

Certegy Card Services Limited

Report and Accounts

31 December 2002

Registered Number : 3517639



Certegy Card Services Limited

Registered No. 3517639

DIRECTORS

Larry J Towe
J.P. Gillies
Michael Volkommer
Walter Korchun

SECRETARY

David Mott

AUDITORS

Ernst & Young LLP
One Colmore Row
Birmingham
B3 2DB

BANKERS

Barclays Plc
PO Box 190
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East Parade
Leeds
LS1 2UX

SOLICITORS

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B2 4DL

REGISTERED OFFICE

Tricorn House
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Edgbaston
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B16 8TO

Certegy Card Services Limited

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the processing of store cards and related services.

Turnover has increased by 6% to £26,291,518 during the year and trading losses have reduced significantly compared to 2001. Management expect the company to start producing trading profits in 2003.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £51,263 (2001 loss £3,076,968). The directors do not recommend the payment of an ordinary dividend (2001 £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Larry J Towe
Gerald Hines (resigned 24 April 2002)
Jerry Marshall (appointed 24 April 2002, resigned 11 August 2003)
J.P. Gillies (appointed 11 August 2003)
Michael Volkommer (appointed 24 April 2002)
Bruce Richards (appointed 24 April 2002, resigned 19 August 2002)
Walter Korchun (appointed 14 October 2002)

The directors in office at the end of the year held no interests in the shares of the company at either their date of appointment or at 31 December 2002.

There are no other interests required to be disclosed by section 234 of the Companies Act 1985.

EMPLOYEE INVOLVEMENT

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

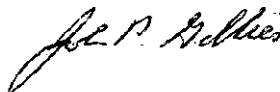
EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as is possible, be identical with that of other employees.

AUDITORS

On 27 May 2004 Deloitte & Touche LLP resigned as auditors. Ernst & Young LLP was appointed to fill the casual vacancy arising. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual general Meeting.

By order of the board



Director

30 June 2004

Certegy Card Services Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 CERTEGY CARD SERVICES LIMITED

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 18. 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

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.

Ernst & Young Hf

Ernst & Young LLP
Registered Auditor
Birmingham

30 June 2004

Certegy Card Services Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

	Notes	2002 £	2001 £
TURNOVER	2	26,291,518	24,834,604
Cost of Sales		(12,861,578)	(13,587,631)
		<u>13,429,940</u>	<u>11,246,973</u>
GROSS PROFIT			
Administrative expenses		(13,446,913)	(13,892,503)
OPERATING LOSS	3	<u>(16,973)</u>	<u>(2,645,530)</u>
Interest payable	6	(47,997)	(431,438)
Bank interest receivable		13,707	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(51,263)</u>	<u>(3,076,968)</u>
Tax on loss on ordinary activities	7	-	-
LOSS FOR THE FINANCIAL YEAR, RETAINED AND TRANSFERRED TO RESERVES	14	<u>(51,263)</u>	<u>(3,076,968)</u>

There are no recognised gains or losses for the current financial year and preceding financial year, other than the losses shown above.

Certegy Card Services Limited

BALANCE SHEET at 31 December 2002

	Notes	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	7,158,082	5,747,874
CURRENT ASSETS			
Stocks	9	1,215,310	1,876,505
Debtors	10	6,460,109	8,212,882
Cash at bank and in hand		2,956,838	1,403,459
		<u>10,632,257</u>	<u>11,492,362</u>
CREDITORS: amounts falling due within one year	11	(6,149,866)	(5,762,618)
NET CURRENT ASSETS		<u>4,482,391</u>	<u>5,729,744</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,640,473</u>	<u>11,477,618</u>
CREDITORS: amounts falling due after more than one year	12	(16,294,987)	(16,080,869)
		<u>(4,654,514)</u>	<u>(4,603,251)</u>
CAPITAL AND RESERVES			
Called up share capital	13	1,000	1,000
Capital contribution	14	4,295,488	4,295,488
Profit and loss account	14	(8,951,002)	(8,899,739)
EQUITY SHAREHOLDERS' DEFICIT	14	<u>(4,654,514)</u>	<u>(4,603,251)</u>

These financial statements were approved by the Board of Directors on 30 June 2004.

Signed on behalf of the Board of Directors

Director



The accompanying notes are an integral part of this balance sheet

Certegy Card Services Limited

NOTES TO THE ACCOUNTS at 31 December 2002

1. ACCOUNTING POLICIES

Basis of Preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Under the provisions of FRS1 "Cash flow statements (Revised 1996)", the company has not prepared a cash flow statement, because its parent company, Certegy Limited, has prepared consolidated financial statements of the company, which contains a cash flow statement and which are publicly available.

The accounts have been prepared on a going concern basis as Certegy Limited has committed to support the company to meet its commitments as and when they fall due.

Tangible fixed assets

Fixed assets are shown at cost, net of depreciation and any provision for impairment.

Costs of software developed to enable the company to provide services to third parties are capitalised. These costs include internal staff time, charges from other group companies and third party invoices.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Office equipment	-	over 3 to 10 years
Software development costs	-	over 3 to 8 years

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Contract work in progress	-	cost of direct materials and labour.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

The stock includes card, statements, letters etc, which be used in the management of the store card processing. It also includes contract costs incurred, but not yet billed, in the establishment of services to clients.

Certegy Card Services Limited

NOTES TO THE ACCOUNTS at 31 December 2002

1. ACCOUNTING POLICIES (continued)

Deferred Taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company is part of the Certegy Group Limited defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Certegy Card Services Limited

NOTES TO THE ACCOUNTS

at 31 December 2002

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to sales and services in the normal course of business.

An analysis of turnover by geographical market is given below:

	2002	2001
	£	£
United Kingdom	25,469,380	21,922,678
United States of America	822,138	2,911,926
	<u>26,291,518</u>	<u>24,834,604</u>

3. OPERATING LOSS

(a) This is stated after charging/(crediting):

	2002	2001
	£	£
Auditors' remuneration – audit	25,000	35,000
Auditors' remuneration – taxation	4,000	82,100
Depreciation of owned fixed assets	1,562,540	1,253,005
Operating lease rentals – plant and machinery	290,204	301,885
– land and buildings	412,369	411,971
	<u>2,294,113</u>	<u>1,983,961</u>

4. DIRECTORS' EMOLUMENTS

The directors' were not paid any remuneration by Certegy Card Services during either the current or prior year.

5. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	7,397,398	6,763,668
Social security costs	568,853	570,008
Other pension costs	263,228	282,317
	<u>8,229,479</u>	<u>7,615,993</u>

The average weekly number of employees during the year was as follows:

	2002	2001
	No.	No.
Operations	316	318
Administration	43	36
	<u>359</u>	<u>354</u>

Certegy Card Services Limited

NOTES TO THE ACCOUNTS at 31 December 2002

6. INTEREST PAYABLE

	2002 £	2001 £
On loans due to parent undertakings	43,747	36,103
Other loans	-	392,274
Bank Charges	4,250	3,061
	<u>47,997</u>	<u>431,438</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of charge in period

	2002 £	2001 £
Current tax		
UK Corporation tax	-	-

b) Factors affecting tax charge for period

	2002 £	2001 £
Loss on ordinary activities before tax	(51,263)	(3,076,968)
Tax at 30% thereon (2001 30%)	(15,379)	(923,090)
Effects of:		
Expenses not deductible for tax purposes	17,462	3,176
Capital allowances in excess of depreciation	(297,959)	(313,024)
Utilisation of losses	-	550,801
Movement in short term timing differences	3,976	43,025
Surrendered for Group Relief	291,909	639,112
Corporation Tax charge for the period	<u>-</u>	<u>-</u>

c) Factors that may affect future tax charges

At 31 December 2002 the company has tax losses of approximately £4.0m (2001: £4.0m) carried forward for offset against future taxable profits of the company.

d) Deferred tax

As at 31 December 2002 the company had an unrecognised deferred tax asset of £1,352,044 (2001: £1,646,036). A deferred tax asset has not been recognised as it is not regarded as more likely than not that suitable taxable profits will arise in the short term against which these losses can be offset.

Certegy Card Services Limited

NOTES TO THE ACCOUNTS at 31 December 2002

8. TANGIBLE FIXED ASSETS

	<i>Software development costs</i>	<i>Office Equipment</i>	<i>Total</i>
	£	£	£
Cost			
At 1 January 2002	8,230,838	1,071,119	9,301,957
Additions	2,562,721	410,027	2,972,748
At 31 December 2002	<u>10,793,559</u>	<u>1,481,146</u>	<u>12,274,705</u>
Depreciation:			
At 1 January 2002	2,882,375	671,708	3,554,083
Provided during the year	1,266,144	296,396	1,562,540
At 31 December 2002	<u>4,148,519</u>	<u>968,104</u>	<u>5,116,623</u>
Net book value:			
At 31 December 2002	<u>6,645,040</u>	<u>513,042</u>	<u>7,158,082</u>
At 31 December 2001	<u>5,348,463</u>	<u>399,411</u>	<u>5,747,874</u>

9. STOCKS

	<i>2002</i>	<i>2001</i>
	£	£
Stocks of stationery and cards	248,171	221,505
Contract work in progress	967,139	1,654,516
	<u>1,215,310</u>	<u>1,876,021</u>

10. DEBTORS

	<i>2002</i>	<i>2001</i>
	£	£
Trade debtors	3,606,610	3,727,284
Other debtors	1,210,613	728,036
Prepayments and accrued income	895,602	759,442
Amounts owed by group undertaking	747,284	2,998,120
	<u>6,460,109</u>	<u>8,212,882</u>

Included in other debtors is an amount of £140,347 which is due after more than one year (2001 - £233,755).

Certegy Card Services Limited

NOTES TO THE ACCOUNTS at 31 December 2002

11. CREDITORS: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	106,531	168,692
Other taxes and social security costs	3,788	439,264
Amounts owed to group undertakings	1,968,431	1,228,982
Other creditors	340,319	165,708
Accruals	3,730,797	3,759,972
	<u>6,149,866</u>	<u>5,762,618</u>

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

	2002	2001
	£	£
Loan from parent undertaking	12,280,000	11,980,000
Amounts owed to group undertakings	4,014,987	4,100,869
	<u>16,294,987</u>	<u>16,080,869</u>

£1,050,000 of the loan from parent undertaking is interest bearing (2001 - £750,000)

Group undertakings have confirmed that amounts included above will not be recalled within 1 year.

13. SHARE CAPITAL

Authorised, allotted, called up and not paid

	2002	2001
	£	£
510 A ordinary shares of £1 each	510	510
490 B ordinary shares of £1 each	490	490
	<u>1,000</u>	<u>1,000</u>

The two classes of shares rank *pari passu* in all respects.

Certegy Card Services Limited

NOTES TO THE ACCOUNTS at 31 December 2002

14. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 1 January 2001	1,000	4,295,488	(5,822,771)	(1,526,283)
Loss for the year	-	-	(3,076,968)	(3,076,968)
At 1 January 2002	1,000	4,295,488	(8,899,739)	(4,603,251)
Loss for the year	-	-	(51,263)	(51,263)
At 31 December 2002	1,000	4,295,488	(8,951,002)	(4,654,514)

15. CAPITAL COMMITMENTS

	<i>2002</i>	<i>2001</i>
	£	£
Contracted	194,089	216,000
Authorised by the directors but not contracted	488,000	84,000

16. PENSION COMMITMENTS

The company is a member of the Certegy Group Limited pension scheme. This is a defined contribution scheme, which represents the main scheme of the group and is funded by contributions from the employer and the employee, for the benefit of individual members.

The pension charge for the year was £263,228 (2001: £282,317) and the year end accrual for pension costs was £42,169 (2001: £29,346).

17. OTHER FINANCIAL COMMITMENTS

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	£	£	£	£
Operating leases which expire:				
within one year	124,264	372,800	8,379	-
within two to five years	44,013	38,835	67,354	70,965
in over five years	260,025	-	-	-
	428,302	411,635	75,733	70,965

Certegy Card Services Limited

NOTES TO THE ACCOUNTS at 31 December 2002

18. IMMEDIATE PARENT UNDERTAKING AND RELATED PARTY DISCLOSURES

The smallest group in which they are consolidated is that headed by Certegy Limited, where financial statements are available at the registered office at Tricorn House, 51/53 Hagley Road, Edgbaston, Birmingham, B16 8TO.

The largest group in which they are consolidated is that headed by the ultimate parent undertaking, Certegy Inc, 11720 Amber Park Drive, Suite 600, Alpharetta, Georgia, 30004 and copies of the group financial statements are available from this address.

As a subsidiary undertaking of Certegy Limited, the company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose transactions with other members of the group headed by Certegy Limited.