

Registration number: 02611800

# Microsoft Properties UK Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2022

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## **Microsoft Properties UK Limited**

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## **Microsoft Properties UK Limited**

### **Company Information**

<b>Directors</b>	Keith R Dolliver Benjamin O Orndorff Clare L Barclay
<b>Company secretary</b>	Reed Smith Corporate Services Limited
<b>Registered office</b>	Microsoft Campus Thames Valley Park Reading Berkshire RG6 1WG
<b>Solicitors</b>	Reed Smith LLP The Broadgate Tower 20 Primrose Street London EC2A 2RS
<b>Bankers</b>	Citibank, N.A. PO Box 449 Riverdale House Molesworth Street SE13 7EU
<b>Auditors</b>	Deloitte LLP Statutory Auditor Abbots House Abbey Street Reading United Kingdom RG1 3BD

**Microsoft Properties UK Limited**  
**Strategic Report for the Year Ended 30 June 2022**

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

**Principal activity**

Microsoft Properties UK Limited, a subsidiary of Microsoft Corporation, was engaged in property investment. The principal area of business activity is the United Kingdom.

**Fair review of the business**

The results for the year are shown on page 11. The Company recorded a loss before taxation of £16,000 (2021 - profit before taxation of £488,000) as it no longer trading following the sale of the investment buildings in August 2020 which were previously rented, and therefore was not in receipt of any rental income in the year. The Company had net assets at 30 June 2022 of £10,986,000 (2021 - £11,002,000) which comprises receivables and the land which is valued at £2,750,000 and is held for sale. The Directors intention is to wind up the company once the land is sold. Thus, the Financial Statements have been prepared on a basis other than going concern.

**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.

**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, which is publicly available at [www.microsoft.com](http://www.microsoft.com). The strategy of the Company is to sell it's remaining assets held for sale and to wind down the Company.

**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 performance. Global inflationary pressures, currency movements and fluctuations in borrowing costs may produce volatility in property markets and have an impact on the valuation of land. The Company has no significant borrowings or foreign exchange rate exposure.

***Currency risk, credit risk and liquidity risk***

**Currency 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, as they are largely mitigated due to support provided by its parent company, Microsoft Corporation.

**Credit risk**

The Company's principal financial assets are debtors from other group companies. The Company's credit risk is primarily attributable to its intercompany debtors. This is not considered a significant risk as the other group companies continue to perform well.

**Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company relies on support from its parent company, Microsoft Corporation.

## Microsoft Properties UK Limited

### Strategic Report for the Year Ended 30 June 2022 (continued)

#### **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. The Company is operating on a basis other than a going concern, and management continue to evaluate the financial impact of COVID-19 on the entity operations, solvency and liquidity.

#### **Other risks**

Other risks include cyber-attacks, security vulnerabilities, outages and data losses 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.

#### **Climate change**

The Directors have considered the importance of climate change and how the Company, as it is being wound down, can contribute towards Microsoft's goal of becoming carbon negative by 2030.

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

  
Benjamin O. Orndorff  
Director

**Microsoft Properties UK 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 do not approve a dividend for the period (2021 - £Nil).

**Going concern**

The Company has net current assets as set out in the balance sheet on page 12. The Company is no longer operating as a going concern as the investment buildings were sold in August 2020 and therefore there will be no rental income in future years. The investment land is currently on the market for sale. The directors have prepared the annual report and financial statements on a basis other than going concern. For further details see note 2 in the financial statements.

No other 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 is actively marketing the land held for resale and intends to wind down the Company once the land has been sold.

**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.

**Microsoft Properties UK Limited**

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

**Auditors**

Deloitte 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 LLP will be deemed to be reappointed for the financial year ending on 30 June 2023 at the end of the period for appointing auditors.

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

  
.....  
Benjamin O Orndorff  
Director

## **Microsoft Properties UK 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 judgments 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.



## **Microsoft Properties UK Limited**

### **Independent Auditor's Report to the Members of Microsoft Properties UK Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Microsoft Properties UK 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, "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 balance sheet;
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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.

##### **Emphasis of matter - Financial statements prepared other than on going concern basis**

We draw attention to note 2 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.

## **Microsoft Properties UK Limited**

### **Independent Auditor's Report to the Members of Microsoft Properties UK Limited (continued)**

#### **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.

#### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Microsoft Properties UK Limited**

### **Independent Auditor's Report to the Members of Microsoft Properties UK Limited (continued)**

#### **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 frameworks 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, tax legislation; and
- 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.

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

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 and legal counsel 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.

**Microsoft Properties UK Limited**

**Independent Auditor's Report to the Members of Microsoft Properties UK Limited  
(continued)**

**Report on other legal and regulatory requirements**

**Opinion 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 director's 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.

*Gavin Waters*

.....  
Gavin Waters (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading  
United Kingdom

Date: 22/3/2023

**Microsoft Properties UK Limited**

**Profit and Loss Account for the Year Ended 30 June 2022**

	Note	2022 £ 000	2021 £ 000
Turnover	4	-	501
Administrative expenses		<u>(17)</u>	<u>(11)</u>
Operating (loss)/profit	5	<u>(17)</u>	<u>490</u>
Interest receivable and similar income	6	10	4
Interest payable and similar expenses	7	<u>(9)</u>	<u>(6)</u>
		<u>1</u>	<u>(2)</u>
(Loss)/profit before tax		(16)	488
Tax on (loss)/profit	11	-	2,109
(Loss)/profit for the year		<u>(16)</u>	<u>2,597</u>

The above results were derived from discontinued operations.

There are no income or expenses other than those shown in the Profit and Loss Account above and therefore no statement of comprehensive income is presented.

**Microsoft Properties UK Limited**

**(Registration number: 02611800)**

**Balance Sheet as at 30 June 2022**

		<b>30 June 2022 £ 000</b>	<b>30 June 2021 £ 000</b>
	<b>Note</b>		
<b>Current assets</b>			
Debtors	13	9,846	9,861
Assets held for sale	12	<u>2,750</u>	<u>2,750</u>
		12,596	12,611
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	14	<u>(1,610)</u>	<u>(1,609)</u>
<b>Net current assets</b>		<u>10,986</u>	<u>11,002</u>
<b>Total assets less current liabilities</b>		<u>10,986</u>	<u>11,002</u>
<b>Net assets</b>		<u>10,986</u>	<u>11,002</u>
<b>Capital and reserves</b>			
Called up share capital	15	23,942	23,942
Profit and loss account		<u>(12,956)</u>	<u>(12,940)</u>
<b>Shareholders' funds</b>		<u>10,986</u>	<u>11,002</u>

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

.....  
Benjamin O Ornduff  
Director

**Microsoft Properties UK 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	23,942	(12,940)	11,002
Loss for the year	-	(16)	(16)
Total comprehensive loss	-	(16)	(16)
At 30 June 2022	23,942	(12,956)	10,986

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2020	23,942	(15,537)	8,405
Profit for the year	-	2,597	2,597
Total comprehensive incomeExpense	-	2,597	2,597
At 30 June 2021	23,942	(12,940)	11,002

## **Microsoft Properties UK Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2022**

#### **1 General Information**

Microsoft Properties UK 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 nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 - 3. The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. 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 17.

#### **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**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council. Accordingly these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The Directors' intention is to cease the trading of the business and wind down its operating activities. Thus, the annual financial statements have been prepared on a basis other than going concern. All liabilities and assets are presented as current.

##### **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:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, and investment properties;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel and related party transactions within the group; and
- Certain disclosures required by IAS 36 Impairment of Assets, IFRS 13 Fair Value Measurement, IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, and the disclosures required by IFRS 7 Financial Instrument Disclosures.



## **Microsoft Properties UK Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

#### **2 Accounting policies (continued)**

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 17.

#### **Changes in accounting policy**

None of the standards, interpretations and amendments effective for the first time from 1 July 2021 have had a material effect on the financial statements.

#### **Measurement convention**

The financial statements are prepared on a basis other than a going concern and as such all amounts will be recognised at realisable value.

#### **Going concern**

The Company has net assets as set out in the balance sheet on page 12. The Company's business activities, together with the factors likely to affect its future development and position, are set out in its strategic report on page 2. The Company's investment buildings were sold in August 2020 and therefore there will be no rental income in future years. The investment land is currently on the market for sale. The Directors have assessed that the Company's principal activity has ceased. Thus, the annual financial statements have been prepared on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

The Company has a letter of support from Microsoft Corporation that will guarantee it can meet all liabilities as it is being wound down, and will provide it with sufficient financing resources for at least 12 months from the date of signing.

#### **Turnover**

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

Turnover is recognised straight line over the course of the contracted lease term.

#### **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.

#### **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.

## **Microsoft Properties UK Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **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 substantially enacted by the balance sheet date.

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.

##### **Assets held for sale**

The assets held for sale are measured and recognised in accordance with IFRS 5 Non-Current Assets Held for Sale. Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses are recognised in the profit and loss account under other operating expenses.

##### **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.

## Microsoft Properties UK Limited

### Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

#### 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.

## Microsoft Properties UK Limited

### Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

#### 2 Accounting policies (continued)

##### *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)

###### **Financial liabilities**

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

###### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (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 statement of profit or loss.

Payables are measured at amortised cost.

###### ***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 effective interest (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.

## Microsoft Properties UK Limited

### Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

#### 2 Accounting policies (continued)

##### *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.

###### 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.

##### *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.

## Microsoft Properties UK Limited

### Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

#### 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 directors believe the key sources of estimation uncertainty lie in respect of the valuation of the land which is held for sale.

With the exception of the above, the directors believe there are no critical accounting judgements and no other key sources of estimation uncertainty.

#### 4 Turnover

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

	2022	2021
	£ 000	£ 000
Rental income from investment property	-	501

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

#### 5 Profit/(loss) for the year

Arrived at after charging/(crediting)

	2022	2021
	£ 000	£ 000
Auditor's remuneration for audit services (note 10)	12	11

**Microsoft Properties UK Limited**

**Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

**6 Other interest receivable and similar income**

	2022 £ 000	2021 £ 000
Interest receivable from group undertakings	<u>10</u>	<u>4</u>

**7 Interest payable and similar expenses**

	2022 £ 000	2021 £ 000
Interest payable to group undertakings	<u>9</u>	<u>6</u>

**8 Staff costs**

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

**9 Directors' remuneration**

None of the directors received any remuneration in respect of qualifying services as directors of the Company in the current year or in the prior year and none of the directors have any employment contracts with the Company.

No contributions were made to a defined contribution pension scheme on behalf of the directors (2021 - £Nil).

**10 Auditor's remuneration**

	2022 £ 000	2021 £ 000
Audit of the financial statements	<u>12</u>	<u>11</u>

## Microsoft Properties UK Limited

### Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

#### 11: Taxation

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

	2022 £ 000	2021 £ 000
<b>Current taxation</b>		
UK corporation tax	-	(1)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	-	(2,108)
Tax receipt in the profit and loss account	-	(2,109)

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:

	2022 £ 000	2021 £ 000
(Loss)/profit before tax	(16)	488
Corporation tax at standard rate	(3)	93
Group relief surrendered	3	-
Decrease in current tax from adjustment for prior periods	-	(1)
Decrease from effect of expenses not deductible in determining taxable profit (tax loss)	-	(2,073)
Deferred tax credit from unrecognised temporary difference from a prior period	-	(128)
Total tax credit	-	(2,109)

The Company had no recognised or unrecognised deferred tax asset or liability in either year.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly.



## Microsoft Properties UK Limited

### Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

#### 12 Assets held for sale

	30 June 2022 £ 000	30 June 2021 £ 000
Property, plant and equipment	2,750	18,750
Disposal of buildings	-	(16,000)
<b>Assets held for sale</b>	<b><u>2,750</u></b>	<b><u>2,750</u></b>

Assets held for sale consist of land and buildings previously classified as investment property. The assets were initially recognised at cost less depreciation and impairment, and subsequent to classification as held for sale measured at the lower of carrying amount and fair value less costs to sell. Accordingly, no further impairment has been recognised in other operating expenses in the year. The valuation of the assets held for sale represent £2,750,000 for land.

#### 13 Debtors

	30 June 2022 £ 000	30 June 2021 £ 000
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	9,846	9,860
Corporation tax asset	-	1
	<b><u>9,846</u></b>	<b><u>9,861</u></b>

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.

## Microsoft Properties UK Limited

### Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

#### 14 Creditors: amounts falling due within one year

	30 June 2022 £ 000	30 June 2021 £ 000
Accrued expenses	12	28
Amounts due to group undertakings	1,598	1,581
Deferred tax liability	-	-
	<u>1,610</u>	<u>1,609</u>

Intercompany creditors are repayable on demand. These amounts are unsecured.

#### 15 Share capital

##### Allotted, called up and fully paid shares

	No. 000	30 June 2022 £ 000	No. 000	30 June 2021 £ 000
Ordinary shares of £1 each	50	50	50	50
Redeemable ordinary shares of £1 each	<u>23,892</u>	<u>23,892</u>	<u>23,892</u>	<u>23,892</u>
	<u>23,942</u>	<u>23,942</u>	<u>23,942</u>	<u>23,942</u>

##### Authorised share capital

The authorised share capital of the Company was 23,942,025 shares of £1 each (2021 - 23,942,000 shares of £1 each).

##### Rights, preferences and restrictions

The ordinary shares have attached to them full voting, dividend and capital distribution rights. They do not confer any rights of redemption.

The redeemable shares have attached to them full voting, dividend and capital distribution rights. They may be redeemed at par by the Company providing not less than one month's written notice to the shareholders. In all other respects they rank pari passu with ordinary shares.

## **Microsoft Properties UK Limited**

### **Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)**

#### **16 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 13 and 14.

#### **17 Parent and ultimate parent undertaking**

The immediate and ultimate parent undertaking of the Company which is also the controlling party 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 at [www.microsoft.com](http://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.

#### **18 Subsequent Events**

No subsequent events have occurred since the financial period end that materially impact the financial statements for the financial year ended 30 June 2022.

