

Company Registration No. 02611800

# Microsoft Properties UK Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2017

MONDAY



\*L6YN27X4\*

LD2

29/01/2018

#28

COMPANIES HOUSE

## **Microsoft Properties UK Limited**

### **Contents**

Officers and Professional Advisers	1
Strategic Report	2
Directors' Report	3
Directors' Responsibilities Statement	4
Independent Auditor's Report	5 to 7
Profit and Loss Account and Other Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 to 18

**Microsoft Properties UK Limited**

**OFFICERS AND PROFESSIONAL ADVISERS**

<b>Directors</b>	K R Dolliver
	B O Orndorff
	Michel Van der Bel resigned 3 October 2016
	C H Rose
<b>Company secretary</b>	Reed Smith Corporate Services Limited
<b>Registered office</b>	Microsoft Campus Thames Valley Park Reading Berkshire RG6 1WG
<b>Bankers</b>	Citibank, N.A. PO Box 449 Riverdale House Molesworth Street SE13 7EU
<b>Solicitors</b>	Reed Smith LLP Beaufort House 15 St Botolph Street London EC3A 7EE
<b>Auditors</b>	Deloitte LLP Statutory Auditor 1 Station Square Cambridge CB1 2GA
<b>Tax Advisers</b>	KPMG LLP Arlington Business Park Theale Berkshire RG7 4SD

**Microsoft Properties UK Limited**

**Strategic Report 2017**

The directors present their strategic report for the year ended 30 June 2017.

**BUSINESS REVIEW**

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

During the year the company has continued to operate satisfactorily.

The results for the year and financial position of the company are shown on pages 8 and 9.

The company generates income from the rental of properties to other group companies. The company consistently returns a profit as rental incomes exceed depreciation for the year. The company has reported a profit for the year ended 30 June 2017 of £1,181k (2016: profit of £1,333k). The company generates positive cash flows because the largest component of operating costs is the depreciation charge.

**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, OBJECTIVES AND BUSINESS MODEL**

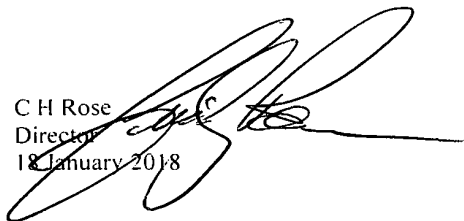
The Directors have not presented a separate analysis of the strategy, objectives or business model of the Microsoft group as this analysis has been disclosed as part of the Microsoft Corporation consolidated Form 10-K for the year ended 30 June 2017, which are publicly available. Microsoft Properties UK Limited's business model is expected to remain as it continues to hold investment properties which generate income from other entities in the group.

**RISKS AND UNCERTAINTIES**

The principal risks and uncertainties of the company are intrinsically linked to the other Microsoft group companies. Their performance continues to be strong and there is not considered to be a significant risk to the company's continuing profitability. The company has no significant borrowings or foreign exchange exposure. The company's principal financial assets are bank balances and cash, and intercompany receivables. The main liabilities of the company are due to other group companies and not considered a significant risk as their performance continues to be strong.

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

C H Rose  
Director  
18 January 2018

A handwritten signature in black ink, appearing to be 'C H Rose', written over the printed name and date.

**Microsoft Properties UK Limited**

**Directors' Report 30 June 2017**

The directors present their annual report and the audited financial statements for the year ended 30 June 2017.

**DIVIDENDS**

The directors approved a dividend for the year of £1,333k (2016: £1,190k).

**GOING CONCERN**

The company had £13 million of net current liabilities due to other group companies at 30 June 2017. The company used this financing for the construction of properties to be used by Microsoft group companies. The group could demand repayment from the company at short notice. If this happened, the company would need to find significant alternative funding at short notice. However, the company has a letter of support that Microsoft Corporation will not seek collection of the debt unless the company having made its repayment is able to meet its liabilities. This support it made available for the foreseeable future. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

**RISKS AND UNCERTAINTIES**

The principal risks and uncertainties of the company are intrinsically linked to the other Microsoft group companies. These are detailed in the Strategic Report.

**FUTURE PROSPECTS**

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

**DIRECTORS**

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

**DISCLOSURE OF INFORMATION TO THE AUDITOR**

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

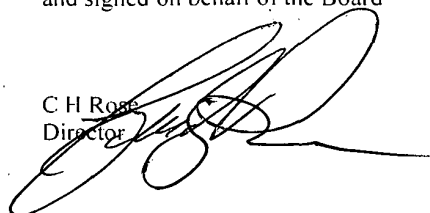
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**REAPPOINTMENT OF AUDITOR**

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

Approved by the Board of Directors on 18 January 2018  
and signed on behalf of the Board

C H Ross  
Director



## **Microsoft Properties UK Limited**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

## 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:

- give a true and fair view of the state of the company's affairs as at 30/06/2017 and of its profit 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 Microsoft Properties UK Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 2 to 15.

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.

##### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

##### 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 respect of these matters.

## **Microsoft Properties UK Limited**

### **Independent Auditor's Report (continued)**

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

#### **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.

#### **Report on other legal and regulatory requirements**

##### **Opinions 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 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.

We have nothing to report in respect of these matters.



**Microsoft Properties UK Limited**



Julian Rae (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Cambridge, United Kingdom  
Date: \_\_\_\_\_

25 January 2018

**Microsoft Properties UK Limited**

**Profit and Loss Account for the Year Ended 30 June 2017**

	Note	2017 £ 000	2016 £ 000
Turnover	2	3,007	3,007
Administrative expenses		(1,306)	(1,223)
Other interest receivable and similar income	5	5	6
Interest payable and similar expenses	6	<u>(38)</u>	<u>(76)</u>
Profit before tax	3	1,668	1,714
Tax on profit	7	<u>(487)</u>	<u>(381)</u>
Profit for the year		<u><u>1,181</u></u>	<u><u>1,333</u></u>

The above results were derived from continuing operations.

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

**Microsoft Properties UK Limited**

**(Registration number: 02611800)  
Balance Sheet as at 30 June 2017**

	Note	2017 £ 000	2016 £ 000
<b>Non Current Assets</b>			
Investment properties	9	<u>40,451</u>	<u>41,644</u>
<b>Current assets</b>			
Debtors	10	<u>2,097</u>	<u>87</u>
<b>Creditors: Amounts falling due within one year</b>			
Creditors: amounts falling due within one year	11	(14,899)	(13,920)
Corporation Tax		<u>(253)</u>	<u>(248)</u>
		<u>(15,152)</u>	<u>(14,168)</u>
<b>Net current liabilities</b>		<u>(13,055)</u>	<u>(14,081)</u>
<b>Total assets less current liabilities</b>		27,396	27,563
<b>Creditors: Amounts falling due after more than one year</b>			
Deferred tax liabilities	12	<u>(2,269)</u>	<u>(2,284)</u>
<b>Net assets</b>		<u>25,127</u>	<u>25,279</u>
<b>Capital and reserves</b>			
Called up share capital	13	23,942	23,942
Profit and loss account		<u>1,185</u>	<u>1,337</u>
Shareholders' funds		<u>25,127</u>	<u>25,279</u>

The financial statements of Microsoft Properties UK Limited, registration number 02611800, were approved and authorised for issue by the Board of Directors on 18 January 2018.

Approved by the Board and signed on its behalf by:

  
C H Rose  
Director

Microsoft Properties UK Limited

Statement of Changes in Equity for the Year Ended 30 June 2017

	Called Up Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2015	23,942	1,194	25,136
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,333	1,333
Total comprehensive income	-	1,333	1,333
Dividends (note 8)	-	(1,190)	(1,190)
At 30 June 2016	23,942	1,337	25,279

	Called Up Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 July 2016	23,942	1,337	25,279
<b>Total comprehensive income for the year</b>			
Profit for the year	-	1,181	1,181
Total comprehensive income	-	1,181	1,181
Dividends (note 8)	-	(1,333)	(1,333)
At 30 June 2017	23,942	1,185	25,127

## Microsoft Properties UK Limited

### Notes to the Financial Statements Year Ended 30 June 2017

#### 1 ACCOUNTING POLICIES

##### **Basis of preparation**

Microsoft Properties UK Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office 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 (its functional currency).

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

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

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

##### **Summary of disclosure exemptions**

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, and investment properties;
- 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.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

## **Microsoft Properties UK Limited**

### **Notes to the Financial Statements Year Ended 30 June 2017**

#### **I. ACCOUNTING POLICIES (continued)**

##### **Measurement convention**

The financial statements are prepared on the historical cost basis.

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

##### **Going concern**

The company had £13m of net current liabilities due to other group companies at 30 June 2017. The company used this financing for the construction of properties to be used by Microsoft group companies. Technically, the group could demand repayment from the company at short notice. If this happened, the company would need to find significant alternative funding at short notice. However, the company has a letter of support that Microsoft Corporation will not seek collection of the debt unless the company having made its repayment is able to meet its liabilities. This support is made available for the foreseeable future. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least 12 months. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

##### **Turnover**

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

##### **Investment properties**

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

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

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

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

Freehold buildings Over 40 years

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

##### **Financial instruments**

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

## Microsoft Properties UK Limited

### Notes to the Financial Statements Year Ended 30 June 2017

#### 1. ACCOUNTING POLICIES (continued)

##### Taxation

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

Deferred taxation is recognised without discounting, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

##### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

##### Finance 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.

#### 2 TURNOVER

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

#### 3 PROFIT FOR THE FINANCIAL YEAR

	2017 £ 000	2016 £ 000
Profit for the financial year is stated after charging		
Depreciation - owned assets	1,193	1,193
Auditor's remuneration for audit services	13	11

**Microsoft Properties UK Limited**

**Notes to the Financial Statements**  
**Year Ended 30 June 2017**

**4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

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

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

**5 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Interest receivable from fellow group undertakings	<u>5</u>	<u>6</u>

**6 INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Interest payable on loans to fellow group undertakings	<u>38</u>	<u>76</u>



**Microsoft Properties UK Limited**

**Notes to the Financial Statements  
Year Ended 30 June 2017**

**7 TAX ON PROFIT**

	<b>2017 £ 000</b>	<b>2016 £ 000</b>
<b>Current taxation</b>		
UK corporation tax	503	504
<b>Deferred taxation</b>		
Deferred Tax - current year	<u>(16)</u>	<u>(123)</u>
Tax expense in the profit and loss account	<u><u>487</u></u>	<u><u>381</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 19.75% (2016 - 20%). The actual tax charge for the current and previous years differs from the standard rate for the reasons set out in the following reconciliation:

	<b>2017 £ 000</b>	<b>2016 £ 000</b>
Profit before tax	<u>1,668</u>	<u>1,714</u>
Corporation tax at standard rate	329	343
Increase from effect of expenses not deductible in determining taxable profit	158	159
Short term timing differences	<u>-</u>	<u>(121)</u>
Total tax charge	<u><u>487</u></u>	<u><u>381</u></u>

**8 DIVIDENDS**

	<b>2017 £ 000</b>	<b>2016 £ 000</b>
Paid - £0.0557 per equity ordinary share (2016: £0.0498 per equity ordinary share)	<u><u>1,333</u></u>	<u><u>1,190</u></u>

**Microsoft Properties UK Limited**

**Notes to the Financial Statements**  
**Year Ended 30 June 2017**

**9 INVESTMENT PROPERTY**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
<b>Cost</b>		
Balance at 1 July	56,356	56,356
At 30 June	56,356	56,356
<b>Accumulated Depreciation</b>		
Balance at 1 July	14,712	13,520
Depreciation charge	1,193	1,192
At 30 June	15,905	14,712
<b>Carrying amount</b>		
Balance at 30 June	40,451	41,644

During the year £3,007,000 (2016 - £3,007,000) was recognised in income in relation to rental income from investment properties. Direct operating expenses, including depreciation, arising from investment property that generated rental income amounted to £1,193,000 (2016 - £1,193,000).

The estimated fair value of the property at 30 June 2017 is £57,800,000.

**10 DEBTORS**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Amounts owed by fellow group undertakings	2,097	-
Other debtors	-	87
Total debtors	2,097	87

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**  
**Year Ended 30 June 2017**

**11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Accrued expenses	13	-
Amounts owed to fellow group undertakings	14,886	13,920
	<u>14,899</u>	<u>13,920</u>

Interest is paid on amounts owed to group undertakings using a Reuter's 12-month interest rate. Intercompany creditors are repayable on demand. All amounts are due within one year and unsecured.

**12 PROVISION FOR LIABILITIES**

**Deferred tax**

The deferred tax liability consists of the following amounts:

	<b>2017</b> <b>£ 000</b>	<b>2016</b> <b>£ 000</b>
Timing differences in respect of capital allowances	2,269	2,284
	<u>2,269</u>	<u>2,284</u>
		<b>2017</b> <b>£ 000</b>
Balance at 30 June 2016		2,284
Charged to the profit and loss account in the year		<u>(15)</u>
Balance at 30 June 2017		<u>2,269</u>

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 21% to 20% effective from 1 April 2016, to 19% effective from 1 April 2017 and 17% effective from 1 April 2020 was substantively enacted on 15 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date. The rate change will also impact the amount of any future cash tax payments.

## Microsoft Properties UK Limited

### Notes to the Financial Statements Year Ended 30 June 2017

#### 13 CALLED UP SHARE CAPITAL

##### Authorised, allotted, called up and fully paid shares

	2017 £ 000	2016 £ 000
Ordinary shares of £1 each	50	50
Redeemable ordinary shares of £1 each	23,892	23,892
	<u>23,942</u>	<u>23,942</u>

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.

#### 14 RELATED PARTY TRANSACTIONS

As at 30 June 2017 and 30 June 2016, 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 10 and 11.

#### 15 PARENT AND ULTIMATE CONTROLLING PARTY

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 on written request from the Investor Relations Department, at the registered address Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.