

**MICROSOFT PROPERTIES UK LIMITED**

**Report and Financial Statements**

**53 weeks ended 2 July 2004**



*Presented for filing by -*

**RICHARDS BUTLER  
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SOLICITORS**

*Ref: Smg/0151027*

**REPORT AND FINANCIAL STATEMENTS 2004**

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**REPORT AND FINANCIAL STATEMENTS 2004**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

K J Fay	(resigned 31 December 2004)
J A Seethoff	
N Holloway	(resigned 26 March 2004)
A J Baker	(appointed 29 March 2004)
K R Dolliver	(appointed 31 December 2004)

**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

Citibank  
Citibank House  
336 Strand  
London  
WC2R 1HB

**SOLICITORS**

Richards Butler  
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 annual report and the audited financial statements for the 53 weeks ended 2 July 2004.

### **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.

### **DIVIDENDS**

The directors approved the payment of a dividend of £2,716,000 (2003 – £1,808,000).

### **FUTURE PROSPECTS**

The company is soundly placed to continue its current activities.

### **DIRECTORS**

The directors who served during the period are listed on page 1.

No director had any disclosable interest in the shares of the company or any other United Kingdom group company at any point during the period.

### **AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors. The Company passed elective resolutions on 2 March 2001 dispensing with the requirement to hold annual general meetings and to re-appoint auditors annually.

Approved by the Board of Directors  
and signed on behalf of the Board



A J Baker  
Director

2/6 2005

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 53 weeks ended 2 July 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, 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 of the state of the company's affairs as at 2 July 2004 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985



**Deloitte & Touche LLP**

**Chartered Accountants and Registered Auditors**

**Reading**

2/6/2005

# MICROSOFT PROPERTIES UK LIMITED

## PROFIT AND LOSS ACCOUNT

53 weeks ended 2 July 2004

	Note	53 weeks ended 2 July 2004 £'000	52 weeks ended 27 June 2003 £'000
<b>TURNOVER</b>	2	1,537	4,124
<b>GROSS PROFIT</b>		1,537	4,124
Administrative expenses		(1,152)	(1,280)
<b>OPERATING PROFIT</b>	3	385	2,844
Interest payable and similar charges	5	(24)	(38)
Interest receivable and similar income	6	46	149
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		407	2,955
Tax charge on profit on ordinary activities	7	(374)	(1,248)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	14	33	1,707
Dividends	8	(2,716)	(1,808)
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>		(2,683)	(101)

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 2 July 2004

	Note	2 July 2004 £'000	27 June 2003 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	23,886	24,879
		<u>23,886</u>	<u>24,879</u>
<b>CURRENT ASSETS</b>			
Debtors	10	823	3,320
Cash at bank and in hand		205	394
		<u>1,028</u>	<u>3,714</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(699)</u>	<u>(2,036)</u>
<b>NET CURRENT ASSETS</b>		329	1,678
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		24,215	26,557
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	<u>(341)</u>	<u>-</u>
<b>NET ASSETS</b>		<u>23,874</u>	<u>26,557</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	23,942	23,942
Profit and loss account	14	<u>(68)</u>	<u>2,615</u>
<b>SHAREHOLDERS' FUNDS</b>	14	<u>23,874</u>	<u>26,557</u>
Attributable to equity shareholders		(18)	2,665
Attributable to non-equity shareholders		<u>23,892</u>	<u>23,892</u>

These financial statements were approved by the Board of Directors on

2/6

2005

Signed on behalf of the Board of Directors



A J Baker  
Director



**NOTES TO THE ACCOUNTS**  
**53 weeks ended 2 July 2004**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

**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 of fixed assets over their expected useful lives at the following rates:

Freehold buildings	20%
Assets in the course of construction	Not depreciated
Land	Not depreciated

**Deferred taxation**

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 royalty income and all derives from the parent company and arises in the United Kingdom.

**NOTES TO THE ACCOUNTS**

**53 weeks ended 2 July 2004**

**3. OPERATING PROFIT**

	<b>53 weeks ended 2 July 2004 £'000</b>	<b>52 weeks ended 27 June 2003 £'000</b>
<b>Operating profit is stated after charging:</b>		
Depreciation	1,148	1,038

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 (2003:£nil).

The company had no employees during the 53 week period ended 2 July 2004 (52 weeks ended 27 June 2003:nil).

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>53 weeks ended 2 July 2004 £'000</b>	<b>52 weeks ended 27 June 2003 £'000</b>
Interest payable to fellow subsidiary company	24	38

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>53 weeks ended 2 July 2004 £'000</b>	<b>52 weeks ended 27 June 2003 £'000</b>
Interest receivable from parent company	27	93
Interest receivable from fellow subsidiary company	-	17
Bank interest	19	27
Other interest	-	12
	<u>46</u>	<u>149</u>

**NOTES TO THE ACCOUNTS**

**53 weeks ended 2 July 2004**

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

	<b>53 weeks ended 2 July 2004 £'000</b>	<b>52 weeks ended 27 June 2003 £'000</b>
United Kingdom corporation tax at 30%	(1)	905
Adjustment in respect of prior years	(9)	4
	<hr/>	<hr/>
Total current tax	(10)	909
Deferred tax	384	339
	<hr/>	<hr/>
	374	1,248
	<hr/> <hr/>	<hr/> <hr/>

**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.

	<b>2004 %</b>	<b>2003 %</b>
Corporation tax at standard rate	30	30
Capital allowances in excess of depreciation	(30)	-
	<hr/>	<hr/>
Total current tax charge	-	30
	<hr/> <hr/>	<hr/> <hr/>

The standard rate of tax used in the above reconciliation is the average United Kingdom corporation tax rate for the period concerned as the vast majority of taxable income arises there.

**8. DIVIDENDS**

	<b>53 weeks ended 2 July 2004 £'000</b>	<b>52 weeks ended 27 June 2003 £'000</b>
Paid – £54.32 per equity ordinary share (2003 – £36.16)	2,716	1,808
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE ACCOUNTS**

**53 weeks ended 2 July 2004**

**9. TANGIBLE FIXED ASSETS**

	<b>Buildings £'000</b>	<b>Land £'000</b>	<b>Total £'000</b>
Cost			
At 28 June 2003	17,105	8,812	25,917
Additions	155	-	155
At 2 July 2004	<u>17,260</u>	<u>8,812</u>	<u>26,072</u>
Depreciation			
At 28 June 2003	1,038	-	1,038
Charge for the period	1,148	-	1,148
At 2 July 2004	<u>2,186</u>	<u>-</u>	<u>2,186</u>
Net book value			
At 2 July 2004	<u>15,074</u>	<u>8,812</u>	<u>23,886</u>
At 27 June 2003	<u>16,067</u>	<u>8,812</u>	<u>24,879</u>

**10. DEBTORS**

	<b>2 July 2004 £'000</b>	<b>27 June 2003 £'000</b>
Corporation tax recoverable	76	-
Deferred tax asset	-	43
Due from parent company	747	1,237
Due from fellow subsidiary	-	2,040
	<u>823</u>	<u>3,320</u>

All amounts are due within one year.

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

	<b>2 July 2004 £'000</b>	<b>27 June 2003 £'000</b>
Amounts owed to parent company	-	583
Amounts owed to fellow subsidiaries	699	699
Corporation tax creditor	-	721
Taxation and social security	-	6
Accruals and deferred income	-	27
	<u>699</u>	<u>2,036</u>

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 2 July 2004**

**12. DEFERRED TAX (LIABILITY)/ASSET**

The deferred tax provision consists of the following amounts:

	<b>2 July 2004 £'000</b>	<b>27 June 2003 £'000</b>
Capital allowances in excess of/less than depreciation	<u>(341)</u>	<u>43</u>
		<b>£'000</b>
Balance at 27 June 2003 (asset)		43
Charged to the profit and loss in the year		<u>(384)</u>
Balance at 2 July 2004 (liability)		<u>(341)</u>

**13. CALLED UP SHARE CAPITAL**

	<b>2 July 2004 £'000</b>	<b>27 June 2003 £'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>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.

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

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total 2004 £'000</b>	<b>Total 2003 £'000</b>
Profit for the financial year	-	33	33	1,707
Dividends paid	-	(2,716)	(2,716)	(1,808)
Retained loss for the period	-	(2,683)	(2,683)	(101)
At the beginning of the period	<u>23,942</u>	<u>2,615</u>	<u>26,557</u>	<u>26,658</u>
At the end of the period	<u>23,942</u>	<u>(68)</u>	<u>23,874</u>	<u>26,557</u>

**NOTES TO THE ACCOUNTS**

**53 weeks ended 2 July 2004**

**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.