

**Princeton Softech UK Limited**  
**Financial Statements**  
**31 January 2009**



# **Princeton Softech UK Limited**

## **Financial Statements**

**Year Ended 31 January 2009**

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# **Princeton Softech UK Limited**

## **Company Information**

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<b>The board of directors</b>	P Garstang A Bradley
<b>Company secretary</b>	A Sullivan
<b>Registered office</b>	PO Box 41 North Harbour Portsmouth Hampshire PO6 3AU
<b>Independent auditor</b>	PricewaterhouseCoopers LLP Chartered Accountants & Registered Auditors Savannah House 3 Ocean Way Ocean Village Southampton Hampshire SO14 3TJ

# **Princeton Softech UK Limited**

## **The Directors' Report**

**Year Ended 31 January 2009**

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The directors present their report and the audited financial statements of the company for the year ended 31 January 2009.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activities of the company during the year were the provision of software for developing and deploying strategic enterprise and related maintenance contracts.

On 3 August 2007 International Business Machines Corporation (IBM) announced that it had entered into an agreement to acquire the company's immediate parent undertaking, Princeton Softech Incorporated. The acquisition was completed on 10 September 2007 and the company is now wholly-owned by IBM. On 10 December 2007 Princeton Softech Incorporated merged with and into Princeton Softech LLC, a subsidiary of IBM. On 11 December 2007 Princeton Softech LLC distributed its subsidiaries, including the company, to IBM. The company is now owned by IBM United Kingdom Holdings Limited.

On 1 February 2008 the company entered into a transfer of trade agreement with IBM United Kingdom Limited. The majority of contracts, all assets and all liabilities were transferred to IBM United Kingdom Limited at net book value. Any contracts that were excluded and remain within the company will be performed by IBM United Kingdom Limited, for and on behalf of Princeton Softech UK Limited, until novation under IBM United Kingdom Limited terms and conditions allows or termination.

### **RESULTS AND DIVIDENDS**

The profit for the company after taxation of £115,004 (2008: £20,482) is set out on page 7.

The directors do not recommend payment of a dividend (2008: £nil).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key business risks affecting the company are considered to relate to the economic environment and competition.

The company operates in a highly competitive market but as part of the IBM group it has an ability to innovate and integrate which is considered to be unique to IBM, and sets it apart from its competition.

If overall demand for software changes, whether due to general economic conditions or a shift in corporate buying patterns, sales performance could be impacted.

### **KEY PERFORMANCE INDICATORS**

Given the straightforward nature of the business, the directors are of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

### **FINANCIAL RISK MANAGEMENT**

The company's operations do not expose it to any material risks including the effects of change in debt market prices, credit risk, liquidity risk and interest rate risk.

# **Princeton Softech UK Limited**

## **The Directors' Report** *(continued)*

**Year Ended 31 January 2009**

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### **DIRECTORS**

The directors who served the company during the year were as follows:

L Enns	(resigned 20 April 2009)
P Garstang	(appointed 1 April 2008)
D Stark	(resigned 29 February 2008)
A Bradley	(appointed 20 April 2009)

### **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). The financial statements are required by law to 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 judgements and estimates that are reasonable and prudent;
- 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 they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

# Princeton Softech UK Limited

## The Directors' Report *(continued)*

Year Ended 31 January 2009

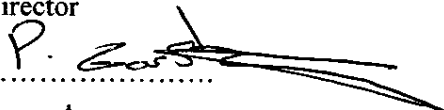
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### AUDITORS

A resolution to re-appoint PricewaterhouseCoopers as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the board

P Garstang  
Director

  
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24/11/09

# **Princeton Softech UK Limited**

## **Independent Auditors' Report to the Members of Princeton Softech UK Limited**

**Year Ended 31 January 2009**

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We have audited the financial statements of Princeton Softech UK Limited for the year ended 31 January 2009 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 AUDITOR**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Princeton Softech UK Limited

## Independent Auditors' Report to the Members of Princeton Softech UK Limited *(continued)*

Year Ended 31 January 2009

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### 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 January 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP.*

PricewaterhouseCoopers LLP  
Chartered Accountants & Registered Auditors  
Southampton

*25 November 2009.*  
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# Princeton Softech UK Limited

## Profit and Loss Account

Year Ended 31 January 2009

		Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
	Note		
<b>TURNOVER</b>	<b>2</b>	<b>136,474</b>	3,290,142
Cost of sales		—	(1,997,764)
<b>GROSS PROFIT</b>		<b>136,474</b>	<b>1,292,378</b>
Selling and Distribution costs		—	(1,003,074)
Administrative expenses		<b>3,008</b>	(307,048)
<b>OPERATING PROFIT/(LOSS)</b>	<b>3</b>	<b>139,482</b>	(17,744)
Interest receivable and similar income	<b>5</b>	<b>12,031</b>	36,139
Interest payable and similar charges	<b>6</b>	<b>(36,509)</b>	—
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>115,004</b>	<b>18,395</b>
Tax on profit on ordinary activities	<b>7</b>	—	2,087
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>115,004</b>	<b>20,482</b>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

There is no difference between the profit and loss account reported above and its historical cost equivalent.

The notes on pages 9 to 16 form part of these financial statements.

# Princeton Softech UK Limited

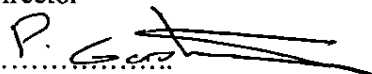
## Balance Sheet

As at 31 January 2009

	Note	2009 £	2008 £
<b>FIXED ASSETS</b>			
Tangible assets	8	—	22,351
<b>CURRENT ASSETS</b>			
Debtors	9	453,846	2,563,616
Cash at bank		—	274,715
		453,846	2,838,331
<b>CREDITORS: Amounts falling due within one year</b>	11	(732,760)	(3,114,882)
<b>NET CURRENT LIABILITIES</b>		(278,914)	(276,551)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(278,914)	(254,200)
<b>CREDITORS: Amounts falling due after more than one year</b>	12	—	(139,718)
		(278,914)	(393,918)
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	15	1,401,276	1,401,276
Capital contribution	16	1,168,733	1,168,733
Profit and loss account	16	(2,848,923)	(2,963,927)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	16	(278,914)	(393,918)

These financial statements were approved by the directors and authorised for issue on 24/11/09, and are signed on their behalf by:

P Garstang  
Director



The notes on pages 9 to 16 form part of these financial statements.

# **Princeton Softech UK Limited**

## **Notes to the Financial Statements**

**Year Ended 31 January 2009**

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### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

These financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### **Cash flow statement**

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 its financial statements on the grounds that the company 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.

#### **Turnover**

Turnover is shown net of VAT and other taxes.

The company recognises revenue when it is realised or realisable and earned. The company considers revenue realised or realisable and earned when it has persuasive evidence of an arrangement, the product has been shipped or the services have been provided to the customer, the sales price is fixed or determinable and collectibility is reasonably assured.

Revenue from perpetual (one-time charge) license software is recognised at the inception of the license term if all revenue recognition criteria have been met. Revenue from term (monthly license charge) license software is recognised upfront at net present value where cash is expected to be received over an extended period. Revenue from services and maintenance contracts are recognised over the life of the agreement.

Revenue in multi-element arrangements which may include any combination of software and maintenance is separated into more than one unit of account if the commercial substance is that the individual components operate independently of each other and a reliable fair value can be attributed to each component. If the components are not deemed to operate independently of each other then the arrangement is accounted for as a whole to reflect the company's right to consideration in exchange for the performance of its obligations.

#### **Fixed assets**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Furniture, fittings and equipment - 20% straight line

# Princeton Softech UK Limited

## Notes to the Financial Statements

Year Ended 31 January 2009

### 1. ACCOUNTING POLICIES *(continued)*

#### Operating lease agreements

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### 2. TURNOVER

An analysis of turnover by geographical destination is as follows:

	Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
United Kingdom	136,474	2,813,894
Rest of the world	-	476,248
	<u>136,474</u>	<u>3,290,142</u>

All turnover is derived from one class of business.

# Princeton Softech UK Limited

## Notes to the Financial Statements

Year Ended 31 January 2009

### 3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
Depreciation of owned fixed assets	–	6,977
Auditor's remuneration	–	30,000
Operating lease costs:		
- other	–	64,848
Net (profit)/loss on foreign currency translation	<u>(3,008)</u>	<u>26,448</u>

During the year, no director received any emoluments in respect of services to the company (2008: £nil).

Auditors remuneration of £15,000 (2008: £30,000) was borne by a fellow subsidiary undertaking.

### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	Year to 31 January 2009 No	Period from 1 January 2007 to 31 January 2008 No
Selling and distribution staff	<u>–</u>	<u>13</u>

The aggregate payroll costs of the above were:

	Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
Wages and salaries	–	1,310,124
Social security costs	–	180,100
	<u>–</u>	<u>1,490,224</u>

On 1 February 2008, all employees were transferred to IBM United Kingdom Limited.

# Princeton Softech UK Limited

## Notes to the Financial Statements

Year Ended 31 January 2009

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
Bank interest receivable	–	14,433
Unwinding of discount on accrued income	12,031	18,856
Other similar income receivable	–	2,850
	<u>12,031</u>	<u>36,139</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
Other similar charges payable	36,059	–

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

	Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
Current tax:		
UK Corporation tax based on the results for the year at 28.33% (2008: 30%)	–	–
Adjustments relating to prior periods	–	(2,087)
Total current tax	<u>–</u>	<u>(2,087)</u>

# Princeton Softech UK Limited

## Notes to the Financial Statements

Year Ended 31 January 2009

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2008: lower) than the standard rate of corporation tax in the UK of 28.33% (2008: 30%) for the following reasons:

	Year to 31 January 2009 £	Period from 1 January 2007 to 31 January 2008 £
Profit on ordinary activities before taxation	<u>115,004</u>	<u>18,395</u>
Profit on ordinary activities multiplied by the standard rate of tax of 28.33% (2008: 30%)	32,584	5,519
Expenses not deductible for tax purposes	-	3,998
Utilisation of brought forward losses not previously recognised	(32,584)	(9,517)
Adjustments to tax in respect of previous periods	-	(2,087)
Total current tax (note 7(a))	<u>-</u>	<u>(2,087)</u>

#### (c) Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this financial year are taxed at an effective rate of 28.33% and will be taxed at 28% in the future.

### 8. TANGIBLE FIXED ASSETS

	Furniture, fittings and Equipment £
<b>COST</b>	
At 1 February 2008	58,547
Transfers	<u>(58,547)</u>
At 31 January 2009	<u>-</u>
<b>DEPRECIATION</b>	
At 1 February 2008	36,196
Transfers	<u>(36,196)</u>
At 31 January 2009	<u>-</u>
<b>NET BOOK VALUE</b>	
At 31 January 2009	<u>-</u>
At 31 January 2008	<u>22,351</u>

On 1 February 2008, all fixed assets were transferred to IBM United Kingdom Limited.

# Princeton Softech UK Limited

## Notes to the Financial Statements

Year Ended 31 January 2009

### 9. DEBTORS

Debtors due within one year:

	2009	2008
	£	£
Trade debtors	—	1,504,170
Amounts owed by group undertakings	—	643,764
Other debtors	—	34,065
Prepayments and accrued income	453,846	219,762
	<u>453,846</u>	<u>2,401,761</u>

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand.

A discount of 10.7% was used in the calculation of the accrued income.

Debtors falling due after more than one year:

	2009	2008
	£	£
Prepayments and accrued income	—	161,855

### 10. DEFERRED TAXATION

No deferred tax assets (2008: £nil) are recognised in the financial statements, the potential deferred tax assets not recognised are set out below:

	2009	2008
	£	£
Excess of taxation allowances over depreciation on fixed assets	—	60,312
Tax losses available	276,785	531,723
	<u>276,785</u>	<u>592,035</u>

On 1 February 2008 the deferred tax assets were transferred to IBM United Kingdom Limited with the exception of the deferred tax assets arising on capital and restricted pre-acquisition trading tax losses of £276,785 which remained within the company. The remaining deferred tax assets have not been recognised since there is insufficient evidence that they will be utilised in the future.

### 11. CREDITORS: Amounts falling due within one year

	2009	2008
	£	£
Amounts owed to group undertakings	718,723	1,998,304
Other taxation and social security	—	268,695
Accruals and deferred income	14,037	847,883
	<u>732,760</u>	<u>3,114,882</u>

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand.



# Princeton Softech UK Limited

## Notes to the Financial Statements

Year Ended 31 January 2009

### 12. CREDITORS: Amounts falling due after more than one year

	2009	2008
	£	£
Accruals and deferred income	<u>-</u>	<u>139,718</u>

### 13. COMMITMENTS UNDER OPERATING LEASES

At 31 January 2009 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
	2009	2008
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>-</u>	<u>66,240</u>

On 1 February 2008, the lease on the Hillswood Business Park location was transferred to IBM United Kingdom Limited.

### 14. RELATED PARTY TRANSACTIONS

Transactions with other companies within the group are not disclosed in accordance with Financial Reporting Standard No 8 Related Party Disclosures as the consolidated accounts of International Business Machines Corporation in which the company is included are available at the address shown in note 17.

### 15. SHARE CAPITAL

#### Authorised share capital:

	2009	2008
	£	£
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

#### Allotted, called up and fully paid:

	2009		2008	
	No	£	No	£
Ordinary shares of £1 each	<u>1,401,276</u>	<u>1,401,276</u>	<u>1,401,276</u>	<u>1,401,276</u>

# Princeton Softech UK Limited

## Notes to the Financial Statements

Year Ended 31 January 2009

### 16. RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' DEFICIT AND MOVEMENT ON RESERVES

	Share capital	Capital Contribution	Profit and loss account	Total share-holders' deficit
	£	£	£	£
At 1 January 2007	1,401,276	1,168,733	(2,984,409)	(414,400)
Profit for the financial period	—	—	20,482	20,482
At 1 February 2008	1,401,276	1,168,733	(2,963,927)	(393,918)
Profit for the financial year	—	—	115,004	115,004
At 31 January 2009	<u>1,401,276</u>	<u>1,168,733</u>	<u>(2,848,923)</u>	<u>(278,914)</u>

### 17. ULTIMATE PARENT COMPANY

As from 1 February 2008 the company's immediate parent undertaking is IBM United Kingdom Holdings Limited which is registered in Great Britain. Prior to this the immediate parent company was International Business Machines Corporation.

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.

IBM United Kingdom Holdings Limited has confirmed its intention to support the company to enable it to meet its commitments as they fall due.