

**MICROSOFT LIMITED**

**Report and Financial Statements**

**52 weeks ended 28 June 2002**





**REPORT AND FINANCIAL STATEMENTS 2002**

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**REPORT AND FINANCIAL STATEMENTS 2002**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

N Holloway  
J F Heitz  
K J Fay  
J A Seethoff

**SECRETARY**

R B Secretarial Limited

**REGISTERED OFFICE**

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Thames Valley Park  
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The Law Offices of Marcus J O'Leary  
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EC3A 7EE

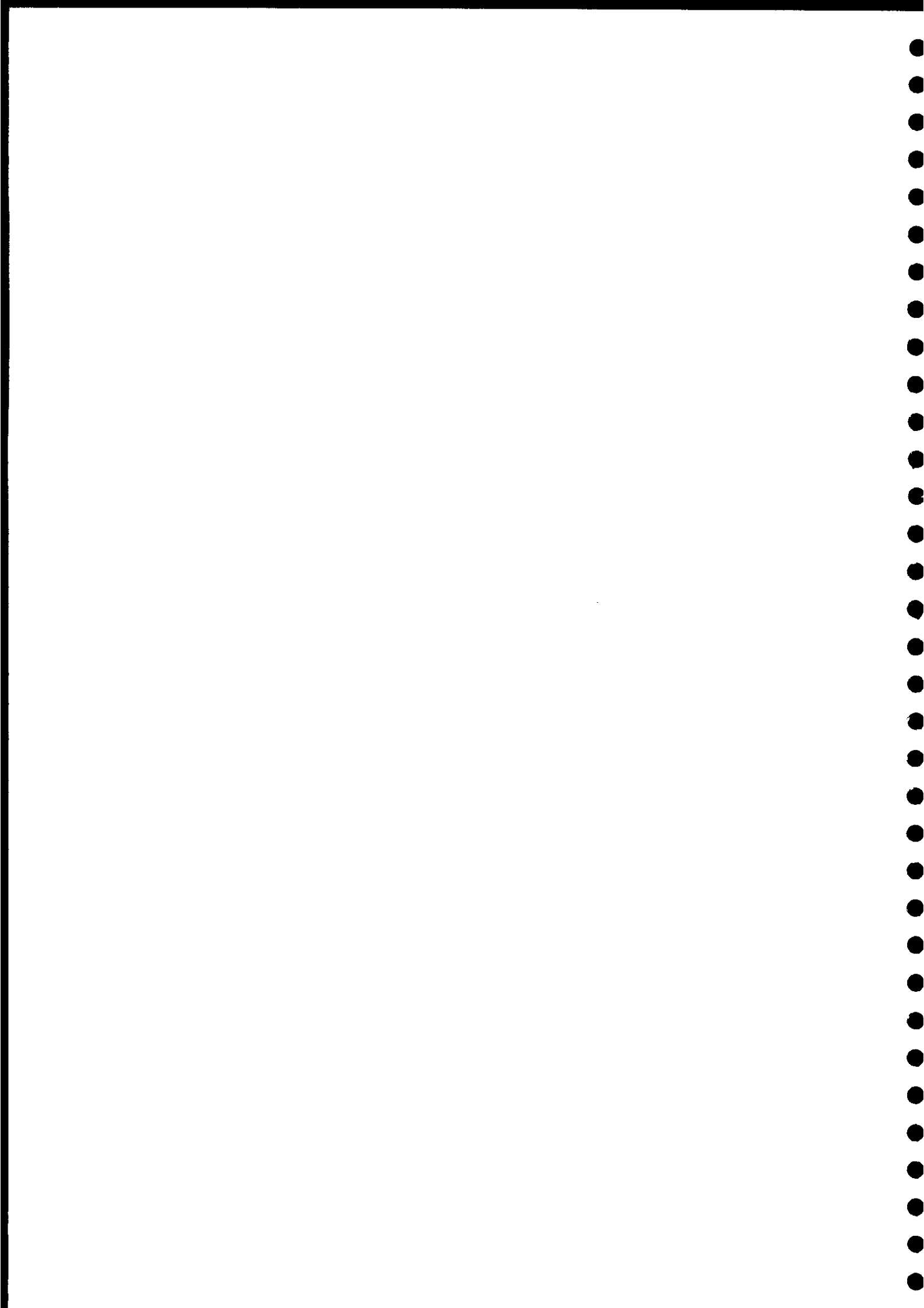
Osborne Clark  
Apex Plaza  
Forbury Road  
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RG1 1AX

**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**

Microsoft Limited, a subsidiary of Microsoft Corporation, continues to market and support systems and applications software for business, professional and home use, including operating systems, network products, languages and applications as well as books, hardware and CD-ROM products for the microcomputer market place.

The principal area of business activity is the United Kingdom.

### **REVIEW OF DEVELOPMENTS**

The profit and loss account is shown on page 6.

### **DIVIDENDS**

A dividend of £35 million was paid from reserves during the period (2001 – £22 million).

### **FUTURE PROSPECTS**

The directors are looking forward to another year of strong growth.

### **DIRECTORS**

The directors who served throughout the period are shown on page 1.

None of the directors had any disclosable interest in the shares of the company or any other United Kingdom group company at any point during the period.

### **CHARITABLE DONATIONS**

During the period, the company made donations for charitable purposes which amounted to £649,000 (2001 – £504,000). No political donations were made (2001 – £nil).

### **EMPLOYEE INVOLVEMENT**

The directors ensure that the employees are informed of any significant matters affecting them as employees. Employees are encouraged to discuss with management factors affecting the company about which they are concerned.

The involvement of employees in business performance is encouraged through an employee share purchase plan. This scheme enables employees to purchase shares in Microsoft Corporation, the ultimate parent company, at 85% of their market value.

Suggestions from employees aimed at improving the company's performance are welcomed.

### **EMPLOYMENT OF DISABLED PERSONS**

The company recognises its social and statutory duty to employ disabled persons. It is the company's policy to give full and fair consideration to applications for employment from disabled persons.

The company's general policy on training and promotion is to fit the qualifications and potential of each member of its staff to the appropriate job and career in the business. This policy is applied to disabled persons in the same way as to other staff.

Where employees become disabled, the company endeavours to continue to employ such people, retraining them where appropriate, provided there are duties which they can perform considering the particular handicap or disability.



**DIRECTORS' REPORT**

**AUDITORS**

Deloitte & Touche will transfer their entire business to Deloitte & Touche LLP, a limited liability partnership formed pursuant to the Limited Liability Partnership Act 2000. The Company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP.

Deloitte & Touche have expressed their willingness to continue in office as auditors. The company passed elective resolutions on 1 July 1990 dispensing with the requirements to hold annual general meetings and to re-appoint auditors annually.

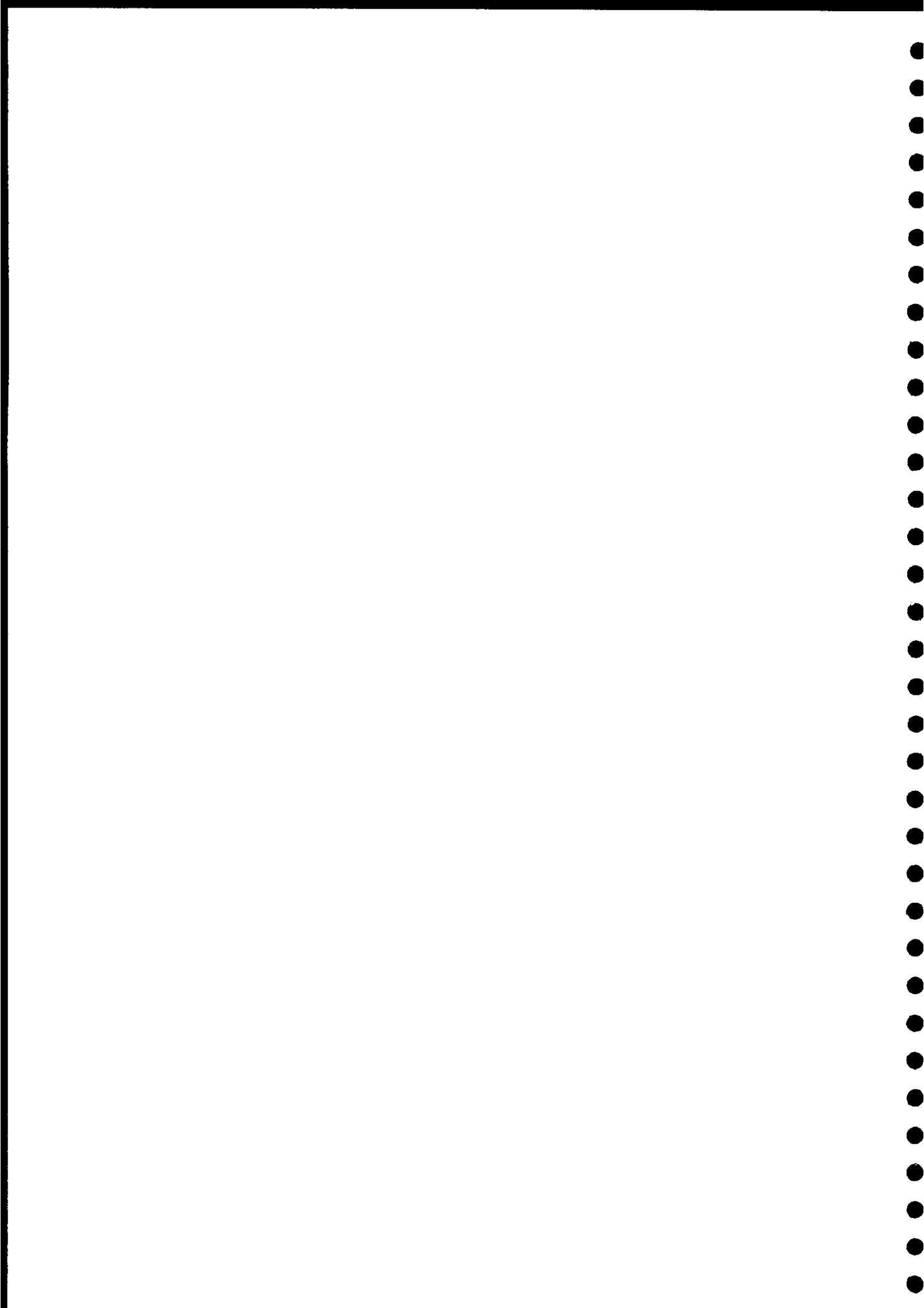
Approved by the Board of Directors  
and signed on behalf of the Board



N Holloway  
Director

29 July 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 LIMITED**

We have audited the financial statements of Microsoft Limited for the 52 weeks ended 28 June 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 18. 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 profit 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

*29 July* 2003

**PROFIT AND LOSS ACCOUNT**  
**52 Weeks ended 28 June 2002**

|  | Note | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001*<br>restated<br>£'000 |
|--|------|---|--|
| <b>TURNOVER</b>                                      | 2    | 327,796                                       | 290,107  |
| Cost of sales  |      | (54,941)                                      | (42,555)   |
| <b>GROSS PROFIT</b>                                  |      | 272,855                                       | 247,552  |
| Distribution costs                                   |      | (49,090)                                      | (46,440)   |
| Administrative expenses                              |      | (188,814)                                     | (163,035)  |
| <b>OPERATING PROFIT</b>                              | 3    | 34,951  | 38,077   |
| Dividends receivable                                 | 8    | 10,462  | -  |
| Amounts written off investments                      | 10   | (10,462)                                      | -  |
| Interest receivable and similar income               | 5    | 1,211   | 1,398  |
| Interest payable and similar charges                 | 6    | (455)   | (764)  |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |      | 35,707  | 38,711   |
| Tax on profit on ordinary activities                 | 7    | (15,509)                                      | (9,467)  |
| <b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>  |      | 20,198  | 29,244   |
| Dividends  | 8    | (35,000)                                      | (22,000)   |
| <b>RETAINED(LOSS)/ PROFIT FOR THE FINANCIAL YEAR</b> |      | (14,802)                                      | 7,244  |
| <b>Profit and loss account brought forward</b>       |      | 25,214  | 17,970   |
| <b>Profit and loss account carried forward</b>       |      | 10,412  | 25,214   |

\* The 2001 profit and loss account has been restated to reclassify an amount from administrative expenses to cost of sales and also for the adoption of FRS19.

All amounts derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**52 Weeks ended 28 June 2002**

|  | 2002<br>£       | 2001*<br>as restated<br>£ |
|--|-----------------|---------------------------|
| Loss/(profit) for the financial year                       | 20,198          | 29,244                    |
| Dividends  | (35,000)        | (22,000)                  |
|  | <hr/>           | <hr/>                     |
| Total recognised gains and losses in the period            | (14,802)        | 7,244                     |
| Prior period adjustment                                    | 2,733           | -                         |
|  | <hr/>           | <hr/>                     |
| Total recognised gains and losses since last annual report | <u>(12,069)</u> | <u>7,244</u>              |

\* The statement of total recognised gains and losses has been restated for the adoption of FRS19.



BALANCE SHEET  
28 June 2002

|   | Note | 2002<br>£'000 | 2001*<br>restated<br>£'000 |
|---|------|---------------|----------------------------|
| <b>FIXED ASSETS</b>                                   |      |               |                            |
| Tangible assets                                       | 9    | 9,133         | 10,770                     |
| Investments   | 10   | 851           | 11,313                     |
|   |      | <u>9,984</u>  | <u>22,083</u>              |
| <b>CURRENT ASSETS</b>                                 |      |               |                            |
| Debtors   | 11   | 60,593        | 69,444                     |
| Cash at bank and in hand                              |      | 14,526        | 4,547                      |
|   |      | <u>75,119</u> | <u>73,991</u>              |
| <b>CREDITORS: amounts falling due within one year</b> | 12   | <u>74,676</u> | <u>70,845</u>              |
| <b>NET CURRENT ASSETS</b>                             |      | <u>443</u>    | <u>3,146</u>               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | <u>10,427</u> | <u>25,229</u>              |
| <b>CAPITAL AND RESERVES</b>                           |      |               |                            |
| Called up share capital                               | 13   | 15            | 15                         |
| Profit and loss account                               |      | 10,412        | 25,214                     |
| <b>EQUITY SHAREHOLDERS' FUNDS</b>                     | 14   | <u>10,427</u> | <u>25,229</u>              |

\* The 2001 balance sheet has been restated (see note 10 and note 13).

These financial statements were approved by the Board of Directors on 29 July 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 company has adopted FRS 18 "Accounting Policies" and FRS 19 "Deferred tax" in these financial statements.

Group accounts have not been prepared on the grounds of materiality. These financial statements therefore present information about Microsoft Limited as an individual undertaking and not as a group

**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 any permanent diminution in value.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over their expected useful lives at the following rates:

|  |                              |
|--|------------------------------|
| Office equipment, furniture and fittings | 33% per annum                |
| Computer and technical equipment         | 33% to 100% per annum        |
| Leasehold improvements                   | over the period of the lease |

**Financial year**

The financial year is the fifty two or fifty three week period ending on the Friday closest to 30 June.

**Leases**

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

**Deferred taxation**

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen by the balance sheet date except as otherwise required by FRS 19 "Deferred Taxation".

**Investments**

Investments held as fixed assets are stated at cost less any provision for impairment in value.

**Foreign currencies**

Transactions in foreign currencies during the year are translated into sterling at the average rate ruling for the month of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date.

All exchange gains and losses are taken to the profit and loss account.



## NOTES TO THE ACCOUNTS

52 weeks ended 28 June 2002

## 2. TURNOVER

Turnover represents amounts received and receivable, excluding value added tax, in respect of goods and services provided during the period. Turnover, all of which arises in the United Kingdom, is attributable to one activity, the marketing, distribution and support of systems and applications software. It includes commission receivable by the company under agreements with a fellow subsidiary.

|                        | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001<br>£'000 |
|------------------------|---|---|
| Sales to third parties | 56,667  | 38,427  |
| Sales within the group | 271,129                                       | 251,680                                       |
|                        | <u>327,796</u>                                | <u>290,107</u>                                |

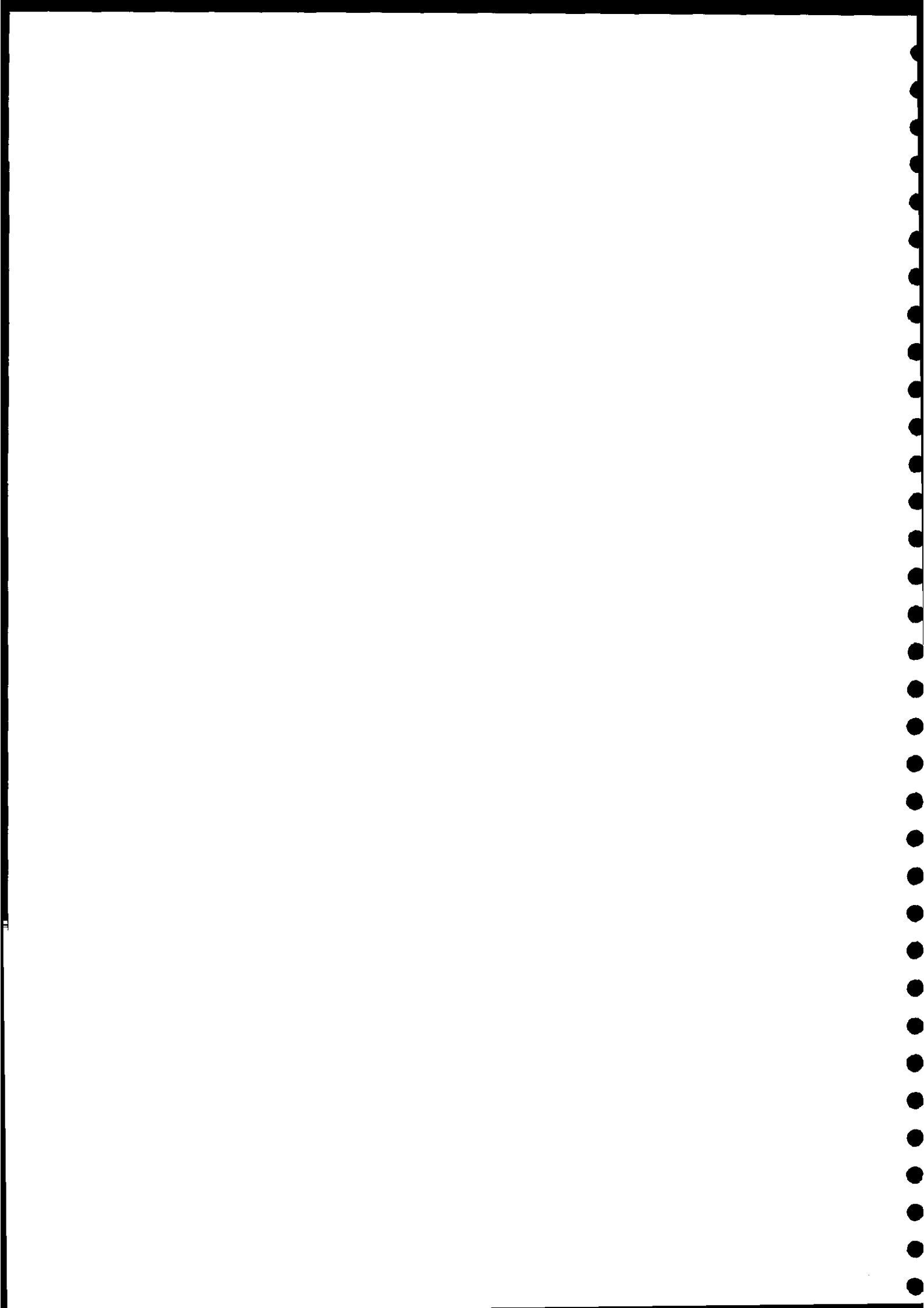
## 3. OPERATING PROFIT

|   | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001<br>£'000 |
|---|---|---|
| <b>Operating profit is stated after charging/(crediting):</b> |   |   |
| Rentals under operating leases                                |   |   |
| Hire of plant and machinery                                   | -   | 2,834   |
| Other operating leases  | 8,884   | 10,381  |
| Auditors' remuneration  |   |   |
| other services  | -   | 7   |
| Depreciation – owned assets                                   | <u>9,233</u>                                  | <u>7,789</u>                                  |

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

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

|  | 52 weeks<br>ended<br>28 June<br>2002<br>No. | 52 weeks<br>ended<br>29 June<br>2001<br>No. |
|--|---|---|
| <b>Average number of persons employed:</b> |   |   |
| Sales and distribution                     | 1,480                                       | 1,161                                       |
| Administration                             | <u>42</u>                                   | <u>42</u>                                   |
|  | <u>1,522</u>                                | <u>1,203</u>                                |



NOTES TO THE ACCOUNTS  
52 weeks ended 28 June 2002

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

|                                    | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001<br>£'000 |
|------------------------------------|---|---|
| Staff costs (including directors): |   |   |
| Wages and salaries                 | 83,900  | 66,147  |
| Social security costs              | 8,237   | 8,961   |
|                                    | <u>92,137</u>                                 | <u>75,108</u>                                 |

One director received remuneration and pension during the period (2001 - one), and this was as follows:

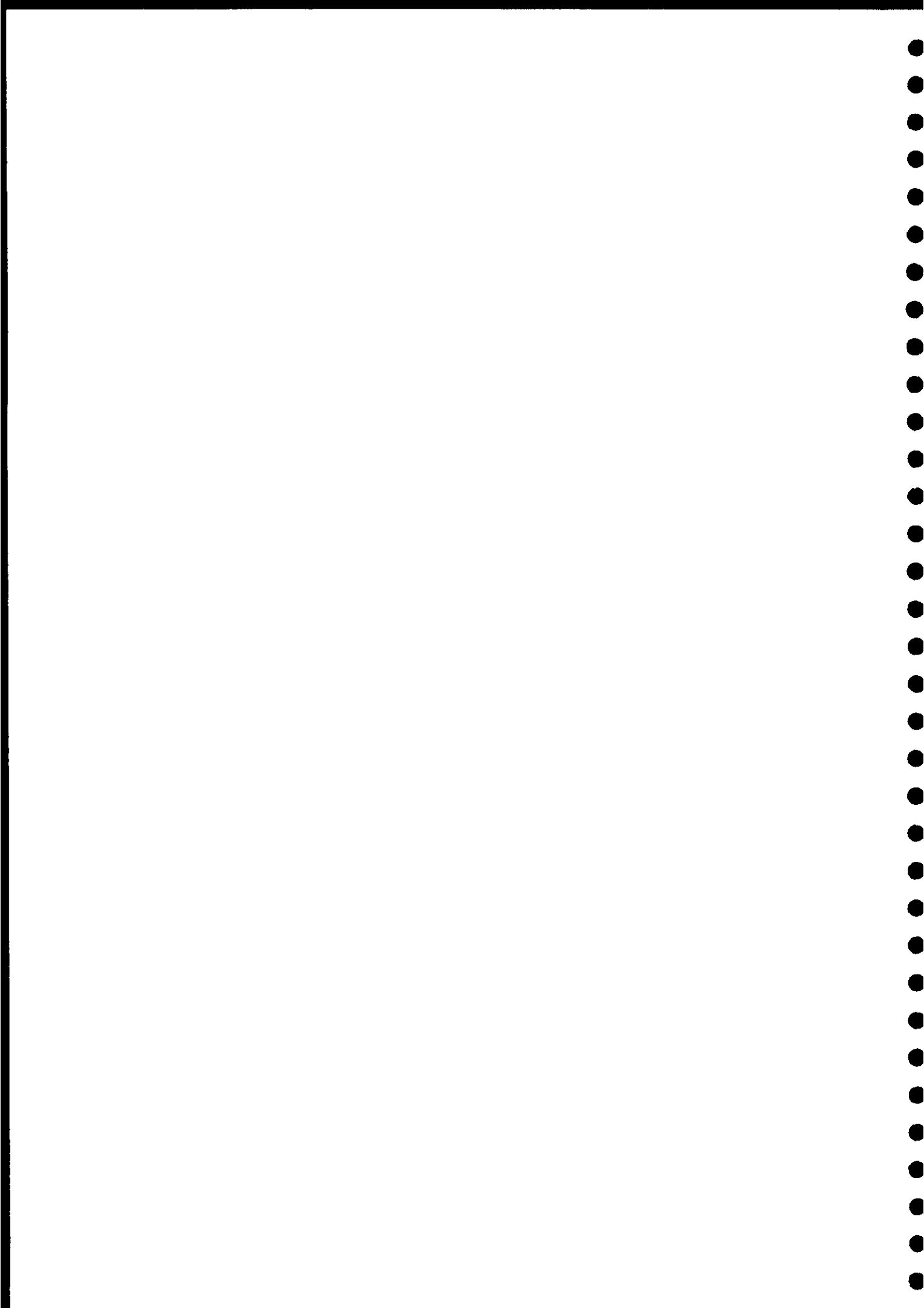
|                      | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001<br>£'000 |
|----------------------|---|---|
| Aggregate emoluments | <u>190</u>                                    | <u>174</u>                                    |
|                      | <u>190</u>                                    | <u>174</u>                                    |

## 5. INTEREST RECEIVABLE AND SIMILAR INCOME

|   | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001<br>£'000 |
|---|---|---|
| Interest receivable from parent company | 902   | 560   |
| Bank deposit interest receivable        | 309   | 838   |
|   | <u>1,211</u>                                  | <u>1,398</u>                                  |

## 6. INTEREST PAYABLE AND SIMILAR CHARGES

|                               | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001<br>£'000 |
|-------------------------------|---|---|
| Intercompany interest payable | 455   | 753   |
| Bank loans and overdrafts     | -   | 11  |
|                               | <u>455</u>                                    | <u>764</u>                                    |



# NOTES TO THE ACCOUNTS

## 52 weeks ended 28 June 2002

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

|  | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001*<br>as restated<br>£'000 |
|--|---|---|
| United Kingdom corporation tax at 30% (2001 – 30%) | 13,004  | 12,470  |
| Adjustment in respect of prior years               | 3,483   | (270)   |
| Total current tax                                  | 16,487  | 12,200  |
| Deferred tax                                       | (978)   | (2,733)   |
| UK corporation tax at 30%                          | 15,509  | 9,467   |

The prior year tax charge is disproportionately high due to the level of disallowable expenditure

FRS19 has required a change in the method of accounting for deferred tax. As a result the comparative figure for the tax on profit on ordinary activities for 2001 has been restated from the previously reported amount of £12.2m to £9.4m. The impact of adopting FRS19 on the 2002 results is an decrease to the tax charge of £1m.

#### Reconciliation to current tax charge:

|  | 52 weeks<br>ended<br>28 June 2002<br>% | 52 weeks<br>ended<br>29 June 2001*<br>as restated<br>% |
|--|--|--|
| Profit before tax at 30%                     | 30                                     | 30   |
| Depreciation in excess of capital allowances | 2                                      | 1  |
| Capital items in revenue                     | 1                                      | -  |
| Permanent adjustments                        | 9                                      | 1  |
| Total current tax charge                     | 42                                     | 32   |

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

|   | 52 weeks<br>ended<br>28 June<br>2002<br>£'000 | 52 weeks<br>ended<br>29 June<br>2001<br>£'000 |
|---|---|---|
| Paid – £2,333 per equity ordinary share (2001 – £1,467) | 35,000  | 22,000  |
| Receivable  | 10,463  | -   |



NOTES TO THE ACCOUNTS  
52 weeks ended 28 June 2002

## 9. TANGIBLE FIXED ASSETS

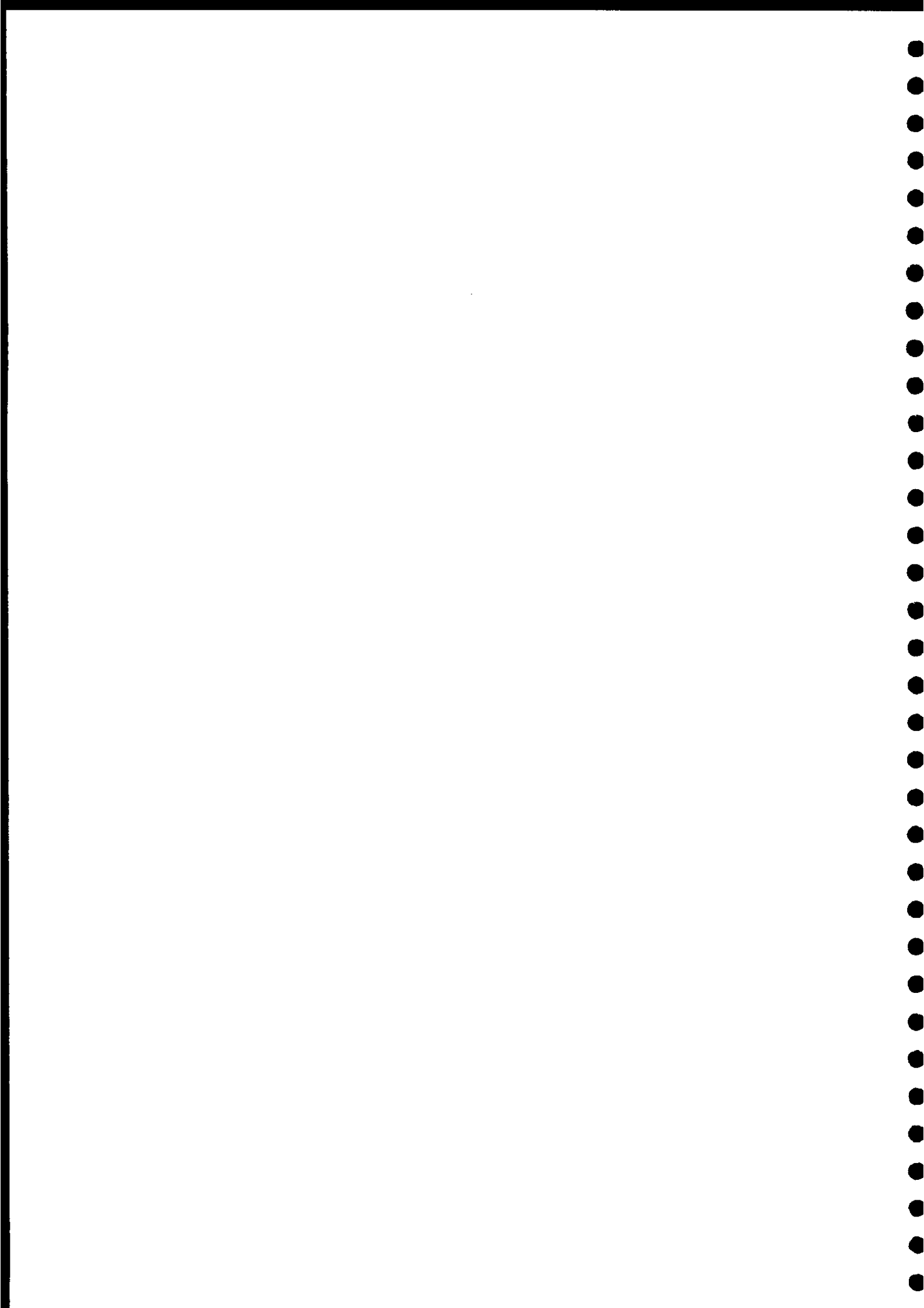
|                             | Office<br>equipment,<br>furniture<br>and fittings<br>£'000 | Computer<br>and<br>technical<br>equipment<br>£'000 | Leasehold<br>improve-<br>ments<br>£'000 | Total<br>£'000 |
|-----------------------------|--|--|---|----------------|
| Cost                        |  |  |   |                |
| At 30 June 2001             | 12,861   | 24,378   | 1,592                                   | 38,831         |
| Additions                   | 1,975  | 5,202  | 84                                      | 7,261          |
| Transferred from subsidiary | 186  | -  | 296                                     | 482            |
| Disposals                   | (1)  | (224)  | -                                       | (225)          |
| At 28 June 2002             | 15,021   | 29,356   | 1,972                                   | 46,349         |
| Accumulated depreciation    |  |  |   |                |
| At 30 June 2001             | 8,142  | 19,188   | 731                                     | 28,061         |
| Charge for the period       | 2,542  | 6,099  | 592                                     | 9,233          |
| Transferred from subsidiary | 116  | -  | 31                                      | 147            |
| Disposals                   | (1)  | (224)  | -                                       | (225)          |
| At 28 June 2002             | 10,799   | 25,063   | 1,354                                   | 37,216         |
| Net book value              |  |  |   |                |
| At 28 June 2002             | 4,222  | 4,293  | 618                                     | 9,133          |
| At 29 June 2001             | 4,719  | 5,190  | 861                                     | 10,770         |

## 10. INVESTMENTS

|                               |          |
|-------------------------------|----------|
| Shares in group companies     | £'000    |
| As at 29 June 2001 (restated) | 11,313   |
| Impairment                    | (10,462) |
| As at 28 June 2002            | 851      |

The wholly owned subsidiaries are Softimage Limited and STNC Limited, companies incorporated in Great Britain. The results of these companies are not consolidated on the grounds of materiality. These financial statements therefore present information about Microsoft Limited as an individual undertaking and not as a group.

The investment in STNC has been restated from £987,000 to £11,313,000 to represent the value of the holding in STNC Limited acquired in 2000. Intercompany creditors has also increased by a corresponding amount.





NOTES TO THE ACCOUNTS  
52 weeks ended 28 June 2002

## 11. DEBTORS

|                                     | 2002<br>£'000 | 2001<br>as restated<br>£'000 |
|-------------------------------------|---------------|------------------------------|
| Trade debtors                       | 18,193        | 11,526                       |
| Amounts owed by group undertakings: |               |                              |
| - parent company                    | 5,102         | 11,302                       |
| - fellow subsidiary undertakings    | 27,193        | 32,117                       |
| Other debtors                       | 3,574         | 6,606                        |
| Prepayments and accrued income      | 2,820         | 5,160                        |
| Deferred tax asset                  | 3,711         | 2,733                        |
|                                     | <u>60,593</u> | <u>69,444</u>                |

Prepayments and accrued income include £nil (2001 - £200,848) which is due after more than one year. All other debts are due within one year.

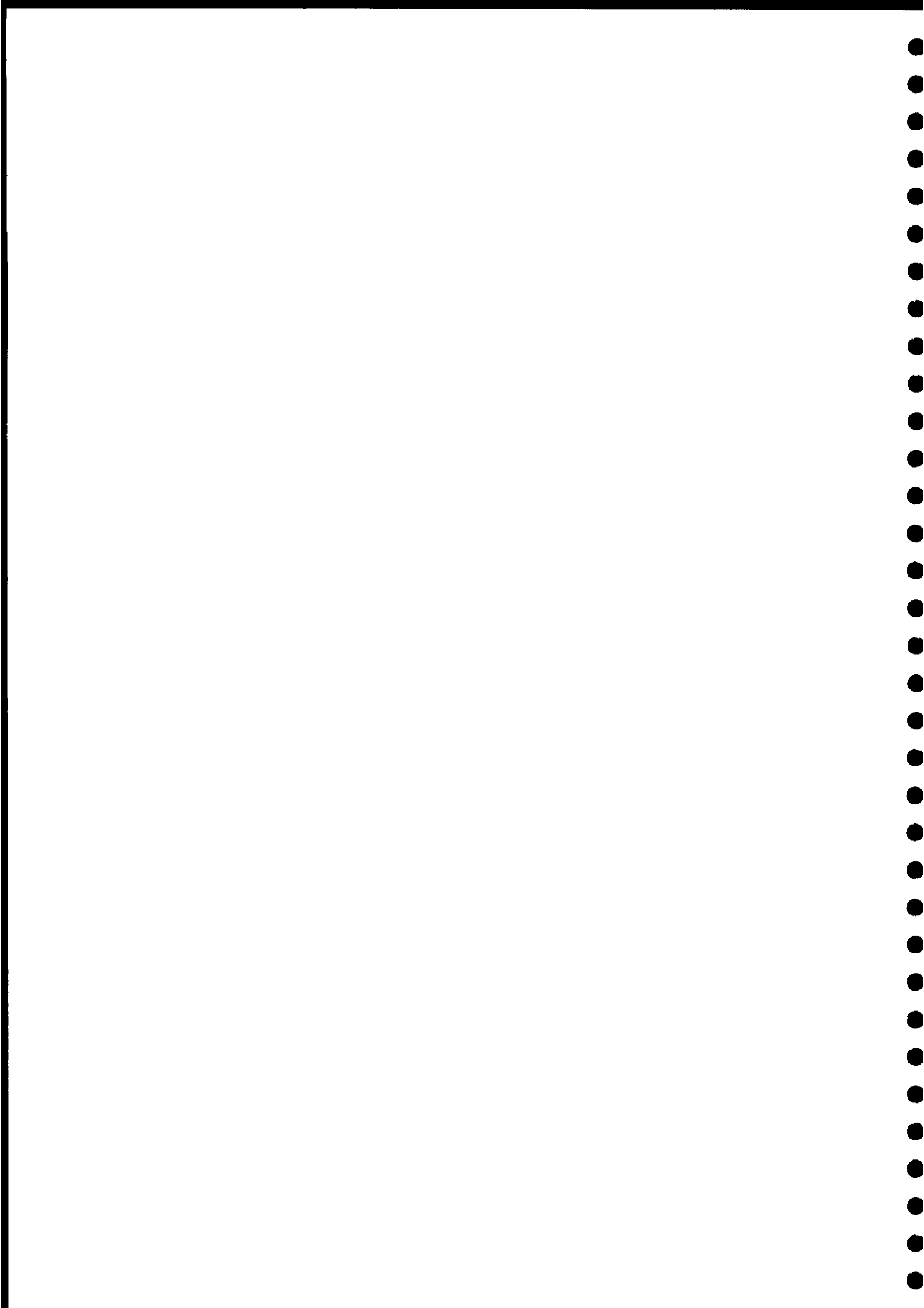
## 12. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

|  | 2002<br>£'000 | 2001*<br>as restated<br>£'000 |
|--|---------------|-------------------------------|
| <b>Amounts falling due within one year:</b>    |               |                               |
| Overdrafts                                     | 145           | 791                           |
| Trade creditors                                | 1,330         | 1,358                         |
| Amounts owed to fellow subsidiary undertakings | 8,669         | 25,307                        |
| Other creditors                                | 2,746         | 6,365                         |
| Other taxation and social security             | 19,217        | 11,222                        |
| Accruals and deferred income                   | 42,569        | 25,802                        |
|  | <u>74,676</u> | <u>70,845</u>                 |

## 13. DEFERRED TAX

The deferred tax asset consists of the following amounts:

|  | 2002<br>£'000 | 2001*<br>as restated<br>£'000 |
|--|---------------|-------------------------------|
| Depreciation in excess of capital allowances | <u>3,711</u>  | <u>2,733</u>                  |
|  |               | <b>2002<br/>£'000</b>         |
| Balance at 30 June 2001                      |               | 2,733                         |
| Credited to the profit and loss in the year  |               | 978                           |
| Balance at 28 June 2002                      |               | <u>3,711</u>                  |



# NOTES TO THE ACCOUNTS

## 52 weeks ended 28 June 2002

### 13 DEFERRED TAX (CONTINUED)

The adoption of FRS19 Deferred Taxation has required changes in the method of accounting for deferred tax assets and liabilities. As a result of these changes in accounting policy the comparatives have been restated as follows:

|                                   | Debtors<br>£'000 | Profit and<br>loss reserve<br>£'000 | Shareholders'<br>funds<br>£'000 |
|-----------------------------------|------------------|-------------------------------------|---------------------------------|
| 2001 as previously reported       | 66,711           | 22,481                              | 22,496                          |
| Adoption of FRS19 at 30 June 2001 | 2,733            | 2,733                               | 2,733                           |
| 2001 restated                     | 69,444           | 25,214                              | 25,229                          |

### 14. CALLED UP SHARE CAPITAL

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Authorised, called up, allotted and fully paid<br>15,000 ordinary shares of £1 each | 15            | 15            |

### 15. MOVEMENTS ON SHAREHOLDERS' FUNDS

|  | 2002<br>£'000 | 2001*<br>as restated<br>£'000 |
|--|---------------|-------------------------------|
| Profit for the financial year as previously reported | 20,198        | 26,511                        |
| Prior year adjustment                                | -             | 2,733                         |
|  | 20,198        | 29,244                        |
| Dividends paid                                       | (35,000)      | (22,000)                      |
| Net (reduction)/addition to shareholders' funds      | (14,802)      | 7,244                         |
| Opening shareholders' funds                          | 25,229        | 17,985                        |
| Closing shareholders' funds                          | 10,427        | 25,229                        |

## NOTES TO THE ACCOUNTS

52 weeks ended 28 June 2002

## 16. COMMITMENTS AND CONTINGENT LIABILITIES

At 28 June 2002 the company was committed to making the following payments during the next year in respect of operating leases:

|                                 | Land and<br>buildings<br>2002<br>£'000 | Other<br>2002<br>£'000 | Land and<br>Buildings<br>2001<br>£'000 | Other<br>2001<br>£'000 |
|---------------------------------|--|------------------------|--|------------------------|
| Operating leases which expire:  |  |                        |  |                        |
| Within 1 year                   | 4                                      | -                      | 357                                    | 345                    |
| Between 2 and 5 years inclusive | 1,437                                  | -                      | 3,300                                  | 185                    |
| After 5 years                   | 6,840                                  | -                      | 6,441                                  | -                      |
|                                 | <u>8,281</u>                           | <u>-</u>               | <u>10,098</u>                          | <u>530</u>             |

## 17. ULTIMATE PARENT UNDERTAKING

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.

## 18. 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.

