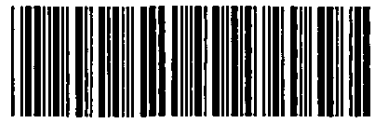


010414 UK Limited

Financial Statements

31 December 2014

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010414 UK Limited

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010414 UK Limited

Company Information

Director	I Ferguson
Company secretary	A Sullivan
Registered number	8938584
Registered office	PO Box 41 North Harbour Portsmouth Hampshire PO6 3AU
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Oceana House 39 - 49 Commercial Road Southampton Hampshire SO15 1GA

010414 UK Limited

Director's Report For the Period Ended 31 December 2014

The director presents his report and the audited financial statements for the company for the nine month period ended 31 December 2014

Principal activities and business review

The company was incorporated on 13 March 2014. Its accounting period was shortened from 31 March 2015 to 31 December 2014 to bring it in line with other entities within the group. These financial statements present the financial results for the company's first period of trading.

The company paid \$19,000,000 to purchase intellectual property software rights from a fellow subsidiary undertaking, Daeja Image Systems Limited, on 1 April 2014 and the company was incorporated for this purpose. The intellectual property software rights represent the exclusive rights to document and image viewing solutions and know-how for enterprise content management developed by Daeja Image Systems Limited. The purchase of the intellectual property software rights was funded by a loan from the company's parent undertaking, IBM International Group B V. A further \$2,220,549 has been incurred during the period developing the software.

The company has granted exclusive and non-transferable sub-licences to group undertakings and earns royalty income on commercial transactions made under these licences.

The company has adopted US dollars as its functional currency due to the primary revenue, cost and loan transactions being US dollar denominated.

Results and dividends

The loss for the financial period amounted to \$539,000.

The director does not recommend payment of a dividend.

Future developments

The company will continue to exploit the rights to the intellectual property it purchased during the period until such rights are sold. The director believes the sale of the intellectual property software rights to another company in the International Business Machines Corporation group, will take place in the foreseeable future.

Strategic Report

The company has taken advantage of the exemption under Section 414B of the Companies Act 2006 from including a Strategic Report in its financial statements.

Going concern

The financial statements have been prepared on a going concern basis as IBM International Group B V has confirmed its continuing support for the company for the foreseeable future and accordingly, the director believes it is appropriate to prepare the financial statements on a going concern basis.

Principal risks and uncertainties

The principal risks of the company relate to the marketability and demand for the Daeja Image Systems software products and the resulting impact this could have on the valuation of the intellectual property software rights.

Reduced demand for, or marketability of, the Daeja Image Systems software could adversely impact the results of the company and could ultimately result in impairment of the intellectual property's carrying value.

**Director's Report
For the Period Ended 31 December 2014**

Financial risk management

The operations of the company do not expose it to material financial risks including the effects of change in debt market prices, credit risk and liquidity risk. The interest on the loan from the parent company, IBM International Group B V, to the company was fixed until 1 April 2015 at 0.4795%, minimising exposure to interest rate risk during the period. Interest paid to fellow group undertakings is based on LIBOR plus 15 basis points, so there is some exposure to interest rate risk.

Key Performance Indicators

Given the straightforward nature of the business, the director is of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the director has the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The company, has granted this indemnity in favour of the director of the company as is permitted by Section 232-235 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. International Business Machines Corporation has purchased Directors' and Officers' liability insurance cover for the director against liabilities arising in relation to the company, as permitted by the Companies Act 2006. This insurance does not cover criminal activity.

Directors

The directors who served during the period and up to the date of signing of the financial statements were

T Gingell (appointed 13 March 2014, resigned 5 January 2015)

I Ferguson (appointed 5 January 2015)

Provision of information to auditors

In so far as the director is aware

- there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that ought to have been taken to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

This report was approved by the board on 28 September 2015 and signed on its behalf

I Ferguson
Director



**Statement of Director's Responsibilities
For the Period Ended 31 December 2014**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial period. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the director is 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 010414 UK Limited
For the Period Ended 31 December 2014**

Report on the financial statements

Our opinion

In our opinion, 010414 UK Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the nine month period (the "period") 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

What we have audited

The financial statements comprise

- the Balance Sheet as at 31 December 2014,
- the Profit and Loss account for the period then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the director has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, he has made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility.

Director's remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of director's remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the director was not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

**Independent Auditors' Report to the Members of 010414 UK Limited
For the Period Ended 31 December 2014**

Responsibilities for the financial statements and the audit

Our responsibilities and those of the director

As explained more fully in the Statement of Director's Responsibilities, the director is 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

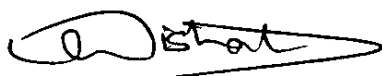
We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error 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 director, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the director's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report



Ian Wishart (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

Date 28 September 2015

010414 UK Limited

**Profit and Loss Account
For the Period Ended 31 December 2014**

	Note	Period ended 31 December 2014 \$000
TURNOVER	1	4,186
Cost of sales		<u>(2,221)</u>
GROSS PROFIT		1,965
Administrative expenses		<u>(2,036)</u>
OPERATING LOSS	2	(71)
Interest payable and similar charges	6	<u>(70)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(141)
Tax on loss on ordinary activities	7	<u>(398)</u>
LOSS FOR THE FINANCIAL PERIOD	12	<u><u>(539)</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2014 other than those included in the Profit and Loss Account

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents

The notes on pages 9 to 14 form part of these financial statements

010414 UK Limited
Registered number: 8938584

Balance Sheet
As at 31 December 2014

	Note	\$000	2014 \$000
FIXED ASSETS			
Intangible assets	8		16,964
CURRENT ASSETS			
Debtors	9	4,185	
CREDITORS: amounts falling due within one year	10	<u>(21,688)</u>	
NET CURRENT LIABILITIES			<u>(17,503)</u>
NET LIABILITIES			<u>(539)</u>
CAPITAL AND RESERVES			
Called up share capital	11		-
Profit and loss account	12		<u>(539)</u>
TOTAL SHAREHOLDERS' DEFICIT	13		<u>(539)</u>

The financial statements on pages 7 to 14 were approved and authorised for issue by the board and were signed on its behalf on 28 September 2015


I. Ferguson
Director

The notes on pages 9 to 14 form part of these financial statements

**Notes to the Financial Statements
For the Period Ended 31 December 2014**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

1.2 Going concern

The financial statements have been prepared on a going concern basis as the company's parent, IBM International Group B V, has confirmed its continuing financial support to the company for the foreseeable future and accordingly, the director believes it is appropriate to prepare the financial statements on a going concern basis.

1.3 Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) "Cash Flow Statements" from including a cash flow statement in the financial statements on the grounds that it is wholly owned and its ultimate parent company, International Business Machines Corporation, publishes a consolidated cash flow statement in their consolidated financial statements, which are publicly available.

1.4 Turnover

The company receives royalty income from licensing group undertakings to use its intellectual property. Royalty income, exclusive of Value Added Tax, is presented as Turnover in the financial statements and is recognised only if it is probable that future economic benefits will flow to the company and that these benefits can be measured reliably.

The company has granted sub-licences to International Business Machines Corporation and royalties are earned based on a percentage of gross charges received by International Business Machines Corporation for each copy of Daeja Image Systems software programmes which they authorised, licensed or distributed to a customer. Royalty income is recognised in full in the calendar quarter when the licence was granted.

All royalty income is derived from outside the United Kingdom.

1.5 Intangible fixed assets and amortisation

The acquired intellectual property software rights have been capitalised as an intangible asset at cost. The intellectual property is being amortised on a straight line basis over its estimated useful life of 7 years, with amortisation costs being recorded in the profit and loss account under administrative expenses.

**Notes to the Financial Statements
For the Period Ended 31 December 2014**

1. ACCOUNTING POLICIES (continued)**1.6 Foreign currencies**

The company's functional currency was assessed in accordance with the requirements of Financial Reporting Standard No 23 'The Effects of Changes in Foreign Exchange Rates' ('FRS 23'). In accordance with FRS 23, the company adopted US Dollars as its functional currency as the company's main transactions, being royalty income, research and development costs and loan interest, are denominated in US Dollars

Monetary assets and liabilities denominated in currencies other than the functional currency are translated into US dollars at rates of exchange ruling at the balance sheet date. Transactions in currencies other than the functional currency are translated into US dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

1.7 Research and development

The company carries out specific research and development activities to further develop its software solutions portfolio. The expenditure incurred on such activities has been recognised in full in the profit and loss account in the period in which it was incurred.

1.8 Interest

Interest expense and income is recognised on an accruals basis using the rate of interest specified in the underlying agreement.

1.9 Taxation

Tax on profit on ordinary activities is the current tax calculated on taxable profits for the period. The company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date.

2 OPERATING LOSS

The operating loss is stated after charging

	Period ended 31 December 2014 \$000
Amortisation of intangible fixed assets (Note 8)	2,036
Development expenditure	2,221
	2,221

3. AUDITORS' REMUNERATION

Auditors' remuneration in respect of the audit of the company's financial statements of £11,000 was borne by a fellow subsidiary, IBM United Kingdom Limited, and is excluded from the results of the company. The results of IBM United Kingdom Limited are presented in British Pounds Sterling (£), therefore the auditors' remuneration presented above is also in British Pounds Sterling.

**Notes to the Financial Statements
For the Period Ended 31 December 2014**

4. DIRECTOR'S EMOLUMENTS

The director's aggregate emoluments in respect of qualifying services for the period was \$nil as his services to this company represent a very small part of his duties and his emoluments are deemed to be wholly attributable to services to IBM United Kingdom Limited. The director was remunerated by IBM United Kingdom Limited, a fellow subsidiary undertaking.

5. EMPLOYEES

The monthly average number of persons employed by the company during the period was nil.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 31 December 2014 \$000
Interest payable on loans from group undertakings	70

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	Period ended 31 December 2014 \$000
UK corporation tax charge on loss for the period	398

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 21.0%. The differences are explained below.

	Period ended 31 December 2014 \$000
Loss on ordinary activities before taxation	(141)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.0%	(30)
Effects of Expenses not deductible for tax purposes	428
Current tax charge for the period (see note above)	398

**Notes to the Financial Statements
For the Period Ended 31 December 2014**

7. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)**Factors that may affect future tax charges**

The 2013 Finance Act was substantively enacted on 2 July 2013 and included legislation to further reduce the main rate of corporation tax to 20% with effect from 1 April 2015. The July 2015 budget announced that the main rate of corporation tax will reduce from 20% to 19% with effect from 1 April 2017 followed by a further reduction to 18% with effect from 1 April 2020.

8. INTANGIBLE FIXED ASSETS

	Intellectual Property Software Rights \$000
Cost	
Additions	19,000
At 31 December 2014	19,000
Accumulated amortisation	
Charge for the period	2,036
At 31 December 2014	2,036
Net book value	
At 31 December 2014	16,964

9. DEBTORS

	2014 \$000
Amounts owed by group undertakings	4,185
	4,185

Amounts owed by group undertakings are unsecured, non interest bearing and repayable on demand

**10. CREDITORS:
Amounts falling due within one year**

	2014 \$000
Amounts owed to group undertakings	21,290
Corporation tax	398
	21,688

**Notes to the Financial Statements
For the Period Ended 31 December 2014**

**10. CREDITORS:
Amounts falling due within one year (continued)**

Included within amounts owed to group undertakings is a \$19,046,340 loan from the parent company, IBM International Group B V. The loan was extended on 1 April 2015 to be repayable on 1 April 2016. The loan is unsecured and interest bearing at 0.4795%. Also included within amounts owed to group undertakings is \$1,479,370 owed to IBM Ireland Treasury Centre which is unsecured, repayable on demand and interest bearing at a variable rate of LIBOR plus 15 basis points. The remaining amounts of \$764,490 owed to group undertakings are unsecured, non interest bearing and repayable on demand.

11. CALLED UP SHARE CAPITAL

	2014 \$000
Allotted, called up and fully paid	
1 Ordinary share of £1	-
	-

On 13 March 2014, one ordinary share with nominal value £1 was issued to IBM International Group B V for consideration of £1.

12. PROFIT AND LOSS ACCOUNT

	\$000
Loss for the financial period	(539)
	(539)
At 31 December 2014	(539)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2014 \$000
Opening shareholders' funds	-
Loss for the financial period	(539)
	(539)
Closing shareholders' deficit	(539)

14. RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed in accordance with Financial Reporting Standard No. 8 "Related Party Disclosure" as the consolidated financial statements of International Business Machines Corporation, in which this company is included, are available at the address shown in note 15. There were no transactions or balances with related parties not forming part of the group.

**Notes to the Financial Statements
For the Period Ended 31 December 2014**

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is IBM International Group B V which is registered in the Netherlands and is the parent undertaking of the smallest group to consolidate the financial statements. Copies of these consolidated financial statements may be obtained from IBM International Group B V, Johan Huizingalaan 765, 1066 VH Amsterdam, Netherlands.

The company's ultimate parent undertaking and controlling party is International Business Machines Corporation, which is incorporated in the United States of America and is the parent undertaking of the largest group to consolidate these financial statements. Copies of the financial statements of this undertaking may be obtained from IBM Corporate Headquarters, New Orchard Road, Armonk, New York, 10504, USA.