

**MICROSOFT PROPERTIES UK LIMITED**

**Report and Financial Statements**

**Period ended 30 June 2000**

*Presented for filing by -*

**RICHARDS BUTLER  
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SOLICITORS**

*Ref: Smg/98-29390*

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Columbia Centre  
Market Street  
Bracknell  
Berkshire  
RG12 1PA**



**REPORT AND FINANCIAL STATEMENTS 2000**

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**REPORT AND FINANCIAL STATEMENTS 2000**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

G Maffei	(Resigned 7 January 2000)
R Eshelman	(Resigned 31 January 2001)
J G Connors	(Appointed 7 January 2000 - resigned 31 January 2001)
N J Holloway	(Appointed 30 June 2000)
K J Fay	(Appointed 31 January 2001)
J A Seethoff	(Appointed 31 January 2001)

**SECRETARY**

R B Secretariat Limited

**REGISTERED OFFICE**

Microsoft Campus  
Thames Valley Park  
Reading  
Berkshire  
RG6 1WG

**BANKERS**

Citibank  
Citibank House  
336 Strand  
London  
WC2R 1HB

**SOLICITORS**

Richards Butler  
Beaufort House  
15 Botolph Street  
London EC3A 7EE

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Columbia Centre  
Market Street  
Bracknell  
Berkshire  
RG12 1PA

**TAXATION ADVISERS**

Arthur Andersen  
Abbots House  
Abbey Street  
Reading  
Berkshire  
RG1 3BD

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the 52 week period ended 30 June 2000.

### **ACTIVITIES**

The principal activity of the company is property investment.

### **REVIEW OF DEVELOPMENTS**

During the period the company has continued to operate satisfactorily. Microsoft Campus was sold during the prior period.

### **DIVIDENDS**

A dividend of £nil was paid during the year (1999 - £3,900,000)

### **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 interest in the shares of the company or any other group company at any point during the period.

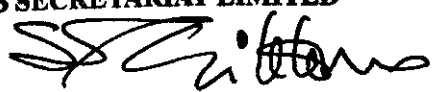
### **AUDITORS**

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

**RB SECRETARIAT LIMITED**

by



**Director/Secretary**

R B Secretariat Limited

Company Secretary

19<sup>th</sup> October 2001

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **AUDITORS' REPORT TO THE MEMBERS MICROSOFT PROPERTIES UK LIMITED**

We have audited the financial statements on pages 5 to 10 which have been prepared under the accounting policies set out on page 7.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with United Kingdom law and applicable accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of 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 at 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

DELOITTE & TOUCHE  
Chartered Accountants and Registered Auditors

29 October 2001

**PROFIT AND LOSS ACCOUNT**

Period ended 30 June 2000

	Note	52 weeks ended 30 June 2000 £'000	53 weeks ended 2 July 1999 £'000
<b>TURNOVER</b>	2	-	3,528
<b>GROSS PROFIT</b>		-	3,528
Administrative expenses		(2,691)	(2,410)
<b>OPERATING (LOSS)/PROFIT</b>	3	(2,691)	1,118
Profit on disposal of property		-	25,369
Interest receivable and similar income	5	1,189	703
Interest payable and similar charges	6	-	(2,041)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,502)	25,149
Tax on profit on ordinary activities	7	-	(2,134)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(1,502)	23,015
Dividends paid	8	-	(3,900)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	13	(1,502)	19,115

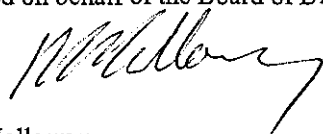
There are no recognised gains and losses for the current and preceding financial periods other than as stated in the profit and loss account. All amounts derive from continuing activities.

BALANCE SHEET  
30 June 2000

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	8,988	8,974
Intangible assets	10	9,300	-
		<u>18,288</u>	<u>8,974</u>
<b>CURRENT ASSETS</b>			
Debtors	11	23,519	24,187
Cash at bank and in hand		977	616
		<u>24,496</u>	<u>24,803</u>
<b>CREDITORS: amounts falling due within one year</b>			
Accruals		2,429	1,429
Amounts owed to fellow subsidiaries		12,993	699
Taxation and social security		-	2,785
		<u>15,422</u>	<u>4,913</u>
<b>NET CURRENT ASSETS</b>		<u>9,074</u>	<u>19,890</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>27,362</u>	<u>28,864</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	23,942	23,942
Profit and loss account	13	3,420	4,922
<b>SHAREHOLDERS' FUNDS</b>		<u>27,362</u>	<u>28,864</u>
Attributable to equity shareholders		3,470	4,972
Attributable to non-equity shareholders		<u>23,892</u>	<u>23,892</u>

These financial statements were approved by the Board of Directors on 19 October 2001.

Signed on behalf of the Board of Directors



N J Holloway  
Director



**NOTES TO THE ACCOUNTS****Period ended 30 June 2000****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable 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.

**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 land	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 on timing differences, arising from different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

**Leases**

Rental income from operating leases is recognised on a straight line basis from the date of full occupancy over the period up to the next rent review under the terms of the lease.

**2. TURNOVER**

Turnover represents rental income from property, excluding value added tax. All turnover derives from fellow subsidiary undertakings within the United Kingdom.

**3. OPERATING (LOSS)/PROFIT**

	2000 £'000	1999 £'000
Operating (loss)/profit is stated after charging:		
Amortisation	1,163	-
Depreciation	-	1,572
	<u>1,163</u>	<u>1,572</u>

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

**NOTES TO THE ACCOUNTS****Period ended 30 June 2000****4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

No director received any remuneration in respect of their services to the company during the period ended 30 June 2000 (53 weeks 2 July 1999 – £nil).

The company had no employees during the period ended 30 June 2000 (53 weeks ended 2 July 1999 – nil).

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2000 £'000	1999 £'000
Interest receivable from parent company	1,182	561
Bank deposit interest	7	142
	<u>1,189</u>	<u>703</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	2000 £'000	1999 £'000
Interest payable on a loan from fellow subsidiary	-	2,041
	<u>-</u>	<u>2,041</u>

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2000 £'000	1999 £'000
UK corporation tax at 30%	-	2,134
	<u>-</u>	<u>2,134</u>

There are no provided or unprovided deferred tax liabilities (2000: £nil).

**8. DIVIDENDS**

	2000 £'000	1999 £'000
Equity dividends paid	-	3,900
	<u>-</u>	<u>3,900</u>

**NOTES TO THE ACCOUNTS****Period ended 30 June 2000****9. TANGIBLE FIXED ASSETS**

	<b>Freehold Land and Buildings £'000</b>
Cost	
At 3 July 1999	8,974
Additions	14
	<hr/>
At 30 June 2000	8,988
	<hr/>
Depreciation at 3 July 1999 and 30 June 2000	-
	<hr/>
Net book value	
At 30 June 2000	8,988
	<hr/>
At 2 July 1999	8,974
	<hr/>

**10. INTANGIBLE ASSETS**

	<b>Goodwill £'000</b>
Cost	
At 3 July 1999	-
Additions	10,463
	<hr/>
At 30 June 2000	10,463
	<hr/>
Depreciation	
At 3 July 1999	-
Charge for the period	1,163
	<hr/>
At 30 June 2000	1,163
	<hr/>
Net book value	
At 30 June 2000	9,300
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At 2 July 1999	-
	<hr/>

This represents the acquisition of the intellectual property rights of STNC Limited from Microsoft Limited.

## NOTES TO THE ACCOUNTS

Period ended 30 June 2000

## 11. DEBTORS

	2000 £'000	1999 £'000
Other debtors	52	270
VAT recoverable	1,838	22
ACT recoverable	-	975
Due from fellow subsidiary	21,629	22,920
	<u>23,519</u>	<u>24,187</u>

All amounts are due within one year.

## 12. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'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.

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

	Share capital £'000	Profit and loss account £'000	Total 2000 £'000	Total 1999 £'000
At the beginning of the period	23,942	4,922	28,864	9,749
(Loss)/profit for the period	-	(1,502)	(1,502)	19,115
At the end of the period	<u>23,942</u>	<u>3,420</u>	<u>27,362</u>	<u>28,864</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. 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.