

**Deloitte &  
Touche**



Deloitte Touche  
Tohmatsu

Company Registration No. 2611800

**MICROSOFT PROPERTIES UK LIMITED**

**Report and Financial Statements**

**53 weeks ended 3 July 1998**

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





**REPORT AND FINANCIAL STATEMENTS 1998**

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**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

G Maffei  
D Svendsen  
R Eshelman

**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**

Field Seymour Parkes  
The Old Coroner's Court  
1 London Street  
Reading  
Berkshire  
RG1 4QW

**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 53 weeks ended 3 July 1998.

**ACTIVITIES**

The principal activity of the company is property investment.

**REVIEW OF DEVELOPMENTS**

During the year the company has continued to operate satisfactorily. Construction of the Microsoft Campus in Thames Valley Park was completed during the year. Subsequent to the year end, Microsoft Campus has been sold.

**DIVIDENDS**

The directors do not recommend the payment of a dividend (1997 - nil).

**FUTURE PROSPECTS**

The company is soundly placed to continue its current activities.

**YEAR 2000**

The directors are aware of the issue surrounding the Year 2000 in respect of computer systems. They are currently investigating how the issue may impact on the company's own systems and will consider appropriate action as necessary. In the opinion of the directors, these costs will not be material.

**DIRECTORS**

The current directors are listed on page 1. All directors served throughout the year and to date.

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 and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

D Svendsen  
Director

23 April 1999

**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.



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

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. 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 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 3 July 1998 and of its loss for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

DELOITTE & TOUCHE

Chartered Accountants and  
Registered Auditors

23 April

1999



**PROFIT AND LOSS ACCOUNT**  
**53 weeks ended 3 July 1998**

	Note	53 weeks ended 3 July 1998 £'000	52 weeks ended 27 June 1997 £'000
<b>TURNOVER</b>	2	2,873	-
Cost of sales		-	-
<b>GROSS PROFIT</b>		2,873	-
Administrative expenses		(1,525)	(261)
<b>OPERATING PROFIT/(LOSS)</b>	3	1,348	(261)
Interest receivable and similar income	5	28	385
Interest payable and similar charges	6	(3,217)	(2,077)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,841)	(1,953)
Tax on loss on ordinary activities	7	-	(60)
<b>LOSS FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES</b>	11	(1,841)	(2,013)

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


**BALANCE SHEET**  
**3 July 1998**

	Note	1998 £'000	1997 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	60,404	51,290
<b>CURRENT ASSETS</b>			
Debtors	9	331	610
Cash at bank and in hand		481	1,889
		812	2,499
<b>CREDITORS: amounts falling due within one year</b>			
Accruals		568	-
Amounts owed to fellow subsidiaries		50,669	42,138
Taxation and social security		230	61
		51,467	42,199
<b>NET CURRENT LIABILITIES</b>		(50,655)	(39,700)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,749	11,590
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	23,942	23,942
Profit and loss account	11	(14,193)	(12,352)
<b>SHAREHOLDERS' FUNDS</b>		9,749	11,590
Attributable to equity shareholders		(14,143)	(12,302)
Attributable to non-equity shareholders		23,892	23,892

These financial statements were approved by the Board of Directors on *23 April* 1999.

Signed on behalf of the Board of Directors

D Svendsen  
Director





**NOTES TO THE ACCOUNTS**  
**53 weeks ended 3 July 1998**

**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 company is reliant on the continued financial support of its parent company. The parent company has indicated that such support will be forthcoming and accordingly the financial statements have been prepared on a going concern basis.

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
Freehold buildings	15 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 PROFIT/(LOSS)**

	1998 £'000	1997 £'000
Operating profit/(loss) is stated after charging:		
Depreciation	1,373	-

The auditors' remuneration has been borne by another group company.

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 3 July 1998**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

No director received any remuneration during the 53 weeks ended 3 July 1998 (52 weeks ended 1997 - £nil).  
The company had no employees during the 53 weeks ended 3 July 1998 (52 weeks ended 1997 - £nil).

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	1998 £'000	1997 £'000
Bank deposit interest	28	385

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	1998 £'000	1997 £'000
Interest payable on a loan from fellow subsidiary	3,217	2,077

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

	1998 £'000	1997 £'000
UK corporation tax at 31% (1997 - 33%)	-	116
Adjustment to prior year	-	(56)
	-	60

There are no provided or unprovided deferred tax liabilities (1997: nil).



**NOTES TO THE ACCOUNTS**  
**53 weeks ended 3 July 1998**

**8. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000
Cost	
At 28 June 1997	51,290
Additions	10,487
At 3 July 1998	<u>61,777</u>
Depreciation at 28 June 1997	-
Charge for the year	1,373
At 3 July 1998	<u>1,373</u>
Net book value	
At 3 July 1998	<u>60,404</u>
At 27 June 1997	<u>51,290</u>

**9. DEBTORS**

	1998 £'000	1997 £'000
Corporation tax recoverable	55	-
VAT recoverable	-	610
Due from fellow subsidiary	276	-
	<u>331</u>	<u>610</u>

**10. CALLED UP SHARE CAPITAL**

	1998 £'000	1997 £'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**  
**53 weeks ended 3 July 1998**

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

	Share capital £'000	Profit and loss account £'000	Total 1998 £'000	Total 1997 £'000
At the beginning of the period	23,942	(12,352)	11,590	13,603
Loss transferred from reserves	-	(1,841)	(1,841)	(2,013)
At the end of the period	<u>23,942</u>	<u>(14,193)</u>	<u>9,749</u>	<u>11,590</u>

**12. 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.

**13. 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.

**14. POST BALANCE SHEET EVENT**

The freehold land was sold to BLU (M) Limited for £38,250,000 and a 999 year lease was sold to ND Properties Inc for £38,250,000 on 11 February 1999.