

010414 UK Limited

Financial Statements

31 December 2018



Contents

	Page
Company Information	1
Director's Report	2 - 3
Director's Responsibilities Statement	4
Independent Auditors' Report	5 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 16

010414 UK Limited

Company Information

Director	I Ferguson
Company secretary	A Sullivan
Registered number	08938584
Registered office	PO Box 41 North Harbour Portsmouth Hampshire PO6 3AU
Independent auditors	Roffe Swayne Statutory Auditors & Chartered Accountants Ashcombe Court Woolsack Way Godalming Surrey GU7 1LQ

**Director's Report
For the Year Ended 31 December 2018**

The director presents his annual report and the audited financial statements for the year ended 31 December 2018.

Principal activity

Following the company's sale of its intellectual property rights to IBM International Group B.V. on 23 December 2015, the company has not traded.

The company's sole source of income derives from interest receivable on amounts owed by group undertakings.

Results and dividends

The loss for the year, after taxation, amounted to \$2,818 (2017 - profit \$3,124).

The director does not recommend payment of a dividend (2017: nil).

Director

The director who served during the year was:

I Ferguson

Going concern

The company has been reviewed as part of group corporate restructuring and consideration is being given to potential liquidation of the company in the foreseeable future. As a result, the financial statements were prepared on a basis other than that of a going concern. The director does not consider there to be a significant difference between the break up value of the company and the going concern value.

Strategic report

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

Principal risks and uncertainties

The director has no intention to resume trading in the company and believes that there are currently no principal risks or uncertainties facing the company.

Financial risk management

The operations of the company do not expose it to material financial risk including the effects of change in debt market prices, credit risk and liquidity risk. Interest earned on amounts owed by related party is at variable rate of LIBOR less 15 basis points.

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.

Director's Report (continued)
For the Year Ended 31 December 2018

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 year 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.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as he 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 as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, Roffe Swayne, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved and signed by:

.....
I Ferguson
Director

Date: 6 June 2019

**Director's Responsibilities Statement
For the Year Ended 31 December 2018**

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 year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Company's financial statements 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 to 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

Opinion

We have audited the financial statements of 010414 UK Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

Independent Auditors' Report to the Members of 010414 UK Limited

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's Report.

We have nothing to report in respect of the following matters in relation to which 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent Auditors' Report to the Members of 010414 UK Limited

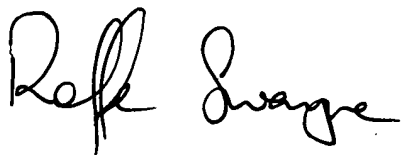
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 auditor's 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.



Jeremy Gardner BSc FCA (Senior statutory auditor)

for and on behalf of Roffe Swayne
Statutory Auditors & Chartered Accountants
Ashcombe Court
Woolsack Way
Godalming
Surrey
GU7 1LQ
6 June 2019

010414 UK Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2018**

	Note	2018 \$	2017 \$
Other operating income		-	2,514
Other operating expenses		(1,174)	-
Operating (loss)/profit	3	(1,174)	2,514
Interest receivable and similar income	6	2,455	1,355
Interest payable and similar expenses	7	(4,760)	-
(Loss)/profit before tax		(3,479)	3,869
Tax on (loss)/profit	8	661	(745)
(Loss)/profit for the financial year		(2,818)	3,124
Total comprehensive (loss)/ income for the year		(2,818)	3,124

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

The notes on pages 11 to 16 form part of these financial statements.

010414 UK Limited
Registered number:08938584

Statement of Financial Position
As at 31 December 2018

	Note	2018 \$	2017 \$
Current assets			
Debtors: amounts falling due within one year	9	149,668	152,486
		<u>149,668</u>	<u>152,486</u>
Total assets less current liabilities		149,668	152,486
Net assets		<u>149,668</u>	<u>152,486</u>
Capital and reserves			
Called up share capital	11	3	3
Share premium account		10,349,999	10,349,999
Profit and loss account		(10,200,334)	(10,197,516)
Total equity		<u>149,668</u>	<u>152,486</u>

The financial statements were approved, authorised for issue and signed by:

.....
I Ferguson
Director

Date: 6 June 2019

The notes on pages 11 to 16 form part of these financial statements.

010414 UK Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	\$	\$	\$	\$
At 1 January 2017	3	10,349,999	(10,200,640)	149,362
Total comprehensive income for the financial year	-	-	3,124	3,124
At 1 January 2018	3	10,349,999	(10,197,516)	152,486
Total comprehensive loss for the financial year	-	-	(2,818)	(2,818)
At 31 December 2018	3	10,349,999	(10,200,334)	149,668

The notes on pages 11 to 16 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

1. Accounting policies

1.1 Basis of preparation of financial statements

010414 UK Limited (the company) is a private company limited by shares and is incorporated and domiciled in Great Britain and registered in England & Wales under the Companies Act 2006. The address of its registered office is shown on page 1 of these financial statements.

These financial statements have been prepared under the historical cost convention as disclosed in the accounting policies below. The financial statements have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and the Companies Act 2006.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been applied consistently to all years presented, unless otherwise stated. The preparation of the financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements are disclosed in note 2 to these financial statements.

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

1.3 Going concern

The company has been reviewed as part of group corporate restructuring and consideration is being given to potential liquidation of the company in the foreseeable future. As a result, the financial statements were prepared on a basis other than that of a going concern. The director does not consider there to be a significant difference between the break up value of the company and the going concern value.

1.4 Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities, including amounts owed by and to group undertakings.

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

1. Accounting policies (continued)

Financial assets

Basic financial assets are initially recognised at transaction price and are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period, they are assessed for objective measurement of impairment and any impairment loss is recognised in the income statement.

Amounts owed by group undertakings

Amounts owed by group undertakings receivable within one year are recorded at transaction price. At the end of each reporting period, they are assessed for objective measurement of impairment and any impairment loss is recognised in the income statement.

Financial liabilities

Basic financial liabilities are initially recognised at transaction price and are subsequently carried at amortised cost using the effective interest method.

Amounts owed to group undertakings

Amounts owed to group undertakings are initially recognised at transaction price and are subsequently measured at amortised cost using the effective interest method.

1.5 Foreign currency translation

The financial statements of the company are presented in US Dollars, which is the functional currency of the company.

Transactions denominated in foreign currencies are translated at the rate prevailing at the transaction date. Foreign exchange differences are recognised in the income statement in the year of settlement of these items.

At each reporting date, monetary items denominated in currencies other than US Dollars are translated at the rates prevailing at the reporting date. The resulting foreign exchange differences are recognised in the income statement for the year.

1.6 Interest

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

1.7 Taxation

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

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

1. Accounting policies (continued)**1.8 Related party transactions**

The company discloses transactions with related parties which are not wholly owned within the same group. It is exempt from disclosing other related party transactions as they are with parties that are wholly owned within the group.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The application of accounting standards and policies requires the director to make estimates, assumptions and judgements about future events that directly affect the company's reported financial condition and operating performance. The accounting estimates and assumptions discussed are those that the director considers to be most critical to its financial statements. An accounting estimate is considered critical if both (a) the nature of estimates or assumptions is material due to the level of subjectivity and judgement involved, and (b) the impact within a reasonable range of outcomes of the estimates and assumptions is material to the company's financial condition or operating performance. Due to the nature of the limited transactions of the company, the director considers that there are no significant accounting estimates and assumptions.

3. Operating (loss)/profit

The operating (loss)/ profit is stated after (charging)/crediting:

	2018	2017
	\$	\$
Exchange differences (loss)/gain	(1,174)	2,514

4. Auditors' remuneration

Auditors' remuneration in respect of the audit of the company's financial statements of £4,000 (2017: £4,000) was borne by the immediate parent company, IBM United Kingdom Limited, and is excluded from the results of the company. There are no fees payable for other services (2017: £nil). 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.

5. Employees

The company did not have any employees in the current year or preceding period.

The director received no emoluments for his services to the company (2017: \$nil) as his service to this company represents a very small part of his service to the group as a whole.

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

6. Interest receivable and similar income

	2018 \$	2017 \$
Interest receivable from group companies	2,455	1,355
	<u>2,455</u>	<u>1,355</u>

7. Interest payable and similar expenses

	2018 \$	2017 \$
Other interest payable	4,760	-
	<u>4,760</u>	<u>-</u>

8. Taxation

	2018 \$	2017 \$
Corporation tax		
Current tax on profit for the year/period	(661)	745
	<u>(661)</u>	<u>745</u>

Factors affecting tax charge for the year/ period

The tax assessed for the year is the same as (2017 - the same as) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%) as set out below:

	2018 \$	2017 \$
(Loss)/profit on ordinary activities before tax	(3,479)	3,869
	<u>(3,479)</u>	<u>3,869</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	(661)	745
	<u>(661)</u>	<u>745</u>
Total tax charge for the year	<u>(661)</u>	<u>745</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

8. Taxation (continued)**Factors that may affect future tax charges**

Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% with effect from 1 April 2020.

9. Debtors

	2018	2017
	\$	\$
Amounts owed by group undertakings	149,007	126,448
Tax recoverable	661	26,038
	<u>149,668</u>	<u>152,486</u>

Amounts owed by group undertakings are unsecured and repayable on demand. Interest is earned on amounts owed by IBM Ireland Treasury Centre at a variable rate of LIBOR less 15 basis points. The IBM Ireland Treasury Centre balance owed is \$128,168 (2017: \$126,448).

10. Financial instruments

	2018	2017
	\$	\$
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>149,007</u>	<u>126,448</u>

Financial assets measured at amortised cost comprise amounts owed by group undertakings (note 9).

010414 UK Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2018**

11. Called up share capital

	2018	2017
	\$	\$
Allotted, called up and fully paid		
2 (2017 - 1) Ordinary shares of £1.00 each	<u>3</u>	<u>3</u>

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

On 29 June 2016, the company issued one ordinary share to IBM International Group B.V. with a nominal value of £1 at a premium of the sterling equivalent of \$10,349,999.

On 14 December 2017 the company was acquired by IBM United Kingdom Limited, which owns 100% of the shares of the company.

12. Related party transactions

The company is exempt from disclosing related party transactions with other companies that are wholly owned within the group. There are no transactions to disclose with related parties which are not wholly owned within the same group.

13. Controlling party

The company's immediate parent undertaking is IBM United Kingdom Limited, which is incorporated in England and Wales.

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 smallest and 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.