

Micromuse Limited
Financial Statements
31 December 2017

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Micromuse Limited

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Micromuse Limited

Company Information

Director	I Ferguson
Company secretary	A Sullivan
Registered number	02228951
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

Micromuse Limited

Director's Report For the Year Ended 31 December 2017

The director presents his annual report and the audited financial statements for the year ended 31 December 2017.

Principal activity

The company acted as an intermediary holding company during the year.

Results and dividends

The profit for the year, after taxation, amounted to £nil (2016: £3,301) and the total assets less current liabilities amounted to £37,272,786 (2016: £37,272,786).

No dividend was paid in the year (2016: £nil).

The director intends the company to continue acting as an intermediary holding company for the foreseeable future.

Director

The director who served during the year and up to the date of signing these financial statements was:

I Ferguson

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 does not manage the principal risks and uncertainties of the company separately, given its status as a holding company. Instead, these are integrated within the principal risks and uncertainties of its subsidiary Micromuse Software Ireland Limited. These are considered to be, interest rate risk and liquidity risk. Interest rate risk is mitigated by following established risk management policies and procedures. Liquidity risk is mitigated via the maintenance of a finance facility with IBM International Treasury Services Company to ensure entities within the IBM group have sufficient funds to meet operational and strategic needs.

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 and 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 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 does not cover criminal activity.

Micromuse Limited

Director's Report (continued) For the Year Ended 31 December 2017

Going concern

The financial statements have been prepared on a going concern basis as an intermediate parent, IBM Ireland Product Distribution Limited, 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.

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.

Post balance sheet events

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

Independent auditors

Roffe Swayne have expressed their willingness to continue in office as auditor.

This report was approved and signed by:

I Ferguson
Director



Date:

5 April 2018

Micromuse Limited

Statement of Director's Responsibilities For the Year Ended 31 December 2017

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 and then apply them consistently;
- make judgements 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.

Micromuse Limited

Independent Auditors' Report to the Members of Micromuse Limited

Opinion

We have audited the financial statements of Micromuse Limited (the 'company') for the year ended 31 December 2017 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

Micromuse Limited

Independent Auditors' Report to the Members of Micromuse Limited

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 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Micromuse Limited

Independent Auditors' Report to the Members of Micromuse Limited

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.

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.



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

Date: 10 September 2018

Micromuse Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2017**

	Note	2017 £	2016 £
Interest receivable and similar income	6	-	4,126
Profit on ordinary activities before tax		-	4,126
Tax on profit on ordinary activities	7	-	(825)
Profit for the financial year		-	3,301

There was no other comprehensive income for 2017 or 2016 other than those included in the income statement.

The notes on pages 11 to 17 form part of these financial statements.

Micromuse Limited
Registered number:02228951


Statement of Financial Position
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	8	<u>48,949,307</u>	<u>48,949,307</u>
		48,949,307	48,949,307
Current liabilities			
Creditors: amounts falling due within one year	9	<u>(11,676,521)</u>	<u>(11,676,521)</u>
Net current liabilities		(11,676,521)	(11,676,521)
Total assets less current liabilities		37,272,786	37,272,786
Net assets		37,272,786	37,272,786
Capital and reserves			
Called up share capital	11	29,618,370	29,618,370
Profit and loss account		7,654,416	7,654,416
		37,272,786	37,272,786

The financial statements were approved and authorised for issue by the director:

I Ferguson
Director

Date:


5 April 2018

The notes on pages 11 to 17 form part of these financial statements.

Micromuse Limited

**Statement of Changes in Equity
For the Year Ended 31 December 2017**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016	29,618,370	7,651,115	37,269,485
Total comprehensive income for the year	-	3,301	3,301
At 1 January 2017	29,618,370	7,654,416	37,272,786
Total comprehensive income for the year	-	-	-
At 31 December 2017	29,618,370	7,654,416	37,272,786

The notes on pages 11 to 17 form part of these financial statements.

Micromuse Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

Micromuse Limited (the 'company') is a private company limited by shares and is incorporated and domiciled in the United Kingdom 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.

The financial statements have been prepared on a going concern basis.

1.2 Financial reporting standard 102 - reduced disclosure exemptions for qualifying entities

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by 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 director believes it is appropriate to prepare the financial statements on a going concern basis as an intermediate parent, IBM Ireland Product Distribution Limited, has confirmed its continuing financial support to the company for the foreseeable future.

1.4 Group financial statements

The financial statements contain information about Micromuse Limited as an individual company and do not contain consolidated financial information as the intermediary parent of the group. The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the publicly available consolidated financial statements of its ultimate parent company, International Business Machines Corporation, registered in the United States of America. Details of where to obtain these consolidated financial statements can be found within note 13.

Micromuse Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. Accounting policies (continued)

1.5 Investments

Investments are valued at the lower of cost less any impairment losses, or recoverable amount. Impairment charges are recognised in the statement of comprehensive income.

The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

1.6 Financial instruments

The company has chosen to adopt 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 cash and cash equivalents, related party receivables and related party payables.

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 profit or loss.

Short-term debtors with no stated interest rate and 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 profit or loss.

Financial liabilities

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

1.7 Dividends

Equity dividends are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the director.

1.8 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.

1.9 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Micromuse Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

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 and assumptions 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. Director's remuneration

The director's aggregate emoluments in respect of qualifying services were £nil (2016: £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.

4. Auditors' remuneration

Auditors' remuneration of £4,750 (2016: £4,750) was borne by a fellow group undertaking in both years.

There are no fees payable for other services (2016: £nil).

5. Employees

The monthly average number of persons employed by the company during the year was nil (2016: nil).

6. Interest receivable and similar income

	2017 £	2016 £
Interest receivable from group companies	-	4,126
	-	4,126

Micromuse Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

7. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	-	825
Total current tax	-	825

Factors affecting tax charge for the year

There is no tax assessed for the year because there are no profits on which tax would be due. (The tax assessed for the year 2016 was the same as the standard rate of corporation tax in the UK of 20.00%.) The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	-	4,126
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%)	-	825
Effects of:		
Total tax charge for the year	-	825

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. The impact of these changes is reflected in any closing deferred tax balances.

Micromuse Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2017**

8. Investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	48,949,307
At 31 December 2017	<u>48,949,307</u>
Net book value	
At 31 December 2017	<u>48,949,307</u>
At 31 December 2016	<u>48,949,307</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of Incorporation	Class of shares	Holding	Principal activity
Micromuse Software Ireland Limited	Ireland	Ordinary	100 %	Software

The director considers the value of the investments to be supported by its net assets position.

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £000	Profit/(loss) £000
Micromuse Software Ireland Limited	<u>66,765</u>	<u>457</u>

Micromuse Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2017**

9. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Amounts owed to group undertakings	11,676,521	11,675,696
Other creditors	-	825
	<u>11,676,521</u>	<u>11,676,521</u>

Amounts owed to group undertakings are unsecured, bear no interest and are repayable on demand.

10. Financial instruments

	2017	2016
	£	£
Financial liabilities		
Financial liabilities measured at amortised cost	(11,676,521)	(11,676,521)
	<u>(11,676,521)</u>	<u>(11,676,521)</u>

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings.

11. Share capital

	2017	2016
	£	£
Allotted, called up and fully paid		
296,183,696 (2016: 296,183,696) Ordinary shares of £0.10 each	<u>29,618,370</u>	<u>29,618,370</u>

12. Related party transactions

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

Micromuse Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

13. Controlling party

The company's immediate parent undertaking is Micromuse UK Holdings Limited, registered in England and Wales, which is a wholly owned subsidiary of IBM Ireland Product Distribution Limited, registered in the Republic of Ireland.

IBM PDL Investment I Limited registered in Ireland is the parent undertaking of the smallest group to consolidate these financial statements. Copies of these consolidated financial statements may be obtained from IBM PDL Investment I Limited, 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.