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INTELLIGENT PROCESSING SOLUTIONS LIMITED

Report and Financial Statements

31 December 2004



# Intelligent Processing Solutions Limited

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Registered No. 04007855

## **DIRECTORS**

D Cartwright	(Resigned 24 March 2004)
J Smith	
D Cavuoto	(Appointed 4 February 2004, Resigned 22 July 2004)
J Little	(Resigned 31 December 2004)
P Merry	
B Hadfield	(Resigned 24 March 2004)
J Ranaldi	(Resigned 31 December 2004)
K Lisson	(Appointed 21 July 2004, Resigned 23 March 2005)
D Roessler	
J Palmer	(Resigned 26 January 2005)
S Small	
R Drake	(Appointed 4 February 2004, Resigned 23 March 2005)
S Battersby	(Appointed 22 September 2004)

## **SECRETARY**

G Reeves

## **AUDITORS**

Ernst & Young LLP  
Apex Plaza  
Reading  
Berkshire  
RG1 1YE

## **BANKERS**

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

## **SOLICITORS**

Allen & Overy  
One New Change  
London  
EC4M 9QQ

## **REGISTERED OFFICE**

Bakers Court  
Bakers Road  
Uxbridge  
Middlesex  
UB8 1RG

# Intelligent Processing Solutions Limited

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## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2004.

### RESULTS AND DIVIDENDS

The result for the year ended 31 December 2004 amounted to a loss of £17,188,000 (2003: £12,251,000). 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 2004 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 achievement of this policy has to be treated flexibly in accordance with the varying circumstances and needs of the company, but in all cases, the emphasis is on communication at the local level. The company has a policy of informing employees of the affairs of the company by a series of internal newsletters, regular broadcasts and increased use of the Intranet.

### DIRECTORS AND THEIR INTERESTS

The directors of the company serving in the year are listed on page 1. On 9 March 2005, R Holmes was appointed as a director of the company. On 23 March 2005 W Au and A Welch were appointed as directors of the company. On 13 April 2005 C Walklin was appointed as a director of the company.

The directors at 31 December 2004 had no interests, nor options, in the ordinary share capital of the company at the beginning or end of the year. As permitted by Statutory Instrument 1985 No. 802 they are not required to disclose their interests and options in the ordinary share capital of the ultimate parent undertaking.

## Intelligent Processing Solutions Limited

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

#### **CREDITOR PAYMENT POLICY**

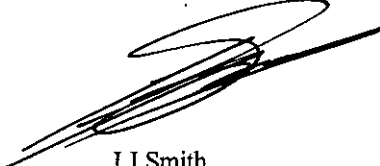
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2004, the company had an average of 44 days purchases outstanding in trade creditors.

#### **AUDITORS**

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

On behalf of the Board

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

J J Smith  
Director

## Intelligent Processing Solutions Limited

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

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

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

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

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

We have audited the company's financial statements for the year ended 31 December 2004, 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 22. 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor  
Reading

31 October 2005

# Intelligent Processing Solutions Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2004

	<i>Notes</i>	<i>2004 £'000</i>	<i>2003 £'000</i>
<b>TURNOVER</b>	3	131,962	139,531
Cost of sales		(141,022)	(149,564)
<b>GROSS LOSS</b>		(9,060)	(10,033)
Administrative expenses		(704)	(709)
<b>OPERATING LOSS</b>	4	(9,764)	(10,742)
Restructuring costs	5	(11,625)	(5,984)
Bank interest receivable		97	19
Intercompany interest payable		(953)	(793)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(22,245)	(17,500)
Tax credit on loss on ordinary activities	8	5,057	5,249
<b>LOSS RETAINED FOR THE PERIOD</b>		(17,188)	(12,251)

### 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 15.

# Intelligent Processing Solutions Limited

## BALANCE SHEET at 31 December 2004

	Notes	2004 £'000	2003 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	102,380	87,975
<b>CURRENT ASSETS</b>			
Debtors	10	22,018	43,808
Cash		11,607	13,931
		33,625	57,739
<b>CREDITORS: amounts falling due within one year</b>	11	(129,766)	(122,440)
<b>NET CURRENT LIABILITIES</b>		(96,141)	(64,701)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,239	23,274
<b>CREDITORS: amounts falling due after more than one year</b>	12	(6,445)	(7,144)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(18,512)	(17,660)
		(18,718)	(1,530)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	-	-
Share premium account	15	17,500	17,500
Profit and loss account	15	(36,218)	(19,030)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		(18,718)	(1,530)

Approved by the board on 26/10/2005

J J Smith  
Director

26 October 2005



# Intelligent Processing Solutions Limited

## STATEMENT OF CASH FLOWS for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	16(A)	(5,328)	35,649
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest paid		(856)	(774)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets		(25,640)	(31,687)
<b>FINANCING</b>			
Loan from parent undertaking		29,500	10,500
<b>(DECREASE)/INCREASE IN CASH</b>		(2,324)	13,688

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £'000	2003 £'000
(Decrease)/increase in cash	(2,324)	13,688
Cash inflow from loan from parent undertaking	(29,500)	(10,500)
<b>MOVEMENT IN NET FUNDS</b>	(31,824)	3,188
<b>NET FUNDS/(DEBT) AT 1 JANUARY</b>	2,431	(757)
<b>NET (DEBT)/FUNDS AT 31 DECEMBER</b>	16(B) (29,393)	2,431

NOTES TO THE ACCOUNTS

at 31 December 2004

**1. FUNDAMENTAL ACCOUNTING CONCEPT**

The accounts have been prepared on the going concern basis because the company's parent company, Unisys Limited, has undertaken to provide funds so that the company can meet its liabilities as they fall due for the foreseeable future. In addition, the company's remaining shareholders have provided a credit facility to supplement these funds provided by Unisys Limited.

**2. ACCOUNTING POLICIES**

***Accounting convention***

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

***Fixed assets***

Fixed assets are stated at cost less accumulated depreciation.

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

***Depreciation***

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

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

***Translation of foreign currencies***

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

***Leasing***

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

***Pensions***

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

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

NOTES TO THE ACCOUNTS  
at 31 December 2004

2. ACCOUNTING POLICIES (continued)

***Taxation***

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

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

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

***Redundancy provisions***

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

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

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

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

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 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, 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:

	2004 £'000	2003 £'000
United Kingdom	131,962	139,531

Turnover includes sales to other companies within the Unisys group of £22,592,000 (2003: £26,187,000).

### 4. OPERATING LOSS

This is stated after charging:

	2004 £'000	2003 £'000
Operating lease rentals - land and buildings	8,347	10,022
Operating lease rentals - equipment	531	1,218
Depreciation of owned fixed assets	11,235	7,572
Auditors remuneration - audit services	40	40
Auditors remuneration - non audit	33	50

### 5. RESTRUCTURING COSTS

The company expensed £11,625,000 of restructuring costs in the year ended 31 December 2004 (2003: £5,984,000). 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 2004

### 6. DIRECTORS' REMUNERATION

	2004 £'000	2003 £'000
Emoluments	288	410
Compensation for loss of office	-	179

Company contributions paid to money purchase pension schemes	-	23
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	2004 No.	2003 No.
Members of money purchase pension schemes	-	2

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

	2004 £'000	2003 £'000
Emoluments	288	332
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.

### 7. STAFF COSTS

	2004 £'000	2003 £'000
Wages and salaries	67,928	64,301
Social security	4,779	4,584
Pension costs	8,044	7,263
	80,751	76,148

The average number of employees during the year was:

	2004 No.	2003 No.
Operations	3,254	3,350
Administration	30	31
	3,284	3,381

NOTES TO THE ACCOUNTS

at 31 December 2004

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £'000	2003 £'000
UK corporation tax credit on loss for the year	-	(4,103)
Adjustments in respect of prior years	7,899	(32)
	<u>7,899</u>	<u>(4,135)</u>
Deferred taxation		
Originating and reversing timing differences	(6,749)	(1,146)
Adjustments in respect of prior years	(6,207)	32
	<u>(5,057)</u>	<u>(5,249)</u>

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

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

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	<u>(22,245)</u>	<u>(17,500)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(6,674)	(5,251)
Effect of:		
Disallowed expenses and non-taxable income	15	2
Capital allowances in excess of depreciation	(3,095)	(3,712)
Other timing differences	234	588
Adjustments in respect of prior years	7,899	(32)
Tax losses	9,520	4,270
Current tax credit for the period	<u>7,899</u>	<u>(4,135)</u>

The tax credit in the profit and loss account relating to restructuring costs is £3,487,000 (2003: £1,795,000).

NOTES TO THE ACCOUNTS  
at 31 December 2004

9. TANGIBLE FIXED ASSETS

	<i>Land and buildings £'000</i>	<i>Fixtures, fittings, tools and equipment £'000</i>	<i>Total £'000</i>
<i>Cost:</i>			
At 1 January 2004	1,980	98,834	100,814
Additions	398	25,242	25,640
At 31 December 2004	2,378	124,076	126,454
<i>Depreciation:</i>			
At 1 January 2004	382	12,457	12,839
Charge for the year	308	10,927	11,235
At 31 December 2004	690	23,384	24,074
<i>Net book value:</i>			
At 31 December 2004	1,688	100,692	102,380
At 31 December 2003	1,598	86,377	87,975

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 10. DEBTORS

	2004 £'000	2003 £'000
Trade debtors	4,258	9,942
Amounts owed by group undertakings	108	16,599
Other debtors	83	11,796
Prepayments and accrued income	2,667	3,525
Deferred tax	14,902	1,946
	<u>22,018</u>	<u>43,808</u>

#### Deferred taxation

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

	Provided		Unprovided	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Capital allowances in advance of depreciation	11,165	8,161	-	-
Other timing differences	(808)	(575)	-	-
Tax losses	(25,259)	(9,532)	-	-
	<u>(14,902)</u>	<u>(1,946)</u>	<u>-</u>	<u>-</u>

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.

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

	2004 £'000	2003 £'000
Trade creditors	12,604	3,431
Amounts owed to group undertakings	45,340	17,802
Other taxes and social security costs	1,807	1,886
Accruals and deferred income	70,015	99,321
	<u>129,766</u>	<u>122,440</u>



# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

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

	2004 £'000	2003 £'000
Deferred customer revenue	6,445	7,144

### 13. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Pension</i> £'000	<i>Redundancy</i> <i>costs</i> £'000	<i>Total</i>
At 1 January 2004	1,914	15,746	17,660
Arising during the year	5,232	7,990	13,222
Utilised during the year	(4,453)	(7,917)	(12,370)
At 31 December 2004	2,693	15,819	18,512

#### *Pension*

Included in provisions for liabilities and charges is an amount of £2,693,000 (2003: £1,914,000) in respect of pension contributions recognised in the profit and loss account in advance of payment.

#### *Redundancy costs*

Provision is made for redundancy costs arising from the company's current outsourcing contracts with Barclays Bank PLC, Lloyds TSB and HSBC. The majority of the provision is expected to be utilised prior to 31 December 2005, with a proportion scheduled to be utilised during 2006.

### 14. SHARE CAPITAL

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

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

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

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2003	-	17,500	(6,779)	10,721
Loss for the year	-	-	(12,251)	(12,251)
At 1 January 2004	-	17,500	(19,030)	(1,530)
Loss for the year	-	-	(17,188)	(17,188)
At 31 December 2004	-	17,500	(36,218)	(18,718)

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

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

	2004 £'000	2003 £'000
Operating loss	(9,764)	(10,742)
Depreciation of tangible fixed assets	11,235	7,572
Decrease/(increase) in operating debtors	23,212	(25,059)
(Decrease)/increase in operating creditors	(22,873)	67,554
Exceptional restructuring costs	(7,917)	(5,590)
Increase in pension creditor	779	1,914
	(5,328)	35,649

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

	At 1 January 2004 £'000	Cash flow £'000	At 31 December 2004 £'000
Cash at bank in hand	13,931	(2,324)	11,607
Loan from parent company	(11,500)	(29,500)	(41,000)
	2,431	(31,824)	(29,393)

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

A cash flow of £7,917,000 (2003: £5,590,000) is included for the restructuring costs relating to the non-operating exceptional items detailed in note 5.

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 17. TRANSACTIONS WITH DIRECTORS

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

### 18. TRANSACTIONS WITH RELATED PARTIES

During the 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. Transactions entered into, and trading balances outstanding at 31 December 2004, 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:				
2004	37,600	3,070	1,276	1,400
2003	35,787	4,463	5,994	-
HSBC Bank plc:				
2004	44,558	1,289	503	1,452
2003	49,127	7,450	33	1,962
Lloyds TSB Bank plc:				
2004	17,461	2,173	4	1,058
2003	24,763	5,689	3,177	2,309
Unisys Limited:				
2004	-	34,370	2	4,162
2003	-	39,507	7	5,345

During the year the company has been lent money by its parent undertaking, Unisys Limited at an interest rate of 4.74%. The amount loaned to the company by Unisys Limited at 31 December 2004 is £41,000,000 (2003: £11,500,000) and is wholly repayable by the company within one year of the balance sheet date.

NOTES TO THE ACCOUNTS  
at 31 December 2004

**19. PENSION COMMITMENTS**

The company provides pension arrangements to the majority of employees of the company through a defined benefit scheme and a defined contribution scheme. The schemes are funded by the payment of contributions to separately administered funds. 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 2004 using the following main assumptions:

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

The actuarial value of assets is approximately 100% of the market value at 1 January 2004.

The calculations show that the market value of the assets of the iPSL section of the UPSL scheme as at 1 January 2004 amounted to £102,713,000 (1 January 2003: £82,711,000).

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. Under transitional arrangements relating to the introduction of FRS17 "Retirement Benefits" the company is required to disclose the following information about the scheme and the figures that would have been shown under FRS17 in the current balance sheet. The contributions made in respect of the accounting period were £6,159,000 (2003: £6,087,000) and included £1,706,000 (2003: £1,882,000) for payment of augmented benefits on redundancy. The agreed company contribution rate set from April 2003 is 18% of pensionable pay.

As noted above, some employees are members of the UPSL Scheme. A full actuarial valuation was carried out at 31 March 2002 and updated to 31 December 2004 by a qualified independent actuary. The major assumptions used by the actuary were:

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

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 19. PENSION COMMITMENTS (continued)

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 2004</i>	<i>Value at 31 December 2004 £'000</i>	<i>Long term rate of return expected at 31 December 2003</i>	<i>Value at 31 December 2003 £'000</i>
Equities	7.00%	86,805	7.00%	77,615
Bonds	5.32%	31,646	5.50%	24,939
Cash	4.75%	391	3.75%	159
			<i>2004 £'000</i>	<i>2003 £'000</i>
Total market value of assets of iPSL section			118,842	102,713
Present value of iPSL section of the UPSL Scheme liabilities			(166,494)	(133,710)
Deficit in the iPSL section of the UPSL Scheme			(47,652)	(30,997)
Related deferred tax asset			14,296	9,299
Net pension liability			(33,356)	(21,698)
Net liabilities as stated in balance sheet			(18,718)	(1,530)
SSAP 24 balance			2,693	1,914
Related deferred tax			(808)	(574)
Net liabilities excluding defined benefit liabilities			(16,833)	(190)
FRS 17 defined benefit liabilities			(33,356)	(21,698)
Net liabilities including defined benefit liabilities			(50,189)	(21,888)

# Intelligent Processing Solutions Limited

## NOTES TO THE ACCOUNTS

at 31 December 2004

### 19. PENSION COMMITMENTS (continued)

Reconciliation of net assets and reserves under FRS 17

*Net assets;*

	2004 £'000	2003 £'000
<i>Reserves:</i>		
Profit and loss reserve as stated in balance sheet	(36,218)	(19,030)
SSAP 24 balance	2,693	1,914
Related deferred tax	(808)	(574)
Net liabilities excluding defined benefit liabilities	(34,333)	(17,690)
FRS 17 defined benefit liabilities	(33,356)	(21,698)
Profit and loss reserve including amounts relating to defined benefit liabilities	(67,689)	(39,388)
	2004 £'000	2003 £'000
<i>Analysis of the amount charged to operating loss:</i>		
Service cost	(5,274)	(6,202)
Past service cost	(1,706)	(1,882)
Total operating charge	(6,980)	(8,084)
<i>Analysis of net return on pension scheme:</i>		
Expected return on pension scheme assets	6,989	5,622
Interest on pension liabilities	(7,530)	(6,738)
Net return	(541)	(1,116)
<i>Analysis of amount recognised in statement of total recognised gains and losses (STRGL):</i>		
Actual return less expected return on assets	4,033	8,934
Experience gains and losses on liabilities	(1,286)	(8,834)
Changes in assumptions	(18,040)	8,085
Actuarial (loss)/gain recognised in STRGL	(15,293)	8,185

NOTES TO THE ACCOUNTS  
at 31 December 2004

19. PENSION COMMITMENTS (continued)

	2004 £'000	2003 £'000
<i>Movement in deficit during the year:</i>		
Deficit in scheme at beginning of year	(30,997)	(36,069)
<i>Movement in year:</i>		
Current service costs	(5,274)	(6,202)
Contributions	6,159	6,087
Past service costs	(1,706)	(1,882)
Net/(interest cost)/return on assets	(541)	(1,116)
Actuarial loss	(15,293)	8,185
Deficit in scheme at end of year	(47,652)	(30,997)

The FRS 17 valuation at 31 December 2004 showed an increase in the deficit from £30,997,000 to £47,652,000 (2003: decrease in deficit from £36,069,000 to £30,997,000). There were no improvements in benefits during 2004. Company contributions totalled £6,159,000 (a variable percentage of pensionable pay depending on the category of membership) (2003: £6,087,000) and included £1,706,000 (2003: £1,882,000) for payment of augmented benefits on redundancy. The agreed company contribution rate set from April 2003 is 18% of pensionable pay.

	Financial year ended 31 December		
	2004	2003	2002
<i>History of experience gains and losses</i>			
Difference between expected and actual return on scheme assets: - amount (£'000)	4,033	8,934	11,608
- percentage of scheme assets	3%	9%	14%
Experience gains and losses on scheme liabilities: - amount (£'000)	(1,286)	(8,834)	(37,352)
- percentage of scheme liabilities	-1%	-7%	-31%
Total amount recognised in statement of total recognised gains and losses: - amount (£'000)	(15,293)	8,185	(25,744)
- percentage of scheme liabilities	-9%	6%	-22%

20. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2003: £nil).

NOTES TO THE ACCOUNTS

at 31 December 2004

**21. OTHER FINANCIAL COMMITMENTS**

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

	<i>Land &amp; Buildings</i>		<i>Other</i>	
	<i>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire:				
Within one year	3,894	3,133	-	-
In two to five years	-	574	925	334
In over five years	3,152	5,400	-	1,290
	<u>7,046</u>	<u>9,107</u>	<u>925</u>	<u>1,624</u>

**22. ULTIMATE PARENT UNDERTAKING**

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

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