

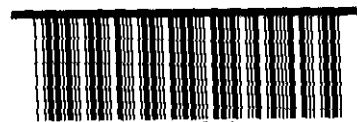
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INTELLIGENT PROCESSING SOLUTIONS LIMITED

Report and Financial Statements

31 December 2002

INTELLIGENT PROCESSING



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Intelligent Processing Solutions Limited

Registered No. 04007855

DIRECTORS

D Cartwright	
J Green	(Resigned 30 June 2003)
J Little	
M McCutcheon	(Resigned 19 April 2002)
J Smith	
R Whatford	(Resigned 20 August 2002)
P G Hickman	(Resigned 17 January 2003)
P Merry	
B Hadfield	(Resigned 19 November 2002)
J Ranaldi	
J E Russell	(Appointed 19 April 2002, Resigned 25 April 2003)
D Roessler	(Appointed 22 April 2002)
J Palmer	(Appointed 20 September 2002)

SECRETARY

G Reeves

AUDITORS

Ernst & Young LLP
Apex Plaza
Reading
Berkshire
RG1 1YE

BANKERS

HSBC Bank plc
133 Regent Street,
London
W1A 4BQ

SOLICITORS

Allen & Overy
One New Change
London
EC4M 9QQ

REGISTERED OFFICE

Bakers Court
Bakers Road
Uxbridge
Middlesex
UB8 1RG

Intelligent Processing Solutions Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2002.

RESULTS AND DIVIDENDS

The result for the year ended 31 December 2002 amounted to a loss of £2,078,000 (2001: £4,701,000). The directors do not propose any dividends for the year.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

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

SHARE CAPITAL AND RESERVES

On 31 December 2002 the company's authorised share capital was 200 Ordinary shares. There were no changes during the year.

FIXED ASSETS

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

DISABLED EMPLOYEES

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

EMPLOYEE INVOLVEMENT

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

DIRECTORS AND THEIR INTERESTS

The directors of the company serving during the year are listed on page 1.

The directors at 31 December 2002 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.

DIRECTORS' REPORT

CREDITOR PAYMENT POLICY


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

At 31 December 2002, the company had an average of 40 days purchases outstanding in trade creditors.

AUDITORS

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

On behalf of the Board



Director

21st August 2003

Intelligent Processing Solutions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the statutory accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the company's financial statements for the year ended 31 December 2002, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

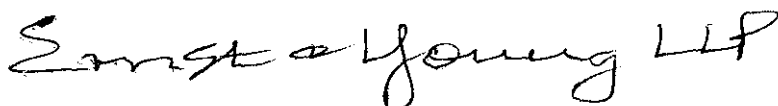
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

22 Aug 2003

Intelligent Processing Solutions Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
TURNOVER	2	142,506	91,791
Cost of sales		(137,719)	(83,881)
GROSS PROFIT		4,787	7,910
Administrative expenses		(2,130)	(3,215)
OPERATING PROFIT	3	2,657	4,695
Restructuring costs	4	(8,804)	(12,470)
Bank interest receivable		187	623
Intercompany interest receivable		511	442
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,449)	(6,710)
Tax credit on loss on ordinary activities	7	3,371	2,009
LOSS RETAINED FOR THE PERIOD		(2,078)	(4,701)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

A statement of the movement on reserves can be found in note 13.

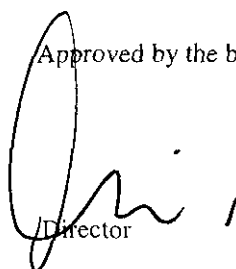
Intelligent Processing Solutions Limited

BALANCE SHEET

at 31 December 2002

	Notes	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	8	63,860	15,174
CURRENT ASSETS			
Debtors	9	18,653	59,756
Cash		243	7,683
CREDITORS: amounts falling due within one year	10	18,896 (51,530)	67,439 (45,045)
NET CURRENT (LIABILITIES)/ASSETS		(32,634)	22,394
TOTAL ASSETS LESS CURRENT LIABILITIES		31,226	37,568
PROVISIONS FOR LIABILITIES AND CHARGES	11	20,505	24,769
		10,721	12,799
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Share premium account	13	17,500	17,500
Profit and loss account	13	(6,779)	(4,701)
EQUITY SHAREHOLDERS' FUNDS		10,721	12,799

Approved by the board on 21st August 2003


Director

Intelligent Processing Solutions Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14(A)	4,377	21,124
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		698	1,065
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(53,478)	(12,368)
FINANCING			
Loan from parent undertaking		1,000	-
Loan repaid by/(made to) parent undertaking		39,963	(39,963)
Receipt from share issue		-	17,500
DECREASE IN CASH		<u>(7,440)</u>	<u>(12,642)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2002 £'000	2001 £'000
Decrease in cash	(7,440)	(12,642)
Cash inflow from loan from parent undertaking	(1,000)	-
Cash (inflow)/outflow from loan (repaid by)/made to parent undertaking	(39,963)	39,963
MOVEMENT IN NET FUNDS	<u>(48,403)</u>	<u>27,321</u>
NET FUNDS AT 1 JANUARY	47,646	20,325
NET (DEBT)/FUNDS AT 31 DECEMBER	14(B) <u>(757)</u>	<u>47,646</u>

NOTES TO THE ACCOUNTS

at 31 December 2002

1 ACCOUNTING POLICIES

Accounting convention

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

In preparing the financial statements for the current year, the company has adopted FRS 19 "Deferred Tax". The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy below. Previously deferred tax was recognised on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement. This change in accounting policy has not resulted in a prior year adjustment.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

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

Depreciation

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

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

Translation of foreign currencies

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

Leasing

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

Pensions

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

NOTES TO THE ACCOUNTS

at 31 December 2002

1 ACCOUNTING POLICIES (continued)

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Reclassifications

Certain prior-year amounts have been reclassified to conform with current-year presentation.

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

2 TURNOVER AND SEGMENTAL ANALYSIS

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

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

	2002 £'000	2001 £'000
United Kingdom	142,506	91,791

Turnover includes sales to other companies within the Unisys group of £28,508,000 (2001: £29,171,000).

3 OPERATING PROFIT

This is stated after charging:

	2002 £'000	2001 £'000
Operating lease rentals - land and buildings	11,046	8,190
Operating lease rentals - equipment	1,340	692
Depreciation of owned fixed assets	4,793	475
Auditors remuneration - audit services	38	35
Auditors remuneration - non audit	320	100

4 EXCEPTIONAL ITEMS

The company expensed £8,804,000 of restructuring costs in the year ended 31 December 2002 (2001: 12,470,000). These costs relate to redundancies and facility closures in conjunction with its current outsourcing contracts with Barclays, Lloyds TSB and HSBC.

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

5 DIRECTORS' REMUNERATION

	2002	2001
	£'000	£'000
Emoluments	344	83

Company contributions paid to money purchase pension schemes	16	3
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	2002	2001
	No.	No.
Members of money purchase pension schemes	2	1

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

	2002	2001
	£'000	£'000
Emoluments	198	83
Company contributions paid to money purchase pension schemes	9	3

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

6 STAFF COSTS

	2002	2001
	£'000	£'000
Wages and salaries	60,272	43,873
Social security	4,147	3,814
Pension costs	4,853	1,627
	69,272	49,316

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

6 STAFF COSTS (continued)

The average number of employees during the year was:

	2002 No.	2001 No.
Operations	3,914	2,445
Administration	62	163
	<u>3,976</u>	<u>2,608</u>

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
UK corporation credit on loss for the year	(2,273)	(1,258)
Adjustments in respect of prior years	(233)	-
	<u>(2,506)</u>	<u>(1,258)</u>
Deferred taxation		
Originating and reversing timing differences	687	(751)
Adjustments in respect of prior years	(1,552)	-
	<u>(3,371)</u>	<u>(2,009)</u>

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:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(5,449)	(6,710)

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

7 TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(1,635)	(2,013)
Effect of:		
Disallowed expenses and non-taxable income	49	5
Depreciation in excess of capital allowances	(3,352)	(1,031)
Other timing differences	299	(311)
Adjustments in respect of prior years	(233)	-
Tax losses	2,366	1,309
Transfer from fellow group company	-	783
Current tax credit for the period	(2,506)	(1,258)

The tax effect in the profit and loss account relating to the exceptional restructuring costs recognised below operating profit is a credit of £2,641,000 (2001: £3,741,000).

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS at 31 December 2002

8 TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>	<i>Fixtures, fittings, tools and equipment</i>	<i>Assets under construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>				
At 1 January 2002	-	2,968	12,681	15,649
Additions	1,980	51,498	-	53,478
Transfers	-	12,681	(12,681)	-
At 31 December 2002	1,980	67,147	-	69,127
<i>Depreciation:</i>				
At 1 January 2002	-	475	-	475
Charge for the year	157	4,635	-	4,792
At 31 December 2002	157	5,110	-	5,267
<i>Net book value:</i>				
At 31 December 2002	1,823	62,037	-	63,860
At 31 December 2001	-	2,493	12,681	15,174

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

9 DEBTORS

	2002 £'000	2001 £'000
Trade debtors	3,673	1,622
Amounts owed by group undertakings	148	40,079
Other debtors	13,451	14,814
Prepayments and accrued income	1,381	3,241
	<u>18,653</u>	<u>59,756</u>

Included within prepayments is £45,000 (2001: £1,036,000) in respect of pension contribution payments made in advance of their recognition in the profit and loss account.

Included within other debtors is an amount of £nil (2001: £13,488,000) in respect of redundancy costs due to be incurred after more than one year.

10 CREDITORS: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	1,206	942
Amounts owed to group undertakings	5,389	3,281
Other taxes and social security costs	2,583	1,107
Accruals and deferred income	42,352	39,715
	<u>51,530</u>	<u>45,045</u>

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy costs £'000	Deferred taxation £'000	Total £'000
At 1 January 2002	24,735	34	24,769
Arising during the year	4,935	(865)	4,070
Utilised	(8,334)	-	(8,334)
At 31 December 2002	<u>21,336</u>	<u>(831)</u>	<u>20,505</u>

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

11. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Redundancy costs

Provision is made for redundancy costs arising from the company's current outsourcing contracts with Barclays Bank PLC, Lloyds TSB and HSBC. The majority of the provision is expected to be utilised prior to 31 December 2003, with a proportion scheduled to be utilised during 2004.

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

	<i>Provided</i>		<i>Unprovided</i>	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	4,382	1,032	-	-
Other timing differences	13	311	-	-
Tax losses	(5,226)	(1,309)	-	-
	<u>(831)</u>	<u>34</u>	<u>-</u>	<u>-</u>

Based on all available evidence, the Directors' regard that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Accordingly, they regard the deferred tax asset as recoverable.

12 SHARE CAPITAL

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

13 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
At 1 January 2001	-	17,500	-	17,500
Loss for the year	-	-	(4,701)	(4,701)
At 1 January 2002	-	17,500	(4,701)	12,799
Loss for the year	-	-	(2,078)	(2,078)
At 31 December 2002	-	17,500	(6,779)	10,721

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

14 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2002 £'000	2001 £'000
Operating profit	2,657	4,695
Depreciation of tangible fixed assets	4,792	475
Increase in operating debtors	(223)	(2,829)
Increase in operating creditors	5,485	20,006
Exceptional restructuring costs	(8,334)	(1,223)
	<u>4,377</u>	<u>21,124</u>

B) Analysis of change in net funds

	At 1 January 2002 £'000	Cash flow £'000	At 31 December 2002 £'000
Cash at bank in hand	7,683	(7,440)	243
Loan to parent company	39,963	(39,963)	-
Loan from parent company	-	(1,000)	(1,000)
	<u>47,646</u>	<u>(48,403)</u>	<u>(757)</u>

C) Cash flows relating to non-operating exceptional items

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

15 TRANSACTIONS WITH DIRECTORS

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

16 TRANSACTIONS WITH RELATED PARTIES

During the period, revenues of £111,750,000 (2001: £61,444,000) were generated from the provision of services in the normal course of business to shareholders of the company. During the year, costs of approximately £50,913,000 (2001: £35,177,000) were incurred by the company in the normal course of business in respect of services provided to the company by shareholders.

During the year the company has been lent money by its parent undertaking, Unisys Limited at an interest rate of 4.44%. The amount loaned to the company by Unisys Limited at 31 December 2002 is £1,000,000 (2001: £39,963,000 loaned by the company to Unisys Limited) and is wholly repayable by the company within one year of the balance sheet date.

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

17 PENSION COMMITMENTS

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

The contributions to the UPSL scheme are determined with the advice of independent qualified actuaries on the basis of annual calculations using the projected unit method. The most recent calculations were conducted as at 1 January 2002 using the following main assumptions:

Discount rate pre retirement	7.0% per annum
Discount rate post retirement	5.5% per annum
Rate of increase in salaries	4.0% per annum
Social Security increases	2.5% per annum
Rate of increases in pensions in payment	2.5% per annum

The actuarial value of assets is approximately 100% of the market value at 1 January 2002.

The calculations show that the market value of the assets of the iPSL section of the UPSL Scheme as at 1 January 2002 amounted to £100,094,000 analysed as follows:

	£'000
Former UPSL and Barclays Bank employees	64,571
Former HSBC Bank employees	35,523
Total assets of iPSL section of UPSL Scheme	100,094

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. Under transitional arrangements relating to the introduction of FRS17 "Retirement Benefits" the company is required to disclose the following information about the scheme and the figures that would have been shown under FRS17 in the current balance sheet. The contributions made in respect of the accounting period was £2,415,000. The agreed contribution rate for future years is 18%.

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

17 PENSION COMMITMENTS (continued)

As noted above, some employees are members of the UPSL Scheme. A full actuarial valuation was carried out at 31 March 1999 and updated to 31 December 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	3.75%	4.00%
Rate of increase in deferred pensions	2.25%	2.50%
Rate of increase in pensions in payment	2.25%	2.50%
Discount rate	5.50%	5.75%
Inflation assumption	2.25%	2.50%

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

	<i>Long-term rate of return expected at 31 December 2002</i>	<i>Value at 31 December 2002 £'000</i>	<i>Long term rate of return expected at December 2001</i>	<i>Value at 31 December 2001 £'000</i>
Equities	7.00%	59,845	7.00%	64,537
Bonds	5.50%	22,628	5.75%	-
Cash	4.00%	238	4.00%	34
			<i>2002 £'000</i>	<i>2001 £'000</i>
Total market value of assets of iPSL section			82,711	64,571
Present value of iPSL section of the UPSL Scheme liabilities			(118,780)	(72,722)
Deficit in the iPSL section of the UPSL Scheme			(36,069)	(8,151)
Related deferred tax asset			10,821	2,445
Net pension liability			(25,248)	(5,706)

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

17. PENSION COMMITMENTS (continued)

Reconciliation of net assets and reserves under FRS 17

Net assets;

	2002 £'000	2001 £'000
Net assets as stated in balance sheet	10,721	12,799
SSAP 24 balance	(45)	(1,036)
Related deferred tax	13	311
Net assets excluding defined benefits/liabilities	10,689	12,074
FRS 17 defined benefit liabilities	(25,248)	(5,706)
Net (liabilities)/assets including defined benefit liabilities	(14,559)	6,368

Reserves:

Profit and loss reserve as stated in balance sheet	(6,779)	(4,701)
SSAP 24 balance	(45)	(1,036)
Related deferred tax	13	311
Net assets excluding defined benefit liabilities	(6,811)	(5,426)
FRS 17 defined benefit liabilities	(25,248)	(5,706)
Profit and loss reserve including amounts relating to defined benefit liabilities	(32,059)	(11,132)

Year to
31 December
2002
£'000

Analysis of the amount charged to operating profit:

Service cost	(4,868)
Past service cost	-
Total operating charge	(4,868)

Analysis of net return on pension scheme:

Expected return on pension scheme assets	4,587
Interest on pension liabilities	(4,308)

Net return

279

Analysis of amount recognised in statement of total recognised gains and losses (STRGL):

Actual return less expected return on assets	11,608
Experience gains and losses on liabilities	(37,352)
Changes in assumptions	-
Actuarial loss recognised in STRGL	(25,744)

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

17. PENSION COMMITMENTS (continued)

	<i>Year to 31 December 2002 £'000</i>
<i>Movement in deficit during the year:</i>	
Deficit in scheme at beginning of year	(8,151)
<i>Movement in year:</i>	
Current service costs	(4,868)
Contributions	2,415
Past service costs	-
Net return on assets/(interest cost)	279
Actuarial loss	(25,744)
Deficit in scheme at end of year	<u>(36,069)</u>

The FRS 17 valuation at 31 December 2002 showed an increase in the deficit from £8,151,000 to £36,069,000. There were no improvements in benefits during 2002. Company contributions totalled £2,415,000 (a variable percentage of pensionable pay depending on the category of membership). An actuarial valuation of the Scheme at 31 March 2002 recommended future employer contributions of 18%, which has been agreed by the company.

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

18 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2001: £nil).

Intelligent Processing Solutions Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

19 OTHER FINANCIAL COMMITMENTS

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

	<i>Land & Buildings</i>		<i>Other</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
Within one year	5,635	727	-	-
In two to five years	3,057	6,980	548	669
In over five years	3,443	3,443	1,444	1,554
	<u>12,135</u>	<u>11,150</u>	<u>1,992</u>	<u>2,223</u>

20 ULTIMATE PARENT UNDERTAKING

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

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