

INTELLIGENT PROCESSING SOLUTIONS LIMITED

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Report and Financial Statements

31 December 2006

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COMPANIES HOUSE

# Intelligent Processing Solutions Limited

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Registered No 04007855

## **DIRECTORS**

R Hoggarth (Chairman)	(Appointed 26 March 2006)
R Holmes	
J Munnelly	
M Ettling	(Appointed 25 April 2006)
N Wilson	(Appointed 6 December 2006, resigned 29 June 2007)
O Theilmann	(Appointed 12 February 2007)
R Chase	(Appointed 12 March 2007)
E Birden	(Appointed 21 August 2007)
P Merry	(Resigned 12 March 2007)
C Walklin	(Resigned 12 February 2007)
G Hobbs	(Resigned 6 December 2006)
A Welch	(Resigned 10 February 2006)
S Small	(Resigned 20 January 2006)
J Smith	(Resigned 20 January 2006)

## **SECRETARY**

G Reeves	
L Csaky	(Appointed 22 March 2007)

## **AUDITORS**

Ernst & Young LLP  
Apex Plaza  
Reading  
Berkshire  
RG1 1YE

## **BANKERS**

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

## **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 the audited financial statements for the year ended 31 December 2006

### RESULTS AND DIVIDENDS

The result for the year ended 31 December 2006 amounted to a profit of £12,848,000 (2005 loss of £30,278,000) The directors do not propose any dividends for the year (2005 £nil)

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

The principal activity of the company is the processing of cheques for retail banks in the United Kingdom

In January 2006, the company and its shareholders executed agreements whereby the fees charged by the company under its current outsourcing service contracts were increased with effect from 1 January 2006 As part of these new agreements, the company also implemented a significant cost saving programme, the aim of which is to return the company to profitable position going forward

The directors monitor the company's progress against its strategic business objectives and the financial performance of the company's operations on a regular basis As part of this process and the company's annual budgetary process, the most significant key performance indicators used by the company are turnover, cost management, operational efficiency and profitability and cash flow

Turnover for the year ended 31 December 2006 was £148,595,000, which is a 32% increase over the prior year turnover This growth in turnover is reflective of the increased fees applicable under the new shareholder agreements executed during the year offset by the cheque processing volumes in the UK which have decreased by an average of approximately 9% against the 12 months ended 31 December 2005

The profit before tax for the year ended 31 December 2006 was £18,354,000, which represents a significant improvement over the loss before tax for the year ended 31 December 2005 of £43,529,000 This improvement in profitability arises due to the increased revenue in the year and the significant cost reductions achieved following the execution of new shareholder agreements in the year The directors are satisfied with the level of profitability in the current year

### POST BALANCE SHEET EVENTS

As at 31 March 2007, the company recorded a charge of £1,453,000 in respect of future restructuring costs These costs relate to redundancies arising in conjunction with the company's current outsourcing contracts with Barclays Bank plc, Lloyds TSB Bank plc, HSBC Bank plc and Unisys Payment Services Ltd

Under the 2007 Finance Bill, the rate of UK corporation tax is expected to reduce from 30% to 28% with effect from 1 April 2008 Based on the values of the company's deferred tax assets and liabilities at 31 December 2006, it is estimated that this could result in the deferred tax asset associated with the company's tax losses and its pension liability being reduced by up to £2,224,000 and £572,000 respectively On the same basis, the deferred tax liability arising in respect of accelerated capital allowances could reduce by £832,000

### PRINCIPAL RISKS AND UNCERTAINTIES

The company has established a Risk Management Committee which meets regularly to evaluate several areas within the company's operations including but not limited to financial, business, process and people

With the execution of the agreements with the company's shareholders in January 2006 and resultant improvement in turnover, profitability and cash flow, the directors believe that many of the principal risks and uncertainties faced by the company have been mitigated or reduced significantly

The directors do not consider the company to have any significant exposure to interest rate risk as all debts are in the form of loans from fellow group companies, which are at acceptable interest rate levels and are wholly repayable by 31 December 2009 The directors consider that no hedging of interest rates is necessary

# Intelligent Processing Solutions Limited

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## DIRECTORS' REPORT

The directors do not consider the company to have any exposure to liquidity risk as sufficient cash flows are generated to ensure the company satisfies its obligations with respect to its financial liabilities, including the repayment of shareholder loans

The company only trades with reputable high street banks and large financial institutions and fellow group companies and as such the directors do not consider the company to have an exposure to credit risk

### SHARE CAPITAL AND RESERVES

On 31 December 2006 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 9

### 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 company has established a Works Council, which includes representatives from all sites and from management, to communicate with employees. 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.

### CHARITABLE AND POLITICAL DONATIONS

Donations made by the company for charitable purposes in the United Kingdom amounted to £4,550 (2005 £655). No political contributions were made during the year (2005 £nil).

### DIRECTORS AND THEIR INTERESTS

The directors of the company serving in the year and to the date of this report are listed on page 1

The directors at 31 December 2006 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.

During the year, and up to the date of this report and approval of the financial statements, the company had in place third party indemnity provision for the benefit of all directors of the company.

### DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

# Intelligent Processing Solutions Limited

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## DIRECTORS' REPORT

### 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



R Chase

Director

15/08/07

## Intelligent Processing Solutions Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 the profit or loss of the company for that period. In preparing those 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,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements 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 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.

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of Intelligent Processing Solutions Limited**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24. These financial statements have been prepared under 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 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**

The directors are responsible for the preparation of the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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).

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

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**INDEPENDENT AUDITORS' REPORT (continued)**

**To the Shareholders of Intelligent Processing Solutions Limited**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Reading

*11 September 2007*

# Intelligent Processing Solutions Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>TURNOVER</b>	3	148,595	112,254
Cost of sales		(119,937)	(151,924)
<b>GROSS PROFIT/(LOSS)</b>		<u>28,658</u>	<u>(39,670)</u>
Administrative expenses		(887)	(1,216)
<b>OPERATING PROFIT/(LOSS)</b>	4	<u>27,771</u>	<u>(40,886)</u>
Restructuring costs	5	(5,276)	1,358
Bank interest receivable		103	90
Interest payable on bank overdraft		(677)	(219)
Interest payable on loans from parent undertaking		(3,253)	(2,797)
Other finance charges	19	(314)	(1,075)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>18,354</u>	<u>(43,529)</u>
Tax (charge)/ credit on profit/ (loss) on ordinary activities	8	(5,506)	13,251
<b>PROFIT/(LOSS) RETAINED FOR THE PERIOD</b>		<u>12,848</u>	<u>(30,278)</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2006

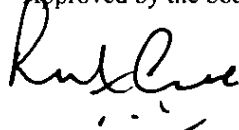
		2006 £'000	2005 £'000
<b>PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS</b>		12,848	(30,278)
Actuarial gains/ (losses) recognised in respect of the pension fund	15	24,906	(2,696)
Deferred tax related to the actuarial gains/ (losses) recognised	15	(7,472)	808
<b>TOTAL RECOGNISED GAINS/ (LOSSES) RELATING TO THE PERIOD</b>		<u>30,282</u>	<u>(32,166)</u>

# Intelligent Processing Solutions Limited

## BALANCE SHEET at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	89,906	99,022
<b>CURRENT ASSETS</b>			
Debtors	10	31,078	36,175
Cash		12,961	44
		44,039	36,219
<b>CREDITORS: amounts falling due within one year</b>	11	(88,168)	(159,194)
<b>NET CURRENT LIABILITIES</b>		(44,129)	(122,975)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		45,777	(23,953)
<b>CREDITORS: amounts falling due after more than one year</b>	12	(75,478)	(19,853)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(2,354)	(1,809)
<b>NET LIABILITIES EXCLUDING PENSION LIABILITY</b>		(32,055)	(45,615)
<b>NET PENSION LIABILITY</b>	19	(20,018)	(36,740)
<b>NET LIABILITIES INCLUDING PENSION LIABILITY</b>		(52,073)	(82,355)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	-	-
Share premium account	15	17,500	17,500
Profit and loss account	15	(69,573)	(99,855)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	15	(52,073)	(82,355)

Approved by the board



R Chase  
Director

15/08/07

# Intelligent Processing Solutions Limited

## STATEMENT OF CASH FLOWS

at 31 December 2006

	<i>Notes</i>	<i>2006 £'000</i>	<i>2005 £'000</i>
<b>NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>16(A)</b>	<b>36,198</b>	<b>(29,991)</b>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest paid		(3,930)	(3,016)
Interest received		103	90
		<b>(3,827)</b>	<b>(2,926)</b>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets		(9,072)	(10,028)
<b>FINANCING</b>			
Loan from parent undertaking		-	21,000
Bank overdraft		(10,382)	10,382
		<b>(10,382)</b>	<b>31,382</b>
<b>INCREASE/ (DECREASE) IN CASH</b>		<b>12,917</b>	<b>(11,563)</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)</b>			
		<i>2006 £'000</i>	<i>2005 £'000</i>
Increase/ (decrease) in cash		12,917	(11,563)
Cash outflow to/ (inflow from) bank overdraft		10,382	(10,382)
Cash inflow from loan from parent undertaking		-	(21,000)
<b>MOVEMENT IN NET FUNDS/ (DEBT)</b>		<b>23,299</b>	<b>(42,945)</b>
<b>NET DEBT AT 1 JANUARY</b>		<b>(72,338)</b>	<b>(29,393)</b>
<b>NET DEBT AT 31 DECEMBER</b>	<b>16(B)</b>	<b>(49,039)</b>	<b>(72,338)</b>

# Intelligent Processing Solutions Limited

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 1. FUNDAMENTAL ACCOUNTING CONCEPT

In January 2006, the company and its shareholders executed agreements whereby the fees charged under the current outsourcing services contracts were increased with effect from 1 January 2006. The estimated increase in revenue arising from these increased fees, together with the company's existing revenue, is currently estimated to ensure the company generates sufficient cash flows and profitability over the remaining life of the outsourcing contracts such that it is able to continue as a going concern during this time.

The new agreements with the shareholders, which are effective for the period to 31 December 2010, also provide for additional funding to the company in the form of term loans and credit facilities from the company's shareholders.

On the basis of these new agreements executed between the company and the shareholders, the accounts have been prepared on a going concern basis.

### 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 Companies Act 1985.

In preparing the financial statements for the current year, the company has disclosed details of share based payment plans of certain employees who participate in The Unisys Corporation stockholder approved long term incentive plans. This information is shown in Note 24.

#### *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

#### *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 period from purchase to 31 December 2010, being the date on which the company's current outsourcing contracts expire.

Land & buildings are also depreciated over the period from purchase to 31 December 2010.

#### *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.

# Intelligent Processing Solutions Limited

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 2. ACCOUNTING POLICIES (continued)

#### *Pensions*

The company operates a defined benefit scheme which requires contributions to be made to a separately administered fund. In accordance with FRS 17, the regular service cost of providing retirement benefits to employees during the year, together with the costs of any benefits relating to past service is charged to operating profit in the year. The credit representing the expected return on the scheme assets at the start of the year is included in other finance income and the charge for the interest on the scheme liabilities is included in other finance charges. The difference between actual and expected returns on assets and the difference arising from changes in assumptions are recognised in the total statement of recognised gains and losses. The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax.

The company also participates in a defined contribution scheme operated by Unisys Limited, the company's immediate parent company, 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.

#### *Taxation*

The charge for taxation is based on the result 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 FINANCIAL STATEMENTS

at 31 December 2006

### 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

Turnover, results before taxation and net assets are attributable to one continuing activity, being 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

	2006 £'000	2005 £'000
United Kingdom	148,595	112,254

Turnover includes sales to Unisys Payments Services Limited, a wholly owned subsidiary company of Unisys Limited, of £35,507,000 (2005 £20,921,000)

### 4. OPERATING PROFIT/ LOSS

This is stated after charging

	2006 £'000	2005 £'000
Operating lease rentals - land and buildings	3,671	5,688
Operating lease rentals – equipment	709	556
Depreciation of owned fixed assets	18,188	13,386
Auditors' remuneration – audit services	40	40

### 5. RESTRUCTURING COSTS

In the year ended 31 December 2006 the company charged £5,276,000 of restructuring costs in the profit and loss account (2005 credit of £1,358,000 in respect of restructuring costs provided in previous years) These costs related to redundancies in conjunction with its current outsourcing contracts with Barclays Bank plc, Lloyds TSB Bank plc, HSBC Bank plc and Unisys Payment Services Limited

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 6. DIRECTORS' REMUNERATION

	2006 £'000	2005 £'000
Aggregate emoluments	216	240
Company contributions paid to money purchase pension schemes	-	-

	2006 No	2005 No
Members of money purchase pension schemes	-	-

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

	2006 £'000	2005 £'000
Aggregate emoluments	216	240
Company contributions paid to money purchase pension schemes	-	-

No directors exercised any share options nor were any shares received or receivable under a long-term incentive scheme during the current or previous year

### 7. STAFF COSTS

	2006 £'000	2005 £'000
Wages and salaries	43,901	52,568
Restructuring costs	5,276	(1,358)
Social security	3,540	4,303
Pension costs	6,107	7,921
	58,824	63,434

The average number of employees during the year was

	2006 No	2005 No
Operations	2,342	2,893
Administration	26	33
	2,368	2,926

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 8 TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

	2006 £'000	2005 £'000
<i>Current tax</i>		
UK corporation tax charge/(credit) on profit/(loss) for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Originating and reversing timing differences	5,506	(13,044)
Adjustments in respect of prior years	-	(207)
Total tax charge / (credit) for the year	5,506	(13,251)

#### *Factors affecting the tax charge for the year.*

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

	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities before tax	18,354	(43,529)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	5,506	(13,059)
Effect of		
Disallowed expenses and non-taxable income	3	15
Capital allowances in excess of depreciation	624	(1,522)
Other timing differences	305	641
Tax losses	(6,438)	13,925
Current tax for the year	-	-

The tax credit in the profit and loss account relating to restructuring costs is £1,582,800 (2005: tax charge of £407,400)

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 9. TANGIBLE FIXED ASSETS

	<i>Leasehold land and buildings £'000</i>	<i>Fixtures, fittings, tools and equipment £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 January 2006	2,572	133,910	136,482
Additions	27	9,045	9,072
At 31 December 2006	2,599	142,955	145,554
<i>Depreciation</i>			
At 1 January 2006	1,014	36,446	37,460
Charge for the year	341	17,847	18,188
At 31 December 2006	1,355	54,293	55,648
<i>Net book value</i>			
At 31 December 2006	1,244	88,662	89,906
At 31 December 2005	1,558	97,464	99,022

### 10. DEBTORS

	<i>2006 £'000</i>	<i>2005 £'000</i>
Trade debtors	7,964	6,878
Amounts owed by group undertakings	175	243
Other debtors	14	-
Prepayments	2,033	2,351
Deferred tax (note 13)	20,892	26,703
	31,078	36,175

The amounts owed by group undertakings are unsecured, interest free and repayable on demand

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

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

	2006 £'000	2005 £'000
Bank overdraft	-	10,382
Trade creditors	2,170	3,261
Amounts owed to group undertakings	8,246	66,664
Other taxes and social security costs	1,117	1,141
Accruals and deferred income	76,635	77,746
	<u>88,168</u>	<u>159,194</u>

Included within amounts owed to group undertakings is an amount payable to Unisys Limited, the company's immediate parent company, of £6,200,000 (2005 £62,000,000). This amount is unsecured, repayable by 31 December 2007 and bearing interest at 4.92% per annum.

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

	2006 £'000	2005 £'000
Deferred customer revenue	19,678	19,853
Amount owed to group undertakings	55,800	-
	<u>75,478</u>	<u>19,853</u>

The amount owed to group undertakings is an amount payable to Unisys Limited, the company's immediate parent company, of £55,800,000 (2005 £nil). This amount is unsecured, repayable in instalments between 1 January 2008 and 31 December 2009 and bearing interest at 4.92% per annum.

### 13. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy costs £'000
At 1 January 2006	1,809
Arising during the year	5,276
Utilised during the year	(4,731)
At 31 December 2006	<u>2,354</u>

#### Redundancy costs

Provision is made for redundancy costs arising from the company's current outsourcing contracts with Barclays Bank PLC, Lloyds TSB Bank plc, HSBC Bank plc and Unisys Payment Services Ltd. The majority of the provision is expected to be utilised prior to 31 December 2007.

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

#### *Deferred taxation*

The deferred tax assets / (liabilities) provided in the financial statements and the amounts not provided are as follows

	<i>Provided</i>		<i>Unprovided</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	(12,471)	(13,095)	-	-
Pension deficit	8,579	15,746	-	-
Tax losses	33,363	39,798	-	-
Total deferred tax asset	29,471	42,449	-	-
Amount offset against net pension liability (note 19)	(8,579)	(15,746)	-	-
Deferred tax asset	20,892	26,703	-	-

The deferred tax asset is treated as recoverable as, in the Directors' opinion, there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

*The movement in the deferred tax asset for the year was as follows*

	<i>2006</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January 2006	42,449	14,902
Prior year adjustment to reserves (note 15)	-	13,488
Transfer to profit and loss account tax charge for the year	(5,506)	13,251
Transfer to reserves arising on actuarial losses on pension scheme	(7,472)	808
At 31 December 2006	29,471	42,449

Under the 2007 Finance Bill, the rate of UK corporation tax is expected to reduce from 30% to 28% with effect from 1 April 2008. Based on the values of the company's deferred tax assets and liabilities at 31 December 2006, it is estimated that this could result in the deferred tax asset associated with the company's tax losses and its pension liability being reduced by up to £2,224,000 and £572,000 respectively. On the same basis, the deferred tax liability arising in respect of accelerated capital allowances could reduce by £832,000.

### 14. SHARE CAPITAL

	<i>Authorised, allotted, called up &amp; fully paid</i>			
	<i>2006</i>	<i>2006</i>	<i>2005</i>	<i>2005</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 FINANCIAL STATEMENTS

at 31 December 2006

### 15 RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	-	17,500	(67,689)	(50,189)
Loss for the year	-	-	(30,278)	(30,278)
Actuarial losses on pension liability	-	-	(2,696)	(2,696)
Deferred tax related to the actuarial losses	-	-	808	808
At 31 December 2005	-	17,500	(99,855)	(82,355)
At 1 January 2006	-	17,500	(99,855)	(82,355)
Profit for the year	-	-	12,848	12,848
Actuarial gains on pension liability	-	-	24,906	24,906
Deferred tax related to the actuarial gains	-	-	(7,472)	(7,472)
At 31 December 2006	-	17,500	(69,573)	(52,073)

### 16. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2006 £'000	2005 £'000
Operating profit/ (loss)	27,771	(40,886)
Depreciation of tangible fixed assets	18,188	13,386
Increase in operating debtors	(716)	(2,356)
Increase/(decrease) in operating creditors	(4,314)	12,517
Exceptional restructuring costs	(4,731)	(12,652)
	36,198	(29,991)

#### B) Analysis of changes in net funds/(debts)

	At 1 January 2006 £'000	Cash flow £'000	At 31 December 2006 £'000
Cash at bank in hand	44	12,917	12,961
Bank overdraft	(10,382)	10,382	-
Loan from parent company	(62,000)	-	(62,000)
	(72,338)	23,299	(49,039)

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

A cash flow of £4,731,000 (2005 £12,652,000) is included for the restructuring costs relating to the non-operating exceptional items detailed in note 5

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 17. TRANSACTIONS WITH DIRECTORS

Except for the disclosure in Note 18, no director had any interest in any transaction carried out by the company during either period

### 18. TRANSACTIONS WITH RELATED PARTIES

During the year, the company entered into transactions in the ordinary course of business with its shareholders, Barclays Bank plc, HSBC Bank plc, Lloyds TSB Bank plc and Unisys Limited. The company also entered into transactions in the ordinary course of business with Unisys Payments Services Limited, a wholly owned subsidiary company of Unisys Limited, and with Tumultus Limited, a company owned and controlled by a director of the company.

Transactions entered into, and trading balances outstanding at 31 December 2006, are as follows

	<i>Sales to related party £'000</i>	<i>Purchases from related party £'000</i>	<i>Amounts owed from related party £'000</i>	<i>Amounts owed to related party £'000</i>
<i>Related party</i>				
Barclays Bank plc				
2006	31,945	1,998	1,077	426
2005	26,543	627	142	191
HSBC Bank plc				
2006	46,673	575	1,045	463
2005	40,179	274	1,180	168
Lloyds TSB Bank plc				
2006	28,284	203	762	-
2005	18,502	1,973	302	22
Unisys Limited				
2006	-	14,924	119	1,514
2005	-	36,790	151	4,045
Unisys Payment Services Limited				
2006	35,507	-	56	-
2005	20,921	-	-	71
Tumultus Limited				
2006	-	216	-	-
2005	-	-	-	-

During the year the company has been lent money by its parent undertaking, Unisys Limited, at an average interest rate of 4.92%. The amount loaned to the company by Unisys Limited at 31 December 2006 is £62,000,000 (2005: £62,000,000) and is wholly repayable by the company by 31 December 2009.

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 19. PENSION COMMITMENTS

The company provides pension arrangements to the majority of employees of the company through a defined benefit scheme, the Unisys Payment Services Limited Pension Scheme ('UPSL scheme') and a defined contribution scheme, the Unisys Defined Contribution Plan. The schemes are funded by the payment of contributions to separately administered funds. 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 company accounts for the UPSL scheme in accordance with FRS 17 "Retirement Benefits".

As noted above, some employees are members of the UPSL scheme. A full actuarial valuation was carried out at 31 March 2005 and updated to 31 December 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

	2006	2005	2004	2003
Rate of increase in salaries	3.25%	3.25%	3.25%	3.00%
Rate of increase in deferred pensions	2.90%	2.75%	2.75%	2.50%
Rate of increase in pensions in payment	2.90%	2.75%	2.75%	2.50%
Discount rate	5.10%	4.90%	5.32%	5.50%
Inflation assumption	2.90%	2.75%	2.75%	2.50%

The expected long-term rates of return of the assets in the section of the UPSL scheme that relate to Intelligent Processing Solutions Limited ('iPSL') at 31 December were:

	2006	2005	2004	2003
Equities	7.00%	7.00%	7.00%	7.00%
Bonds	5.10%	4.90%	5.50%	5.50%
Cash	5.00%	4.50%	4.75%	3.75%

The values of the assets and liabilities in the section of the UPSL scheme that relate to Intelligent Processing Solutions Limited ('iPSL') at 31 December were:

	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Equities	117,828	107,914	86,805	77,615
Bonds	42,203	37,394	31,646	24,939
Cash	365	442	391	159
<b>Total market value of assets of iPSL section</b>	<b>160,396</b>	<b>145,750</b>	<b>118,842</b>	<b>102,713</b>
<b>Present value of iPSL section of the UPSL scheme liabilities</b>	<b>(188,993)</b>	<b>(198,236)</b>	<b>(166,494)</b>	<b>(133,710)</b>
<b>Deficit in the iPSL section of the UPSL scheme</b>	<b>(28,597)</b>	<b>(52,486)</b>	<b>(47,652)</b>	<b>(30,997)</b>
Related deferred tax asset	8,579	15,746	14,296	9,299
<b>Net pension liability</b>	<b>(20,018)</b>	<b>(36,740)</b>	<b>(33,356)</b>	<b>(21,698)</b>

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 19 PENSION COMMITMENTS (continued)

	2006 £'000	2005 £'000
<i>Analysis of the amount charged to operating loss</i>		
Service cost	(4,704)	(4,869)
Past service cost	-	-
Total operating charge	(4,704)	(4,869)
	2006 £'000	2005 £'000
<i>Analysis of net return on pension scheme</i>		
Expected return on pension scheme assets	9,471	7,951
Interest on pension liabilities	(9,785)	(9,026)
Net return	(314)	(1,075)
	2006 £'000	2005 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on assets	3,289	13,680
Experience gains and losses on liabilities	16,062	-
Changes in assumptions	5,555	(16,376)
Actuarial gain/ (loss) recognised in STRGL	24,906	(2,696)
	2006 £'000	2005 £'000
<i>Movement in deficit during the year</i>		
Deficit in scheme at beginning of year	(52,486)	(47,652)
<i>Movement in year</i>		
Current service costs	(4,704)	(4,869)
Contributions	4,001	3,806
Past service costs	-	-
Other finance charges	(314)	(1,075)
Actuarial gain/ (loss)	24,906	(2,696)
Deficit in scheme at end of year	(28,597)	(52,486)

The FRS 17 actuarial valuation at 31 December 2006 showed a decrease in the deficit from £52,486,000 to £28,597,000 (2005 increase in deficit from £47,652,000 to £52,486,000). There were no improvements in benefits during 2006. Company contributions were £4,001,000 (2005 £3,806,000) and £nil (2005 £558,000) was paid in respect of augmented benefits on redundancy previously charged as restructuring costs. The agreed company contribution rate set from April 2005 is 18% of pensionable pay.

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 19 PENSION COMMITMENTS (continued)

	2006	2005	2004	2003	2002
<i>History of experience gains and losses</i>					
Difference between expected and actual					
Return on scheme assets (£'000)	3,289	13,680	4,033	8,934	11,608
- percentage of scheme assets	2%	9%	3%	9%	14%
<i>Experience gains and losses</i>					
on scheme liabilities £'000)	16,062	-	(1,286)	(8,834)	(37,352)
- percentage of scheme liabilities	8%	0%	-1%	-7%	-31%
<i>Total amount recognised in statement of</i>					
recognised gains and losses (£'000)	24,906	(2,696)	(15,293)	8,185	(25,744)
- percentage of scheme liabilities	13%	-1%	-9%	6%	-22%

### 20 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2005 £nil)

### 21. OTHER FINANCIAL COMMITMENTS

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

	<i>Leasehold</i>		<i>Equipment</i>	
	<i>Land &amp; Buildings</i>			
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	457	-	-
In two to five years	2,306	2,277	62	58
In over five years	987	967	-	12
	<u>3,293</u>	<u>3,701</u>	<u>62</u>	<u>70</u>

### 22. ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The parent undertaking for smallest and 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. Copies of the group accounts of Unisys Corporation and Unisys Holdings are available from the Company Secretary, Unisys Limited, Bakers Court, Bakers Road, Uxbridge, Middlesex, UB8 1RG.

The directors consider Unisys Corporation to be the company's controlling party and the ultimate parent company.

The immediate parent company is Unisys Limited.

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 23 POST BALANCE SHEET EVENTS

At 31 March 2007 the company recorded a charge of £1,453,000 in respect of future restructuring costs. These costs relate to redundancies in conjunction with the company's current outsourcing contracts with Barclays Bank plc, Lloyds TSB Bank plc, HSBC Bank plc and Unisys Payment Services Ltd.

Under the 2007 Finance Bill, the rate of UK corporation tax is expected to reduce from 30% to 28% with effect from 1 April 2008. Based on the values of the company's deferred tax assets and liabilities at 31 December 2006, it is estimated that this could result in the deferred tax asset associated with the company's tax losses and its pension liability being reduced by up to £2,224,000 and £572,000 respectively. On the same basis, the deferred tax liability arising in respect of accelerated capital allowances could reduce by £832,000.

### 24 SHARE BASED PAYMENT PLANS

The company's employees participate in the Unisys Corporation stockholder approved long term incentive plans. These incentive plans are as follows:

- 1990 Unisys Long-Term Incentive Plan
- 2003 Unisys Corporation Long-Term Incentive and Equity Compensation Plan

For United Kingdom participants each of these plans comprises two parts, a UK Sub-Plan that has been approved by H M Revenue & Customs under the provisions of the Income and Corporation Taxes Act 1988 and a main plan that has not been approved by H M Customs & Revenue and it is not intended to apply for approval in respect of it.

No options have been granted under either of these schemes in the year ended 31<sup>st</sup> December 2006 (2005 9,500). The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2006 is £nil (2005 £nil).

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the schemes during the year:

	2006 No	2006 WAEP	2005 No	2005 WAEP
Outstanding at the beginning of the year	66,651	1.69	58,150	8.15
Granted during the year	0	0.00	9,500	2.85
Forfeited during the year	0	0.00	0	0.00
Exercised during the year	(2,600)	2.68	0	0.00
Expired during the year	(11,715)	10.06	(999)	5.02
Outstanding at the end of the year	<u>52,336</u>	<u>5.44</u>	<u>66,651</u>	<u>1.69</u>
Exercisable at 31 December	<u>52,336</u>	<u>5.44</u>	<u>66,651</u>	<u>1.69</u>

For the share options outstanding as at 31 December 2006, the weighted average remaining contractual life is 4.79 years (2005 3.93 years).

The fair value of equity settled share options granted under the above schemes is estimated as at the date of grant using the Black Scholes model. The following table lists the inputs to the model:

	2006	2005
Weighted average share price (pence)	n/a	285
Expected volatility	45.8%	55%
Option life	10 years	10 years
Risk-free interest rate	4.35%	3.82%

# Intelligent Processing Solutions Limited

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 24. SHARE BASED PAYMENT PLANS (continued)

The range of exercise prices for options outstanding at the end of the year is shown below. All options have an exercise period of 10 years from the date of grant.

Range of Exercise Price	Dates of Grant	2006 Number	2005 Number
£3.13 - £4.21	23/04/1996 – 09/05/2005	14,250	16,850
£5.66 - £7.14	14/02/2002 – 01/09/2004	18,572	27,101
£9.29 - £11.36	22/04/1998 – 15/02/2001	11,314	13,500
£15.09 - £17.06	22/04/1999 – 17/02/2000	8,200	9,200