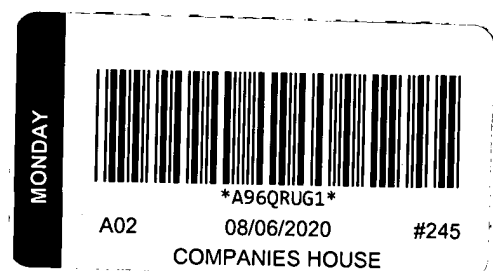


Registered number: 08848868

Playground Games Holdings Limited

Directors' report and financial statements

For the year ended 31 December 2018



Company Information

Directors	Keith R Dolliver (appointed 30 May 2018) Benjamin O Orndorff (appointed 30 May 2018)
Registered number	08848868
Registered office	The Broadgate Tower Third Floor 20 Primrose Street London United Kingdom EC2A 2RS
Independent auditors	Deloitte LLP Statutory Auditor Abbots House Abbey Street Reading RG1 3BD

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Directors' report
For the year ended 31 December 2018

The directors present their Annual report and the audited financial statements for the year ended 31 December 2018.

Acquisition

The ultimate parent undertaking is Microsoft Corporation (Microsoft). Microsoft is based in the USA and is listed on the New York Stock Exchange (NYSE). On 30 May 2018, Microsoft acquired Playground Games Holdings Limited. The results of the Company will be consolidated by Microsoft commencing in the accounting period ending 30 June 2018.

Directors' responsibilities statement

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the audited 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 audited financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the audited 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 to enable them to ensure that the audited 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.

Principal activity

The Company's principal activity is that of a holding company, which serves to hold the investments in Playground Games Limited and Playground Mobile Limited.

Results

The Company did not trade during the current or preceding year and accordingly no Profit and loss account has been prepared. The Company has not received any income or incurred any expense or recognised any other recognised gains or losses during the current or preceding year.

Directors' indemnities

No Directors' indemnities have been granted during the year (2017: £nil).

Directors' report (continued)
For the year ended 31 December 2018

Directors

Gavin Raeburn (resigned 30 May 2018)
Trevor R Williams (resigned 30 May 2018)
Nicholas C Wheelwright (resigned 30 May 2018)
Ralph M Fulton (resigned 30 May 2018)
Keith R Dolliver (appointed 30 May 2018)
Benjamin O Orndorff (appointed 30 May 2018)

Principal risks and uncertainties

The beginning of 2020 saw a major outbreak of coronavirus (COVID19) which has been declared by the World Health Organisation to be a pandemic. This pandemic has occurred after the Company's year-end and is considered a non-adjusting adjusting post balance sheet event. The pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets and business practices.

Global and local crisis management teams have been put in place by Microsoft to monitor the COVID-19 situation closely and to anticipate and react to the evolving circumstances. To protect the health and well-being of our employees, suppliers, and customers, Microsoft have made substantial modifications to employee travel policies, implemented retail store and office closures as employees are advised to work from home, and cancelled or shifted our conferences and other marketing events to virtual-only.

The extent to which the COVID-19 pandemic impacts Microsoft going forward will depend on numerous evolving factors we cannot reliably predict, including 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. These factors may adversely impact consumer, business, and government spending on technology as well as customers' ability to pay for our products and services on an ongoing basis. This uncertainty also affects management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including investments, receivables, and forward-looking guidance.

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. Management acknowledge that these uncertain times can have a huge impact on people and organisations and keeps monitoring these uncertainties closely. Measures to contain the virus that impact us, our partners, distributors, and suppliers may further intensify these impacts and other risks. Any of these may adversely impact Microsoft's ability to:

- Maintain our operations infrastructure, including the reliability and adequate capacity of cloud services.
- Satisfy our contractual and regulatory compliance obligations as we adapt to changing usage patterns, such as through datacenter load balancing.
- Ensure a high-quality and consistent supply chain and manufacturing operations for our hardware devices and datacenter operations.
- Effectively manage our international operations through changes in trade practices and policies.
- Hire and deploy people where we most need them.
- Sustain the effectiveness and productivity of our operations including our sales, marketing, engineering, and distribution functions.

We may incur increased costs to effectively manage these aspects of our business. If we are unsuccessful it may adversely impact our revenues, cash flows, market share growth, and reputation.

Directors' report (continued)
For the year ended 31 December 2018

Going concern

The beginning of 2020 saw a major outbreak of coronavirus (COVID19) which has been declared by the World Health Organisation to be a pandemic. Management have evaluated the financial impact of COVID-19 on the entity operations, solvency and liquidity and to date no significant negative impacts as a result of COVID-19 have been identified to cast doubt on the entity's ability to continue operating as a going concern in the foreseeable future. Management acknowledge that these unpredictable times can have a huge impact on people and organizations and keeps monitoring these uncertainties very closely.

The directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future, and have given consideration to potential impacts of the COVID-19 pandemic. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

No other events occurred after the balance sheet date that would impact significantly on the financial statements.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

Deloitte LLP was appointed as auditors for the Company in the current year.

The auditors, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 2 June 2020 and signed on its behalf.


Benjamin O. Orndorff
Director

Independent auditors' report to the shareholders of Playground Games Holdings Limited

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its nil profit/loss 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 profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 6.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

Independent auditors' report to the shareholders of Playground Games Holdings Limited (continued)

Other information (continued)

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 1, 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.

Independent auditors' report to the shareholders of Playground Games Holdings Limited (continued)

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

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

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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:

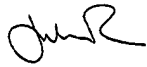
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures 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.

Independent auditors' report to the shareholders of Playground Games Holdings Limited (continued)



Julian Rae (Senior statutory auditor)
for and on behalf of
Deloitte LLP
Reading
Date 2 June 2020

Profit and loss account
For the year ended 31 December 2018

The Company has not traded during the year or the preceding financial year. During these periods, the Company received no income and incurred no expenditure and therefore made neither profit nor loss.

The audit and non-audit fees and directors remuneration are borne by another group entity.

The notes on pages 11 to 13 form part of these financial statements.

Balance sheet
As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	3	14,380	14,380
		<u>14,380</u>	<u>14,380</u>
 Creditors: amounts falling due within one year	 4	 (100)	 (100)
Net current liabilities		(100)	(100)
Total assets less current liabilities		14,280	14,280
 Net assets		 14,280	 14,280
 Capital and reserves			
Called up share capital	5	14,280	14,280
		<u>14,280</u>	<u>14,280</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

2 June 2020

Benjamin O. Orndorff
Director

The notes on pages 11 to 13 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2018

	Called up share capital £	Total equity £
At 1 January 2017	14,280	14,280
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Total transactions with owners	-	-
At 1 January 2018	14,280	14,280
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Total transactions with owners	-	-
At 31 December 2018	14,280	14,280

The notes on pages 11 to 13 form part of these financial statements.

**Notes to the financial statements
For the year ended 31 December 2018**

1. Statutory Information

Playground Games Holdings Limited is a company limited by shares incorporated in England and Wales. The registered office is The Broadgate Tower Third Floor, 20 Primrose Street, London, United Kingdom, EC2A 2RS. In the prior year the Company filed consolidated financial statements but has taken the exemption not to file consolidated financial statements in the current year.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

2.2 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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Microsoft Corporation as at 30 June 2018 and these financial statements may be obtained from 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.

2.3 Valuation of investments

Investments in subsidiaries are measured at cost.

Notes to the financial statements
For the year ended 31 December 2018

3. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	14,380
At 31 December 2018	<u>14,380</u>
Net book value	
At 31 December 2018	<u>14,380</u>
At 31 December 2017	<u>14,380</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Playground Games Limited	Ordinary	100 %	Development of video game software
Playground Mobile Limited	Ordinary	100 %	Dormant

The registered office for all the above subsidiaries is:

The Broadgate Tower, Third Floor, 20 Primrose Street, London, EC2A 8RS.

4. Creditors: Amounts falling due within one year

	2018 £	2017 £
Amounts owed to group undertakings	100	100
	<u>100</u>	<u>100</u>

Amounts owed to group undertakings are the repayable on demand.

Notes to the financial statements
For the year ended 31 December 2018

5. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,428,000 (2017 - 1,428,000) Ordinary shares of £0.01 each	<u>14,280</u>	<u>14,280</u>

6. Controlling party

On 30 May 2018, the acquisition of Playground Games Holding Limited by Microsoft Corporation was declared unconditional, making this entity the Company's ultimate parent undertaking, from this date.

Microsoft Corporation, a company incorporated in the state of Washington in the United States of America is the parent of the only group into which the results are consolidated. Copies of Microsoft Corporation's annual report are available on written request from the Investor Relations Department at their registered address Microsoft Corporation, 1 Microsoft Way, Redmond, Washington, 98052-6399, USA.