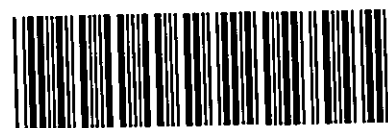


MICROSOFT LIMITED

Report and Financial Statements

53 weeks ended 3 July 2009

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MICROSOFT LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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MICROSOFT LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K R Dolliver
B O Orndorff
G R Frazer

SECRETARY

R B Secretarial Limited

REGISTERED OFFICE

Microsoft Campus
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Berkshire
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BANKERS

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Reed Smith Richards Butler LLP
Beaufort House
15 St Botolph Street
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AUDITORS

Deloitte LLP
Chartered Accountants
Abbots House, Abbey Street
Reading
RG1 3BD

TAX ADVISERS

KPMG LLP
Arlington Business Park
Theale
RG1 4SD

MICROSOFT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 53 weeks ended 3 July 2009

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. The principal area of business activity is the United Kingdom

BUSINESS REVIEW

The primary purpose of the company is to provide marketing and support to other group companies. The majority of turnover comprises of commissions, based on costs incurred in the marketing and support of systems and applications software for business, professional and home use. In the current year turnover from other group companies grew from £513m to £551m. Despite the economic conditions which prevailed at the close of the financial year, the demand for market and support services grew marginally. The key performance indicator for the company is therefore based on return on employee investment as this is the main contributor to costs. The company is committed to ensuring all employees are focused on the overall group strategy, and as such employee involvement is a key focus for the company, refer to "Employee involvement" paragraph below

Revenue is also generated from the Services business through its Managed Support and Consulting divisions. The Managed Support business provides on site technical experts to enhance the performance of customer's investment in Microsoft's technology. The Consulting division works with customers and partners to deliver best in class, leading edge solutions to support the adoption and acceleration of Microsoft products. This represents the sales to third parties of £89m, which has increased on the prior year and is expected to continue at this level in the following year

DIVIDENDS

The directors approved a dividend for the period of £104m (2008 nil)

RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the company are intrinsically linked to the other Microsoft group companies. Their performance continues to be strong and there is not considered to be a significant risk to the company's continuing profitability. The company is not considered to be at significant risk from environmental or other external influences. The company has no significant borrowings or foreign exchange exposure

GOING CONCERN

The company and the Microsoft group have considerable financial resources. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts

FUTURE PROSPECTS

The company will continue to support other group companies and in view of the current economic climate, the board is looking forward to sustaining the level of revenue and profits in the following years

MICROSOFT LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors who served during the period are shown on page 1

CHARITABLE DONATIONS

During the period, the company made donations for charitable purposes which amounted to £424,595 (2008 £285,903) No political donations were made (2008 - £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 90% 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.

MICROSOFT LIMITED

DIRECTORS' REPORT (CONTINUED)

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors. The company passed elective resolutions 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



G R Frazer
Director
26 March 2010

MICROSOFT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MICROSOFT LIMITED

We have audited the financial statements of Microsoft Limited for the 53 weeks ended 3 July 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 3 July 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

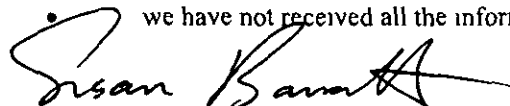
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Susan Barratt, BA ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Reading, United Kingdom

26 March 2010

MICROSOFT LIMITED

PROFIT AND LOSS ACCOUNT 53 weeks ended 3 July 2009

	Note	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
TURNOVER	2	639,879	591,069
Cost of sales		(83,724)	(62,596)
GROSS PROFIT		556,155	528,473
Distribution costs		(81,086)	(81,143)
Administrative expenses		(397,380)	(378,006)
OPERATING PROFIT	3	77,689	69,324
Dividend income		1,193	-
Interest receivable and similar income	5	7,295	9,824
Interest payable and similar charges	6	(49)	(20)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		86,128	79,128
Tax on profit on ordinary activities	7	(23,646)	(24,966)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		62,482	54,162

All amounts derive from continuing operations

There were no recognised gains or losses other than those shown in the profit and loss account above. Accordingly, no Statement of Total Recognised Gains and Losses has been presented.

MICROSOFT LIMITED


BALANCE SHEET

3 July 2009

	Note	3 July 2009 £'000	27 June 2008 £'000
FIXED ASSETS			
Tangible assets	9	16,684	17,409
Investments	10	-	-
		<u>16,684</u>	<u>17,409</u>
CURRENT ASSETS			
Debtors	11	250,704	233,040
Cash at bank and in hand		6,783	51,735
		<u>257,487</u>	<u>284,775</u>
CREDITORS amounts falling due within one year	12	<u>(129,863)</u>	<u>(120,713)</u>
NET CURRENT ASSETS		<u>127,624</u>	<u>164,062</u>
NET ASSETS		<u>144,308</u>	<u>181,471</u>
CAPITAL AND RESERVES			
Called up share capital	14	15	15
Profit and loss account	16	144,293	181,456
SHAREHOLDERS' FUNDS	15	<u>144,308</u>	<u>181,471</u>

The financial statements of Microsoft Limited, registration number 01624297, were approved by the Board of Directors on 26 March 2010

Signed on behalf of the Board of Directors



G R Frazer
Director

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

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.

Going concerns

The company and the Microsoft group have considerable financial resources. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Share based payments

The Microsoft group operates a number of share-based payment arrangements.

The fair value of awards granted is spread over the vesting period of those awards. A corresponding amount is credited to reserves. Refer to note 18 for details of how the fair value of awards is determined.

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.

Consolidation

The Company has taken advantage of the exemption from preparing consolidated accounts permitted by S401 of the Companies Act 2006 because it is a wholly-owned subsidiary of Microsoft Corporation which prepares consolidated accounts that are publicly available. Hence the information provided in these financial statements presents information about the company as an individual undertaking and not as a group.

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, less residual value 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

Residual value is calculated on prices prevailing at the date of acquisition.

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.

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

1 ACCOUNTING POLICIES (CONTINUED)

Pension scheme

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised without discounting, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

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.

	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
Sales to third parties	88,971	78,095
Sales within the group	550,908	512,974
	<u>639,879</u>	<u>591,069</u>

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

3. OPERATING PROFIT

	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
Operating profit is stated after charging/(crediting):		
Rentals under operating leases		
Other operating leases	19,130	19,100
Depreciation – owned assets	7,712	8,654
Foreign exchange loss/ (gain)	281	(227)
Auditors' remuneration		
- audit services	84	91
- non-audit services	3	3
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	53 weeks ended 3 July 2009 No.	52 weeks ended 27 June 2008 No.
Average number of persons employed (including directors):		
Sales and distribution	2,800	2,400
Administration	147	126
	<u> </u>	<u> </u>
	2,947	2,526
	<u> </u>	<u> </u>

	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
Staff costs (including directors):		
Wages and salaries	269,238	234,657
Social security costs	28,717	25,508
Pension	18,736	15,717
Share based payments (note 18)	19,020	15,373
	<u> </u>	<u> </u>
	335,711	291,255
	<u> </u>	<u> </u>

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The remaining directors received their remuneration for services to group companies from Microsoft Corporation. The proportion of their remuneration that was allocated to their services to Microsoft Limited was £nil.

During the prior year all the directors received their remuneration for services to group companies from Microsoft Corporation. The proportion of this remuneration that is allocated to their services to Microsoft Limited is £nil.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
Bank interest	335	1,266
Interest receivable from parent company	6,960	7,258
Other	-	1,300
	<u>7,295</u>	<u>9,824</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
Interest payable to group undertakings	49	20
	<u>49</u>	<u>20</u>

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
United Kingdom corporation tax	26,678	25,193
Adjustment in respect of prior years	(1,172)	(512)
	<hr/>	<hr/>
Total current tax	25,506	24,681
Deferred tax (note 13)	(1,860)	285
	<hr/>	<hr/>
	<u>23,646</u>	<u>24,966</u>

Reconciliation to current tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2008 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

	53 weeks ended 3 July 2009 %	52 weeks ended 27 June 2008 %
Corporation tax at standard rate	28	30
Capital allowances in excess of depreciation	-	-
Other short term timing differences	1	-
Prior year adjustment	(1)	(1)
Permanent adjustments	2	2
	<hr/>	<hr/>
Total current tax charge	<u>30</u>	<u>31</u>

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

	53 weeks ended 3 July 2009 £'000	52 weeks ended 27 June 2008 £'000
Paid – £6,934 per equity ordinary share (2008 £nil per equity ordinary share)	104,000	-
	<hr/>	<hr/>

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS 53 weeks ended 3 July 2009

9. TANGIBLE FIXED ASSETS

	Office equipment, furniture and fittings £'000	Computer and technical equipment £'000	Leasehold improve- ments £'000	Total £'000
Cost				
At 27 June 2008	41,282	34,336	3,873	79,491
Additions	3,227	3,017	743	6,987
Disposals	(6)	(103)	-	(109)
	<u>44,503</u>	<u>37,250</u>	<u>4,616</u>	<u>86,369</u>
At 3 July 2009				
Accumulated depreciation				
At 27 June 2008	29,273	29,332	3,477	62,082
Charge for the period	3,336	4,166	210	7,712
Disposals	(6)	(103)	-	(109)
	<u>32,603</u>	<u>33,395</u>	<u>3,687</u>	<u>69,685</u>
At 3 July 2009				
Net book value				
At 3 July 2009	<u>11,900</u>	<u>3,855</u>	<u>929</u>	<u>16,684</u>
At 27 June 2008	<u>12,009</u>	<u>5,004</u>	<u>396</u>	<u>17,409</u>

10. INVESTMENTS

The company has a wholly owned subsidiary, TDIC Limited, a company incorporated in Great Britain. TDIC Limited did not trade during the current period. The cost of the investment at 3 July 2009 was £610,000 (2008 £610,000), with Net Book Value of £nil (2008 nil). TDIC is in the process of being liquidated. All intercompany balances have been settled. During the year a dividend of £1,193,000 was received by Microsoft Limited from TDIC.

11. DEBTORS

	2009 £'000	2008 £'000
Trade debtors	22,446	20,658
Amounts owed by fellow group undertakings	202,144	191,806
Other debtors	2,291	7,652
Prepayments and accrued income	14,240	5,201
Deferred tax asset (note 13)	9,583	7,723
	<u>250,704</u>	<u>233,040</u>

Interest is received on amounts owed by group undertakings except short-term trading balances using a Reuter's 12-month interest rate.

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

12. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Trade creditors	9,527	10,284
Corporation tax	6,778	6,871
Other creditors	3,433	682
Other taxation and social security	17,889	16,831
Accruals and deferred income	86,690	86,045
Amounts owing to fellow group undertakings	5,546	-
	<u>129,863</u>	<u>120,713</u>

Interest is paid on amounts owed to group undertakings except short-term trading balances using a Reuter's 12-month interest rate

13. DEFERRED TAX

The deferred tax asset consists of the following amounts

	2009 £'000	2008 £'000
Depreciation in excess of capital allowances	2,809	2,928
Share based payments	6,774	4,795
	<u>9,583</u>	<u>7,723</u>
		£'000
Balance at 30 June 2008		7,723
Charged to the profit and loss in the period		<u>1,860</u>
Balance at 3 July 2009		<u>9,583</u>

14 CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised, called up, allotted and fully paid 15,000 ordinary shares of £1 each	<u>15</u>	<u>15</u>

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
Profit for the financial period	62,482	54,162
Dividends paid	(104,000)	-
Share-based payment – contribution received	19,020	15,373
Distribution to parent company	(14,665)	-
	<u>(37,163)</u>	<u>69,535</u>
Net addition to shareholders' funds		
	(37,163)	69,535
Opening shareholders' funds	<u>181,471</u>	<u>111,936</u>
Closing shareholders' funds	<u><u>144,308</u></u>	<u><u>181,471</u></u>

During 2009, Microsoft Limited assumed liabilities of fellow group companies on instruction from the parent company (Microsoft Corporation) Accordingly a distribution has been recognised in reserves

16. RECONCILIATION OF MOVEMENT IN RESERVES

	2009 £'000	2008 £'000
Profit for the financial period	62,482	54,162
Dividends paid	(104,000)	-
Share-based payment – contribution received	19,020	15,373
Distribution to parent company	(14,665)	-
	<u>(37,163)</u>	<u>69,535</u>
Net addition to reserves		
	(37,163)	69,535
Opening reserves	<u>181,456</u>	<u>111,921</u>
Closing reserves	<u><u>144,293</u></u>	<u><u>181,456</u></u>

During 2009, Microsoft Limited assumed liabilities of fellow group companies on instruction from the parent company (Microsoft Corporation) Accordingly a distribution has been recognised in reserves

17. OPERATING LEASE COMMITMENTS

At 3 July 2009 the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings	
	2009 £'000	2008 £'000
Operating leases which expire		
Within 1 year	917	195
Between 2 and 5 years inclusive	1,492	172
After 5 years	16,721	18,733
	<u>19,130</u>	<u>19,100</u>

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

18. SHARE BASED PAYMENTS

The group has a share award scheme whereby employees are awarded shares in Microsoft Corporation. These shares vest equally on the first to fifth anniversary of the award date. The employees do not make any payment for these shares. Awards are forfeited if the employee leaves the group before the relevant anniversary date of those awards has been reached.

Details of the share awards outstanding during the year are as follows

	2009	2008
Number of share awards	3,924,946	3,239,342
Weighted average exercise price (in £)	-	-
Outstanding at beginning of period	3,239,342	2,506,092
Granted during the period	1,820,059	1,683,001
Forfeited during the period	(306,177)	(317,841)
Exercised during the period	(828,278)	(631,910)
Expired during the period	-	-
Outstanding at the end of the period	3,924,946	3,239,342
Exercisable at the end of the period	-	-

The estimated average share price at the date share awards vested during the period ended 3 July 2009 was \$26.02 (period ended 27 June 2008 \$29.19).

The unvested awards as at 3 July 2009 had a weighted average remaining contractual life of 2.6 years (27 June 2008 2.4 years).

In both the periods ended 3 July 2009 and 27 June 2008, awards were granted on numerous dates. The aggregate of the estimated fair values of the awards granted on those dates was £27,616,413 (2008 £23,183,405).

The fair values of awards granted is based upon the market price of the underlying share as of the date of the grant, reduced by the present value of estimated future dividends.

The company recognised total expenses of £17,611,950 and £13,352,895 in relation to share award transactions during 2009 and 2008 respectively.

Shared Performance Share Awards

The group has a Shared Performance Share Awards ("SPSA") scheme whereby employees are granted shares in Microsoft Corporation if the group meets specified performance targets. A quarter of each award vests each year between one and four years after the end of each performance measurement period.

The fair value of the SPSAs is measured as the market price of the underlying share as of the date of the grant, reduced by the present values of estimated future dividends.

The company recognised total expenses of £990,172 and £1,585,082 related to SPSA transactions during 2009 and 2008 respectively.

Legacy Share-based Payment Schemes

The company recognised a further £417,553 (2008 £434,770) relating to historic share option schemes. No new awards were made under these schemes during the current or preceding financial period.

19. 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. 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.

MICROSOFT LIMITED

NOTES TO THE ACCOUNTS

53 weeks ended 3 July 2009

20 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