

MICROSOFT PROPERTIES UK LIMITED

Report and Financial Statements

52 weeks ended 29 June 2007

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REPORT AND FINANCIAL STATEMENTS 2007

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REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J A Seethoff (resigned 3 July 2006)
A J Baker (resigned 31 July 2006)
K R Dolliver
B O Orndorff
G R Frazer (appointed 31 July 2006)

SECRETARY

R B Secretarial Limited

REGISTERED OFFICE

Microsoft Campus
Thames Valley Park
Reading
Berkshire
RG6 1WG

BANKERS

National Westminster Bank Plc
12 The High Street
Windsor
Berkshire
SL4 1LQ

SOLICITORS

Reed Smith Richards Butler LLP
Beaufort House
15 Botolph Street
London
EC3A 7EE

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

TAX ADVISERS

KPMG LLP
Arlington Business Park
Theale
Berkshire
RG7 4SD

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 52 weeks ended 29 June 2007

The Directors have taken advantage of the provisions under s 234ZZB of the Companies Acts 1985 and have not prepared an enhanced business review

ACTIVITIES

The principal activity of the company is property investment

REVIEW OF DEVELOPMENTS

During the period the company has continued to operate satisfactorily

The profit and loss account is shown on page 5 All turnover derived from property rental income There was no movement in turnover year on year The company recorded profit after tax for the 52 weeks ended 29 June 2007 of £442,000 (2006 £97,000)

DIVIDENDS

The directors have not proposed the payment of a dividend for the year (2006 £nil)

FUTURE PROSPECTS

The company is soundly placed to continue its current activities

DIRECTORS

The directors who served during the period and to the date of signing are listed on page 1

AUDITORS

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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

Approved by the Board and signed on its behalf by



G R Frazer
Director

29 April 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSOFT PROPERTIES UK LIMITED

We have audited the financial statements of Microsoft Properties UK Limited for the year ended 29 June 2007 which comprise the Profit and Loss Account the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

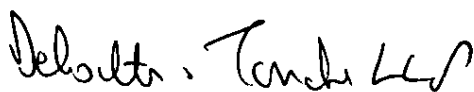
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 June 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Reading, United Kingdom

30 April 2008

MICROSOFT PROPERTIES UK LIMITED

PROFIT AND LOSS ACCOUNT

52 weeks ended 29 June 2007

	Note	52 weeks ended 29 June 2007 £'000	52 weeks ended 30 June 2006 £'000
TURNOVER	2	1,537	1,537
GROSS PROFIT		1,537	1,537
Administrative expenses		(493)	(1,162)
OPERATING PROFIT	3	1,044	375
Interest payable and similar charges	5	(482)	(1)
Interest receivable and similar income	6	17	64
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		579	438
Tax charge on profit on ordinary activities	7	(137)	(341)
RETAINED PROFIT FOR THE FINANCIAL YEAR	13	442	97

There are no recognised gains and losses for the current and preceding financial periods other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses is given.

All amounts derive from continuing activities.

MICROSOFT PROPERTIES UK LIMITED

BALANCE SHEET

29 June 2007

	Note	29 June 2007 £'000	30 June 2006 £'000
FIXED ASSETS			
Tangible assets	8	45,044	24,541
CURRENT ASSETS			
Debtors	9	3,509	159
Cash at bank and in hand		3,001	1,051
		<u>6,510</u>	<u>1,210</u>
CREDITORS: amounts falling due within one year	10	<u>(25,579)</u>	<u>(950)</u>
NET CURRENT ASSETS		<u>(19,069)</u>	<u>260</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,975	24,801
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(1,485)</u>	<u>(753)</u>
NET ASSETS		<u>24,490</u>	<u>24,048</u>
CAPITAL AND RESERVES			
Called up share capital	12	23,942	23,942
Profit and loss account	13	548	106
SHAREHOLDERS' FUNDS	13	<u>24,490</u>	<u>24,048</u>

These financial statements were approved by the Board of Directors on 29 April 2008

Signed on behalf of the Board of Directors



G R Frazer
Director

NOTES TO THE ACCOUNTS

52 weeks ended 29 June 2007

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. These have been consistently applied in both the current and preceding financial periods.

Accounting convention

The financial statements are prepared under the historical cost convention.

The properties do not qualify to be treated as investment properties as defined by SSAP19 and accordingly have not been revalued to market value but are subject to annual depreciation.

Cash flow statement

Under FRS1 "Cash flow statements" the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Fixed assets

Fixed assets are stated in the balance sheet at cost less accumulated depreciation. Provision is made for permanent diminution in value.

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

Freehold buildings	Over 40 years
Assets in the course of construction	Not depreciated
Land	Not depreciated

During the year the expected useful life of freehold buildings was extended from 15 years to 40 years (see note 8).

Residual value is calculated on prices prevailing at the date of acquisition.

Financial Period

The financial year is the fifty two or fifty three week period ending on the Friday closest to 30 June.

Taxation

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

Deferred taxation is provided in full on material timing differences at the rate of taxation anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities recognised have not been discounted.

2. TURNOVER

Turnover represents rental income arising in the United Kingdom.

NOTES TO THE ACCOUNTS

52 weeks ended 29 June 2007

3. OPERATING PROFIT

	52 weeks ended 29 June 2007 £'000	52 weeks ended 30 June 2006 £'000
Operating profit is stated after charging.		
Depreciation – owned assets	359	1,162

The auditors' remuneration has been borne by another group company in both the current and prior periods

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors receive their remuneration for services to group companies from Microsoft Corporation. The proportion of this remuneration that is allocated to their services to Microsoft Properties UK Limited is £nil (2006 £nil)

The company had no employees during the 52 week period ended 29 June 2007 (52 weeks ended 30 June 2006 nil)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 29 June 2007 £'000	52 weeks ended 30 June 2006 £'000
Interest payable to fellow subsidiary company	482	1

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 29 June 2007 £'000	52 weeks ended 30 June 2006 £'000
Interest receivable from parent company	17	64

NOTES TO THE ACCOUNTS
52 weeks ended 29 June 2007

7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 29 June 2007 £'000	52 weeks ended 30 June 2006 £'000
Current tax		
United Kingdom corporation tax – current year	(522)	214
Adjustment in respect of prior years	(73)	-
	<hr/>	<hr/>
Total current tax	(595)	214
Deferred tax (note 11) – capital allowances in excess of depreciation	732	127
	<hr/>	<hr/>
Total tax charge for the period	<u>137</u>	<u>341</u>

Reconciliation to current tax charge:

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and previous years differs from the standard rate for the reasons set out in the following reconciliation

	2007 %	2006 %
Corporation tax at standard rate	30	30
Expenses not deductible for tax purposes	12	48
Capital allowances in excess of depreciation	(132)	(29)
Adjustment in respect of prior years	(13)	-
	<hr/>	<hr/>
Total current tax charge	<u>(103)</u>	<u>49</u>

NOTES TO THE ACCOUNTS
52 weeks ended 29 June 2007

8. TANGIBLE FIXED ASSETS

	Buildings £'000	Land £'000	Total £'000
Cost			
At 1 July 2006	20,237	8,812	29,049
Additions	20,862	-	20,860
	<u>41,099</u>	<u>8,812</u>	<u>49,909</u>
At 29 June 2007			
Depreciation			
At 1 July 2006	4,508	-	4,508
Charge for the period	359	-	359
	<u>4,867</u>	<u>-</u>	<u>4,867</u>
At 29 June 2007			
Net book value			
At 29 June 2007	<u>36,232</u>	<u>8,812</u>	<u>45,044</u>
At 30 June 2006	<u>15,729</u>	<u>8,812</u>	<u>24,541</u>

The directors have reassessed the useful economic life the buildings to 40 years (previously 15 years) This change took effect from 1 July 2006 The impact of this change was to lower the depreciation charge in the 52 weeks ended 29 June 2007 by £804,000 and increase fixed assets net book value by the same amount

9. DEBTORS

	29 June 2007 £'000	30 June 2006 £'000
Corporation tax recoverable	696	-
Amounts recoverable from fellow subsidiaries	2,100	-
Other debtors	713	159
	<u>3,509</u>	<u>159</u>

All amounts are due within one year

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	29 June 2007 £'000	30 June 2006 £'000
Amounts owed to fellow subsidiaries	2,232	699
Due to parent company	19,438	149
Accruals and deferred income	3,909	-
Corporation Tax	-	102
	<u>25,579</u>	<u>950</u>

NOTES TO THE ACCOUNTS
52 weeks ended 29 June 2007

11. DEFERRED TAX LIABILITY

The deferred tax provision consists of the following amounts

	29 June 2007 £'000	30 June 2006 £'000
Capital allowances in excess of depreciation	(1,485)	(753)
		£'000
Balance at 1 July 2006		(753)
Charged to the profit and loss in the year		(732)
Balance at 29 June 2007		(1,485)

12. CALLED UP SHARE CAPITAL

	29 June 2007 £'000	30 June 2006 £'000
Authorised, called up, allotted and fully paid.		
50,000 ordinary shares of £1 each	50	50
23,892,025 redeemable ordinary shares of £1 each	23,892	23,892
	23,942	23,942

The redeemable ordinary shares are redeemable at par by the company on one month's written notice. In all other respects they rank pari passu with the ordinary shares.

13. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Called up share capital £'000	Profit and loss account £'000	Total 2007 £'000	Total 2006 £'000
Profit for the financial year	-	442	442	97
Retained profit for the period	-	442	442	97
At the beginning of the period	23,942	106	24,048	23,951
At the end of the period	23,942	548	24,490	24,048

NOTES TO THE ACCOUNTS

52 weeks ended 29 June 2007

14. ULTIMATE PARENT COMPANY

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

15. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures", transactions with other group undertakings within, and investee related parties of, the Microsoft Corporation group have not been disclosed in these financial statements.