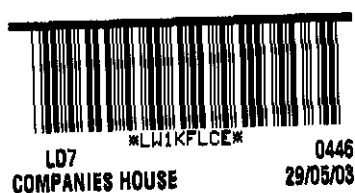


MICROSOFT PROPERTIES UK LIMITED

Report and Financial Statements

52 weeks ended 28 June 2002



Presented for filing by -

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Smy/0151027

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K J Fay
J A Seethoff
N Holloway

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
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 52 weeks ended 28 June 2002.

ACTIVITIES

The principal activity of the company is property investment.

REVIEW OF DEVELOPMENTS

During the period the company has continued to operate satisfactorily.

DIVIDENDS

A dividend of £nil was paid during the year (2001 - £nil).

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 have expressed their willingness to continue in office as auditors. A resolution has been passed dispensing with the requirement for the auditors to be re-appointed at the annual general meeting.

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



N Holloway
Director

9/4 2003

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 52 weeks ended 28 June 2002 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

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 28 June 2002 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985

Deloitte & Touche

DELOITTE & TOUCHE

Chartered Accountants
and Registered Auditors

Reading

9 April 2003

PROFIT AND LOSS ACCOUNT
52 weeks ended 28 June 2002

	Note	52 weeks ended 28 June 2002 £'000	52 weeks ended 29 June 2001 £'000
TURNOVER	2	3,500	4,375
GROSS PROFIT		3,500	4,375
Administrative expenses		(5,870)	(3,648)
OPERATING (LOSS)/PROFIT	3	(2,370)	727
Interest receivable and similar income	5	448	1,326
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,922)	2,053
Tax on (loss)/profit on ordinary activities	6	47	(882)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	(1,875)	1,171

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.

BALANCE SHEET
28 June 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	7	27,712	12,569
Intangible assets	8	-	5,812
		<u>27,712</u>	<u>18,381</u>
CURRENT ASSETS			
Debtors	9	7,671	26,090
Cash at bank and in hand		1,015	1,088
		<u>8,686</u>	<u>27,178</u>
CREDITORS: amounts falling due within one year	10	<u>9,740</u>	<u>17,026</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,054)</u>	<u>10,152</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,658</u>	<u>28,533</u>
CAPITAL AND RESERVES			
Called up share capital	11	23,942	23,942
Profit and loss account	12	2,716	4,591
SHAREHOLDERS' FUNDS	13	<u>26,658</u>	<u>28,533</u>
Attributable to equity shareholders		2,766	4,641
Attributable to non-equity shareholders		<u>23,892</u>	<u>23,892</u>

These financial statements were approved by the Board of Directors on

9/6 2003.

Signed on behalf of the Board of Directors


N Holloway
Director

NOTES TO THE ACCOUNTS**52 weeks ended 28 June 2002****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.

The company has adopted FRS 18 "Accounting Policies" and FRS 19 "Deferred tax" in these financial statements.

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:

Assets in the course of construction	Not depreciated
--------------------------------------	-----------------

Goodwill

Capitalised purchased goodwill is included with intangible fixed assets and is being amortised over a period of three years.

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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 June 2002

3. OPERATING (LOSS)/PROFIT

	52 weeks ended 28 June 2002 £'000	52 weeks ended 29 June 2001 £'000
Operating (loss)/profit is stated after charging:		
Amortisation of goodwill	5,811	3,488

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

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No director received any remuneration in respect of their services to the company during the 52 week period ended 28 June 2002 (52 weeks 29 June 2001 – £nil).

The company had no employees during the period ended 28 June 2002 (52 weeks ended 29 June 2001 – nil).

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 28 June 2002 £'000	52 weeks ended 29 June 2001 £'000
Interest receivable from parent company	416	1,307
Interest receivable on corporation tax	14	-
Bank interest	18	19
	<u>448</u>	<u>1,326</u>

NOTES TO THE ACCOUNTS
52 weeks ended 28 June 2002

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	52 weeks ended 28 June 2002 £'000	52 weeks ended 29 June 2001 £'000
United Kingdom corporation tax at 30% (2001 – 30%)	1,441	882
Adjustment in respect of prior years	(1,106)	-
Total current tax	335	882
Deferred tax	(382)	-
UK corporation tax at 30%	(47)	882
Reconciliation to current tax charge:		
	2002 %	2001 %
Profit before tax at 30%	30	30
Permanent adjustments	91	-
Items not allowable for corporation tax	-	13
Prior year	(104)	-
Total current tax charge	17	43

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.

NOTES TO THE ACCOUNTS
52 weeks ended 28 June 2002

7. TANGIBLE FIXED ASSETS

	Assets in the course of construction £'000
Cost	
At 30 June 2001	12,569
Additions	15,143
	<u>27,712</u>
At 28 June 2002	<u>27,712</u>
Depreciation at 30 June 2001 and 28 June 2002	-
	<u>-</u>
Net book value	
At 28 June 2002	<u>27,712</u>
At 29 June 2001	<u>12,569</u>

8. INTANGIBLE ASSETS

	Goodwill £'000
Cost	
At 30 June 2001 and 28 June 2002	10,462
	<u>10,462</u>
Depreciation	
At 30 June 2001	4,651
Charge for the period	5,811
	<u>10,462</u>
At 28 June 2002	<u>10,462</u>
Net book value	
At 28 June 2002	-
	<u>-</u>
At 29 June 2001	<u>5,812</u>

9. DEBTORS

	2002 £'000	2001 £'000
Due from parent company	-	4,375
VAT recoverable	855	116
Deferred tax asset	382	-
Due from fellow subsidiary	6,434	21,599
	<u>7,671</u>	<u>26,090</u>

All amounts are due within one year.

NOTES TO THE ACCOUNTS

52 weeks ended 28 June 2002

10. DEFERRED TAX ASSET

The deferred tax asset consists of the following amounts:

	2002 £	2001 £
Capital allowances in excess of depreciation	644	-
Other	(262)	-
	<u>382</u>	<u>-</u>

	2002 £'000
Balance at 30 June 2001	-
Credited to the profit and loss in the year	382
Balance at 28 June 2002	<u>382</u>

11. CREDITORS

	28 June 2002 £	29 June 2001 £
Amounts falling due within one year		
Amounts owed to fellow subsidiaries	5,014	12,724
Corporation tax creditor	1,277	830
Accruals	3,449	3,472
	<u>9,740</u>	<u>17,026</u>

12. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'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
	<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.

NOTES TO THE ACCOUNTS**52 weeks ended 28 June 2002****13. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES**

	Share capital £'000	Profit and loss account £'000	Total 2002 £'000	Total 2001 £'000
At the beginning of the period	23,942	4,591	28,533	27,362
(Loss)/profit for the period	-	(1,875)	(1,875)	1,171
At the end of the period	<u>23,942</u>	<u>2,716</u>	<u>26,658</u>	<u>28,533</u>

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. This is both the smallest and the largest 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.