

# **Certegy Card Services Limited**

## **Report and Accounts**

31 December 2004

*Registered Number : 3517639*



# Certegy Card Services Limited

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Registered No. 3517639

## **DIRECTORS**

Larry J Towe  
John P Gillies  
Michael Vollkommer  
Walter Korchun

## **SECRETARY**

David Mott  
51/53 Hagley Road  
Edgbaston  
Birmingham  
B16 8TO

## **AUDITORS**

Ernst & Young LLP  
No. 1 Colmore Square  
Birmingham  
B4 6HQ

## **BANKERS**

Barclays Plc,  
PO Box 190  
Barclays House  
East Parade  
Leeds  
LS1 2UX

## **SOLICITORS**

DLA  
Victoria Square House  
Victoria Square  
Birmingham  
B2 4DL

## **REGISTERED OFFICE**

Tricorn House  
51/53 Hagley Road  
Edgbaston  
Birmingham  
B16 8TO

# Certegy Card Services Limited

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## DIRECTORS' REPORT

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

### 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.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, was £386,807 (2003: profit of £92,190). The directors do not recommend the payment of an ordinary dividend (2003: £Nil).

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

Larry J Towe  
John P Gillies  
Michael Vollkommer  
Walter Korchun

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 2004.

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

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

By order of the board



Director

Michael Vollkommer

20th October 2005

## Certegy Card Services Limited

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### 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 2004 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 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 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 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.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Birmingham

*28 October 2005*

## Certegy Card Services Limited

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

	Notes	2004 £	2003 £
<b>TURNOVER</b>	2	24,310,491	25,042,795
Cost of sales		<u>(12,537,442)</u>	<u>(11,871,112)</u>
<b>GROSS PROFIT</b>		11,773,049	13,171,683
Administrative expenses		<u>(12,255,745)</u>	<u>(13,124,619)</u>
<b>OPERATING (LOSS) / PROFIT</b>	3	(482,696)	47,064
Bank interest receivable		99,755	92,886
Interest payable and similar charges	6	<u>(3,866)</u>	<u>(47,760)</u>
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(386,807)	92,190
<b>TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES</b>	7	<u>-</u>	<u>-</u>
<b>(LOSS) / PROFIT FOR THE FINANCIAL YEAR, RETAINED AND TRANSFERRED TO RESERVES</b>	14	<u><u>(386,807)</u></u>	<u><u>92,190</u></u>

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

# Certegy Card Services Limited

## BALANCE SHEET at 31 December 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	8	<u>6,307,725</u>	<u>6,858,528</u>
<b>CURRENT ASSETS</b>			
Stocks	9	494,590	839,666
Debtors	10	5,525,558	5,578,408
Cash at bank and in hand		<u>3,046,356</u>	<u>3,235,760</u>
		9,066,504	9,653,834
<b>CREDITORS: Amounts falling due within one year</b>	11	<u>(5,078,374)</u>	<u>(5,829,700)</u>
<b>NET CURRENT ASSETS</b>		<u>3,988,130</u>	<u>3,824,134</u>
<b>Total assets less current liabilities</b>		10,295,855	10,682,662
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(15,244,986)</u>	<u>(15,244,986)</u>
<b>NET ASSETS</b>		<u>(4,949,131)</u>	<u>(4,562,324)</u>
<b>CAPITAL AND RESERVES</b>			
Called -up share capital	13	1,000	1,000
Capital contribution	14	4,295,488	4,295,488
Profit and loss account	14	<u>(9,245,619)</u>	<u>(8,858,812)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	14	<u>(4,949,131)</u>	<u>(4,562,324)</u>

These financial statements were approved by the Board of Directors on 20<sup>th</sup> Oct 2005

Signed on behalf of the Board of Directors



Director

Michael Vollkommer

The accompanying notes are an integral part of these statements

# Certegy Card Services Limited

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## NOTES TO THE ACCOUNTS

at 31 December 2004

### 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 ultimate parent company, Certegy Inc, has prepared consolidated financial statements, 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

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## NOTES TO THE ACCOUNTS

at 31 December 2004

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 initially 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 Retirement Savings Plan 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 2004

### 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:

	2004	2003
	£	£
United Kingdom	22,889,617	23,336,470
Europe	66,286	-
United States of America	1,354,588	1,706,325
	<u>24,310,491</u>	<u>25,042,795</u>

### 3. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting):

	2004	2003
	£	£
Auditors' remuneration - audit	30,000	25,000
Depreciation of owned fixed assets	2,043,151	1,980,672
Operating lease rentals – plant and machinery	301,471	294,875
Operating lease rentals – land and buildings	304,017	369,288
	<u>2,678,649</u>	<u>2,679,835</u>

### 4. DIRECTORS' EMOLUMENTS

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

### 5. STAFF COSTS

	2004	2003
	£	£
Wages and salaries	6,859,297	6,898,666
Social security costs	628,963	623,934
Pension costs	190,455	191,935
	<u>7,678,715</u>	<u>7,714,535</u>

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

	2004	2003
	No.	No.
Operations	354	332
Administration	37	35
	<u>391</u>	<u>367</u>

# Certegy Card Services Limited

## NOTES TO THE ACCOUNTS at 31 December 2004

### 6. INTEREST PAYABLE

	2004 £	2003 £
On loans due to parent undertakings	-	44,445
Bank charges / Interest	3,866	3,315
	<u>3,866</u>	<u>47,760</u>

### 7. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

#### a) Analysis of charge in period

	2004 £	2003 £
<i>Current tax</i>		
UK Corporation tax	-	-

#### b) Factors affecting tax charge for period

	2003 £	2002 £
(Loss)/Profit on ordinary activities before tax	(386,807)	92,190
Tax at 30% thereon (2003 30%)	(116,042)	27,657
Effects of:		
Expenses not deductible for tax purposes	42,544	11,187
Capital allowances in excess of depreciation	(180,535)	(41,096)
Movement in short term timing differences	(46,117)	-
Asset write down	-	(30,000)
Group relief not paid for	300,150	32,252
Corporation Tax charge for the period	<u>-</u>	<u>-</u>

#### c) Factors that may affect future tax charges

At 31 December 2004 the company has tax losses of approximately £2.2m (2003: £4.0m) carried forward for offset against future taxable profits of the company. The movement in the tax losses relates primarily to an adjustment in respect of prior years, resulting from the disclaimer of capital allowances.

#### d) Deferred tax

As at 31 December 2004 the company had an unrecognised deferred tax asset of £1,154,368 (2003: £1,280,948). 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 2004

### 8. TANGIBLE FIXED ASSETS

	Software development costs £	Office equipment £	Total £
<b>Cost</b>			
At 1 January 2004	11,558,988	2,396,835	13,955,823
Additions	1,255,594	236,754	1,492,348
At 31 December 2004	<u>12,814,582</u>	<u>2,633,589</u>	<u>15,448,171</u>
<b>Depreciation</b>			
At 1 January 2004	5,781,983	1,315,312	7,097,295
Charge	1,640,659	402,492	2,043,151
At 31 December 2004	<u>7,422,642</u>	<u>1,717,804</u>	<u>9,140,446</u>
<b>Net book value</b>			
At 31 December 2004	<u>5,391,940</u>	<u>915,785</u>	<u>6,307,725</u>
At 31 December 2003	<u>5,777,005</u>	<u>1,081,523</u>	<u>6,858,528</u>

### 9. STOCKS

	2004 £	2003 £
Stocks of stationery and cards	428,207	286,749
Contract work-in-progress	66,383	552,917
	<u>494,590</u>	<u>839,666</u>

### 10. DEBTORS

	2004 £	2003 £
Trade debtors	4,218,748	4,576,989
Other debtors	478,146	359,023
Prepayments and accrued income	826,838	565,793
Amounts owed by group undertakings	1,826	76,603
	<u>5,525,558</u>	<u>5,578,408</u>

Included in other debtors is an amount of £Nil which is due after more than one year (2003 - £40,461).

# Certegy Card Services Limited

## NOTES TO THE ACCOUNTS at 31 December 2004

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

	2004 £	2003 £
Trade creditors	405,672	102,889
Other taxes and social security costs	368,858	42,302
Amounts owed to group undertakings	2,210,098	2,168,653
Other creditors	10,568	398,222
Accruals	2,083,178	3,117,634
	<u>5,078,374</u>	<u>5,829,700</u>

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

	2004 £	2003 £
Loans from parent undertakings	11,230,000	11,230,000
Amounts owed to group undertakings	4,014,986	4,014,986
	<u>15,244,986</u>	<u>15,244,986</u>

None of the loans from the parent undertaking are interest bearing (2003 - £Nil).

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*

	2004 £	2003 £
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.

### 14. RECONCILIATION OF SHAREHOLDERS' DEFICIT AND MOVEMENTS ON RESERVES

	Share capital £	Capital contribution £	Profit and loss account £	Total £
At 1 January 2003	1,000	4,295,488	(8,951,002)	(4,654,514)
Retained profit for the year	-	-	92,190	92,190
At 1 January 2004	1,000	4,295,488	(8,858,812)	(4,562,324)
Retained loss for the year	-	-	(386,807)	(386,807)
At 31 December 2004	<u>1,000</u>	<u>4,295,488</u>	<u>(9,245,619)</u>	<u>(4,949,131)</u>

### 15. CAPITAL COMMITMENTS

Capital commitments as at 31 December 2004 totalled £503,015 (2003 – £23,194).

## Certegy Card Services Limited

### NOTES TO THE ACCOUNTS

at 31 December 2004

#### 16. PENSION COMMITMENTS

The company is a member of the Certegy Retirement Savings Plan. 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 £190,455 (2003 - £191,935) and the year end accrual for pension costs is £700 (2003: £29,346).

#### 17. OTHER FINANCIAL COMMITMENTS

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Operating lease which expire				
- within 1 year	-	44,016	2,157	77,971
- within 2 – 5 years	260,025	260,025	18,697	17,471
- in more than 5 years	75,081	-	-	-
	<u>335,106</u>	<u>304,041</u>	<u>20,854</u>	<u>95,442</u>

#### 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.