

• **Intelligent Processing Solutions Limited**

Registered No 04007855

Report and Financial Statements

31 December 2009



Intelligent Processing Solutions Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009

RESULTS AND DIVIDENDS

The result for the year ended 31 December 2009 amounted to a profit of £15,196,000 (2008 profit of £14,485,000) The directors do not propose any dividends for the year (2008 £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 2009 was £125,960,000, which is a 5% decrease over the prior year turnover The decrease in turnover is primarily due to the following key drivers

An 11% annual decline in cheque volumes and fixed tariff reductions of 10% as executed under the 2006 Shareholder Agreement These have been partially offset by a 25% increase in Change Request activity during the year The profit before tax for the year ended 31 December 2009 was £21,172,000, which is a 6% increase over the profit before tax for the year ended 31 December 2008 of £19,952,000 The directors are satisfied with the level of profitability in the current year

During the year the company signed agreements with its main customers that extend the term of the current outsourcing agreements to 2015 These contracts will provide significant ongoing revenue throughout this period and will allow the company to invest in new technology delivering greater efficiencies to its clients

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 signed with the company's shareholders in January 2006 require rebates to be paid to customers if the company is successful in reducing its cost base ahead of the Annual Operating Plan that is approved by the Board before the start of each year Provision for such rebates was made in 2009 amounting to £9,900,000 (2008 - £11,300,000) If the company is successful in reducing its cost base ahead of the Annual Operating Plan in future periods then further rebates may be required to be paid in that future period

As a result of the execution of these agreements and resultant improvement in 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 was 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 during the year

The directors consider that the new outsourcing agreements signed in September 2009 will provide sufficient future revenue to ensure that the company has very low exposure to liquidity risk as sufficient cash flows are generated to ensure the company satisfies its obligations with respect to its financial liabilities The company is exposed to counterparty risk as cash balances are invested in fixed interest overnight deposits with a reputable UK bank Since the year end, the company also invests in short-term deposits with reputable UK banks

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. Whilst the directors acknowledge that the current economic environment is difficult and may delay completion of further contracts, during the first six months of 2010 almost £18,000,000 of new orders have been secured. This is in line with the plan agreed with the Board at the start of the year. Further change requests are anticipated during the second half of 2010.

The new agreements signed in September 2009 placed agreed obligations on the shareholders as customers to fund obligations under its defined benefit pension plan. This has resulted in increase tariffs to customers which will continue to be paid until December 2015. The payment schedules have been agreed with the Trustees.

SHARE CAPITAL AND RESERVES

On 31 December 2009 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 £6,390 (2008 £12,687). No political contributions were made during the year (2008 £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	(Resigned 12 April 2010)
R Chase	(Resigned 29 January 2009)
D Tait	(Resigned 01 October 2009)
M Piercy	
C Painter	(Appointed 29 January 2009)
R Chapman	(Appointed 24 March 2009)
J Coyle	(Appointed 12 May 2009)
P Frost	(Appointed 12 April 2010)

The directors at 31 December 2009 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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

R Hoggarth
Director
Date:



13/7/10

Registered No 04007855

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 2009 set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



19 July 2010

W Southwood (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Intelligent Processing Solutions Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
TURNOVER	3	125,960	132,455
Cost of sales		(99,576)	(110,290)
GROSS PROFIT		26,384	22,165
Administrative expenses		(1,329)	(949)
OPERATING PROFIT	4	25,055	21,216
Restructuring costs	5	(3,817)	(1,796)
Bank interest receivable		51	1,069
Interest payable on loans from parent undertaking		(137)	(1,514)
Other finance income	19	20	977
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		21,172	19,952
Tax charge on profit on ordinary activities	8	(5,976)	(5,467)
PROFIT RETAINED FOR THE PERIOD		15,196	14,485

All results relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2009

		2009 £'000	2008 £'000
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		15,196	14,485
Actuarial losses recognised in respect of the pension fund	15	(39,766)	(556)
Deferred tax related to the actuarial losses recognised	15	11,134	155
TOTAL RECOGNISED (LOSSES)/ GAINS RELATING TO THE PERIOD		(13,436)	14,084

Intelligent Processing Solutions Limited

BALANCE SHEET at 31 December 2009

	Notes	2009 £'000	2008 £'000
NON CURRENT ASSETS			
Tangible fixed assets	9	46,161	55,199
CURRENT ASSETS			
Debtors	10	39,869	10,235
Cash		25,496	26,748
		<u>65,365</u>	<u>36,983</u>
CREDITORS amounts falling due within one year	11	(77,227)	(75,440)
NET CURRENT LIABILITIES		<u>(11,862)</u>	<u>(38,457)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		34,299	16,742
CREDITORS amounts falling due after more than one year	12	(8,978)	(9,697)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(8,184)	(555)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>17,137</u>	<u>6,490</u>
NET PENSION LIABILITY	19	(27,304)	(3,221)
NET (LIABILITIES)/ ASSETS INCLUDING PENSION LIABILITY		<u>(10,167)</u>	<u>3,269</u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium account	15	17,500	17,500
Profit and loss account	15	(27,667)	(14,231)
EQUITY SHAREHOLDERS' (DEFICIT)/ FUNDS	15	<u>(10,167)</u>	<u>3,269</u>

Approved by the board

R Hoggarth
Director
Date:



13/7/10.

Registered No 04007855

Intelligent Processing Solutions Limited

STATEMENT OF CASH FLOWS at 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(A)	27,588	12,909
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(137)	(1,514)
Interest received		51	1,069
		(86)	(445)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(10,154)	(6,089)
FINANCING			
Loan from parent undertaking		(18,600)	(18,600)
DECREASE IN CASH		(1,252)	(12,225)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Decrease in cash	(1,252)	(12,225)
Cash outflow to loan from parent undertaking	18,600	18,600
MOVEMENT IN NET FUNDS	17,348	6,375
NET FUNDS AT 1 JANUARY	8,148	1,773
NET FUNDS AT 31 DECEMBER	16(B) 25,496	8,148

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

1. FUNDAMENTAL ACCOUNTING CONCEPT

The company has sufficient financial resources together with key long term contracts with four main customers in the financial services industry in the UK. In respect of these four main customers the company operates substantially on a cost plus basis. In September 2009, the company and its four main customers extended the existing agreements until 31 December 2015. The fees associated with the extension are estimated to generate positive cash flows and profitability over the remaining life of the outsourcing contracts.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further information regarding the financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 2 to 4.

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 s464 of the Companies Act 2006.

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.

Where a discount for future services is offered at the inception of a large outsourcing agreement, and this discount cannot be separated from the other service fees, the reduction in revenue arising from this discount is recognised on a proportional performance basis over the term of the agreement.

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

Fixed assets are depreciated over their estimated useful economic life using the straight-line method. The useful economic life of fixed assets is reviewed on an annual basis.

The estimated useful economic lives of Equipment and other property 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 2015.

The estimated useful economic lives of land & buildings are the shorter of the period from purchase to lease expiration or 31 December 2015.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

2. ACCOUNTING POLICIES (continued)

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. 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.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

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

	2009	2008
	£'000	£'000
United Kingdom	125,960	132,455

Turnover includes sales to Unisys Payment Services Limited, a wholly owned subsidiary company of Unisys Limited, of £30,634,000 (2008 £32,201,000)

4. OPERATING PROFIT

This is stated after charging

	2009	2008
	£'000	£'000
Operating lease rentals - land and buildings	2,952	2,778
Operating lease rentals – equipment	242	230
Depreciation of owned fixed assets	25,518	26,358
Auditors' remuneration – audit services	40	40
Auditors' remuneration – non-audit services	293	-

5. RESTRUCTURING COSTS

In the year ended 31 December 2009 the company charged £3,817,000 of restructuring costs in the profit and loss account (2008 charge of £1,796,000) 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 2009

6. DIRECTORS' REMUNERATION

	2009 £'000	2008 £'000
Aggregate emoluments	-	92

Company contributions paid to money purchase pension schemes	-	-
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	2009 No	2008 No
Members of money purchase pension schemes	-	-

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

	2009 £'000	2008 £'000
Aggregate emoluments	-	92
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

	2009 £'000	2008 £'000
Wages and salaries	38,341	39,384
Restructuring costs	3,817	1,796
Social security	3,189	3,367
Pension costs	3,981	4,048
	49,328	48,595

The average number of employees during the year was

	2009 No	2008 No
Operations	1,730	1,833
Administration	77	63
	1,807	1,896

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
<i>Current tax</i>		
UK corporation tax charge on profit for the year	14	305
<i>Deferred tax</i>		
Originating and reversing timing differences	5,962	5,344
Adjustments in respect of prior years	-	(182)
Total tax charge for the year	5,976	5,467

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

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	21,172	19,952
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 28.5%)	5,928	5,686
Effect of		
Disallowed expenses and non-taxable income	47	58
Depreciation in excess of capital allowances	4,365	3,976
Other timing differences	(1,769)	(1,014)
Tax losses	(8,557)	(8,401)
Current tax charge for the year	14	305

The tax credit in the profit and loss account relating to restructuring costs is £1,069,000 (2008: £512,000)

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

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 2009	4,077	156,094	160,171
Additions	7,083	9,399	16,482
Disposals	(2)	-	(2)
At 31 December 2009	11,158	165,493	176,651
<i>Depreciation</i>			
At 1 January 2009	2,554	102,418	104,972
Charge for the year	998	24,520	25,518
Disposals	-	-	-
At 31 December 2009	3,552	126,938	130,490
<i>Net book value</i>			
At 31 December 2009	7,606	38,555	46,161
At 31 December 2008	1,523	53,676	55,199

Included within Fixtures, Fittings, Tools and Equipment above is an amount of £8,359,000 (2008 £1,775,000) 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.

During the year ended 31 December 2009 the company revised the useful economic life of certain fixed assets following the extension of outsourcing contracts with its major customers. The impact is a reduction in the depreciation expense for Fixtures, fittings, tools and equipment, and Leasehold land and buildings of £2,953,840 and £132,550 respectively.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

10. DEBTORS

	2009 £'000	2008 £'000
Trade debtors	16,801	2,735
Amounts owed by group undertakings	389	526
Other debtors	14,637	117
Prepayments	7,347	2,068
Deferred tax (note 13)	596	4,789
	<u>39,869</u>	<u>10,235</u>

Within Other debtors is an amount due after more than one year of £14,637,000 (2008 £0) in respect of discounts for future services associated with long-term outsourcing contracts that are being spread over the term of the contract

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

11. CREDITORS: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	1,288	2,551
Amounts owed to group undertakings	8,140	19,482
Corporation tax	310	681
Other taxes and social security costs	939	951
Accruals and deferred income	66,550	51,775
	<u>77,227</u>	<u>75,440</u>

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

	2009 £'000	2008 £'000
Deferred customer revenue	6,568	9,697
Other long term liabilities	2,410	-
	<u>8,978</u>	<u>9,697</u>

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

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 provision at 31 December 2009 includes £1,226,000 in respect of the closure of a company location during the year. This amount is expected to be utilised prior to 31 December 2014. The remaining balance of £633,000 is expected to be utilised prior to 30 September 2010.

Dilapidations provision

Provision is made for the estimated costs of returning leasehold properties to their original state in accordance with contractual terms. It is expected that most payments will be made between 2014 and 2015.

	<i>Redundancy Provision £'000</i>	<i>Dilapidations Provision £'000</i>	<i>Total £'000</i>
At 1 January 2009	555	-	555
Arising during the year	3,817	6,325	10,142
Utilised during the year	(2,513)	-	(2,513)
At 31 December 2009	1,859	6,325	8,184

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>2009 £'000</i>	<i>2008 £'000</i>	<i>2009 £'000</i>	<i>2008 £'000</i>
Capital allowances in advance of depreciation	(234)	(5,108)	-	-
Pension deficit	10,618	1,252	-	-
Tax losses	830	9,897	-	-
Total deferred tax asset	11,214	6,041	-	-
Amount offset against net pension asset (note 19)	(10,618)	(1,252)	-	-
Deferred tax asset	596	4,789	-	-

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>2009 £'000</i>	<i>2008 £'000</i>
At 1 January	6,041	11,048
Transfer to profit and loss account tax charge for the year	(5,961)	(5,162)
Transfer to reserves arising on actuarial losses on pension scheme	11,134	155
At 31 December	11,214	6,041

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

14. SHARE CAPITAL

	<i>Authorised, allotted, called up & fully paid</i>			
	<i>2009</i>	<i>2009</i>	<i>2008</i>	<i>2008</i>
	<i>No</i>	<i>£'000</i>	<i>No</i>	<i>£'000</i>
Ordinary shares of £1 each	200	-	200	-

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

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
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
At 1 January 2009	-	17,500	(14,231)	3,269
Profit for the year	-	-	15,196	15,196
Actuarial losses on pension liability	-	-	(39,766)	(39,766)
Deferred tax related to the actuarial losses	-	-	11,134	11,134
At 31 December 2009	-	17,500	(27,667)	(10,167)

16. NOTES TO THE STATEMENT OF CASH FLOWS

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

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	25,055	21,216
Depreciation of tangible fixed assets	25,518	26,358
(Increase)/ decrease in operating debtors	(33,827)	4,585
Increase/ (decrease) in operating creditors	13,355	(37,263)
Exceptional restructuring costs	(2,513)	(1,987)
	27,588	12,909

B) Analysis of changes in net funds

	<i>At 1 January</i>	<i>Cash flow</i>	<i>At 31 December</i>
	<i>2009</i>	<i>2009</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank in hand	26,748	(1,252)	25,496
Loan from parent company	(18,600)	18,600	-
	8,148	17,348	25,496

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

16. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

C) Cash flows relating to non-operating exceptional items

A cash flow of £2,513,000 (2008 £1,987,000) is included for the restructuring costs relating to the non-operating exceptional items detailed in note 13

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 Payment 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 2009, 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				
2009	33,159	-	1,017	-
2008	33,272	-	1,379	-
HSBC Bank plc				
2009	36,371	-	8,462	-
2008	39,792	53	1,329	-
Lloyds TSB Bank plc				
2009	24,562	-	108	-
2008	23,690	-	452	-
Unisys Limited				
2009	-	13,204	-	8,140
2008	-	7,279	-	752
Unisys Payment Services Limited				
2009	30,634	-	389	-
2008	32,201	-	526	-
Tumultus Limited				
2009	-	120	-	-
2008	-	93	-	-
Turrill Consultancy Services Limited				
2009	-	84	-	-
2008	-	84	-	-

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

18 TRANSACTIONS WITH RELATED PARTIES (continued)

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 2009 is £nil (2008: £18,600,000)

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".

	2009 £'000	2008 £'000
<i>Reconciliation of funded status to balance sheet</i>		
Fair value of scheme assets	176,704	146,243
Present value of funded obligations	(214,625)	(150,716)
Deficit for UPSL section of the UPSL Scheme	(37,921)	(4,473)
Related deferred tax asset	10,617	1,252
Net pension liability	(27,304)	(3,221)
	<hr/>	<hr/>
	2009 £'000	2008 £'000
<i>Changes to the fair value of scheme assets during the year</i>		
Opening fair value of scheme assets at 1 January	146,243	170,620
Expected return on scheme assets	9,795	11,401
Actuarial gains / (losses) on scheme assets	15,442	(38,207)
Contributions by the employer	8,085	5,000
Contributions by scheme members	734	662
Net benefits paid from scheme	(3,817)	(3,870)
Age related payments received	222	637
Closing fair value of scheme assets at 31 December	176,704	146,243

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

19 PENSION COMMITMENTS (continued)

	2009 £'000	2008 £'000
<i>Changes to the present value of the defined benefit obligation during the year</i>		
Opening defined benefit obligation at 1 January	150,716	178,095
Current service cost	1,787	2,419
Interest cost	9,775	10,424
Contributions by scheme members	734	662
Actuarial gains/ (losses) on scheme liabilities	55,208	(37,651)
Net benefits paid from scheme	(3,817)	(3,870)
Age related payments received	222	637
Closing defined benefit obligation at 31 December	214,625	150,716
<i>Analysis of profit and loss charge</i>		
Current service cost	1,787	2,419
Interest cost	9,775	10,424
Expected return on scheme assets	(9,795)	(11,401)
Expense recognised in profit and loss	1,767	1,442
<i>Analysis of net return on pension scheme</i>		
Expected return on pension scheme assets	9,795	11,401
Interest on pension liabilities	(9,775)	(10,424)
Net return	20	977
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on assets	15,442	(38,207)
Experience losses on liabilities	-	(2,062)
Changes in assumptions	(55,208)	39,713
Actuarial loss recognised in STRGL	(39,766)	(556)

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

19. PENSION COMMITMENTS (continued)

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

	2009	2008	2007	2006	2005
Equities	7.00%	7.20%	7.00%	7.00%	7.00%
Bonds	4.75%	5.20%	5.80%	5.10%	4.90%
Cash	0.50%	2.00%	5.50%	5.00%	4.50%

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

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Equities	126,547	101,611	118,242	117,828	107,914
Bonds	49,998	44,592	52,228	42,203	37,394
Cash	159	40	150	365	442
Total fair value of assets of iPSL section	176,704	146,243	170,620	160,396	145,750

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 2008 and updated to 31 December 2009 by a qualified independent actuary. The main assumptions used by the actuary for FRS 17 purposes were:

	2009	2008	2007	2006	2005
Rate of increase in salaries	3.50%	3.00%	3.50%	3.25%	3.25%
Rate of increase in deferred pensions	3.35%	2.70%	3.20%	2.90%	2.75%
Rate of increase in pensions in payment	3.35%	2.70%	3.20%	2.90%	2.75%
Discount rate	5.70%	6.45%	5.80%	5.10%	4.90%
Inflation assumption	3.35%	2.70%	3.20%	2.90%	2.75%

	2009	2008
<i>Weighted average life expectancy for mortality tables used to determine benefit obligations</i>		
Member age 65 (current life expectancy)	20.3	19.5
Member age 45 (life expectancy at age 65)	21.3	20.4

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

19. PENSION COMMITMENTS (continued)

The FRS 17 actuarial valuation at 31 December 2009 showed an increase in the deficit from £4,473,000 to £37,921,000 (2008 decrease in deficit from £7,475,000 to £4,473,000). There were no improvements in benefits during 2009. Company contributions were £8,085,000 (2008 £5,000,000) and the agreed company contributions for 2010 are £17,280,000.

	2009	2008	2007	2006	2005
<i>History of asset values, defined benefit obligations and experience gains and losses</i>					
Fair value of scheme assets (£'000)	176,704	146,243	170,620	160,396	145,750
Defined benefit obligation (£'000)	(214,625)	(150,716)	(178,095)	(188,993)	(198,236)
Deficit in scheme	(37,921)	(4,473)	(7,475)	(28,597)	(52,486)
Difference between expected and actual					
Return on scheme assets (£'000)	15,442	(38,207)	(1,466)	3,289	13,680
- percentage of scheme assets	9%	-26%	-1%	2%	9%
Experience gains/ (losses)					
on scheme liabilities (£'000)	-	(2,062)	2,837	16,062	-
- percentage of scheme liabilities	0%	-1%	2%	8%	0%

20. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2008 £nil).

21. OTHER FINANCIAL COMMITMENTS

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

	Leasehold		Equipment	
	<i>Land & Buildings</i>			
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	-	12	2
In two to five years	1,149	2,564	61	68
In over five years	1,950	706	-	14
	3,099	3,270	73	84

Subsequent to the year end the company has extended certain of its land and buildings operating leases such that they now expire after more than 5 years.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

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 31 December 2009 (2008 nil). The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2009 is £nil (2008 £nil).

In October 2009, Unisys Corporation announced one for ten reverse stock split. The reported 2009 prices reflect this split and the 2008 comparatives have been adjusted accordingly.

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

	2009 <i>No</i>	2009 <i>WAEP</i>	2008 <i>No</i>	2008 <i>WAEP</i>
Outstanding at the beginning of the year	3,599	113.3	4,474	79.3
Transfers during the year	-	n/a	100	79.2
Exercised during the year	-	n/a	-	n/a
Expired during the year	(945)	130.7	(975)	77.2
Outstanding at the end of the year	<u>2,654</u>	<u>95.9</u>	<u>3,599</u>	<u>113.3</u>

For the share options outstanding as at 31 December 2009, the weighted average remaining contractual life is 2.16 years (2008 2.96 years).

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2009

23. SHARE BASED PAYMENT PLANS (continued)

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:

	2009	2008
Weighted average share price at grant date (£)	52.6	56.9
Expected volatility	58.28%	45.28%
Option life	10 years	10 years
Risk-free interest rate	1.57%	3.63%

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	2009 Number	2008 Number
£73.3 - £46.2	13/02/2003 – 09/05/2005	300	450
£86.5 - £73.4	14/02/2002 – 11/02/2004	1,372	1,597
£112.6 - £86.6	22/04/1998 – 15/02/2001	632	732
£206.9 - £112.7	22/04/1999 – 17/02/2000	350	820