

INTELLIGENT PROCESSING SOLUTIONS LIMITED

Report and Financial Statements

31 December 2007

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COMPANIES HOUSE

Intelligent Processing Solutions Limited

Registered No 04007855

DIRECTORS

R Hoggarth (Chairman)

R Holmes

J Munnelly

(Resigned 28 September 2007)

M Etting

N Wilson

(Resigned 29 June 2007)

O Theilmann

(Appointed 12 February 2007)

R Chase

(Appointed 12 March 2007)

E Birken

(Appointed 21 August 2007, resigned 14 July 2008)

P Merry

(Resigned 12 March 2007)

C Walklin

(Resigned 12 February 2007)

D Tait

(Appointed 15 October 2007)

M Piercy

(Appointed 9 July 2008)

SECRETARY

G Reeves

L Csaky

(Appointed 22 March 2007)

AUDITORS

Ernst & Young LLP

Apex Plaza

Reading

Berkshire

RG1 1YE

BANKERS

HSBC Bank plc

PO Box 4BQ

133 Regent Street,

London

W1B 4HX

REGISTERED OFFICE

Bakers Court

Bakers Road

Uxbridge

Middlesex

UB8 1RG

Intelligent Processing Solutions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors present their report and the audited financial statements for the year ended 31 December 2007.

RESULTS AND DIVIDENDS

The result for the year ended 31 December 2007 amounted to a profit of £27,033,000 (2006 profit of £12,848,000). The directors do not propose any dividends for the year (2006 £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 2007 was £158,507,000, which is a 6.7% increase over the prior year turnover. This growth in turnover is reflective of the increased fees applicable under the new shareholder agreements executed in 2006 partially offset by the cheque processing volumes in the UK which have decreased by an average of approximately 10% against the 12 months ended 31 December 2006.

The profit before tax for the year ended 31 December 2007 was £40,300,000, which represents a significant improvement over the profit before tax for the year ended 31 December 2006 of £18,354,000. This improvement in profitability arises due to the increased revenue in the year and the significant cost reductions achieved. The directors are satisfied with the level of profitability in the current year.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

The directors do not consider the company to have any significant exposure to interest rate risk as the debt is in the form of a loan from its major shareholder, which is at acceptable interest rate levels and is wholly repayable by 31 December 2009. The directors consider that no hedging of interest rates is necessary.

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

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

SHARE CAPITAL AND RESERVES

On 31 December 2007 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.

Intelligent Processing Solutions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 £5,472 (2006 £4,550). No political contributions were made during the year (2006 £nil).

DIRECTORS AND THEIR INTERESTS

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

The directors at 31 December 2007 had no interests, nor options, in the ordinary share capital of the company at the beginning or end of the year. As permitted by Statutory Instrument 1985 No 802 they are not required to disclose their interests and options in the ordinary share capital of the ultimate parent undertaking.

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

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITOR

It is intended to appoint KPMG LLP as the company's auditor with effect from the year ending 31 December 2008.

On behalf of the Board

R Hoggarth
Director

Date: 5/8/08



The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Intelligent Processing Solutions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

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

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Intelligent Processing Solutions Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

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

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

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT (continued)

To the Shareholders of Intelligent Processing Solutions Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Reading

8 August 2008

Intelligent Processing Solutions Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	<i>Notes</i>	<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
TURNOVER	3	158,507	148,595
Cost of sales		(112,990)	(119,937)
GROSS PROFIT		<u>45,517</u>	<u>28,658</u>
Administrative expenses		(1,213)	(887)
OPERATING PROFIT	4	<u>44,304</u>	<u>27,771</u>
Restructuring costs	5	(2,256)	(5,276)
Bank interest receivable		1,145	103
Interest receivable from group undertakings		4	-
Interest payable on bank overdraft		(12)	(677)
Interest payable on loans from parent undertaking		(3,574)	(3,253)
Other finance income/ (charges)	19	689	(314)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>40,300</u>	<u>18,354</u>
Tax charge on profit on ordinary activities	8	(13,267)	(5,506)
PROFIT RETAINED FOR THE PERIOD		<u>27,033</u>	<u>12,848</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2007

		<i>2007</i> <i>£'000</i>	<i>2006</i> <i>£'000</i>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		27,033	12,848
Actuarial gains recognised in respect of the pension fund	15	19,757	24,906
Deferred tax related to the actuarial gains recognised	15	(5,532)	(7,472)
TOTAL RECOGNISED GAINS RELATING TO THE PERIOD		<u>41,258</u>	<u>30,282</u>

Intelligent Processing Solutions Limited

BALANCE SHEET at 31 December 2007

	Notes	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	9	75,468	89,906
CURRENT ASSETS			
Debtors	10	18,986	31,078
Cash		38,973	12,961
		57,959	44,039
CREDITORS amounts falling due within one year	11	(101,653)	(88,168)
NET CURRENT LIABILITIES		(43,694)	(44,129)
TOTAL ASSETS LESS CURRENT LIABILITIES		31,774	45,777
CREDITORS amounts falling due after more than one year	12	(36,461)	(75,478)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(746)	(2,354)
NET LIABILITIES EXCLUDING PENSION LIABILITY		(5,433)	(32,055)
NET PENSION LIABILITY	19	(5,382)	(20,018)
NET LIABILITIES INCLUDING PENSION LIABILITY		(10,815)	(52,073)
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium account	15	17,500	17,500
Profit and loss account	15	(28,315)	(69,573)
EQUITY SHAREHOLDERS' DEFICIT	15	(10,815)	(52,073)

Approved by the board

R Hoggarth
Director

Date: 05/08/08

Intelligent Processing Solutions Limited

STATEMENT OF CASH FLOWS at 31 December 2007

	Notes	2007 £'000	2006 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(A)	61,777	36,198
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(3,586)	(3,930)
Interest received		1,149	103
		<u>(2,437)</u>	<u>(3,827)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		<u>(8,528)</u>	<u>(9,072)</u>
FINANCING			
Loan from parent undertaking		(24,800)	-
Bank overdraft		-	(10,382)
		<u>(24,800)</u>	<u>(10,382)</u>
INCREASE IN CASH		<u>26,012</u>	<u>12,917</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2007 £'000	2006 £'000
Increase in cash	26,012	12,917
Cash outflow to bank overdraft	-	10,382
Cash outflow to loan from parent undertaking	24,800	-
MOVEMENT IN NET FUNDS	<u>50,812</u>	<u>23,299</u>
NET DEBT AT 1 JANUARY	<u>(49,039)</u>	<u>(72,338)</u>
NET FUNDS/ (DEBT) AT 31 DECEMBER	16(B) <u>1,773</u>	<u>(49,039)</u>

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2007

1. FUNDAMENTAL ACCOUNTING CONCEPT

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

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

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

2. ACCOUNTING POLICIES

Accounting convention

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

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.

Depreciation

Equipment and other property are depreciated over the estimated useful economic lives of such assets using the straight line method. Estimated useful lives are between 2.5 years and the period from purchase to 31 December 2010, being the date on which the company's current outsourcing contracts expire.

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

Translation of foreign currencies

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

Leasing

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

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

2. ACCOUNTING POLICIES (continued)

Pensions

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

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

Taxation

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

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

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

Redundancy provisions

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

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

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

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

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

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

	2007 £'000	2006 £'000
United Kingdom	158,507	148,595

Turnover includes sales to Unisys Payments Services Limited, a wholly owned subsidiary company of Unisys Limited, of £45,000,000 (2006 £35,507,000)

4. OPERATING PROFIT

This is stated after charging

	2007 £'000	2006 £'000
Operating lease rentals - land and buildings	3,848	3,671
Operating lease rentals - equipment	169	709
Depreciation of owned fixed assets	22,966	18,188
Auditors' remuneration - audit services	40	40

5. RESTRUCTURING COSTS

In the year ended 31 December 2007 the company charged £2,256,000 of restructuring costs in the profit and loss account (2006 charge of £5,276,000) 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 2007

6. DIRECTORS' REMUNERATION

	2007 £'000	2006 £'000
Aggregate emoluments	177	216
Company contributions paid to money purchase pension schemes	-	-

	2007 No	2006 No
Members of money purchase pension schemes	-	-

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

	2007 £'000	2006 £'000
Aggregate emoluments	177	216
Company contributions paid to money purchase pension schemes	-	-

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

7. STAFF COSTS

	2007 £'000	2006 £'000
Wages and salaries	40,325	43,901
Restructuring costs	2,256	5,276
Social security	3,248	3,540
Pension costs	4,778	6,107
	50,607	58,824

The average number of employees during the year was

	2007 No	2006 No
Operations	1,934	2,342
Administration	34	26
	1,968	2,368

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
<i>Current tax</i>		
UK corporation tax charge on profit for the year	345	-
Adjustments in respect of prior years	31	-
Total current tax	376	-
<i>Deferred tax</i>		
Originating and reversing timing differences	12,929	5,506
Adjustments in respect of prior years	(38)	-
Total tax charge for the year	13,267	5,506

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	40,300	18,354
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	12,090	5,506
Effect of		
Disallowed expenses and non-taxable income	-	3
Capital allowances in excess of depreciation	2,627	624
Other timing differences	(410)	305
Tax losses	(13,962)	(6,438)
Prior year adjustment	31	-
Current tax charge for the year	376	-

The tax credit in the profit and loss account relating to restructuring costs is £677,000 (2006 £1,582,800)

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

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 2007	2,599	142,955	145,554
Additions	816	7,738	8,554
Disposals	(13)	(13)	(26)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	3,402	150,680	154,082
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2007	1,355	54,293	55,648
Charge for the year	512	22,454	22,966
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2007	1,867	76,747	78,614
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2007	1,535	73,933	75,468
	<hr/>	<hr/>	<hr/>
At 31 December 2006	1,244	88,662	89,906
	<hr/>	<hr/>	<hr/>

10. DEBTORS

	<i>2007 £'000</i>	<i>2006 £'000</i>
Trade debtors	7,735	7,964
Amounts owed by group undertakings	481	175
Other debtors	140	14
Prepayments	1,675	2,033
Deferred tax (note 13)	8,955	20,892
	<hr/>	<hr/>
	18,986	31,078
	<hr/>	<hr/>

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

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

11. CREDITORS: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	3,060	2,170
Amounts owed to group undertakings	19,209	8,246
Corporation tax	376	-
Other taxes and social security costs	817	1,117
Accruals and deferred income	78,191	76,635
	<u>101,653</u>	<u>88,168</u>

Included within amounts owed to group undertakings is an amount payable to Unisys Limited, the company's immediate parent company, of £18,600,000 (2006 £6,200,000). This amount is unsecured, repayable by 31 December 2008 and bearing interest at 6.31% per annum.

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

	2007 £'000	2006 £'000
Deferred customer revenue	17,861	19,678
Amount owed to group undertakings	18,600	55,800
	<u>36,461</u>	<u>75,478</u>

The amount owed to group undertakings is an amount payable to Unisys Limited, the company's immediate parent company, of £18,600,000 (2006 £55,800,000). This amount is unsecured, repayable in instalments between 1 January 2008 and 31 December 2009 and bearing interest at 6.31% per annum.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Redundancy costs £'000
At 1 January 2007	2,354
Arising during the year	2,256
Utilised during the year	(3,864)
At 31 December 2007	<u>746</u>

Redundancy costs

Provision is made for redundancy costs arising from the company's current outsourcing contracts with Barclays Bank PLC, Lloyds TSB Bank plc, HSBC Bank plc and Unisys Payment Services Ltd. The majority of the provision is expected to be utilised prior to 30 September 2008.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation

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

	<i>Provided</i>		<i>Unprovided</i>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	(9,196)	(12,471)	-	-
Pension deficit	2,093	8,579	-	-
Tax losses	18,151	33,363	-	-
Total deferred tax asset	11,048	29,471	-	-
Amount offset against net pension liability (note 19)	(2,093)	(8,579)	-	-
Deferred tax asset	8,955	20,892	-	-

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

	2007	2006
	£'000	£'000
At 1 January 2007	29,471	42,449
Transfer to profit and loss account tax charge for the year	(12,891)	(5,506)
Transfer to reserves arising on actuarial losses on pension scheme	(5,532)	(7,472)
At 31 December 2007	11,048	29,471

14. SHARE CAPITAL

	<i>Authorised, allotted, called up & fully paid</i>			
	2007	2007	2006	2006
	No	£'000	No	£'000
Ordinary shares of £1 each	200	-	200	-

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

15. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2006	-	17,500	(99,855)	(82,355)
Profit for the year	-	-	12,848	12,848
Actuarial gains on pension liability	-	-	24,906	24,906
Deferred tax related to the actuarial gains	-	-	(7,472)	(7,472)
At 31 December 2006	-	17,500	(69,573)	(52,073)
At 1 January 2007	-	17,500	(69,573)	(52,073)
Profit for the year	-	-	27,033	27,033
Actuarial gains on pension liability	-	-	19,757	19,757
Deferred tax related to the actuarial gains	-	-	(5,532)	(5,532)
At 31 December 2007	-	17,500	(28,315)	(10,815)

16. NOTES TO THE STATEMENT OF CASH FLOWS

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

	<i>2007 £'000</i>	<i>2006 £'000</i>
Operating profit	44,304	27,771
Depreciation of tangible fixed assets	22,966	18,188
Decrease/ (increase) in operating debtors	157	(716)
Decrease in operating creditors	(1,732)	(4,314)
Exceptional restructuring costs	(3,918)	(4,731)
	<u>61,777</u>	<u>36,198</u>

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

	<i>At 1 January 2007 £'000</i>	<i>Cash flow £'000</i>	<i>At 31 December 2007 £'000</i>
Cash at bank in hand	12,961	26,012	38,973
Loan from parent company	(62,000)	24,800	(37,200)
	<u>(49,039)</u>	<u>50,812</u>	<u>1,773</u>

C) Cash flows relating to non-operating exceptional items

A cash flow of £3,918,000 (2006 £4,731,000) is included for the restructuring costs relating to the non-operating exceptional items detailed in note 5

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

17. TRANSACTIONS WITH DIRECTORS

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

18. TRANSACTIONS WITH RELATED PARTIES

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

Transactions entered into, and trading balances outstanding at 31 December 2007, 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				
2007	38,622	-	1,981	-
2006	31,945	1,998	1,077	426
HSBC Bank plc				
2007	44,907	344	1,441	-
2006	46,673	575	1,045	463
Lloyds TSB Bank plc				
2007	23,256	-	623	-
2006	28,284	203	762	-
Unisys Limited				
2007	-	10,256	-	3
2006	-	14,924	119	1,514
Unisys Payment Services Limited				
2007	45,050	-	523	516
2006	35,507	-	56	-
Tumultus Limited				
2007	-	132	-	-
2006	-	216	-	-
Turrill Consultancy Services Limited				
2007	-	25	-	-
2006	-	-	-	-

During the year the company has been lent money by its parent undertaking, Unisys Limited, at an average interest rate of 6.31%. The amount loaned to the company by Unisys Limited at 31 December 2007 is £37,200,000 (2006 £62,000,000) and is wholly repayable by the company by 31 December 2009

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

19. PENSION COMMITMENTS

The company provides pension arrangements to the majority of employees of the company through a defined benefit scheme, the Unisys Payment Services Limited Pension Scheme ('UPSL scheme') and a defined contribution scheme, the Unisys Defined Contribution Plan. The schemes are funded by the payment of contributions to separately administered funds. The contributions to the UPSL scheme are determined with the advice of independent qualified actuaries on the basis of annual calculations using the projected unit method. The company accounts for the UPSL scheme in accordance with FRS 17 "Retirement Benefits".

As noted above, some employees are members of the UPSL scheme. A full actuarial valuation was carried out at 31 March 2005 and updated to 31 December 2007 by a qualified independent actuary. The major assumptions used by the actuary were:

	2007	2006	2005	2004	2003
Rate of increase in salaries	3.50%	3.25%	3.25%	3.25%	3.00%
Rate of increase in deferred pensions	3.20%	2.90%	2.75%	2.75%	2.50%
Rate of increase in pensions in payment	3.20%	2.90%	2.75%	2.75%	2.50%
Discount rate	5.80%	5.10%	4.90%	5.32%	5.50%
Inflation assumption	3.20%	2.90%	2.75%	2.75%	2.50%

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

	2007	2006	2005	2004	2003
Equities	7.00%	7.00%	7.00%	7.00%	7.00%
Bonds	5.80%	5.10%	4.90%	5.50%	5.50%
Cash	5.50%	5.00%	4.50%	4.75%	3.75%

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

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Equities	118,242	117,828	107,914	86,805	77,615
Bonds	52,228	42,203	37,394	31,646	24,939
Cash	150	365	442	391	159
Total market value of assets of iPSL section	170,620	160,396	145,750	118,842	102,713
Present value of iPSL section of the UPSL scheme liabilities	(178,095)	(188,993)	(198,236)	(166,494)	(133,710)
Deficit in the iPSL section of the UPSL scheme	(7,475)	(28,597)	(52,486)	(47,652)	(30,997)
Related deferred tax asset	2,093	8,579	15,746	14,296	9,299
Net pension liability	(5,382)	(20,018)	(36,740)	(33,356)	(21,698)

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

19. PENSION COMMITMENTS (continued)

	2007 £'000	2006 £'000
<i>Analysis of the amount charged to operating loss</i>		
Service cost	(3,824)	(4,704)
Past service cost	-	-
Total operating charge	(3,824)	(4,704)
	2007 £'000	2006 £'000
<i>Analysis of net return on pension scheme</i>		
Expected return on pension scheme assets	10,457	9,471
Interest on pension liabilities	(9,768)	(9,785)
Net return	689	(314)
	2007 £'000	2006 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on assets	(1,466)	3,289
Experience gains and losses on liabilities	2,837	16,062
Changes in assumptions	18,386	5,555
Actuarial gain recognised in STRGL	19,757	24,906
	2007 £'000	2006 £'000
<i>Movement in deficit during the year</i>		
Deficit in scheme at beginning of year	(28,597)	(52,486)
<i>Movement in year</i>		
Current service costs	(3,824)	(4,704)
Contributions	4,500	4,001
Past service costs	-	-
Other finance income/ (charges)	689	(314)
Actuarial gain	19,757	24,906
Deficit in scheme at end of year	(7,475)	(28,597)

The FRS 17 actuarial valuation at 31 December 2007 showed a decrease in the deficit from £28,597,000 to £7,475,000 (2006 decrease in deficit from £52,486,000 to £28,597,000). There were no improvements in benefits during 2007. Company contributions were £4,500,000 (2006 £4,001,000) and £nil (2006 £nil) was paid in respect of augmented benefits on redundancy previously charged as restructuring costs. The agreed company contributions for 2008 are £5,000,000.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

19. PENSION COMMITMENTS (continued)

	2007	2006	2005	2004	2003
<i>History of experience gains and losses</i>					
Difference between expected and actual					
Return on scheme assets. (£'000)	(1,466)	3,289	13,680	4,033	8,934
- percentage of scheme assets	-1%	2%	9%	3%	9%
Experience gains and losses					
on scheme liabilities £'000)	2,837	16,062	-	(1,286)	(8,834)
- percentage of scheme liabilities	2%	8%	0%	-1%	-7%
Total amount recognised in statement of					
recognised gains and losses (£'000)	19,757	24,906	(2,696)	(15,293)	8,185
- percentage of scheme liabilities	11%	13%	-1%	-9%	6%

20. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2006 £nil)

21. OTHER FINANCIAL COMMITMENTS

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

	<i>Leasehold</i>		<i>Equipment</i>	
	<i>Land & Buildings</i>			
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	-	26	-
In two to five years	2,413	2,306	23	62
In over five years	864	987	-	-
	<u>3,277</u>	<u>3,293</u>	<u>49</u>	<u>62</u>

22. ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The parent undertaking for smallest and largest group of undertakings for which group accounts are drawn up and of which the company is a member is Unisys Corporation incorporated in the State of Delaware, United States of America. Unisys Corporation is a public company listed on the New York Stock Exchange. Copies of the group accounts of Unisys Corporation and Unisys Holdings are available from the Company Secretary, Unisys Limited, Bakers Court, Bakers Road, Uxbridge, Middlesex, UB8 1RG.

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

The immediate parent company is Unisys Limited.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

23. SHARE BASED PAYMENT PLANS

Some of the company's employees were awarded stock options between 1998 and 2005 in the Unisys Corporation stockholder approved long term incentive plans. These incentive plans are as follows:

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

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

No options have been granted under either of these schemes in the year ended 31st December 2007 (2006 nil). The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2007 is £nil (2006 £nil).

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

	2007 No	2007 WAEP	2006 No	2006 WAEP
Outstanding at the beginning of the year	52,336	5.44	66,651	1.69
Granted during the year	-	n/a	-	n/a
Exercised during the year	(1,000)	3.69	(2,600)	2.68
Expired during the year	(6,600)	6.47	(11,715)	10.06
Outstanding at the end of the year	<u>44,736</u>	<u>7.93</u>	<u>52,336</u>	<u>5.44</u>
Exercisable at 31 December	<u>44,736</u>	<u>7.93</u>	<u>52,336</u>	<u>5.44</u>

For the share options outstanding as at 31 December 2007, the weighted average remaining contractual life is 4.13 years (2006 4.79 years).

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

	2007	2006
Weighted average share price (£)	5.29	7.93
Expected volatility	35.31%	45.88%
Option life	10 years	10 years
Risk-free interest rate	4.63%	4.35%

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	2007 Number	2006 Number
£4.04 - £5.19	13/02/2003 – 09/05/2005	12,250	14,250
£7.79 - £8.49	14/02/2002 – 11/02/2004	14,972	18,572
£12.67 - £13.93	22/04/1998 – 15/02/2001	9,314	11,314
£18.51 - £20.65	22/04/1999 – 17/02/2000	8,200	8,200