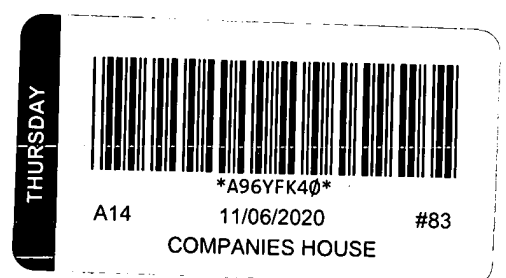


Registration number: 03232655

Lionhead Studios Limited

Annual Report and Financial Statements
for the Year Ended 30 June 2019



Lionhead Studios Limited

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Lionhead Studios Limited

Company Information

Directors	Keith R Dolliver Benjamin O Orndorff
Company secretary	Reed Smith Corporate Services Limited
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London EC2A 2RS
Solicitors	Reed Smith LLP Beaufort House 15 St Botolph Street London EC3A 7EE
Auditors	Deloitte LLP Statutory Auditor Reading United Kingdom

Lionhead Studios Limited

Strategic Report for the Year Ended 30 June 2019

The directors present their strategic report for the year ended 30 June 2019.

Principal activity

The principal activity of Lionhead Studios Limited was the creation and development of video game software. The Company's main aim was to develop products to support its parent company with the primary goal of increasing market share and profitability for the Group. The Company has since ceased to trade.

Fair review of the business

The principal area of business activity for Lionhead Studios Limited, a subsidiary of Microsoft Corporation, is the United Kingdom. On 7th March 2016 it was announced that development of the key title, Fable Legends has ceased and therefore the Company has ceased to trade. All leases have expired and related provisions settled in the previous year.

Key performance indicators

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

Principal risks and uncertainties

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

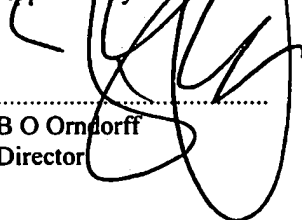
Liquidity risk

Though the entity is being wound up, in order to maintain liquidity to ensure that sufficient funds are available for settlement of its remaining obligations, the Company relies on support from its parent company, Microsoft Corporation.

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 2019, which is publicly available at www.microsoft.com. Lionhead Studio Limited's business model is expected to remain consistent as it has ceased to trade.

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



.....
B O Orndorff
Director

Lionhead Studios Limited

Directors' Report for the Year Ended 30 June 2019

The directors present their annual report and the audited financial statements for the year ended 30 June 2019.

Dividend

The loss for the year ended 30 June 2019 after taxation was £76k (2018: profit of £21k).

The directors do not recommend payment of an ordinary dividend (2018: £nil).

Going concern

The Company has net current assets as set out in the balance sheet on page 9. The Company is not a going concern as it has ceased to trade in a prior year, as mentioned in Strategic Report on page 2. The business has ceased to trade and therefore, the directors have prepared the annual report and accounts on a basis other than going concern. For further details see note 1 in the financial statements.

Directors' of the company

The directors, who held office during the year and up to the date of this report, were as follows:

Keith R Dolliver

Benjamin O Orndorff

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 announced during 2016 that the development of its key title has ceased and therefore it has ceased to trade.

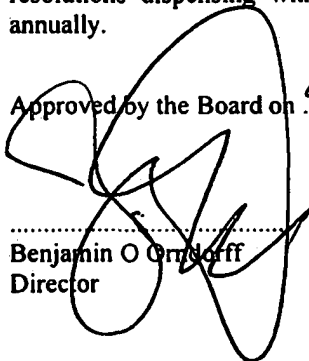
Disclosure of information to the auditors

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.

Reappointment of auditors

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 on 9 June 2019 and signed on its behalf by:


Benjamin O Orndorff
Director

Lionhead Studios 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether FRS 101 has 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.

Lionhead Studios Limited

Independent Auditor's Report to the Members of Lionhead Studios Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lionhead Studios Limited (the 'company') which comprise:

- The profit and loss account;
- The balance sheet;
- The statement of changes in equity; and
- The related notes 1 to 13.

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

Basis for opinion

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

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

Emphasis of matter

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

Other information

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

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

We have nothing to report in this regard.

Lionhead Studios Limited

Independent Auditor's Report to the Members of Lionhead Studios Limited

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

Lionhead Studios Limited

Independent Auditor's Report to the Members of Lionhead Studios Limited

Use of our report

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



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

Date: 9 June 2020

Lionhead Studios Limited

Profit and Loss Account for the Year Ended 30 June 2019

	Note	2019 £ 000	2018 £ 000
Turnover		20	53
Administrative expenses		<u>(19)</u>	<u>(66)</u>
Operating profit/(loss)	4	1	(13)
Other interest receivable and similar income	6	24	16
Interest payable and similar expenses	5	<u>(2)</u>	<u>-</u>
Profit before tax		23	3
Tax on profit	7	<u>(99)</u>	<u>18</u>
(Loss)/profit for the year		<u><u>(76)</u></u>	<u><u>21</u></u>

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

Lionhead Studios Limited

(Registration number: 03232655)
Balance Sheet as at 30 June 2019

	Note	30 June 2019 £ 000	30 June 2018 £ 000
Current assets			
Debtors	9	399	-
Corporation Tax		-	508
		<u>399</u>	<u>508</u>
Creditors: Amounts falling due within one year			
Creditors: amounts falling due within one year	10	(59)	(95)
Corporation Tax	7	(3)	-
	10	<u>(62)</u>	<u>(95)</u>
Net assets		<u>337</u>	<u>413</u>
Capital and reserves			
Called up share capital	11	61	61
Profit and loss account		<u>276</u>	<u>352</u>
Shareholders' funds		<u>337</u>	<u>413</u>

The financial statements of Lionhead Studios Limited, registration number 03232655, were approved and authorised for issue by the Board of Directors.

Approved by the Board on 9 June 2020 and signed on its behalf by:

.....
 Benjamin O Orndorff
 Director

Lionhead Studios Limited

Statement of Changes in Equity for the Year Ended 30 June 2019

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2017	61	331	392
Profit for the year	-	21	21
Total comprehensive income	-	21	21
At 30 June 2018	61	352	413

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2018	61	352	413
Loss for the year	-	(76)	(76)
Total comprehensive expense	-	(76)	(76)
At 30 June 2019	61	276	337

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

1 General information

The company is a private company limited by share capital, incorporated and domiciled in UK under the Companies Act 2006 and is registered in England and Wales. The registered office address is shown on page 1. The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates. The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. The group accounts of Microsoft Corporation can be obtained as set out in Note 13.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

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

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the 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 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 tangible fixed assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; 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.

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 13.

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

2 Accounting policies (continued)

Changes in accounting policy

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

None of the standards, interpretations and amendments effective for the first time from 1 July 2018 have had a material effect on the financial statements.

The company applied IFRS 9 for the first time in the current year. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018.

There was no impact on the income statement or the balance sheet from the adoption of IFRS 9 and it was adopted without restating comparative information. Additionally, the company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2019 and to the comparative period.

The Company performed a detailed analysis of its business model for managing financial assets as well as analysing their contractual cash flow characteristics. There were no changes to the classification and measurement of financial assets or financial liabilities.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The Company has net current assets as set out in the balance sheet on page 9. 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. On 7th of March 2016 it was announced that the development of the key title, Fable Legends, will cease and therefore the Company ceased to trade. 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.

Turnover

Turnover includes commission income receivable and amounts derived from the ultimate parent undertaking in the United States based on a mark-up on total costs incurred.

Revenue is recognised in the period in which the costs are incurred and once the values are approved by the Microsoft group.

Foreign currencies

Transactions in foreign currencies during the year are translated into sterling at the average rate ruling for the month of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. All exchange gains and losses are taken to the profit and loss account.

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

2 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation in respect of a past event, when it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered to be material.

Provisions for the expected cost of dilapidation obligations are built up over the period of the lease at the best estimate of the expenditure required to settle the company's obligations at the end of the lease.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

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.

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

2 Accounting policies (continued)

Financial instruments

Initial recognition

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.

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

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 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.

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

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.

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

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 there are no critical accounting judgements and no key sources of estimation uncertainty.

4 Profit for the financial year

Profit for the financial year is stated after charging

	2019 £ 000	2018 £ 000
Auditors remuneration for audit services	<u>17</u>	<u>16</u>

5 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Other finance costs	<u>2</u>	<u>-</u>

6 Other interest receivable

	2019 £ 000	2018 £ 000
Interest Receivable from parent company	-	3
Interest Receivable from fellow group undertakings	<u>24</u>	<u>13</u>
	<u>24</u>	<u>16</u>

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

7 Tax on profit/(loss)

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

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	-	(96)
UK corporation tax adjustment to prior periods	99	(13)
Total Current Tax	<u>99</u>	<u>(109)</u>
Deferred taxation		
Deferred Tax - current year	-	91
Deferred tax - prior year adjustment	-	-
Total deferred taxation	<u>-</u>	<u>91</u>
Tax expense/(receipt) in the profit and loss account	<u><u>99</u></u>	<u><u>(18)</u></u>

Reconciliation to current tax charge:

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2018 - 19%).

The actual tax charge for the current and previous years differs from the standard rate for the reasons set out in the following reconciliation:

	2019 £ 000	2018 £ 000
Profit before tax	<u>23</u>	<u>3</u>
Corporation tax at standard rate	4	1
Prior year adjustment	99	(13)
Tax decrease from utilisation of tax losses	(4)	-
Deferred tax expense/(credit) relating to changes in tax rates or laws	<u>-</u>	<u>(6)</u>
Total tax charge/(credit)	<u><u>99</u></u>	<u><u>(18)</u></u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

8 Dividends

	30 June 2019 £ 000	30 June 2018 £ 000
Final dividend of £Nil (2018 - £nil) per ordinary share	-	-

9 Debtors

	30 June 2019 £ 000	30 June 2018 £ 000
Amounts owed by fellow group undertakings	399	-
	399	-

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

10 Creditors: amounts falling due within one year

	30 June 2019 £ 000	30 June 2018 £ 000
Trade creditors	-	2
Amounts due to related parties	-	49
Other creditors	9	9
Accrued expenses	50	35
Income tax liability	3	-
	62	95

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

Lionhead Studios Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

11 Share capital

Authorised, allotted, called up and fully paid shares

	2019 £ 000	2018 £ 000
5,075,000 Ordinary A Shares of £0.01 each	51	51
993,380 Ordinary B Shares of £0.01 each	10	10
	<u>61</u>	<u>61</u>

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

'B' ordinary shareholders are not entitled to any voting rights in accordance with the company's Articles of Association. In all other respects the shares rank pari passu.

12 Related party transactions

As at 30 June 2019 and 30 June 2018, 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 9 and 10.

13 Parent and ultimate parent undertaking

The immediate parent company is Microsoft Limited. 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 at their registered address Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.