

**S Technologies Limited**

**Directors' report and financial statements**

For the year ended 30 June 2014

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**Directors**

Benjamin Owen Orndorff  
Keith Ranger Dolliver

**Company secretary**

Reed Smith Corporate Services Limited

**Independent auditors**

Deloitte LLP

**Registered Office**

The Broadgate Tower  
Third floor, 20 Primrose Street  
London EC2A 2RS

## Directors' report

The directors present their report and financial statements for the year ended 30 June 2014.

### Organisation

S Technologies Limited (the "Company") is a subsidiary of Skype Technologies S.à r.l., which is registered at 23-29, Rives de Clausen, L-2165 Luxembourg and its registration number is R.C.S. Luxembourg B 111886.

The ultimate parent of the Company is Microsoft Corporation with a registered office of Microsoft Corporation at One Microsoft Way, Redmond, Washington 98052, United States of America.

### Going concern

The Company discontinued its business as at 1 May 2012 following the transfer of its workforce and the sale of remaining assets to Microsoft Limited. The financial statements for the year ended 30 June 2014 have been prepared on a basis other than that of a going concern. There was no effect on the value of assets in the financial statements as a result of preparing the financial statements on a basis other than that of a going concern. The financial statements do not include any provision for the future costs of deregistering the Company except to the extent that such costs were committed at the end of the reporting period. The directors do not anticipate that the company will re-commence trading for the foreseeable future, see note 1 for further details.

### Results and dividends

The results for the financial year show pre-tax profit of £783,701 (year ended 30 June 2013: profit of £431,265) on revenue of £9,943 (period ended 30 June 2013: £238,343).

At 30 June 2014 the Company had net current assets of £20,491,276 (30 June 2013: £19,883,979).

The directors do not recommend the payment of a dividend for the year ended 30 June 2014 (year ended 30 June 2013: £nil).

### Principal activities and review of the business

Prior to the sale on 1 May 2012 the principal activity of the company was to provide administration, accounting, marketing support, technical support and management support services to Skype Technologies S.à r.l. and its subsidiaries (the "Skype Companies"). The company discontinued its business from 1 May 2012.

The main income recorded during the year was related to an additional tax refund receivable at year end from previous years related to employee share schemes and to interest on intercompany loans.

The results for the financial year and the financial position at the year-end were considered satisfactory by the directors.

## **Directors' report (continued)**

### **Credit risk**

Financial assets that potentially subject the Company to concentrations of credit risk consisted principally of intercompany debtors. The company's exposure to debtor risk was principally concentrated in the intra-group debt with the fellow group companies arising from the charges due under the services agreements.

### **Foreign currency and interest rate risk**

The Company's operating income and cash flows were substantially independent of changes in market interest rates.

Due to the limited risk exposure the Company did not have a specific hedging policy with respect to foreign currency exchange and interest rate risk.

### **Directors**

The directors who held office during the period and up to the date of signing the financial statements are given below:

Benjamin Owen Orndorff  
Keith Ranger Dolliver

### **Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware and confirms that, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor as they deemed necessary, each director has taken all the steps that they ought to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of S428 of the Companies Act of 2006.

## **Directors' responsibilities statement**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 auditors' report**

to the members of S Technologies Limited

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S TECHNOLOGIES LIMITED**

We have audited the financial statements of S Technologies Limited for the year ended 30 June 2014 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Independent auditors' report (continued)**

**to the members of S Technologies Limited**

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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern.


### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report.



Andrew Bond, FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Reading, United Kingdom

9 April 2015

## Profit and loss account

for the year ended 30 June 2014

		Year ended 30 June 2014	Year ended 30 June 2013
	Notes	£	£
Turnover	2	9,943	238,343
Administrative income		636,854	16,827
<b>Gross profit</b>		<b>646,797</b>	<b>255,170</b>
<b>Operating profit</b>	<b>3</b>	<b>646,797</b>	<b>255,170</b>
Interest receivable and similar income	5	136,904	176,295
Interest payable and similar charges	6	-	(200)
<b>Profit on ordinary activities before taxation</b>		<b>783,701</b>	<b>431,265</b>
Tax on profit on ordinary activities	7	(176,404)	(666,963)
<b>Profit/(loss) for the financial year</b>	<b>11, 12</b>	<b>607,297</b>	<b>(235,698)</b>

### Discontinuing operations

During the six months ending 30 June 2012, all business activities were substantially discontinued as of 1 May 2012 (see note 1 to the financial statements).

The Company has not recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 9 to 14 form part of these financial statements.



## Balance Sheet

at 30 June 2014

	Notes	30 June 2014 £	30 June 2013 £
<b>Current assets</b>			
Debtors	8	21,221,778	26,726,173
Cash at bank and in hand		941	1,552
		<b>21,222,719</b>	<b>26,727,725</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(731,443)</b>	<b>(6,843,746)</b>
<b>Net current assets</b>		<b>20,491,276</b>	<b>19,883,979</b>
<b>Total assets less current liabilities</b>		<b>20,491,276</b>	<b>19,883,979</b>
<b>Capital and reserves</b>			
Called up share capital	10	1	1
Capital contribution		1,234,285	1,234,285
Profit and loss account	11	19,256,990	18,649,693
<b>Total shareholder's funds</b>	12	<b>20,491,276</b>	<b>19,883,979</b>

The notes on pages 9 to 14 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 9  
April 2015 and were signed on its behalf by:

  
Director  
Benjamin Owen Orndorff

  
Director  
Keith Ranger Dolliver

## Notes to the financial statements (continued)

at 30 June 2014

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout the year are set out below.

#### *Going Concern*

On 1 January 2012, the Company's entire workforce in place was transferred to Microsoft Limited for total consideration of US\$1,600,000. This included the rights, title and interest in and to any and all workforce in place that the Company employed as of 1 January 2012. On 1 May 2012, all rights, title and interest in any remaining assets of the Company, including but not limited to vendor agreements and real estate, were sold to Microsoft Limited for consideration of US \$25,120,666. All business activities were ceased as of 1 May 2012.

The financial statements for the year ended 30 June 2014 have been prepared on a basis other than that of a going concern. There were no effect on the value of assets in the financial statements as a result of preparing the financial statements on a basis other than that of a going concern. The financial statements do not include any provision for the future costs of deregistering the Company except to the extent that such costs were committed at the end of the reporting period.

The Company is planned to be liquidated in the near future.

#### *Turnover*

Turnover represents amounts receivable from other group companies in respect of services carried out in accordance with the intercompany commission agreement under which a mark-up policy exists. Turnover is recognised on an accruals basis as services are provided.

#### *Cash flow statement*

The company is a wholly owned subsidiary company of a group headed by Microsoft Corporation and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### *Trade receivables*

Trade receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less allowance for any impairment as appropriate. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, where the time value of money has a material impact, discounted at the effective interest rate computed at initial recognition.

## Notes to the financial statements (continued)

at 30 June 2014

### 1. Accounting policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the profit and loss account.

### 2. Turnover

The turnover of the Company was derived from its principal activity wholly undertaken in the United Kingdom.

### 3. Operating profit

The operating profit is stated after crediting:

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Foreign exchange gain	(319,251)	(227,550)

Auditor's remuneration for audit and non-audit services has been borne by Skype Communications, a fellow group company.

### 4. Staff costs

#### (a) Staff costs

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Employee share schemes	(327,132)	-
Social security costs	-	137,547
	<b>(327,132)</b>	<b>137,547</b>

Employee share schemes during the year ended 30 June 2014 related to additional tax refunds receivable at year-end from previous years. The total refund due at 30 June 2014 amounted to £1,577,050 (2013: 695,624) (Note 8) out of which £554,294 (2013: nil) shall be reversed.

## Notes to the financial statements (continued)

at 30 June 2014

### 4. Staff costs (continued)

#### (b) Directors' remuneration

During the financial year, no (year ended 30 June 2013: nil) Directors who held office during the period were remunerated by the company as it was borne by Microsoft Limited. The amount allocated to this company was nil (2013: nil).

### 5. Interest receivable and similar income

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Interest receivable	136,904	176,295

### 6. Interest payable and similar charges

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Intercompany interest payable	-	200

### 7. Tax on profit on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
<i>Current tax:</i>		
UK corporation tax	176,401	102,876
Adjustments in respect of previous periods	3	103
<b>Total</b>	<b>176,404</b>	<b>102,979</b>
Prior year adjustment	-	563,984
<b>Tax on profit on ordinary activities</b>	<b>176,404</b>	<b>666,963</b>

## Notes to the financial statements (continued)

at 30 June 2014

### 7. Tax on profit on ordinary activities (continued)

#### (b) Factors affecting tax charge for the period/year

The tax assessed for the financial year is higher (2013: higher) than the standard rate of corporation tax in the UK of 22.5% (2013: 23.25%). The differences are explained below:

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
<b>Profit on ordinary activities before tax</b>	<b>783,701</b>	<b>3,842,619</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2013: 23.75%)	176,333	102,425
Effects of:		
Expenses not deductible for tax purposes	68	451
Adjustments in respect of previous periods	3	103
<b>Current tax for the year</b>	<b>176,404</b>	<b>102,979</b>
Prior year adjustment	-	563,984
<b>Total Tax for the year</b>	<b>176,404</b>	<b>666,963</b>

#### Factors affecting future tax charges:

In his Budget of 20 March 2013, the Chancellor of the Exchequer announced further changes to the UK corporation tax rate. This included a reduction in the UK corporation tax rate from 23% to 21% effective from 1 April 2014 and a further reduction to 20% effective from 1 April 2015. This was substantively enacted during July 2013.

The company will only recognise the impact of the rate change which is substantively enacted at that time in its financial statements.

## Notes to the financial statements (continued)

at 30 June 2014

### 8. Debtors

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Amounts owed by group undertakings	19,644,728	26,030,549
Other taxation and social security (Note 4)	1,577,050	695,624
	<b>21,221,778</b>	<b>26,726,173</b>

The Company is part of a netting and cash pooling agreement with Microsoft Global Finance. This contract attract interest at the rate of the applicable 30 day Interbank Offer on the 15th day of each month.

### 9. Creditors: amounts falling due within one year

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Amounts owed to group undertakings	745	6,767,538
Corporation tax	176,404	76,208
Other creditors	554,294	-
	<b>731,443</b>	<b>6,843,746</b>

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are interest free.

### 10. Called up share capital and capital contribution

	30 June 2014		30 June 2013	
	No.	£	No.	£
<b>Authorised:</b>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
<b>Allotted and fully paid:</b>				
Ordinary shares of £1 each	1	1	1	1

## Notes to the financial statements (continued)

at 30 June 2014

### 11. Profit and loss account

	Profit and loss account
	£
At 1 July 2013	18,649,693
Profit for the financial year	607,297
<b>At 30 June 2014</b>	<b>19,256,990</b>

### 12. Reconciliation of movements in shareholder's funds

	Year ended 30 June 2014	Year ended 30 June 2013
	£	£
Profit/Loss for the financial year	607,297	(235,698)
<b>Net addition to shareholders' funds</b>	<b>607,297</b>	<b>(235,698)</b>
Opening shareholders' funds	19,883,979	20,119,677
<b>Closing shareholders' funds</b>	<b>20,491,276</b>	<b>19,883,979</b>

### 13. Related parties

The company has taken advantage of the exemption available to 100% subsidiaries under Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with other group companies and accordingly has not disclosed transactions with entities of the Skype Global and Microsoft group. Consolidated financial statements of the ultimate parent company of the group, in which the results of S Technologies Limited are included, are publicly available.

### 14. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Skype Technologies S.à r.l. which is registered at 23-29 Rives de Clausen, L-2165 Luxembourg and its registration number is R.C.S. Luxembourg B 111 886.

The Company's ultimate holding company, Microsoft Corporation, is incorporated in the United States of America, whose registered address is One Microsoft Way, Redmond, Washington 98052, United States of America, and prepares consolidated financial statements that are publicly available.