

# **MICROSOFT PROPERTIES UK LIMITED**

## **Report and Financial Statements**

**Period ended 30 June 2011**

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# **MICROSOFT PROPERTIES UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

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# **MICROSOFT PROPERTIES UK LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

K R Dolliver  
B O Orndorff  
G R Frazer

#### **SECRETARY**

Reed Smith Corporate Services 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 LLP  
Beaufort House  
15 Botolph Street  
London  
EC3A 7EE

#### **AUDITORS**

Deloitte LLP  
Reading  
United Kingdom

#### **TAX ADVISERS**

KPMG LLP  
Arlington Business Park  
Theale  
Berkshire  
RG7 4SD

# **MICROSOFT PROPERTIES UK LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the period ended 30 June 2011. During the year the company changed its annual reporting date to 30 June.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small company's exemption.

## **ACTIVITIES**

The principal activity of the company is property investment.

## **REVIEW OF BUSINESS**

During the period the company has continued to operate satisfactorily.

The results for the period and financial position of the company are shown on pages 6 and 7.

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. The company has reported a profit for the period ended 30 June 2011 of £1,060,000 (2010 profit of £415,000). The company generates positive cash-flows because the largest component of operating costs is the depreciation charge.

## **DIVIDENDS**

The company announced total dividends for the period of £400,000 (2010: £nil).

## **GOING CONCERN**

The company had £19.6 million of liabilities due to other group companies at 30 June 2011. The company used this financing for the construction of properties to be used by Microsoft group companies. Technically, the group could demand repayment from the company at short notice. If this happened, the company would need to find significant alternative funding at short notice. However, the company has a letter of support that Microsoft Corporation will not seek collection of the debt unless the company having made its repayment is able to meet its liabilities 12 months from the date of signing. This support is made available for the foreseeable future. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

## **DIRECTORS**

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

# **MICROSOFT PROPERTIES UK LIMITED**

## **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 s418 of the Companies Act 2006

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

15 December 2011

## **MICROSOFT PROPERTIES UK LIMITED**

### **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). 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 judgments and accounting 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROSOFT PROPERTIES UK LIMITED**

We have audited the financial statements of Microsoft Properties UK Limited for the period ended 30 June 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



Andrew Bond ACA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, UK

15 December 2011

# MICROSOFT PROPERTIES UK LIMITED

## PROFIT AND LOSS ACCOUNT Period ended 30 June 2011

	Note	Period ended 30 June 2011 £'000	52 weeks ended 2 July 2010 £'000
<b>TURNOVER</b>	2	2,784	2,561
<b>GROSS PROFIT</b>		2,784	2,561
Administrative expenses		(1,194)	(1,193)
<b>OPERATING PROFIT</b>	3	1,590	1,368
Interest receivable and similar income	5	8	39
Interest payable and similar charges	6	(132)	(521)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,466	886
Tax charge on profit on ordinary activities	7	(406)	(471)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	14	1,060	415

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

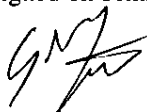
## BALANCE SHEET

30 June 2011

	Note	30 June 2011 £'000	2 July 2010 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	47,587	48,780
<b>CURRENT ASSETS</b>			
Debtors	10	50	90
Cash at bank and in hand		3	32
		53	122
<b>CREDITORS: amounts falling due within one year</b>	11	(19,777)	(21,697)
<b>NET CURRENT LIABILITIES</b>		(19,724)	(21,575)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		27,863	27,205
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	(2,857)	(2,859)
<b>NET ASSETS</b>		25,006	24,346
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	23,942	23,942
Profit and loss account	14	1,064	404
<b>SHAREHOLDER'S FUNDS</b>	14	25,006	24,346

The financial statements of Microsoft Properties UK Limited, registration number 02611800 were approved and authorised for issue by the Board of Directors on 15 December 2011

Signed on behalf of the Board of Directors



G R Frazer  
Director

# MICROSOFT PROPERTIES UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 30 June 2011

### 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.

#### Going concern

The company had £19.6 million of liabilities due to other group companies at 30 June 2011. The company used this financing for the construction of properties to be used by Microsoft group companies. Technically, the group could demand repayment from the company at short notice. If this happened, the company would need to find significant alternative funding at short notice. However, the company has a letter of support that Microsoft Corporation will not seek collection of the debt unless the company having made its repayment is able to meet its liabilities 12 months from the date of signing. This support is made available for the foreseeable future. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

#### 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
Land	Not depreciated

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

#### Financial Period

The company has amended its accounting period to be the year ending on 30 June. In previous years the accounting period was the fifty two or fifty three week period ending on the Friday closest to 30 June. The financial period for 2011 is therefore from 3 July 2010 to the 30 June 2011 and the comparative period is the 52 weeks ended 2 July 2010.

#### 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.

# MICROSOFT PROPERTIES UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 30 June 2011

### 2. TURNOVER

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

### 3. OPERATING PROFIT

	Period ended 30 June 2011 £'000	52 weeks ended 2 July 2010 £'000
Operating profit is stated after charging:		
Depreciation – owned assets	1,193	1,193

The auditors' remuneration of £9,832 (2010 £12,168) 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 for their services to Microsoft Properties UK Limited is £nil (2010 £nil)

The company had no employees during the period ended 30 June 2011 (52 weeks ended 2 July 2010 nil)

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 30 June 2011 £'000	52 weeks ended 2 July 2010 £'000
Interest receivable from fellow subsidiary company	5	21
Other interest receivable	3	18
	8	39

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 30 June 2011 £'000	52 weeks ended 2 July 2010 £'000
Interest payable to fellow subsidiary company	132	521

# MICROSOFT PROPERTIES UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 30 June 2011

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

	Period ended 30 June 2011 £'000	52 weeks ended 2 July 2010 £'000
Current tax		
United Kingdom corporation tax – current year	408	170
Adjustment in respect of prior years	-	(2)
Total current tax charge	408	168
Deferred tax (note 12) – differences between capital allowances and depreciation		
Origination and reversal of timing differences	214	303
Impact of change in tax rates	(216)	-
Total tax charge for the period	406	471

#### Reconciliation to current tax charge:

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 27.5%. The actual tax charge for the current and previous years differs from the standard rate for the reasons set out in the following reconciliation

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	1,466	886
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.5% (2010: 28%)	403	248
Effects of		
Expenses not deductible for tax purposes	218	222
Capital allowances in excess of depreciation	(213)	(300)
Adjustment in respect of prior years	-	(2)
Total current tax charge	408	168

### 8. DIVIDENDS

	Period ended 30 June 2011 £'000	52 weeks ended 2 July 2010 £'000
16.7p per equity ordinary share (2010 – £nil)	400	-

# MICROSOFT PROPERTIES UK LIMITED

## NOTES TO THE ACCOUNTS Period ended 30 June 2011

### 9. TANGIBLE FIXED ASSETS

	<b>Buildings £'000</b>	<b>Land £'000</b>	<b>Total £'000</b>
Cost			
At 2 July 2010 and 30 June 2011	47,544	8,812	56,356
Depreciation			
At 2 July 2010	7,576	-	7,576
Charge for the period	1,193	-	1,193
At 30 June 2011	8,769	-	8,769
Net book value			
At 30 June 2011	38,775	8,812	47,587
At 2 July 2010	39,968	8,812	48,780

### 10. DEBTORS

	<b>30 June 2011 £'000</b>	<b>2 July 2010 £'000</b>
Corporation tax	-	28
Other debtors	50	62
	50	90

All amounts are due within one year

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>30 June 2011 £'000</b>	<b>2 July 2010 £'000</b>
Amounts owed to fellow subsidiaries	3,085	2,847
Amounts due to parent company	16,509	18,850
Corporation tax	183	-
	19,777	21,697

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

# MICROSOFT PROPERTIES UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 30 June 2011

### 12. DEFERRED TAX LIABILITY

The deferred tax provision consists of the following amounts

	30 June 2011 £'000	2 July 2010 £'000
Capital allowances in excess of depreciation	<u>(2,857)</u>	<u>(2,859)</u>
		£'000
Balance at 2 July 2010		(2,859)
Charged to the profit and loss in the year		<u>2</u>
Balance at 30 June 2011		<u>(2,857)</u>

Finance (No 2) Act 2010 was substantively enacted on 27 July 2010 and included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Subsequently, on 29 March 2011 under the Provisional Collection of Taxes Act, the corporation tax rate was reduced to 26% from with effect from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 and are expected to be enacted separately each year. For the year ended 31 March 2011, as the reduction in statutory rate by 2% has been substantively enacted, deferred tax has been recognised on the balance sheet at 26%.

### 13. CALLED UP SHARE CAPITAL

	30 June 2011 £'000	2 July 2010 £'000
<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>23,942</u>	<u>23,942</u>

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.

# MICROSOFT PROPERTIES UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 30 June 2011

### 14. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Called up share capital £'000	Profit and loss account £'000	Total 2011 £'000	Total 2010 £'000
Profit for the financial year	-	1,060	1,060	415
Dividends	-	(400)	(400)	-
At the beginning of the period	23,942	404	24,346	23,931
At the end of the period	23,942	1,064	25,006	24,346

### 15. 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.

### 16. 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.