

Company Registration No. 07057499 (England and Wales)

Playground Games Limited

**Annual report and financial statements
for the year ended 31 December 2021**

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Playground Games Limited

Company Information

Directors	Benjamin Orndorff Keith Dolliver
Secretary	Reed Smith Corporate Services Limited
Company number	07057499
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London United Kingdom EC2A 2RS
Independent auditor	Deloitte LLP Abbots House Abbey Street Reading RG1 3BD United Kingdom

Playground Games Limited

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Playground Games Limited

Strategic report

For the year ended 31 December 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

The primary purpose of Playground Games Limited "the Company" is the writing and development of video games software.

In the year the Company made a profit of £1,173,836 (2020 - loss of £497,913). The Company continued to make an operating loss, this loss being due to application of the recharges of expenses and associated turnover to its subsidiary company, PG Game Development Limited. As part of this a true up charge relating to 2019 was taken in 2020. The Company is expected to show a nominal profit margin under the recharge model in future years. The Playground group as a whole continues to be profitable.

In the year ended 31 December 2021 the Company continued development on Forza Horizon 4 with monthly content releases, and released Forza Horizon 5, which has been very successful. The Company also continued development on Fable.

The Company operated as a key strategic franchisee, developing products to requirements specified by its holding company with the main aim of increasing market share and profitability for the Group.

The Company continues to perform to plan and is monitored by its holding company by way of a three year rolling plan.

The Company continues to work to maximise the potential of Playground group's innovation in the electronic gaming sector.

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.

Working Capital

The Company has a strong working capital position. The directors continue to monitor this closely to ensure that the maximum advantage is made of the funds available.

Principal risks and uncertainties

The Company's activities expose it to a number of financial risks including credit, liquidity and market. 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.

Credit risk

The Company's principal financial assets are amounts owed by group undertakings. The Company's credit risk is primarily attributable to its intercompany debtors; this is not considered a significant risk as the performance of other group companies continues to be strong.

Playground Games Limited

Strategic report (continued)

For the year ended 31 December 2021

Liquidity risk

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

Market risk

The Company's long-term success is dependent on its ability to attract and retain talented employees, to remain at the forefront of technological advances and wider long-term market trends.

The business has considered the future effects of Brexit. These are likely limited to creating some friction in engaging new staff from the EU and an increase in associated costs to hire EU staff members.

The Company and Group continue to invest in attracting and retaining high-calibre individuals and developing new technology to mitigate these risks.

COVID-19

The occurrence of regional epidemics or a global pandemic such as COVID-19 may adversely affect our operations, financial condition, and results of operations. The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The extent to which global pandemics impact our business going forward will depend on factors such as the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. Management have evaluated the financial impact of COVID-19 on the entity operations, solvency and liquidity and to date no significant impacts as a result of COVID-19 have been identified to cast doubt on the entity's ability to continue as a going concern.

Strategy, objectives and business model

The directors have not presented a separate analysis of the strategy, objectives or business model of the Microsoft group because this analysis will be disclosed as part of the Microsoft Corporation consolidated Form 10-K for the year ended 30 June 2021, which are publicly available.

Environment

The directors have considered the importance of climate change and working towards Microsoft's strategy for a sustainable future which focuses on climate, ecosystems, water and waste. On climate, this includes a commitment to becoming carbon negative by 2030, shifting to 100% renewable energy by 2025 and investing in new technologies and innovative sustainability solutions.

Approved for issue by the board of directors and signed on its behalf by

.....
Benjamin Orndorff

Director

Date: 25 April 2023

Playground Games Limited

Directors' report

For the year ended 31 December 2021

The directors present their Annual Report and audited financial statements of Playground Games Limited (the "Company") for the year ended 31 December 2021.

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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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.

Results and dividends

The results for the year are set out on page 10.

The Company paid ordinary dividends of £20,000,000 during the year (2020: £nil). The directors do not recommend payment of a final dividend (2020: £nil).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Benjamin Orndorff
Keith Dolliver

Playground Games Limited

Directors' report (continued)

For the year ended 31 December 2021

Going concern

The Company runs on a guaranteed earnings commission model with Microsoft, however is reliant on Microsoft as a sole customer.

At the time of approving the financial statements, the Company has a letter of support that Microsoft Corporation will guarantee the solvency of the Company and provide it with sufficient financing resources for at least 12 months from the date of signing.

The directors have a reasonable expectation that the Company and Microsoft Corporation have adequate resources to continue in operational existence for the foreseeable future at least no less than 12 months from the signing of these financial statements. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Future developments

The Company will continue with the principal activities as outlined in the strategic report. The Company continues to do business with other group companies and the board is looking forward to sustaining the level of revenue and profits in the following years.

Financial risk management

It is a primary objective and policy of the directors of the Company to identify financial risks and investigate suitable procedures to minimise the perceived risk. In the video games software industry there is a financial risk inherent in the costs incurred in producing software prior to sales. The directors have put in place safeguards to minimise the Company's exposure to risk. Please see the Strategic Report for further details on financial risk management.

Disabled persons

Employment policies are designed to provide equal opportunity, irrespective of age, sex, religion, race or marital status. Applications for employment by disabled persons are given full and fair consideration and, where practicable, provision is made for special needs. The Company applies the same criteria to disabled employees for training, career development and promotion as to any other employee. If existing employees become disabled, every effort is made to ensure their continued employment.

Playground Games Limited

Directors' report (continued)

For the year ended 31 December 2021

Employee involvement

It is the Company's policy to keep employees fully informed of matters affecting them as employees and to make them aware of the financial and economic factors influencing company performance.

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Encouragement is given to employees to contribute towards the Company's financial performance by means of an annual bonus scheme for certain employees.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

Each of the persons who are directors at the time when this Directors Report is approved has confirmed 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 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.

The auditor Deloitte LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved for issue by the board of directors and signed on its behalf by

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Benjamin Orndorff
Director

Date: 25 April 2023

Playground Games Limited

Independent auditor's report

To the member of Playground Games Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Playground Games Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

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

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Playground Games Limited

Independent auditor's report (continued)
To the member of Playground Games Limited

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection regulations (GDPR), the UK bribery Act and Health and Safety Laws.

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

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

Occurrence of payroll expenditure:

- we performed testing over the design and implementation of controls focusing on the occurrence of payroll expenses performed by management.
- tested a sample of payroll expenses and verified the existence of employees to confirm expenses recorded are valid.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Playground Games Limited

Independent auditor's report (continued)
To the member of Playground Games Limited

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

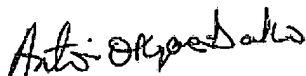
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Antwi Okyere-Darko, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

25/04/23

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Playground Games Limited

**Statement of comprehensive income
For the year ended 31 December 2021**

		2021	2020
	Notes	£	£
Turnover	4	30,103,590	27,253,046
Cost of sales		(22,620,656)	(19,024,891)
Gross profit		7,482,934	8,228,155
Administrative expenses		(10,055,998)	(8,911,852)
Operating loss	5	(2,573,064)	(683,697)
Interest receivable and similar income	8	3,008,353	63,634
Profit/(loss) before taxation		435,289	(620,063)
Tax credit on profit/(loss)	9	738,547	122,150
Profit/(loss) for the financial year		1,173,836	(497,913)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income for 2021 (2020: £NIL).

The notes on pages 13 to 24 form part of these financial statements.

Playground Games Limited

Balance sheet

As at 31 December 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Tangible assets	11	5,958,101		6,350,460	
Investments	12		1		1
		<u>5,958,102</u>		<u>6,350,461</u>	
Current assets					
Debtors	14	8,488,684	26,390,032		
Cash at bank and in hand		7,198	7,454		
		<u>8,495,882</u>	<u>26,397,486</u>		
Creditors: amounts falling due within one year	15	<u>(3,468,674)</u>	<u>(2,936,473)</u>		
Net current assets		<u>5,027,208</u>		<u>23,461,013</u>	
Total assets less current liabilities		<u>10,985,310</u>		<u>29,811,474</u>	
Net assets		<u>10,985,310</u>		<u>29,811,474</u>	
Capital and reserves					
Called up share capital	17	14,280		14,280	
Profit and loss account		10,971,030		29,797,194	
Total equity		<u>10,985,310</u>		<u>29,811,474</u>	

The notes on pages 13 to 24 form part of these financial statements.

25/04/2023 The financial statements were approved by the board of directors and authorised for issue on 25/04/2023 and are signed on its behalf by:

Benjamin Orndorff
Director

Company Registration No. 07057499

Playground Games Limited

Statement of changes in equity

For the year ended 31 December 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
At 1 January 2020		14,280	30,295,107	30,309,387
Loss and total comprehensive expense for the period		-	(497,913)	(497,913)
At 31 December 2020		14,280	29,797,194	29,811,474
Profit and total comprehensive income for the year		-	1,173,836	1,173,836
Dividends	10	-	(20,000,000)	(20,000,000)
At 31 December 2021		14,280	10,971,030	10,985,310

The notes on pages 13 to 24 form part of these financial statements.

Playground Games Limited

Notes to the financial statements

For the year ended 31 December 2021

1 General information

Playground Games Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The registered office is The Broadgate Tower Third Floor, 20 Primrose Street, London, United Kingdom, EC2A 2RS. The principal activity of the company is the writing and development of video games software.

2 Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the historical cost basis.

These financial statements have been prepared in compliance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The financial statements are prepared in sterling, which is the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest £.

2.2 Consolidation

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Microsoft Corporation, which may be obtained from the Investor Relations Department, Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.

Under s401 the Company is not required to prepare consolidated financial statements.

2.3 Going concern

The Company runs on a guaranteed earnings commission model with Microsoft, however is reliant on Microsoft as a sole customer.

At the time of approving the financial statements, the Company has a letter of support that Microsoft Corporation will guarantee the solvency of the Company and provide it with sufficient financing resources for at least 12 months from the date of signing.

The directors have a reasonable expectation that the Company and Microsoft Corporation have adequate resources to continue in operational existence for the foreseeable future at least no less than 12 months from the signing of these financial statements. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

2.4 Turnover

Turnover represents commission received from the ultimate parent undertaking in the United States based on a mark-up on total costs incurred (on an arm's length basis) and commission received from the subsidiary company based on recharges of costs incurred. Revenue is recognised in the period in which the costs are incurred.

2 Accounting policies (continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

2.5 Taxation

The tax expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in capital and reserves. In this case tax is recognised in other comprehensive income or directly in capital and reserves, respectively.

Current tax

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of timing difference.

2.6 Foreign currencies

Foreign currency transactions are initially recorded in functional currency, applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

2.7 Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of the lease incentives is recognised as reduction to expense over the lease term, on a straight-line basis.

2.8 Tangible fixed assets

Tangible fixed assets are initially recorded at cost and subsequently stated at cost less any accumulated depreciation and impairment losses.

2 Accounting policies (continued)

Depreciation

Depreciation is calculated so as to write off the cost or valuation of assets less their residual value over the useful economic life of that asset as follows:

Leasehold improvements	straight line over the life of the lease
Fixtures and fittings	20% straight line
Computer equipment	33% straight line

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

2.9 Fixed asset investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

2.10 Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event; it is probable that the entity will be required to transfer economic benefits in a settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in the profit or loss unless the provision was originally recognised as a part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised in the finance costs in the profit or loss in the period it arises.

2.11 Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised in finance costs in the profit or loss in the period in which it arises.

2 Accounting policies (continued)

2.12 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by the FRS 102 'The financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b), 12.29A, and 12.30;
- the requirements of Section 26 Share-based payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 'Related Party Disclosures': paragraph 33.7.

Where relevant, equivalent disclosures have been given in the consolidated financial statements of Microsoft Corporation as at 30 June 2021. These financial statements are available to the public and can be obtained as set out in note 20.

2.13 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.14 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. Third-party and intercompany payables and receivables are initially recognised at fair value and subsequently at amortised cost less any provision for impairment.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

2 Accounting policies (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

2.15 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 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.

Playground Games Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 directors do not consider there to be any critical accounting judgements or estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

4 Turnover

	2021	2020
	£	£
Turnover analysed by class of business		
Commission received	30,103,590	27,253,046
	<u> </u>	<u> </u>
	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	25,145,930	30,266,289
United States of America	4,957,660	(3,013,243)
	<u> </u>	<u> </u>
	30,103,590	27,253,046
	<u> </u>	<u> </u>

The 2020 value attributable to the United States of America is negative due to a 2019 true up charge that was taken in 2020 in respect of the application of recharge expenses and associated turnover.

5 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging:		
Exchange losses	4,865	7,345
Depreciation of tangible fixed assets	3,307,773	2,827,118
Operating lease rentals	788,724	796,851
Fees payable for the audit of the financial statements	63,000	59,436
	<u> </u>	<u> </u>

No non-audit services were provided by the company's auditors.

Playground Games Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

6 Staff costs

Staff costs, including directors' remuneration, were as follows:

	2021	2020
	£	£
Wages and salaries	21,102,618	17,503,762
Social security costs	2,400,654	2,239,179
Pension costs	1,168,367	986,440
	<u>24,671,639</u>	<u>20,729,381</u>

The average number of persons employed by the Company during the year was as follows:

	2021	2020
	Number	Number
Operational staff	316	244
	<u>316</u>	<u>244</u>

7 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was £nil - (2020: £nil)

The highest paid director received remuneration of £nil (2020 - £nil).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2020 - £nil).

Directors' remuneration is borne by another group company.

Playground Games Limited**Notes to the financial statements (continued)
For the year ended 31 December 2021****8 Interest receivable and similar income**

	2021	2020
	£	£
Intercompany interest receivable	8,348	59,912
Other interest receivable	5	3,722
	<u>8,353</u>	<u>63,634</u>
Total interest revenue	8,353	63,634
Dividend income from shares in group undertakings	3,000,000	-
	<u>3,008,353</u>	<u>63,634</u>

9 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	(751)	136,625
	<u>(751)</u>	<u>136,625</u>
Deferred tax		
Origination and reversal of timing differences	(456,866)	(258,775)
Changes in tax rates	(277,151)	-
Adjustment in respect of prior periods	(3,779)	-
	<u>(737,796)</u>	<u>(258,775)</u>
Total deferred tax	(737,796)	(258,775)
	<u>(737,796)</u>	<u>(258,775)</u>
Total tax credit	(738,547)	(122,150)
	<u>(738,547)</u>	<u>(122,150)</u>

Playground Games Limited**Notes to the financial statements (continued)
For the year ended 31 December 2021****9 Taxation (continued)**

The actual credit for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit/(loss) before taxation	435,289	(620,063)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	82,705	(117,812)
Tax effect of expenses that are not deductible in determining taxable profit	(867)	14,277
Tax effect of income not taxable in determining taxable profit	(570,000)	-
Adjustments in respect of prior years	(4,531)	-
Depreciation on assets not qualifying for tax allowances	31,335	-
Tax rate changes	(277,189)	(18,614)
Rounding	-	(1)
Taxation credit for the year	(738,547)	(122,150)

The Finance Bill 2021, which was substantively enacted in May 2021, included provisions to increase the rate of UK corporation tax for larger companies to 25%, with effect from 1 April 2023. Deferred taxation has been measured at the substantively enacted tax rates that are expected to apply in the periods in which the respective assets or liabilities are expected to reverse. Accordingly, a rate of 25% has been applied when calculating deferred tax as at the reporting date.

10 Dividends

	2021 £	2020 £
Interim paid	20,000,000	-

The directors do not recommend payment of a final dividend.

Playground Games Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

11 Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2021	4,521,741	660,008	9,062,534	14,244,283
Additions	103,956	3,198	2,808,260	2,915,414
At 31 December 2021	4,625,697	663,206	11,870,794	17,159,697
Depreciation and impairment				
At 1 January 2021	1,977,124	340,847	5,575,852	7,893,823
Depreciation charged in the year	866,370	106,175	2,335,228	3,307,773
At 31 December 2021	2,843,494	447,022	7,911,080	11,201,596
Carrying amount				
At 31 December 2021	1,782,203	216,184	3,959,714	5,958,101
At 31 December 2020	2,544,617	319,161	3,486,682	6,350,460

12 Fixed asset investments

	Trade investments
	£
Cost or valuation	
At 1 January 2021	1
At 31 December 2021	1
At 31 December 2020	1

Playground Games Limited**Notes to the financial statements (continued)**
For the year ended 31 December 2021**13 Investment in group undertakings**

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name	Class of shares held	% Held Direct	Address
PG Game Development Limited	Ordinary	100	The Broadgate Tower, Third Floor, 20 Primrose Street, London, United Kingdom, EC2A 2RS

The nature of business for PG Game Development Limited is development of video games.

14 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Corporation tax recoverable	164,824	1,110,404
Amounts owed by group undertakings	6,216,556	23,817,542
Other debtors	356,265	179,342
Prepayments and accrued income	596,244	865,746
	<u>7,333,889</u>	<u>25,973,034</u>
Deferred tax asset (note 16)	-	416,998
	<u>7,333,889</u>	<u>26,390,032</u>
	2021	2020
	£	£
Amounts falling due after more than one year:		
Deferred tax asset (note 16)	<u>1,154,794</u>	<u>-</u>
Total debtors	<u>8,488,683</u>	<u>26,390,032</u>

Amounts owed by group undertakings is a loan to Microsoft Corporation, the ultimate parent company. This loan is repayable on demand and carries a variable interest rate. All amounts are due within one year and are unsecured.

Amounts owed by subsidiary undertaking is recharges to PG Game Development Limited. All amounts are interest free, due within one year and are secured.

Playground Games Limited**Notes to the financial statements (continued)
For the year ended 31 December 2021****15 Creditors: amounts falling due within one year**

	2021	2020
	£	£
Bank loans and overdrafts	614	-
Trade creditors	187,803	428,592
Amounts owed to group undertakings	460,572	208,058
Taxation and social security	486,858	381,850
Other creditors	249,480	183,317
Accruals and deferred income	2,083,347	1,734,656
	<u>3,468,674</u>	<u>2,936,473</u>

The intercompany loan is held with PG Game Development Limited, a wholly owned subsidiary. This loan is non-interest bearing and is repayable on demand. All amounts are due within one year and are unsecured.

16 Deferred taxation

	2021	2020
	£	£
At beginning of year	416,998	158,223
Credit to profit or loss	737,796	258,775
	<u>1,154,794</u>	<u>416,998</u>

A deferred tax asset of £1.15m has been recognised at 31 December 2021 (2020: deferred tax asset of £417k). This asset, which relates to other timing differences and tax losses has been recognised in the financial statements on the basis that the Directors are of the opinion, based on recent and forecast trading, that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of these timing differences can be deducted within 12 months of the year end.

	2021	2020
	£	£
Accelerated capital allowances	861,351	395,838
Short term timing differences - trading	45,981	21,160
Losses	247,462	-
	<u>1,154,794</u>	<u>416,998</u>

Playground Games Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

17 Share capital

	2021	2020
	£	£
Ordinary share capital		
Issued and fully paid		
14,280 ordinary shares of £1 each (2020: 14,280)	14,280	14,280

18 Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	£	£
Not later than 1 year	760,147	756,334
Later than 1 year and not later than 5 years	2,954,778	2,946,883
Later than 5 years	476,002	1,260,300
	<u>4,190,927</u>	<u>4,963,517</u>

19 Employee benefits

Defined contribution plans

The amount recognised in profit or loss in relation to defined contribution plans was £1,168,367 (2020: £986,440).

20 Ultimate controlling party

Microsoft Corporation, a company incorporated in the state of Washington in the United States of America is the ultimate controlling party and 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.

The immediate parent undertaking is Playground Games Holdings Limited.