

**MICROSOFT PROPERTIES UK LIMITED**

**Report and Financial Statements**

**52 weeks ended 27 June 2008**

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# **MICROSOFT PROPERTIES UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2008**

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**REPORT AND FINANCIAL STATEMENTS 2008**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

K R Dolliver  
B O Orndorff  
G R Frazer

**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 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 27 June 2008.

The Directors have taken advantage of the provisions under s246(4) 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 BUSINESS**

During the period the company has continued to operate satisfactorily.

The profit and loss account is shown on page 6. All turnover is derived from property rental income. There was no movement in turnover year on year.

The company generates income from the rental of properties to other group companies. The company consistently returns an operating profit as rental incomes exceed depreciation for the year. However, the company has reported a loss for the period ended 27 June 2008 of £306,000 (2007: profit of £442,000), as interest payable has exceeded operating profit. During the periods ended 29 June 2007 and 27 June 2008, the company only earned rental income from the rental of one building, while incurring significant finance costs as it constructed a second building.

## **DIVIDENDS**

The directors have not proposed the payment of a dividend for the year (2007: £nil).

## **FUTURE PROSPECTS**

Subsequent to 27 June 2008, the company has completed construction of the second building and started to earn rental income from another Microsoft company. This has enabled the company to return to profitability.

The company had £25 million of liabilities due to other group companies at 27 June 2008. 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. After taking into account the strong financial position of the Microsoft group and the importance of the buildings owned by Microsoft Properties UK Limited to Microsoft's UK operations, the directors have considered it to be improbable that such support would be withdrawn. Therefore the Directors have considered the going concern assumption to remain appropriate.

## **DIRECTORS**

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

**DIRECTORS' REPORT (CONTINUED)**

**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 ought to have taken as a director in order to make himself 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.

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte 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

30 April 2009

**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; 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 52 week period ended 27 June 2008 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 27 June 2008 and of its loss 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 LLP*

**Deloitte LLP**

Chartered Accountants and Registered Auditors

Reading, United Kingdom

30 April 2009

# MICROSOFT PROPERTIES UK LIMITED

## PROFIT AND LOSS ACCOUNT 52 weeks ended 27 June 2008

	Note	52 weeks ended 27 June 2008 £'000	52 weeks ended 29 June 2007 £'000
<b>TURNOVER</b>	2	1,537	1,537
<b>GROSS PROFIT</b>		1,537	1,537
Administrative expenses		(328)	(493)
<b>OPERATING PROFIT</b>	3	1,209	1,044
Interest payable and similar charges	5	(1,408)	(482)
Interest receivable and similar income	6	-	17
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(199)	579
Tax charge on profit on ordinary activities	7	(107)	(137)
<b>RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR</b>	13	(306)	442

All amounts derive from continuing activities.

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 presented.



# MICROSOFT PROPERTIES UK LIMITED

## BALANCE SHEET 27 June 2008

	Note	27 June 2008 £'000	29 June 2007 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	48,421	45,044
<b>CURRENT ASSETS</b>			
Debtors	9	1,683	3,509
Cash at bank and in hand		1,450	3,001
		3,133	6,510
<b>CREDITORS: amounts falling due within one year</b>	10	(25,212)	(25,579)
<b>NET CURRENT LIABILITIES</b>		(22,079)	(19,069)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		26,342	25,975
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	11	(2,158)	(1,485)
<b>NET ASSETS</b>		24,184	24,490
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	23,942	23,942
Profit and loss account	13	242	548
<b>SHAREHOLDER'S FUNDS</b>	13	24,184	24,490

These financial statements were approved by the Board of Directors on 30 April 2009.

Signed on behalf of the Board of Directors



G R Frazer  
Director

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 27 June 2008**

**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.

**Going concern**

The company had £25 million of liabilities due to other group companies at 27 June 2008. 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. After taking into account the strong financial position of the Microsoft group and the importance of the buildings owned by Microsoft Properties UK Limited to Microsoft's UK operations, the directors have considered it to be improbable that such support would be withdrawn. Therefore the Directors have considered the going concern assumption to remain appropriate.

**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 Microsoft Corporation includes the company in its own published consolidated financial statements (see note 14).

**Tangible fixed assets**

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Provision is made for any impairment.

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

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.

**NOTES TO THE ACCOUNTS**

**52 weeks ended 27 June 2008**

**2. TURNOVER**

Turnover represents rental income arising in the United Kingdom and is derived from the company's principal activity.

**3. OPERATING PROFIT**

	52 weeks ended 27 June 2008 £'000	52 weeks ended 29 June 2007 £'000
Operating profit is stated after charging:		
Depreciation – owned assets	326	359

The auditors' remuneration of £13,292 (2007: £12,720) 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 (2007: £nil).

The company had no employees during the 52 week period ended 27 June 2008 (52 weeks ended 29 June 2007: nil).

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	52 weeks ended 27 June 2008 £'000	52 weeks ended 29 June 2007 £'000
Interest payable to fellow subsidiary company	1,408	482

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	52 weeks ended 27 June 2008 £'000	52 weeks ended 29 June 2007 £'000
Interest receivable from parent company	-	17

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 27 June 2008**

**7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES**

	52 weeks ended 27 June 2008 £'000	52 weeks ended 29 June 2007 £'000
Current tax:		
United Kingdom corporation tax – current year	(650)	(522)
Adjustment in respect of prior years	84	(73)
	<hr/>	<hr/>
Total current tax	(566)	(595)
Deferred tax (note 11) – capital allowances in excess of depreciation	673	732
	<hr/>	<hr/>
Total tax charge for the period	<u>107</u>	<u>137</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.

	2008 %	2007 %
Corporation tax at standard rate	30	30
Expenses not deductible for tax purposes	-	12
Capital allowances in excess of depreciation	(356)	(132)
Adjustment in respect of prior years	42	(13)
	<hr/>	<hr/>
Total current tax credit	<u>(284)</u>	<u>(103)</u>

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 27 June 2008**

**8. TANGIBLE FIXED ASSETS**

	<b>Buildings £'000</b>	<b>Land £'000</b>	<b>Total £'000</b>
Cost			
At 30 June 2007	41,099	8,812	49,911
Additions	3,703	-	3,703
	<u>44,802</u>	<u>8,812</u>	<u>53,614</u>
At 27 June 2008			
Depreciation			
At 30 June 2007	4,867	-	4,867
Charge for the period	326	-	326
	<u>5,193</u>	<u>-</u>	<u>5,193</u>
At 27 June 2008			
Net book value			
At 27 June 2008	<u>39,609</u>	<u>8,812</u>	<u>48,421</u>
At 29 June 2007	<u>36,232</u>	<u>8,812</u>	<u>45,044</u>

**9. DEBTORS**

	<b>27 June 2008 £'000</b>	<b>29 June 2007 £'000</b>
Corporation tax recoverable	862	696
Amounts recoverable from fellow subsidiaries	400	2,100
Other debtors	421	713
	<u>1,683</u>	<u>3,509</u>

All amounts are due within one year.

Interest is received on amounts owed by group undertakings except short-term trading balances using a Reuter's 12-month interest rate.

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>27 June 2008 £'000</b>	<b>29 June 2007 £'000</b>
Amounts owed to fellow subsidiaries	2,199	2,232
Amounts owed to fellow group undertakings	22,845	19,438
Accruals and deferred income	168	3,909
	<u>25,212</u>	<u>25,579</u>

Interest is paid on amounts owed to group undertakings except short-term trading balances using a Reuter's 12-month interest rate.

**NOTES TO THE ACCOUNTS**  
**52 weeks ended 27 June 2008**

**11. DEFERRED TAX LIABILITY**

The deferred tax provision consists of the following amounts:

	<b>27 June 2008 £'000</b>	<b>29 June 2007 £'000</b>
Capital allowances in excess of depreciation	<u>(2,158)</u>	<u>(1,485)</u>
		<b>£'000</b>
Balance at 30 June 2007		(1,485)
Charged to the profit and loss in the year		<u>(673)</u>
Balance at 27 June 2008		<u><u>(2,158)</u></u>

**12. CALLED UP SHARE CAPITAL**

	<b>27 June 2008 £'000</b>	<b>29 June 2007 £'000</b>
<b>Authorised, called up, allotted and fully paid:</b>		
50,000 ordinary shares of £1 each	50	50
23,892,025 redeemable ordinary shares of £1 each	<u>23,892</u>	<u>23,892</u>
	<u><u>23,942</u></u>	<u><u>23,942</u></u>

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

**13. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total 2008 £'000</b>	<b>Total 2007 £'000</b>
(Loss) / profit for the financial year	-	(306)	(306)	442
At the beginning of the period	<u>23,942</u>	<u>548</u>	<u>24,490</u>	<u>24,048</u>
At the end of the period	<u><u>23,942</u></u>	<u><u>242</u></u>	<u><u>24,184</u></u>	<u><u>24,490</u></u>

**NOTES TO THE ACCOUNTS**

**52 weeks ended 27 June 2008**

**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.