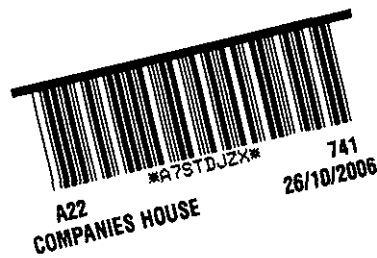


Registered number: 1657917

Ascential Software Limited
Annual Report
for the year ended 31 December 2005



Ascential Software Limited

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Advisors

Directors and other information

Directors	S Wilson
Secretary	N Sayani Abogados Nominees Limited
Registered office	PO Box 41 North Harbour Portsmouth Hampshire PO6 3 AU
Bankers	Bank of America 26 Elmfield Road Bromley Kent BR1 1WA
Solicitors	Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Auditors	PricewaterhouseCoopers LLP 9 Greyfriars Road Reading, Berkshire RG1 1JG
Registered number	1657917

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities, business review and future developments

The principal activity of the company is the licencing and support of enterprise data integration solutions and software products to customers in such industries as financial services, telecommunications, healthcare, life sciences, manufacturing, consumer goods, retail and government who use the Ascential Enterprise Integration Suite to integrate and leverage data across all transactional, operational and analytical applications.

The profit for the company after taxation of £77,061 (2004: loss of £98,983) is set out on page 5.

On 29 April 2005 Ascential Software Corporation was acquired by IBM Corporation. The Transfer of Trade of Ascential Software Ltd took effect on 1 November 2005.

Proposed dividend

The directors do not recommend the payment of a dividend (2004: £nil).

Directors and their interests

The directors who held office during the year and up to the date of this report were as follows:

S Wilson (appointed 1 November 2005)
R McBride (resigned 26 October 2005)
D Woodcock (resigned 17 February 2006)
T Mackiewicz (resigned 1 November 2005)

According to the register required to be kept under Section 325 of the Companies Act 1985, no director had at any time during the year any interest in shares of the company. The company is a wholly owned subsidiary of a company incorporated outside Great Britain and, as permitted by statutory instrument, no disclosure is made by the directors of any interest in the shares or share options of that company.

Political and charitable contributions

The company made no political contributions during the year (2004: £Nil). Donations to UK charities amounted to £nil (2004: £Nil).

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. Further to this the company seeks to minimise the risk of uncertain funding in its operations by borrowing from other group companies. At the year end, 100 per cent (2004: 24 per cent) of debt was repayable within one year. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Directors' report (*continued*)

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company actively maintains an appropriate level of debt through borrowing from group companies.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only government securities and cash balances, all of which earn interest at a variable rate.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

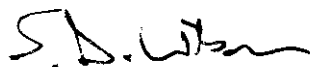
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets

of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



Stephen Wilson
Director

Ascential Software Limited

Independent auditors' report to the members of Ascential Software Limited

We have audited the financial statements of Ascential Software Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 to you 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Reading

Ascential Software Limited

Profit and loss account for the year ended 31 December 2005

	<i>Note</i>	2005	2004
		£000	£000
Turnover	<i>2</i>	16,703	14,436
Cost of sales		(8,106)	(7,210)
Gross profit		8,597	7,226
Selling and distribution costs		(4,977)	(5,356)
Administrative expenses		(3,858)	(2,396)
Operating loss	<i>3</i>	(238)	(526)
Interest receivable and similar income	<i>6</i>	406	678
Interest payable and similar charges	<i>7</i>	(22)	(190)
Profit/(loss) on ordinary activities before taxation		146	(38)
Tax charge on profit on ordinary activities	<i>8</i>	(69)	(61)
Retained profit/(loss) for the financial year	<i>16</i>	77	(99)

The company has no recognised gains or losses other than those shown above and accordingly no statement of total recognised gains and losses is presented.

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

Results in the current and prior years relate to continuing operations.

Ascential Software Limited

Balance sheet as at 31 December 2005

	Note	2005	2004
		£000	£000
Fixed assets			
Tangible assets	9	-	307
Investments	10	-	14
Current assets			
Debtors	11	13,449	7,890
Cash at bank and in hand		-	9,049
		13,449	16,939
Creditors: amounts falling due within			
one year	13	-	(4,917)
Net current assets		13,449	12,022
Total assets less current liabilities		13,449	12,343
Provisions for liabilities and charges	14	(2,171)	(1,142)
Net assets		11,278	11,201
Capital and reserves			
Called up share capital	15	2,750	2,750
Capital contribution	16	5,354	5,354
Profit and loss account	16	3,174	3,097
Equity shareholders' funds		11,278	11,201

The financial statements on pages 5 to 15 were approved by the board of directors on 20/10/06 and were signed on its behalf by:



Stephen Wilson
Director

Ascential Software Limited

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principle accounting policies are set out below.

Cash flow statements

Under Financial Reporting Standard 1 (revised 1996) 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.

Related party disclosures

The company has taken advantage of the exemption under Financial Reporting Standard 8 – *Related party disclosures* from the requirement to disclose details of transactions with group undertakings. Details of the availability of the group consolidated financial statements are given in note 19. There were no other related party transactions.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Equipment (including computers)	- 3 to 4 years
Furniture	- 7 years
Leasehold improvements	- term of lease

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Finance and operating leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is the shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Ascential Software Limited

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Deferred tax

Provision is made in full for deferred tax liabilities that arise from timing differences where transactions or events that result in an obligation to pay more tax in the future have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recoverable. Deferred tax assets and liabilities are not discounted.

Turnover

Commissions receivable from Ascential Software Ireland Limited for sales and revenue receivable from customers and resellers for support of software products are recognised when earned. In respect of sales of software licenses to resellers and industrial manufacturers, commissions become receivable only when the licenses are resold or utilised by the reseller and after related obligations have been satisfied. Maintenance contracts generally call for the company to provide technical support and software updates to customers. Maintenance contract revenue is recognised over the term of the maintenance contract, generally on a straight line basis. Where maintenance revenue is not separately invoiced, it is unbundled from license fees and deferred for revenue recognition purposes. Other service revenue, primarily training and consulting, is generally recognised at the time the service is performed.

Impact of new accounting standards

The company has adopted FRS 17, 'Retirement benefits', FRS 21, "Post balance sheet events", and FRS 25, 'Financial instruments; disclosure and presentation', in these financial statements. The adoption of these standards did have any material effect on these financial statements.

2 Analysis of turnover

	2005	2004
	£000	£000
By geographical market		
United Kingdom	-	-
Rest of Europe	16,703	14,436
Rest of world	-	-
	16,703	14,436

Included in turnover are amounts of £16,703,000 (2004: £14,436,000) receivable from group undertakings.

3 Operating loss

	2005	2004
	£000	£000
Operating profit is stated after charging		
Wages and salaries	8,311	7,835
Social security costs	953	1,005
Other pension costs	227	314
Staff costs	9,491	9,154
Auditors' remuneration:		
Audit services	25	48
Non-audit services	28	22
Depreciation and other amounts written off tangible fixed assets	174	271
Operating lease charges		
Land and buildings	688	664
Motor vehicles and office equipment	31	50
Exchange (gains)/losses	(224)	271

4 Directors emoluments

	2005	2004
	£000	£000
Aggregate emoluments	445	345
Company contributions to money purchase pension schemes	7	8
	452	353

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £445,054 (2004: £344,440), and company pension contributions of £7,000 (2004: £8,400) were made to a money purchase scheme on behalf of that director.

	Number of directors	
	2005	2004
Retirement benefits are accruing to the following number of directors under:		
- Money purchase schemes	1	1
The number of directors who exercised share options was	-	-
The number of directors who were entitled to shares under long term incentive schemes was	1	1

5 Employee information

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

By activity	Number of employees	
	2005	2004
Selling and distribution	12	24
Administrative	39	78
	51	102

6 Interest receivable and similar income

	2005	2004
	£'000	£'000
Bank interest receivable	126	93
Interest receivable from group undertakings	280	585
	406	678

7 Interest payable and similar charges

	2005	2004
	£000	£000
Interest payable to group undertakings	19	76
Other interest payable	3	114
	22	190

8 Taxation

Analysis of charge in period

	2005		2004	
	£000	£000	£000	£000
Current tax:				
UK Corporation tax on profits of the year	60		90	
Adjustments in respect of prior periods	-		64	
Total current tax		60		154
Deferred tax: (see note 12)				
Origination and reversal of timing differences		9		165
Tax charge on profit on ordinary activities		69		319

Factors affecting the tax charge for the current year:

The current tax charge is higher (2004: *higher*) than the standard rate of corporation tax in the UK 30% (2004: 30%) The differences are explained below:

	2005	2004
	£000	£000
Profit on ordinary activities before tax	146	278
Profit on ordinary activities multiplied by standard rate in the UK 30% (2002:30%)	44	84
<i>Effects of :</i>		
Expenses not deductible for tax purposes	25	99
Accelerated capital allowances	(8)	(91)
Other short term timing differences	(1)	-
Adjustments with respect to prior periods	-	64
Current tax charge/(credit) for the year	60	156

Ascential Software Limited

9 Tangible fixed assets

	Leasehold Improvements £000	Equipment £000	Furniture £000	Total £000
Cost				
At 1 January 2005	663	746	405	1,814
Additions	-	10	-	10
Disposals	(663)	(756)	(405)	(1,824)
At 31 December 2005	-	-	-	-
Depreciation				
At 1 January 2005	538	579	390	1,507
Disposals	(630)	(659)	(392)	(1,681)
Charge for the year	92	80	2	174
At 31 December 2005	-	-	-	-
Net book value				
At 31 December 2005	-	-	-	-
At 31 December 2004	125	167	15	307

10 Investments

	Interests in Subsidiary Undertakings £'000
Cost and net book value	
At 1 January 2005	14
Disposals	14
At 31 December 2005	-

Details of the subsidiaries held during the year were as follows:

Name of company	Description of shares held	Proportion of nominal value of issued shares held by Ascential Software Limited
Ascential UK Limited	141,282 Ordinary shares of £0.10 each	100%

The investment was transferred along with the entire trade and assets of the company on 1 November 2005.

11 Debtors

	2005	2004
	£000	£000
Amounts owed by group undertakings	13,403	6,367
Deferred tax (note 12)	-	340
Prepayments and accrued income	46	301
Corporation Tax Receivable	-	882
	13,449	7,890

All debtors are due within one year. Amounts owed by group undertakings earn interest at 3 month LIBOR are unsecured and have no fixed date or repayment.

12 Deferred tax

	Deferred tax
	£000
At 1 January 2005	340
Utilised during the year	-
Charged to the profit and loss account	(9)
Transferred to IBM UK Limited on sale of trade	(331)
At 31 December 2005	-

The amounts of deferred taxation assets recognised/unrecognised are as follows:

	Amount recognised		Amount unrecognised	
	2005	2004	2005	2004
	£000	£000	£000	£000
Accelerated capital allowances	-	339	-	192
Short term timing differences	-	1	-	-
Losses	-	-	-	1,781
	-	340	-	1,973

13 Creditors: amounts falling due within one year

	2005	2004
	£000	£000
Trade creditors	-	349
Amounts owed to group undertakings	-	1,737
Other creditors including social security	-	1,081
Accruals and deferred income	-	1,750
	-	4,917

Amounts owed by group undertakings earned interest at 3 month LIBOR, were unsecured and had no fixed date or repayment.

14 Provisions for liabilities and charges

	Onerous property lease provisions £000
At 1 January 2005	1,142
Utilised during the year	(228)
Charged to the profit and loss account	1,257
At 31 December 2005	2,171

15 Called up share capital

	2005 £000	2004 £000
Authorised		
Equity: 2,750,000 Ordinary shares of £1 each	2,750	2,750
Allotted and fully paid		
Equity: 2,750,000 Ordinary shares of £1 each	2,750	2,750

16 Reserves

	Capital contribution £000	Profit and loss account £000
At 1 January 2005	5,354	3,097
Retained profit for the financial year	-	77
At 31 December 2005	5,354	3,174

17 Reconciliation of movements in equity shareholders' funds

	2005 £000	2004 £000
Profit/(loss) for the financial year	77	(99)
Capital Contribution	-	14
Net addition to equity shareholders funds	77	(85)
Opening equity shareholders' funds	11,201	11,286
Closing equity shareholders' funds	11,278	11,201

18 Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2005		2004	
	Land and buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	608	-	15	3
In the second to fifth years inclusive	112	-	518	13
Over five years	-	-	729	2
	720	-	1,262	18

19 Contingent liabilities

Ascential Software Limited has a commitment to purchase a minority stake in Ascential Software de Colombia S.A. (registration number 0067057), a Colombian corporation, at a price to be determined based on a valuation of that company.

20 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £226,847 (2004: £281,495) Amounts owing at the year end were £nil and are included in creditors. (2004: £3,678).

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

On 29 April 2005 Ascential Software Corporation was acquired by IBM Corporation. The Transfer of Trade date for Ascential Software Ltd was 1 November 2005 and on that date 100% of the share capital of the company was acquired by IBM United Kingdom Holdings Limited.

The company's immediate parent undertaking is IBM United Kingdom Holdings Limited which is a wholly owned subsidiary of IBM North Regions Holdings which is the parent undertaking of the smallest group to consolidate the financial statements. Both of these undertakings are registered in Great Britain. Copies of these consolidated accounts may be obtained from IBM United Kingdom Headquarters, North Harbour, Portsmouth.

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 accounts of this undertaking may be obtained from Corporate Headquarters, Armonk, New York 10504.