

Intelligent Processing Solutions Limited

Registered No. 04007855

Report and Financial Statements

31 December 2008

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Intelligent Processing Solutions Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The result for the year ended 31 December 2008 amounted to a profit of £14,485,000 (2007: profit of £27,033,000). The directors do not propose any dividends for the year (2007: £nil).

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The principal activity of the company is the processing of cheques and provision of back office services for retail banks in the United Kingdom.

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, profitability and cash flow.

Turnover for the year ended 31 December 2008 was £132,455,000, which is a 16.4% decrease over the prior year turnover. This decrease in turnover is reflective of the reduced variable tariffs applicable under the shareholder agreements executed in 2006. Additionally, volumes decreased by an average of approximately 11% compared with the 12 months ended 31 December 2007 impacting charges for cheque processing.

The profit before tax for the year ended 31 December 2008 was £19,952,000, which represents a significant decrease over the profit before tax for the year ended 31 December 2007 of £40,300,000. This decline in profitability arises due to significant tariff rebates applied in 2008 which had been waived by the customers in 2007. The provisions for such rebates were included in the 2006 customer agreements. The directors are satisfied with the level of profitability in the current year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

An Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.

The agreements with the company's shareholders in January 2006 required that rebates would be made if the company was successful at reducing its cost base ahead of the Annual Operating Plan approved by the Board. Provision for such rebates was made in 2008 amounting to £11,300,000. If the company achieves a lower cost base than in the Operating Plan approved by the Board, further rebates may be required to be paid in future periods.

As a result of the execution of these agreements 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 company was exposed to interest rate risk as the debt is in the form of a loan from its major shareholder and the interest rate was set at LIBOR plus 0.5%. The loan has been repaid since the financial year end.

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 is exposed to counterparty risk as cash balances are invested in fixed interest overnight deposits with a reputable UK bank.

Intelligent Processing Solutions Limited

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The company only trades with reputable high street banks, large financial institutions and fellow group companies and as such the directors consider the company has only a low exposure to credit risk in respect of trading balances.

The directors recognise that significant revenues are earned from a few key customers who are also shareholders. These customers have been adversely impacted by the current market conditions. Nevertheless the relationships with these key customers are strong.

The company's pipeline remains buoyant with significant prospective business being discussed. The directors acknowledge that the current economic environment may delay completion of some of these contracts. Further change requests with these customers were signed during the first half of 2009.

The company has unfunded obligations under its defined benefit pension plan. A further deterioration in the value of the company's defined benefit pension plan assets or increase in the pension plan liabilities could require the company to make larger cash contributions to its defined benefit pension plan in the future.

SHARE CAPITAL AND RESERVES

On 31 December 2008 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 and regular broadcasts.

CHARITABLE AND POLITICAL DONATIONS

Donations made by the company for charitable purposes in the United Kingdom amounted to £12,687 (2007: £5,472). No political contributions were made during the year (2007: £nil).

Intelligent Processing Solutions Limited

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS

The directors of the company serving in the year and to the date of this report are listed below.

R Hoggarth	(Chairman)
R Holmes	(Resigned 26 March 2009)
M Ettling	(Resigned 29 January 2009)
O Theilmann	
R Chase	(Resigned 29 January 2009)
E Birden	(Resigned 14 July 2008)
D Tait	
M Piercy	(Appointed 9 July 2008)
C Painter	(Appointed 29 January 2009)
R Chapman	(Appointed 24 March 2009)
J Coyle	(Appointed 12 May 2009)

The directors at 31 December 2008 had no interests, nor options, in the ordinary share capital of the company at the beginning or end of the year.

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.

SECRETARIES

L Csaky
G Reeves

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.


AUDITOR

KPMG LLP was appointed as the company's auditor with effect from 21 May 2008. A resolution to re-appoint KPMG LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

R Hoggarth
Director

Date:


20-07-09

Intelligent Processing Solutions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

Arlington Business Park

Theale

Reading

RG7 4SD

United Kingdom

Independent auditors' report to the members of Intelligent Processing Solutions Limited

We have audited the financial statements of Intelligent Processing Solutions Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds and the related notes. 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 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read 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 to the members of Intelligent Processing Solutions Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 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.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

23 July 2009

Intelligent Processing Solutions Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
TURNOVER	3	132,455	158,507
Cost of sales		(110,290)	(112,990)
GROSS PROFIT		22,165	45,517
Administrative expenses		(949)	(1,213)
OPERATING PROFIT	4	21,216	44,304
Restructuring costs	5	(1,796)	(2,256)
Bank interest receivable		1,069	1,145
Interest receivable from group undertakings		-	4
Interest payable on bank overdraft		-	(12)
Interest payable on loans from parent undertaking		(1,514)	(3,574)
Other finance income	19	977	689
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,952	40,300
Tax charge on profit on ordinary activities	8	(5,467)	(13,267)
PROFIT RETAINED FOR THE PERIOD		14,485	27,033

All results relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2008

		2008 £'000	2007 £'000
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		14,485	27,033
Actuarial (losses)/ gains recognised in respect of the pension fund	15	(556)	19,757
Deferred tax related to the actuarial losses/ (gains) recognised	15	155	(5,532)
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD		14,084	41,258

Intelligent Processing Solutions Limited

BALANCE SHEET at 31 December 2008

	Notes	2008 £'000	2007 £'000
FIXED ASSETS			
Tangible assets	9	55,199	75,468
CURRENT ASSETS			
Debtors	10	10,235	18,986
Cash		26,748	38,973
		<u>36,983</u>	<u>57,959</u>
CREDITORS: amounts falling due within one year	11	(75,440)	(101,653)
NET CURRENT LIABILITIES		<u>(38,457)</u>	<u>(43,694)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,742	31,774
CREDITORS: amounts falling due after more than one year	12	(9,697)	(36,461)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(555)	(746)
NET ASSETS/ (LIABILITIES) EXCLUDING PENSION LIABILITY		<u>6,490</u>	<u>(5,433)</u>
NET PENSION LIABILITY	19	(3,221)	(5,382)
NET ASSETS/ (LIABILITIES) INCLUDING PENSION LIABILITY		<u>3,269</u>	<u>(10,815)</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium account	15	17,500	17,500
Profit and loss account	15	(14,231)	(28,315)
EQUITY SHAREHOLDERS' FUNDS/ (DEFICIT)	15	<u>3,269</u>	<u>(10,815)</u>

Approved by the board

R Hoggarth
Director

Date: 20-07-09



Intelligent Processing Solutions Limited

STATEMENT OF CASH FLOWS at 31 December 2008

	<i>Notes</i>	<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(A)	12,909	61,777
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(1,514)	(3,586)
Interest received		1,069	1,149
		(445)	(2,437)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Capitalisation of tangible fixed assets		(6,089)	(8,528)
FINANCING			
Loan from parent undertaking		(18,600)	(24,800)
(DECREASE)/ INCREASE IN CASH		(12,225)	26,012
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/ (DEBT)			
		<i>2008</i> <i>£'000</i>	<i>2007</i> <i>£'000</i>
(Decrease)/ increase in cash		(12,225)	26,012
Cash outflow to loan from parent undertaking		18,600	24,800
MOVEMENT IN NET FUNDS		6,375	50,812
NET FUNDS/ (DEBT) AT 1 JANUARY		1,773	(49,039)
NET FUNDS AT 31 DECEMBER	16(B)	8,148	1,773

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2008

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.

Revenue recognition

Revenue from fixed tariffs and other fixed charges is recognised as services are rendered in accordance with the terms of each contract. Revenue from variable tariffs is recognised based on volumes of cheques processed. Revenue from other services is recognised as the services are rendered.

Share-based payments

The company issues equity settled share-based payments to certain employees under the parent company's approved long term incentive plans. 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 Method. No expense has been recognised in the financial statements on the grounds of materiality.

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.

Direct costs incurred in developing equipment and software for use in the provision of outsourcing contracts are capitalised once technical feasibility has been established. These outsourcing assets are depreciated over the shorter of their life or the term of the contract.

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 expiration of the outsourcing agreements with the company's customers, the majority of which expire on 31 December 2010.

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.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2008

2. ACCOUNTING POLICIES (continued)

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. 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.

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:

	2008	2007
	£'000	£'000
United Kingdom	132,455	158,507

Turnover includes sales to Unisys Payments Services Limited, a wholly owned subsidiary company of Unisys Limited, of £32,201,000 (2007: £45,050,000).

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

4. OPERATING PROFIT

This is stated after charging:

	2008	2007
	£'000	£'000
Operating lease rentals - land and buildings	2,778	3,848
Operating lease rentals – equipment	230	169
Depreciation of owned fixed assets	26,358	22,966
Auditors' remuneration – audit services	40	40

5. RESTRUCTURING COSTS

In the year ended 31 December 2008 the company charged £1,796,000 of restructuring costs in the profit and loss account (2007: charge of £2,256,000). 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 2008

6. DIRECTORS' REMUNERATION

	2008 £'000	2007 £'000
Aggregate emoluments	92	177
Company contributions paid to money purchase pension schemes	-	-

	2008 No.	2007 No.
Members of money purchase pension schemes	-	-

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

	2008 £'000	2007 £'000
Aggregate emoluments	92	177
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. Some directors are remunerated by other Unisys group companies or related parties as disclosed in Note 18.

7. STAFF COSTS

	2008 £'000	2007 £'000
Wages and salaries	39,384	40,325
Restructuring costs	1,796	2,256
Social security	3,367	3,248
Pension costs	4,048	4,778
	48,595	50,607

The average number of employees during the year was:

	2008 No.	2007 No.
Operations	1,833	1,934
Administration	63	34
	1,896	1,968

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £'000	2007 £'000
<i>Current tax:</i>		
UK corporation tax charge on profit for the year	305	345
Adjustments in respect of prior years	-	31
Total current tax	305	376
<i>Deferred tax:</i>		
Originating and reversing timing differences	5,344	12,929
Adjustments in respect of prior years	(182)	(38)
Total tax charge for the year	5,467	13,267

Factors affecting the tax charge for the year:

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

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	19,952	40,300
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	5,686	12,090
Effect of:		
Disallowed expenses and non-taxable income	58	-
Capital allowances in excess of depreciation	3,976	2,627
Other timing differences	(1,014)	(410)
Tax losses	(8,401)	(13,962)
Prior year adjustment	-	31
Current tax charge for the year	305	376

The tax credit in the profit and loss account relating to restructuring costs is £512,000 (2007: £677,000).

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

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 2008	3,402	150,680	154,082
Additions	675	5,456	6,131
Disposals	-	(42)	(42)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	4,077	156,094	160,171
	<hr/>	<hr/>	<hr/>
<i>Depreciation:</i>			
At 1 January 2008	1,867	76,747	78,614
Charge for the year	687	25,671	26,358
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2008	2,554	102,418	104,972
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
At 31 December 2008	1,523	53,676	55,199
	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,535	73,933	75,468
	<hr/>	<hr/>	<hr/>

Included within Fixtures, Fittings, Tools and Equipment above is an amount of £1,775,000 (2007: £10,256,000) in relation to assets in the course of construction that have not been placed into service at the balance sheet date. Depreciation of these assets will commence on the date they are placed into service.

10. DEBTORS

	<i>2008 £'000</i>	<i>2007 £'000</i>
Trade debtors	2,735	7,735
Amounts owed by group undertakings	526	481
Other debtors	117	140
Prepayments	2,068	1,675
Deferred tax (note 13)	4,789	8,955
	<hr/>	<hr/>
	10,235	18,986
	<hr/>	<hr/>

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 2008

11. CREDITORS: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	2,551	3,060
Amounts owed to group undertakings	19,482	19,209
Corporation tax	681	376
Other taxes and social security costs	951	817
Accruals and deferred income	51,775	78,191
	<u>75,440</u>	<u>101,653</u>

Included within amounts owed to group undertakings is an amount payable to Unisys Limited, the company's immediate parent company, of £18,600,000 (2007: £18,600,000). This amount is unsecured, repayable by 31 December 2009 and bearing interest at LIBOR +0.5%.

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

	2008 £'000	2007 £'000
Deferred customer revenue	9,697	17,861
Amount owed to group undertakings	-	18,600
	<u>9,697</u>	<u>36,461</u>

The amount owed to group undertakings is an amount payable to Unisys Limited, the company's immediate parent company, of £nil (2007: £18,600,000).

13. PROVISIONS FOR LIABILITIES AND CHARGES

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 30 September 2009.

	<i>Redundancy Provision £'000</i>
At 1 January 2008	746
Arising during the year	1,796
Utilised during the year	(1,987)
	<u>555</u>
At 31 December 2008	<u>555</u>

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2008

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>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	(5,108)	(9,196)	-	-
Pension deficit	1,252	2,093	-	-
Tax losses	9,897	18,151	-	-
Total deferred tax asset	6,041	11,048	-	-
Amount offset against net pension asset (note 19)	(1,252)	(2,093)	-	-
Deferred tax asset	4,789	8,955	-	-

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>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January	11,048	29,471
Transfer to profit and loss account tax charge for the year	(5,162)	(12,891)
Transfer to reserves arising on actuarial losses/ (gains) on pension scheme	155	(5,532)
At 31 December	6,041	11,048

14. SHARE CAPITAL

	<i>Authorised, allotted, called up & fully paid</i>			
	<i>2008</i>	<i>2008</i>	<i>2007</i>	<i>2007</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 2008

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

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2007	-	17,500	(69,573)	(52,073)
Profit for the year	-	-	27,033	27,033
Actuarial gains on pension liability	-	-	19,757	19,757
Deferred tax related to the actuarial gains	-	-	(5,532)	(5,532)
At 31 December 2007	-	17,500	(28,315)	(10,815)
At 1 January 2008	-	17,500	(28,315)	(10,815)
Profit for the year	-	-	14,485	14,485
Actuarial losses on pension liability	-	-	(556)	(556)
Deferred tax related to the actuarial losses	-	-	155	155
At 31 December 2008	-	17,500	(14,231)	3,269

16. NOTES TO THE STATEMENT OF CASH FLOWS

A) Reconciliation of operating profit to net cash flow from operating activities

	<i>2008 £'000</i>	<i>2007 £'000</i>
Operating profit	21,216	44,304
Depreciation of tangible fixed assets	26,358	22,966
Decrease in operating debtors	4,585	157
Decrease in operating creditors	(37,263)	(1,732)
Exceptional restructuring costs	(1,987)	(3,918)
	<u>12,909</u>	<u>61,777</u>

B) Analysis of changes in net funds

	<i>At 1 January 2008 £'000</i>	<i>Cash flow £'000</i>	<i>At 31 December 2008 £'000</i>
Cash at bank in hand	38,973	(12,225)	26,748
Loan from parent company	(37,200)	18,600	(18,600)
	<u>1,773</u>	<u>6,375</u>	<u>8,148</u>

C) Cash flows relating to non-operating exceptional items

A cash flow of £1,987,000 (2007: £3,918,000) is included for the restructuring costs relating to the non-operating exceptional items detailed in note 13.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2008

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 and Turrill Consultancy Services Limited, companies owned and controlled by directors of the company.

Transactions entered into, and trading balances outstanding at 31 December 2008, 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:				
2008	33,272	-	1,379	-
2007	38,622	-	1,981	-
HSBC Bank plc:				
2008	39,792	53	1,329	-
2007	44,907	344	1,441	-
Lloyds TSB Bank plc:				
2008	23,690	-	452	-
2007	23,256	-	623	-
Unisys Limited:				
2008	-	7,279	-	752
2007	-	10,256	-	3
Unisys Payment Services Limited:				
2008	32,201	-	526	-
2007	45,050	-	523	516
Tumultus Limited:				
2008	-	93	-	-
2007	-	132	-	-
Turrill Consultancy Services Limited:				
2008	-	84	-	-
2007	-	25	-	-

During the year the company has been lent money by its parent undertaking, Unisys Limited, at an interest rate of LIBOR + 0.5%. The amount loaned to the company by Unisys Limited at 31 December 2008 is £18,600,000 (2007: £37,200,000) and is wholly repayable by the company by 31 December 2009.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2008

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".

	2008 £'000	2007 £'000
<i>Reconciliation of funded status to balance sheet:</i>		
Fair value of scheme assets	146,243	170,620
Present value of funded obligations	(150,716)	(178,095)
Deficit for iPSL section of the UPSL Scheme	(4,473)	(7,475)
Related deferred tax asset	1,252	2,093
Net pension liability	(3,221)	(5,382)
	<hr/>	<hr/>
	2008 £'000	2007 £'000
<i>Changes to the fair value of scheme assets during the year:</i>		
Opening fair value of scheme assets at 1 January	170,620	160,396
Expected return on scheme assets	11,401	10,457
Actuarial losses on scheme assets	(38,207)	(1,466)
Contributions by the employer	5,000	4,500
Contributions by scheme members	662	645
Net benefits paid from scheme	(3,870)	(3,950)
Age related payments received	637	38
Closing fair value of scheme assets at 31 December	146,243	170,620
	<hr/>	<hr/>
	2008 £'000	2007 £'000
<i>Changes to the present value of the defined benefit obligation during the year:</i>		
Opening defined benefit obligation at 1 January	178,095	188,993
Current service cost	2,419	3,824
Interest cost	10,424	9,768
Contributions by scheme members	662	645
Actuarial gains on scheme liabilities	(37,651)	(21,223)
Net benefits paid from scheme	(3,870)	(3,950)
Age related payments received	637	38
Closing defined benefit obligation at 31 December	150,716	178,095
	<hr/>	<hr/>

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2008

19. PENSION COMMITMENTS (continued)

	2008 £'000	2007 £'000
<i>Analysis of profit and loss charge:</i>		
Current service cost	2,419	3,824
Interest cost	10,424	9,768
Expected return on scheme assets	(11,401)	(10,457)
Expense recognised in profit and loss	1,442	3,135
	2008 £'000	2007 £'000
<i>Analysis of net return on pension scheme:</i>		
Expected return on pension scheme assets	11,401	10,457
Interest on pension liabilities	(10,424)	(9,768)
Net return	977	689
	2008 £'000	2007 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses:</i>		
Actual return less expected return on assets	(38,207)	(1,466)
Experience gains/ (losses) on liabilities	(2,062)	2,837
Changes in assumptions	39,713	18,386
Actuarial (loss)/ gain recognised in STRGL	(556)	19,757

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:

	2008	2007	2006	2005	2004
Equities	7.20%	7.00%	7.00%	7.00%	7.00%
Bonds	5.20%	5.80%	5.10%	4.90%	5.50%
Cash	2.00%	5.50%	5.00%	4.50%	4.75%

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

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Equities	101,611	118,242	117,828	107,914	86,805
Bonds	44,592	52,228	42,203	37,394	31,646
Cash	40	150	365	442	391
Total fair value of assets of iPSL section	146,243	170,620	160,396	145,750	118,842

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2008

19. PENSION COMMITMENTS (continued)

In order to determine the long-term rate of return on pension assets, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

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 2008 by a qualified independent actuary. The main assumptions used by the actuary for FRS 17 purposes were:

	2008	2007	2006	2005	2004
Rate of increase in salaries	3.00%	3.50%	3.25%	3.25%	3.25%
Rate of increase in deferred pensions	2.70%	3.20%	2.90%	2.75%	2.75%
Rate of increase in pensions in payment	2.70%	3.20%	2.90%	2.75%	2.75%
Discount rate	6.45%	5.80%	5.10%	4.90%	5.32%
Inflation assumption	2.70%	3.20%	2.90%	2.75%	2.75%

	2008	2007
<i>Weighted average life expectancy for mortality tables used to determine benefit obligations:</i>		
Member age 65 (current life expectancy)	19.5	18.6
Member age 45 (life expectancy at age 65)	20.4	19.5

The FRS 17 actuarial valuation at 31 December 2008 showed a decrease in the deficit from £7,475,000 to £4,473,000 (2007: decrease in deficit from £28,597,000 to £7,475,000). There were no improvements in benefits during 2008. Company contributions were £5,000,000 (2007: £4,500,000) and £nil (2007: £nil) was paid in respect of augmented benefits on redundancy previously charged as restructuring costs. The agreed company contributions for 2009 are £6,189,000.

	2008	2007	2006	2005	2004
<i>History of asset values, defined benefit obligations and experience gains and losses:</i>					
Fair value of scheme assets: (£'000)	146,243	170,620	160,396	145,750	118,842
Defined benefit obligation: (£'000)	(150,716)	(178,095)	(188,993)	(198,236)	(166,494)
Deficit in scheme	(4,473)	(7,475)	(28,597)	(52,486)	(47,652)
 Difference between expected and actual Return on scheme assets: (£'000)	(38,207)	(1,466)	3,289	13,680	4,033
- percentage of scheme assets	-26%	-1%	2%	9%	3%
 Experience gains/ (losses) on scheme liabilities: (£'000)	(2,062)	2,837	16,062	-	(1,286)
- percentage of scheme liabilities	-1%	2%	8%	0%	-1%

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2008

20. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2007: £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 & Buildings</i>			
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
Within one year	-	-	2	26
In two to five years	2,564	2,413	68	23
In over five years	706	864	14	-
	<u>3,270</u>	<u>3,277</u>	<u>84</u>	<u>49</u>

22. ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The parent undertaking for the 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.

23. SHARE BASED PAYMENT PLANS

Some of the company's employees were awarded stock options between 1998 and 2005 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 31st December 2008 (2007: nil). The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2008 is £nil (2007: £nil).

Intelligent Processing Solutions Limited

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at 31 December 2008

23. SHARE BASED PAYMENT PLANS (continued)

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

	2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of the year	44,736	7.93	52,336	5.44
Transfers during the year	1,000	7.92	-	n/a
Exercised during the year	-	n/a	(1,000)	3.69
Expired during the year	(9,750)	7.72	(6,600)	6.47
Outstanding at the end of the year	<u>35,986</u>	<u>11.33</u>	<u>44,736</u>	<u>7.93</u>

For the share options outstanding as at 31 December 2008, the weighted average remaining contractual life is 2.96 years (2007: 4.13 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:

	2008	2007
Weighted average share price at grant date (£)	5.69	5.29
Expected volatility	45.28%	35.31%
Option life	10 years	10 years
Risk-free interest rate	3.63%	4.63%

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	2008 Number	2007 Number
£4.04 - £5.19	13/02/2003 – 09/05/2005	4,500	12,250
£5.51 - £8.49	14/02/2002 – 11/02/2004	15,972	14,972
£12.15 - £14.87	22/04/1998 – 15/02/2001	7,314	9,314
£18.51 - £22.23	22/04/1999 – 17/02/2000	8,200	8,200

24. CONTINGENT LIABILITIES

On occasion frauds result in losses to the company's customers who may seek to reclaim these amounts from the company. Since the year end the company has become aware of a potential claim but this is at a very early stage and the directors have insufficient information to determine whether there will be any liability for the company. Should this result in a liability for the company it will be reimbursed to the company through the future service charges made by the company to this particular customer under the terms of the service agreement with this customer.