

4007855

INTELLIGENT PROCESSING SOLUTIONS LIMITED

Report and Financial Statements

31 December 2003



# Intelligent Processing Solutions Limited

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Registered No. 04007855

## **DIRECTORS**

D Cartwright	(Resigned 24 March 2004)
J Green	(Resigned 30 June 2003)
J Little	
J Smith	
P G Hickman	(Resigned 17 January 2003)
P Merry	
B Hadfield	(Appointed 30 April 2003, Resigned 4 February 2004)
J Ranaldi	
J E Russell	(Resigned 25 April 2003)
D Roessler	
J Palmer	
S Small	(Appointed 5 August 2003)

## **SECRETARY**

G Reeves

## **AUDITORS**

Ernst & Young LLP  
Apex Plaza  
Reading  
Berkshire  
RG1 1YE

## **BANKERS**

HSBC Bank plc  
PO Box 4BQ  
133 Regent Street,  
London  
W1B 4HX

## **SOLICITORS**

Allen & Overy  
One New Change  
London  
EC4M 9QQ

## **REGISTERED OFFICE**

Bakers Court  
Bakers Road  
Uxbridge  
Middlesex  
UB8 1RG

# Intelligent Processing Solutions Limited

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## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2003.

### RESULTS AND DIVIDENDS

The result for the year ended 31 December 2003 amounted to a loss of £12,251,000 (2002: £2,078,000). The directors do not propose any dividends for the year.

### PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Intelligent Processing Solutions Limited carries out wholesale cheque clearing and settlement services on behalf of major UK banks and other financial services customers. The company has a leading market position in these outsourcing activities and the aim is to increase the share of this business still further over the next few years. A significant investment programme has commenced, designed both to improve operational efficiency and to meet the future business needs of customers. The company's strategic intent is to leverage its expertise and scale to diversify into the wider transaction processing market, notably in the areas of remittance processing, image services and electronic transaction processing.

### SHARE CAPITAL AND RESERVES

On 31 December 2003 the company's authorised share capital was 200 Ordinary shares. There were no changes during the year.

### FIXED ASSETS

The details of the fixed assets movement are shown in note 8.

### DISABLED EMPLOYEES

It is the company's policy to give full consideration to applications for employment from disabled persons where the requirement of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### EMPLOYEE INVOLVEMENT

It is the company's policy that there should be effective communication with all employees who, subject to practical and commercial consideration, should be consulted and involved in decisions that affect their current jobs or future prospects. The achievement of this policy has to be treated flexibly in accordance with the varying circumstances and needs of the company, but in all cases, the emphasis is on communication at the local level. The company has a policy of informing employees of the affairs of the company by a series of internal newsletters, regular broadcasts and increased use of the Intranet.

### DIRECTORS AND THEIR INTERESTS

The directors of the company serving in the year are listed on page 1. On 4 February 2004, B Hadfield resigned and D Cavuoto and R Drake were appointed as directors of the company. On 24 March 2004, D Cartwright resigned as a director of the company. On 21 July 2004, D Cavuoto resigned and K Lisson was appointed as a director.

The directors at 31 December 2003 had no interests, nor options, in the ordinary share capital of the company at the beginning or end of the year. As permitted by Statutory Instrument 1985 No. 802 they are not required to disclose their interests and options in the ordinary share capital of the ultimate parent undertaking.

# Intelligent Processing Solutions Limited

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## DIRECTORS' REPORT

### **CREDITOR PAYMENT POLICY**

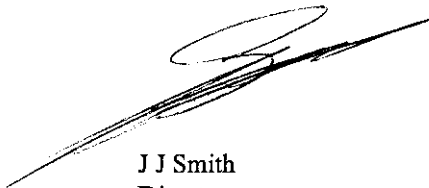
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2003, the company had an average of 44 days purchases outstanding in trade creditors.

### **AUDITORS**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'J J Smith', written over a horizontal line.

J J Smith  
Director  
3<sup>rd</sup> December 2004

## Intelligent Processing Solutions Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the statutory accounts 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTELLIGENT PROCESSING SOLUTIONS LIMITED**

We have audited the company's financial statements for the year ended 31 December 2003, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any 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.

### **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 United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Registered Auditor  
Reading

*8 Dec 2004*

# Intelligent Processing Solutions Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
<b>TURNOVER</b>	2	139,531	142,506
Cost of sales		(149,564)	(137,719)
<b>GROSS (LOSS)/PROFIT</b>		(10,033)	4,787
Administrative expenses		(709)	(2,130)
<b>OPERATING (LOSS)/PROFIT</b>	3	(10,742)	2,657
Restructuring costs	4	(5,984)	(8,804)
Bank interest receivable		19	187
Intercompany interest (payable)/receivable		(793)	511
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(17,500)	(5,449)
Tax credit on loss on ordinary activities	7	5,249	3,371
<b>LOSS RETAINED FOR THE PERIOD</b>		(12,251)	(2,078)

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the losses for each of the periods shown.

A statement of the movement on reserves can be found in note 14.

# Intelligent Processing Solutions Limited

## BALANCE SHEET at 31 December 2003

	Notes	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	87,975	63,860
		<u>          </u>	<u>          </u>
<b>CURRENT ASSETS</b>			
Debtors	9	41,862	18,653
Cash		13,931	243
		<u>          </u>	<u>          </u>
		55,793	18,896
<b>CREDITORS: amounts falling due within one year</b>	10	(122,440)	(51,530)
		<u>          </u>	<u>          </u>
<b>NET CURRENT LIABILITIES</b>		(66,647)	(32,634)
		<u>          </u>	<u>          </u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		21,328	31,226
		<u>          </u>	<u>          </u>
<b>CREDITORS: amounts falling due after more than one year</b>	11	(7,144)	-
		<u>          </u>	<u>          </u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	(15,714)	(20,505)
		<u>          </u>	<u>          </u>
		(1,530)	10,721
		<u>          </u>	<u>          </u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	-	-
Share premium account	14	17,500	17,500
Profit and loss account	14	(19,030)	(6,779)
		<u>          </u>	<u>          </u>
<b>EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS</b>		(1,530)	10,721
		<u>          </u>	<u>          </u>

Approved by the board on 3<sup>rd</sup> December 2004

  
J J Smith  
Director



# Intelligent Processing Solutions Limited

## STATEMENT OF CASH FLOWS for the year ended 31 December 2003

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	15(A)	35,649	4,377
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest (paid)/received		(774)	698
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets		(31,687)	(53,478)
<b>FINANCING</b>			
Loan from parent undertaking		10,500	1,000
Loan repaid by parent undertaking		-	39,963
<b>INCREASE/(DECREASE) IN CASH</b>		<u>13,688</u>	<u>(7,440)</u>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
		<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
Increase/(decrease) in cash		13,688	(7,440)
Cash inflow from loan from parent undertaking		(10,500)	(1,000)
Cash inflow from loan repaid by parent undertaking		-	(39,963)
<b>MOVEMENT IN NET FUNDS</b>		<u>3,188</u>	<u>(48,403)</u>
<b>NET (DEBT)/FUNDS AT 1 JANUARY</b>		<u>(757)</u>	<u>47,646</u>
<b>NET FUNDS/(DEBT) AT 31 DECEMBER</b>	15(B)	<u>2,431</u>	<u>(757)</u>

# Intelligent Processing Solutions Limited

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## NOTES TO THE ACCOUNTS

at 31 December 2003

### 1 FUNDAMENTAL ACCOUNTING CONCEPT

The accounts have been prepared on the going concern basis because the company's parent company, Unisys Limited, has undertaken to provide funds so that the company can meet its liabilities as they fall due for the foreseeable future.

### 2 ACCOUNTING POLICIES

#### *Accounting convention*

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards as defined in CA 1985 s256.

#### *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation.

Assets under construction are all in respect of IT infrastructure development costs. These costs include internal staff costs as well as costs from third parties, including related parties. These costs are capitalised if it can be demonstrated that they were incurred in respect of an approved IT infrastructure project, which is expected to generate future value to the company.

#### *Depreciation*

Equipment and other property are depreciated over the estimated useful economic lives of such assets using the straight line method. Estimated useful lives are between 2.5 years and the estimated life of the project. Land & buildings are depreciated over the estimated life of the project.

Assets under construction are reclassified to the appropriate category when complete and depreciated when brought into use in accordance with the company's depreciation policy.

#### *Translation of foreign currencies*

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, and the resulting exchange differences are dealt with in the determination of the company's results for the financial year.

#### *Leasing*

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

#### *Pensions*

The company operates a defined benefit scheme, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension costs, which are identified as a result of actuarial calculations, are amortised over the expected working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

The company also participates in a defined contribution scheme operated by Unisys Limited which is open to new employees and employees wishing to transfer from the defined benefits schemes. Contributions are charged to the profit and loss account as and when they fall due.

## NOTES TO THE ACCOUNTS at 31 December 2003

### 2 ACCOUNTING POLICIES (continued)

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. 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 a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

#### ***Redundancy provisions***

Where the need for a redundancy programme is as a result of the addition of a new customer business stream which brings with it new employees, then at the point of implementation of the new contract (or within a period not to exceed one year from the date of the new contract), the estimated or planned value of redundancy costs (related to new employees only) is recorded on the balance sheet of iPSL as both a liability and also an asset. Any redundancy costs related to existing employees are charged to the profit and loss account in the year that management approves the redundancy plan.

The liability recognises that iPSL has an obligation for the payment of future costs at the balance sheet date and the asset recognises that the employees who will be made redundant will generate future economic benefits for iPSL up to the point of their redundancy.

The cash payments made to the employees as a result of each part of the redundancy programme are charged against the liability recorded on the balance sheet, until the liability relating to that part of the redundancy programme is extinguished.

The asset created by the redundancy programme is written off to the profit and loss account when affected employees are notified in writing.

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 3 TURNOVER AND SEGMENTAL ANALYSIS

Turnover comprises the invoice value of goods and services supplied by the company to third parties and group companies, stated exclusive of value added tax.

The Turnover, results before taxation and net assets are attributable to one continuing activity, the provision of cheque clearing and settlement services in the United Kingdom. Turnover is analysed by market below and is not materially different from turnover by destination:

	2003 £'000	2002 £'000
United Kingdom	139,531	142,506

Turnover includes sales to other companies within the Unisys group of £26,187,000 (2002: £28,508,000).

### 4 OPERATING PROFIT

This is stated after charging:

	2003 £'000	2002 £'000
Operating lease rentals - land and buildings	10,022	11,046
Operating lease rentals – equipment	1,218	1,340
Depreciation of owned fixed assets	7,572	4,793
Auditors remuneration – audit services	40	38
Auditors remuneration – non audit	50	320

### 5 RESTRUCTURING COSTS

The company expensed £5,984,000 of restructuring costs in the year ended 31 December 2003 (2002: 8,804,000). These costs relate to redundancies and facility closures in conjunction with its current outsourcing contracts with Barclays, Lloyds TSB and HSBC.

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 6 DIRECTORS' REMUNERATION

	2003	2002
	£'000	£'000
Emoluments	410	344
Compensation for loss of office	179	-

Company contributions paid to money purchase pension schemes	23	16
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	2003	2002
	No.	No.
Members of money purchase pension schemes	2	2

The amounts in respect of the highest paid director are as follows:

	2003	2002
	£'000	£'000
Emoluments	332	198
Company contributions paid to money purchase pension schemes	-	9

No directors exercised any share options nor were any shares received or receivable under a long-term incentive scheme.

### 7 STAFF COSTS

	2003	2002
	£'000	£'000
Wages and salaries	64,301	60,272
Social security	4,584	4,147
Pension costs	7,263	4,853
	76,148	69,272

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 7 STAFF COSTS (continued)

The average number of employees during the year was:

	2003 No.	2002 No.
Operations	3,350	3,914
Administration	31	62
	<u>3,381</u>	<u>3,976</u>

### 8 TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £'000	2002 £'000
UK corporation credit on loss for the year	(4,103)	(2,273)
Adjustments in respect of prior years	(32)	(233)
	<u>(4,135)</u>	<u>(2,506)</u>
Deferred taxation		
Originating and reversing timing differences	(1,146)	687
Adjustments in respect of prior years	32	(1,552)
	<u>(5,249)</u>	<u>(3,371)</u>

***Factors affecting the tax charge for the year:***

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	<u>(17,500)</u>	<u>(5,449)</u>

# Intelligent Processing Solutions Limited

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## NOTES TO THE ACCOUNTS

at 31 December 2003

### 8 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(5,251)	(1,635)
Effect of:		
Disallowed expenses and non-taxable income	2	49
Capital allowances in excess of depreciation	(3,712)	(3,352)
Other timing differences	588	299
Adjustments in respect of prior years	(32)	(233)
Tax losses	4,270	2,366
	<hr/>	<hr/>
Current tax credit for the period	(4,135)	(2,506)
	<hr/>	<hr/>

The tax effect in the profit and loss account relating to the exceptional restructuring costs recognised below operating loss/profit is a credit of £1,795,000 (2002: £2,641,000).

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 9 TANGIBLE FIXED ASSETS

	<i>Land and buildings £'000</i>	<i>Fixtures, fittings, tools and equipment £'000</i>	<i>Total £'000</i>
<i>Cost:</i>			
At 1 January 2003	1,980	67,147	69,127
Additions	-	31,687	31,687
At 31 December 2003	1,980	98,834	100,814
<i>Depreciation:</i>			
At 1 January 2003	157	5,110	5,267
Charge for the year	225	7,347	7,572
At 31 December 2003	382	12,457	12,839
<i>Net book value:</i>			
At 31 December 2003	1,598	86,377	87,975
At 31 December 2002	1,823	62,037	63,860



# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 10 DEBTORS

	2003 £'000	2002 £'000
Trade debtors	9,942	3,673
Amounts owed by group undertakings	16,599	148
Other debtors	11,796	13,451
Prepayments and accrued income	3,525	1,381
	<u>41,862</u>	<u>18,653</u>

Included within prepayments is £nil (2002: £45,000) in respect of pension contribution payments made in advance of their recognition in the profit and loss account.

### 11 CREDITORS: amounts falling due within one year

	2003 £'000	2002 £'000
Trade creditors	3,431	1,206
Amounts owed to group undertakings	17,802	5,389
Other taxes and social security costs	1,886	2,583
Accruals and deferred income	99,321	42,352
	<u>122,440</u>	<u>51,530</u>

### 12 CREDITORS: amounts falling due after more than one year

	2003 £'000	2002 £'000
Deferred customer revenue	7,144	-
	<u>7,144</u>	<u>-</u>

### 13 PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Pension</i> £'000	<i>Redundancy</i> costs £'000	<i>Deferred</i> taxation £'000	<i>Total</i>
At 1 January 2003	-	21,336	(831)	20,505
Arising during the year	1,914	-	(1,115)	799
Utilised during the year	-	(5,590)	-	(5,590)
At 31 December 2003	<u>1,914</u>	<u>15,746</u>	<u>(1,946)</u>	<u>15,714</u>

NOTES TO THE ACCOUNTS  
at 31 December 2003

**13 PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

*Pension*

Included in provisions for liabilities and charges is an amount of £1,914,000 in respect of pension contributions recognised in the profit and loss account in advance of payment.

*Redundancy costs*

Provision is made for redundancy costs arising from the company's current outsourcing contracts with Barclays Bank PLC, Lloyds TSB and HSBC. The majority of the provision is expected to be utilised prior to 31 December 2004, with a proportion scheduled to be utilised during 2005.

*Deferred taxation*

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Unprovided</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	8,161	4,382	-	-
Other timing differences	(575)	13	-	-
Tax losses	(9,532)	(5,226)	-	-
	<u>(1,946)</u>	<u>(831)</u>	<u>-</u>	<u>-</u>

Based on all available evidence, the Directors' regard 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. Accordingly, they regard the deferred taxation asset as recoverable.

**14 SHARE CAPITAL**

	<i>Authorised</i>		<i>Allotted, called up &amp; fully paid</i>	
	<i>No.</i>	<i>£'000</i>	<i>No.</i>	<i>£'000</i>
Ordinary shares of £1 each	200	-	200	-

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 15 RECONCILIATION OF SHAREHOLDERS' (DEFICIT)/FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2002	-	17,500	(4,701)	12,799
Loss for the year	-	-	(2,078)	(2,078)
At 1 January 2003	-	17,500	(6,779)	10,721
Loss for the year	-	-	(12,251)	(12,251)
At 31 December 2003	-	17,500	(19,030)	(1,530)

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 16 NOTES TO THE STATEMENT OF CASH FLOWS

#### A) Reconciliation of operating profit/(loss) to net cash flow from operating activities

	2003 £'000	2002 £'000
Operating profit/(loss)	(10,742)	2,657
Depreciation of tangible fixed assets	7,572	4,792
Increase in operating debtors	(25,059)	(223)
Increase in operating creditors	67,554	5,485
Exceptional restructuring costs	(5,590)	(8,334)
Pension creditor	1,914	-
	<u>35,649</u>	<u>4,377</u>

#### B) Analysis of change in net funds

	At 1 January 2003 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash at bank in hand	243	13,688	13,931
Loan from parent company	(1,000)	(10,500)	(11,500)
	<u>(757)</u>	<u>3,188</u>	<u>2,431</u>

#### C) Cash flows relating to non-operating exceptional items

A cash flow of £5,590,000 (2002: £8,334,000) is included for the restructuring costs relating to the non-operating exceptional items detailed in note 4.

### 17 TRANSACTIONS WITH DIRECTORS

No director had any interest in any transaction carried out by the company during either period.

### 18 TRANSACTIONS WITH RELATED PARTIES

During the period, revenues of £109,677,000 (2002: £111,750,000) were generated from the provision of services in the normal course of business to shareholders of the company. During the year, costs of approximately £57,109,000 (2002: £50,913,000) were incurred by the company in the normal course of business in respect of services provided to the company by shareholders.

During the year the company has been lent money by its parent undertaking, Unisys Limited at an interest rate of 4.12%. The amount loaned to the company by Unisys Limited at 31 December 2003 is £11,500,000 (2002: £1,000,000) and is wholly repayable by the company within one year of the balance sheet date.

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 19 PENSION COMMITMENTS

The company provides pension arrangements to the majority of employees of the company through a defined benefit scheme and a defined contribution scheme. The schemes are funded by the payment of contributions to separately administered funds. Those employees of the company who used to be employees of HSBC Bank plc were, until 31 March 2002, members of the HSBC defined benefit scheme or defined contribution scheme. From 1 April 2002, they became members of the Unisys Payment Services Limited Pension Scheme ("UPSL Scheme") or the Unisys Defined Contribution Plan. The company's actuaries have assessed the transfer values for the employees transferring into the UPSL Scheme. This value is included in the 1 January 2003 market value below. The transfer values for former Barclays and HSBC employees were paid into the UPSL Scheme during the year.

The contributions to the UPSL scheme are determined with the advice of independent qualified actuaries on the basis of annual calculations using the projected unit method. The most recent calculations were conducted as at 1 January 2003 using the following main assumptions:

Discount rate pre retirement	7.25% per annum
Discount rate post retirement	6.00% per annum
Rate of increase in salaries	3.50% per annum
Social Security increases	3.00% per annum
Rate of increases in pensions in payment	3.00% per annum

The actuarial value of assets is approximately 100% of the market value at 1 January 2003.

The calculations show that the market value of the assets of the iPSL section of the UPSL Scheme as at 1 January 2003 amounted to £82,711,000 analysed as follows:

	£'000
Payment due in respect of former Barclays Bank employees	23,870
Payment due in respect of former HSBC Bank employees	26,856
Assets held in scheme	31,985
Total assets of iPSL section of UPSL Scheme	82,711

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. Under transitional arrangements relating to the introduction of FRS17 "Retirement Benefits" the company is required to disclose the following information about the scheme and the figures that would have been shown under FRS17 in the current balance sheet. The contributions made in respect of the accounting period were £6,087,000 (2002: £2,415,000) and included £1,882,000 (2002: £nil) for payment of augmented benefits on redundancy. The agreed company contribution rate set from April 2003 is 18% of pensionable pay.

NOTES TO THE ACCOUNTS

at 31 December 2003

**19 PENSION COMMITMENTS (continued)**

As noted above, some employees are members of the UPSL Scheme. A full actuarial valuation was carried out at 31 March 2002 and updated to 31 December 2003 by a qualified independent actuary. The major assumptions used by the actuary were:

	2003	2002
Rate of increase in salaries	3.00%	3.75%
Rate of increase in deferred pensions	2.50%	2.25%
Rate of increase in pensions in payment	2.50%	2.25%
Discount rate	5.50%	5.50%
Inflation assumption	2.50%	2.25%

The assets in the iPSL section of the UPSL Scheme and the expected rate of return were:

	<i>Long-term rate of return expected at 31 December 2003</i>	<i>Value at 31 December 2003 £'000</i>	<i>Long term rate of return expected at 31 December 2002</i>	<i>Value at 31 December 2002 £'000</i>
Equities	7.00%	77,615	7.00%	59,845
Bonds	5.50%	24,939	5.50%	22,628
Cash	3.75%	159	4.00%	238
			<i>2003 £'000</i>	<i>2002 £'000</i>
Total market value of assets of iPSL section			102,713	82,711
Present value of iPSL section of the UPSL Scheme liabilities			(133,710)	(118,780)
Deficit in the iPSL section of the UPSL Scheme			(30,997)	(36,069)
Related deferred tax asset			9,299	10,821
Net pension liability			(21,698)	(25,248)

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 19 PENSION COMMITMENTS (continued)

Reconciliation of net assets and reserves under FRS 17

*Net assets;*

	2003 £'000	2002 £'000
Net (liabilities)/assets as stated in balance sheet	(1,530)	10,721
SSAP 24 balance	1,914	(45)
Related deferred tax	(574)	13
Net (liabilities)/assets excluding defined benefits/liabilities	(190)	10,689
FRS 17 defined benefit liabilities	(21,698)	(25,248)
Net (liabilities)/assets including defined benefit liabilities	(21,888)	(14,559)
<i>Reserves:</i>		
Profit and loss reserve as stated in balance sheet	(19,030)	(6,779)
SSAP 24 balance	1,914	(45)
Related deferred tax	(574)	13
Net (liabilities)/assets excluding defined benefit liabilities	(17,690)	(6,811)
FRS 17 defined benefit liabilities	(21,698)	(25,248)
Profit and loss reserve including amounts relating to defined benefit liabilities	(39,388)	(32,059)
	2003 £'000	2002 £'000
<i>Analysis of the amount charged to operating profit:</i>		
Service cost	(6,202)	(4,868)
Past service cost	(1,882)	-
Total operating charge	(8,084)	(4,868)
<i>Analysis of net return on pension scheme:</i>		
Expected return on pension scheme assets	5,622	4,587
Interest on pension liabilities	(6,738)	(4,308)
Net return	(1,116)	279
<i>Analysis of amount recognised in statement of total recognised gains and losses (STRGL):</i>		
Actual return less expected return on assets	8,934	11,608
Experience gains and losses on liabilities	(8,834)	(37,352)
Changes in assumptions	8,085	-
Actuarial gain/(loss) recognised in STRGL	8,185	(25,744)

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS at 31 December 2003

### 19 PENSION COMMITMENTS (continued)

	2003 £'000	2002 £'000
<i>Movement in deficit during the year:</i>		
Deficit in scheme at beginning of year	(36,069)	(8,151)
<i>Movement in year:</i>		
Current service costs	(6,202)	(4,868)
Contributions	6,087	2,415
Past service costs	(1,882)	-
Net/(interest cost)/return on assets	(1,116)	279
Actuarial loss	8,185	(25,744)
Deficit in scheme at end of year	(30,997)	(36,069)

The FRS 17 valuation at 31 December 2003 showed a decrease in the deficit from £36,069,000 to £30,997,000 (2002: increase in deficit from £8,151,000 to £36,069,000). There were no improvements in benefits during 2003. Company contributions totalled £6,087,000 (a variable percentage of pensionable pay depending on the category of membership) (2002: £2,415,000) and included £1,882,000 (2002: £nil) for payment of augmented benefits on redundancy. The agreed company contribution rate set from April 2003 is 18% of pensionable pay.

	<i>Financial year ended 31 December</i>	
	2003	2002
<i>History of experience gains and losses</i>		
Difference between expected and actual return on scheme assets :		
- amount (£'000)	8,934	11,608
- percentage of scheme assets	9%	14%
Experience gains and losses on scheme liabilities:		
- amount (£'000)	(8,834)	(37,352)
- percentage of scheme liabilities	-7%	-31%
Total amount recognised in statement of total recognised gains and losses:		
- amount (£'000)	8,185	(25,744)
- percentage of scheme liabilities	6%	-22%

### 20 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2002: £nil).



# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2003

### 21 OTHER FINANCIAL COMMITMENTS

At the year-end the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land &amp; Buildings</i>		<i>Other</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
Within one year	3,133	5,635	-	-
In two to five years	574	3,057	334	548
In over five years	5,400	3,443	1,290	1,444
	<u>9,107</u>	<u>12,135</u>	<u>1,624</u>	<u>1,992</u>

### 22 ULTIMATE PARENT UNDERTAKING

The parent undertaking for the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Unisys Corporation incorporated in the State of Delaware, United States of America. Unisys Corporation is a public company listed on the New York Stock Exchange. The directors consider Unisys Corporation to be the company's controlling party and is the ultimate parent company.

The parent undertaking of the smallest such group and immediate parent company is Unisys Limited registered in England. Accounts of both companies are available from the Company Secretary, Unisys Limited, Bakers Court, Bakers Road, Uxbridge, Middlesex, UB8 1RG.