owed by group undertakings, except short-term trading balances, using a Reuter's 12-month interest rate at 0.6725% (2015: 0.6900%).

Intercompany debtors are repayable on demand. All amounts are due within one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Amounts owed to fellow group undertakings	13,920	15,146

Interest is paid on amounts owed to group undertakings, except short-term trading balances, using a Reuter's 12-month interest rate at 0.6725% (2015: 0.6900%).

MICROSOFT PROPERTIES UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 30 June 2016

12. DEFERRED TAX

The deferred tax liability consists of the following amounts:

	2016 £'000	2015 £'000
Timing differences in respect of capital allowances	2,284	(2,407)
	<u>2,284</u>	<u>2,407</u>
		£'000
Balance at 1 July 2015		2,407
Charged to the profit and loss in the year		(123)
Balance at 30 June 2016		<u>2,284</u>

The Finance Act 2016, 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 17% effective from 1 April 2020 was substantively enacted on 15 September 2016. 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

	2016 £'000	2015 £'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	23,892	23,892
	<u>23,942</u>	<u>23,942</u>

14. ULTIMATE PARENT UNDERTAKING

The immediate parent company and controlling party is Microsoft Corporation. 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.

15. RELATED PARTY TRANSACTIONS

In accordance with FRS 101, transactions with other group undertakings within, and investee related parties of, the Microsoft Corporation group have not been disclosed in these financial statements.

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

16. EXPLANATION OF TRANSITION TO FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in the preparation of an opening FRS 101 balance sheet at 1 July 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	Note	1 July 2014			30 June 2015		
		UK	Effect of	FRS 101	UK	Effect of	FRS 101
		GAAP	transition to FRS 101		GAAP	transition to FRS 101	
		£'000	£'000	£'000	£'000	£'000	£'000
FIXED ASSETS							
Tangible assets		44,030	(44,030)	-	42,837	(42,837)	-
Investment property	9	-	44,030	44,030	-	42,837	42,837
		<u>44,030</u>	<u>-</u>	<u>44,030</u>	<u>42,837</u>	<u>-</u>	<u>42,837</u>
CURRENT ASSETS							
Debtors	10	81	-	81	93	-	93
		<u>81</u>	<u>-</u>	<u>81</u>	<u>93</u>	<u>-</u>	<u>93</u>
CREDITORS							
Creditors: amounts falling due within one year	11	(16,024)	-	(16,024)	(15,146)	-	(15,146)
Corporation Tax		(253)	-	(253)	(241)	-	(241)
		<u>(16,196)</u>	<u>-</u>	<u>(16,196)</u>	<u>(15,294)</u>	<u>-</u>	<u>(15,294)</u>
NET CURRENT ASSETS		<u>(16,196)</u>	<u>-</u>	<u>(16,196)</u>	<u>(15,294)</u>	<u>-</u>	<u>(15,294)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,834</u>	<u>-</u>	<u>27,834</u>	<u>27,543</u>	<u>-</u>	<u>27,543</u>
CREDITORS: amounts falling due in more than one year							
Deferred tax liability	12	(2,394)	-	(2,394)	(2,407)	-	(2,407)
NET ASSETS		<u>25,440</u>	<u>-</u>	<u>25,440</u>	<u>25,136</u>	<u>-</u>	<u>25,136</u>
CAPITAL AND RESERVES							
Called up share capital		23,942	-	23,942	23,942	-	23,942
Profit and loss account		1,498	-	1,498	1,194	-	1,194
SHAREHOLDERS' FUNDS		<u>25,440</u>	<u>-</u>	<u>25,440</u>	<u>25,136</u>	<u>-</u>	<u>25,136</u>

NOTES TO THE RECONCILIATION OF EQUITY

In preparing its FRS 101 balance sheet, the Company has reclassified the property which was previously held as a tangible asset to an Investment property.

MICROSOFT PROPERTIES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

16. EXPLANATION OF TRANSITION TO FRS 101 (continued)

Reconciliation of profit for year ended 30 June 2015

	Note	UK GAAP	2015 Effect of transition to FRS 101	FRS 101
		£'000	£'000	£'000
TURNOVER	2	3,007	-	3,007
GROSS PROFIT		3,007	-	3,007
Administrative expenses (net)		(1,221)	-	(1,221)
OPERATING PROFIT	3	1,786	-	1,786
Interest receivable and similar income	5	5	-	5
Interest payable and similar charges	6	(83)	-	(83)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,708	-	1,708
Tax on profit on ordinary activities	7	(518)	-	(518)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,190	-	1,190