

Intelligent Processing Solutions Limited

Registered No 04007855

Report and Financial Statements

31 December 2010

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Intelligent Processing Solutions Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statement for the year ended 31 December 2010

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2010 amounted to a profit of £17,566,000 (2009 profit of £15,196,000) The directors do not propose any dividends for the year (2009 £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 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 budget process, the most significant key performance indicators used by the company are turnover, cost management, operational efficiency, profitability & cash flow

Turnover for the year ended 31 December 2010 was £115,751,000, which is an 8% decrease over the prior year turnover. The decrease in turnover is primarily due to the following key drivers

A 12% annual decline in cheque volume & fixed tariff reductions of 13% as executed under the 2006 Shareholder Agreement. These have been compounded by an 11% decrease in Change Request activity during the year. The profit before tax for the year ended 31 December 2010 was £24,929,000, which is a 18% increase over the profit before tax for the year ended 31 December 2009 of £21,172,000. The directors are satisfied with the level of profitability in the current year

PRINCIPAL RISKS AND UNCERTAINTIES

The company has 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

In 2010 the company faced the following three principal risks -

During the year the defined benefit pension scheme was still accruing service. Discussions took place during the latter part of 2010 and the first quarter of 2011 with unions and the scheme Trustee which resulted in the agreement to close the scheme to future service accrual with effect from 31st March 2011. While the closure has significantly reduced risk, as with all final salary schemes there is still exposure to valuation risk. However, any additional exposure identified via a revaluation is mitigated by the shareholder agreement signed in 2009 where rules for funding any shortfall are set out

The second principal risk is business interruption. The company has worked hard to ensure plans are in place and documented to mitigate systems and processes interruptions which would result in the company missing deadlines. During 2010 the company was faced with potential industrial action, primarily related to the closure of the defined benefit pension scheme as noted above and established appropriate mitigation to manage the immediate risk faced in 2010. No industrial action was taken

Lastly with the ongoing discussions relating to the possible cessation of cheque in 2018, the company has concentrated on winning as much cheque related business as possible to ensure the cost per cheque remains as low as possible. Although there are ongoing reviews, there remains no defined date for the end of cheques. The company is not exposed to any risk from this as the shareholder agreement signed in 2009 ensures that all of the costs incurred are payable by its customers

The agreements signed with the company's shareholders in January 2006 require rebates to be paid to customers if the company is successful in reducing its cost base ahead of the Annual Operating Plan that is approved by the board before the start of each year. Provision for such rebates was made in 2010 amounting to £13,600,000 (2009 £9,900,000). If the company is successful in reducing its cost base ahead of the Annual Operating Plan in future periods then further rebates may be required to be paid in that future period

Intelligent Processing Solutions Limited

DIRECTORS' REPORT

In September 2009 new agreements were signed with the shareholders to govern the structure of revenue and charges between 2011 and 2015. As a result of the execution of these agreements and resultant improvements in 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 consider that the shareholder agreement signed in September 2009 will provide sufficient future revenue to ensure that the company has very low exposure to liquidity risk as sufficient cash flows are generated to ensure the company satisfies its obligations with respect to its financial liabilities. The company is exposed to counter party risk as cash balances are invested in short-term deposits and fixed interest overnight deposits with reputable UK banks.

The company only trades with reputable high street banks, large financial institutions and fellow group companies and as such the directors consider the company has only a low exposure to credit risk in respect of trading balances.

The directors recognise that significant revenues are earned from a few key customers who are also shareholders. These customers are emerging from the tough market conditions of recent years, throughout which the relationship has remained strong.

The company's pipeline remains positive as reflected in the March 2011 announcement of a significant new order covering the period through to 2015. Market conditions remain difficult but the company is in a strong position to weather the current economic climate.

The agreement signed in September 2009 placed agreed obligations on the shareholders as customers to fund obligations under its defined benefit pension scheme. This has resulted in increased tariffs to customers which will continue to be paid until December 2015. This scheme has now been closed to future accruals at 31 March 2011. As a result of this closure the company will record a pension curtailment gain of approximately £3.9 million before tax in its 2011 profit and loss account. The scheme will undergo an actuarial valuation as at 31 March 2011 which will determine any further obligations or improvements in the scheme.

SHARE CAPITAL AND RESERVES

On 31 December 2010 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, 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 Key Business Information newsletters and regular broadcasts.

Intelligent Processing Solutions Limited

DIRECTORS' REPORT

CHARITABLE AND POLITICAL DONATIONS

Donations made by the company for charitable purposes in the United Kingdom amounted to £12,650 (2009 £6,390) No political contributions were made during the year (2009 £nil)

DIRECTORS AND THEIR INTERESTS

The directors of the company serving in the year and to the date of this report are listed below

R Hoggarth	(Chairman)
O Theilmann	(Resigned 12 April 2010)
M Piercy	
R Chapman	
J Coyle	
P Frost	(Appointed 12 April 2010)
B Leitch	(Appointed 8 February 2011)
N Fraser	(Appointed 9 February 2011)
C Painter	(Resigned 2 February 2011)
M Mattholie	(Resigned 9 February 2011)

The directors at 31 December 2010 had no interests, nor options, in the ordinary share capital of the company at the beginning or end of the year

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

SECRETARIES

L Csaky
G Reeves

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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

On behalf of the Board

R Hoggarth
Director
Date:



21st July 2011.

Registered No 04007855

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG LLP

Arlington Business Park

Theale

Reading

RG7 4SD

United Kingdom

Independent auditor's report to the members of Intelligent Processing Solutions Limited

We have audited the financial statements of Intelligent Processing Solutions Limited for the year ended 31 December 2010 set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

W Southwood

W Southwood (Senior Statutory Auditor)

14 July 2011

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Intelligent Processing Solutions Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
TURNOVER	3	115,751	125,960
Cost of sales		(85,912)	(99,576)
GROSS PROFIT		29,839	26,384
Administrative expenses		(1,315)	(1,329)
OPERATING PROFIT	4	28,524	25,055
Restructuring costs	5	(3,093)	(3,817)
Bank interest receivable		222	51
Interest payable on loans from parent undertaking		-	(137)
Other finance (expense)/income	19	(724)	20
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		24,929	21,172
Tax charge on profit on ordinary activities	8	(7,363)	(5,976)
PROFIT RETAINED FOR THE PERIOD		17,566	15,196

All results relate to continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2010

		2010 £'000	2009 £'000
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		17,566	15,196
Actuarial (losses) recognised in respect of the pension fund	15	(610)	(39,766)
Deferred tax related to the actuarial losses recognised	15	171	11,134
TOTAL RECOGNISED GAINS/ (LOSSES) RELATING TO THE PERIOD		17,127	(13,436)

Intelligent Processing Solutions Limited

BALANCE SHEET at 31 December 2010

	Notes	2010 £'000	2009 £'000
NON CURRENT ASSETS			
Tangible fixed assets	9	32,850	46,161
CURRENT ASSETS			
Debtors	10	32,324	39,869
Cash		84,950	25,496
		<u>117,274</u>	<u>65,365</u>
CREDITORS amounts falling due within one year	11	(120,234)	(77,227)
NET CURRENT LIABILITIES		<u>(2,960)</u>	<u>(11,862)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>29,890</u>	<u>34,299</u>
CREDITORS amounts falling due after more than one year	12	-	(8,978)
PROVISIONS FOR LIABILITIES AND CHARGES	13	(4,599)	(8,184)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>25,291</u>	<u>17,137</u>
NET PENSION LIABILITY	19	(18,331)	(27,304)
NET ASSETS/(LIABILITIES) INCLUDING PENSION LIABILITY		<u><u>6,960</u></u>	<u><u>(10,167)</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium account	15	17,500	17,500
Profit and loss account	15	(10,540)	(27,667)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	15	<u><u>6,960</u></u>	<u><u>(10,167)</u></u>

Approved by the board

R Hoggarth
Director
Date:

Registered No 04007855



11th July 2011.

Intelligent Processing Solutions Limited

STATEMENT OF CASH FLOWS at 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	16(A)	68,230	27,588
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		-	(137)
Interest received		222	51
		<u>222</u>	<u>(86)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(8,998)	(10,154)
FINANCING			
Loan from parent undertaking		-	(18,600)
INCREASE/(DECREASE) IN CASH		<u>59,454</u>	<u>(1,252)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>2010</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>
Increase/(decrease) in cash	59,454	(1,252)
Cash outflow to loan from parent undertaking	-	18,600
MOVEMENT IN NET FUNDS	<u>59,454</u>	<u>17,348</u>
NET FUNDS AT 1 JANUARY	<u>25,496</u>	<u>8,148</u>
NET FUNDS AT 31 DECEMBER	<u>16(B) 84,950</u>	<u>25,496</u>

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

1. FUNDAMENTAL ACCOUNTING CONCEPT

The company has sufficient financial resources together with key long term contracts with four main customers in the financial services industry in the UK. In respect of these four main customers the company operates substantially on a cost plus basis. In September 2009, the company and its four main customers extended the existing agreements until 31 December 2015. The fees associated with the extension are estimated to generate positive cash flows and profitability over the remaining life of the outsourcing contracts.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further information regarding the financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report on pages 2 to 4.

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 s464 of the Companies Act 2006.

Revenue recognition

Revenue from fixed tariffs and other fixed charges is recognised as services are rendered in accordance with the terms of each contract. Revenue from variable tariffs is recognised based on volumes of cheques processed. Revenue from other services is recognised as the services are rendered.

Where a discount for future services is offered at the inception of a large outsourcing agreement, and this discount cannot be separated from the other service fees, the reduction in revenue arising from this discount is recognised on a proportional performance basis over the term of the agreement.

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.

Direct costs incurred in developing equipment and software for use in the provision of outsourcing contracts are capitalised once technical feasibility has been established. These outsourcing assets are depreciated over the shorter of their life or the term of the contract.

Depreciation

Fixed assets are depreciated over their estimated useful economic life using the straight-line method. The useful economic life of fixed assets is reviewed on an annual basis.

The estimated useful economic lives of Equipment and other property are between 2.5 years and the expiration of the outsourcing agreements with the company's customers, the majority of which expire on 31 December 2015.

The estimated useful economic lives of land & buildings are the shorter of the period from purchase to lease expiration or 31 December 2015.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

2. ACCOUNTING POLICIES (continued)

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. 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.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

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

	2010	2009
	£'000	£'000
United Kingdom	115,751	125,960

Turnover includes sales to Unisys Payment Services Limited, a wholly owned subsidiary company of Unisys Limited, of £30,518,000 (2009 £30,634,000)

4. OPERATING PROFIT

This is stated after charging

	2010	2009
	£'000	£'000
Operating lease rentals - land and buildings	2,949	2,952
Operating lease rentals – equipment	287	242
Depreciation of owned fixed assets	17,580	25,518
Auditors' remuneration – audit services	40	40
Auditors' remuneration – non-audit services	240	293

5 RESTRUCTURING COSTS

In the year ended 31 December 2010 the company charged £3,093,000 of restructuring costs in the profit and loss account (2009 charge of £3,817,000) 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 2010

6. DIRECTORS' REMUNERATION

	2010 £'000	2009 £'000
Aggregate emoluments	-	-
Company contributions paid to money purchase pension schemes	-	-
	2010 No	2009 No
Members of money purchase pension schemes	-	-
<i>The amounts in respect of the highest paid director are as follows</i>		
	2010 £'000	2009 £'000
Aggregate emoluments	-	-
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

Some of the directors are also directors of other companies within the Unisys Corporation group of companies. These directors' services to the company do not occupy a significant amount of their time and as such the directors do not consider that they have received any remuneration for their incidental services to the company during the years ended 31 December 2010 and 31 December 2009

Some directors are not members of other companies within the Unisys Corporation group of companies. These directors' services to the company do not occupy a significant amount of their time and as such the directors do not consider that they have received any remuneration for their incidental services to the company during the years ended 31 December 2010 and 31 December 2009

Some directors are remunerated by related parties as disclosed in Note 18

7 STAFF COSTS

	2010 £'000	2009 £'000
Wages and salaries	37,194	38,341
Restructuring costs	3,093	3,817
Social security	3,125	3,189
Pension costs	5,698	3,981
	49,110	49,328
<i>The average number of employees during the year was</i>		
	2010 No	2009 No
Operations	1,614	1,730
Administration	76	77
	1,690	1,807

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2010

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £'000	2009 £'000
<i>Current tax</i>		
UK corporation tax charge on profit for the year	4,258	14
<i>Deferred tax</i>		
Originating and reversing timing differences	3,135	5,962
Adjustments in respect of prior years	(30)	-
Total tax charge for the year	7,363	5,976

Factors affecting the tax charge for the year:

The tax assessed on the profit on ordinary activities for the year 2010 is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	24,929	21,172
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	6,980	5,928
Effect of		
Disallowed expenses and non-taxable income	105	47
Depreciation in excess of capital allowances	2,283	4,365
Other timing differences	(3,758)	(1,769)
Tax losses	(1,352)	(8,557)
Current tax charge for the year	4,258	14

The tax credit in the profit and loss account relating to restructuring costs is £866,000 (2009: £1,069,000)

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

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 2010	11,158	165,493	176,651
Additions	809	8,564	9,373
Disposals	(4,766)	(338)	(5,104)
At 31 December 2010	7,201	173,719	180,920
<i>Depreciation</i>			
At 1 January 2010	3,552	126,938	130,490
Charge for the year	1,056	16,529	17,585
Disposals	-	(5)	(5)
At 31 December 2010	4,608	143,462	148,070
<i>Net book value</i>			
At 31 December 2010	2,593	30,257	32,850
At 31 December 2009	7,606	38,555	46,161

Included within Fixtures, fittings, tools and equipment above is an amount of £5,368,000 (2009 £8,359,000) in relation to assets in the course of construction that have not been placed into service at the balance sheet date. Depreciation of these assets will commence on the date they are placed into service.

During the year ended 31 December 2009 the company revised the useful economic life of certain fixed assets following the extension of outsourcing contracts with its major customers. The impact is a reduction in the depreciation expense for Fixtures, fittings, tools and equipment, and Leasehold land and buildings of £2,953,840 and £132,550 respectively.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

10. DEBTORS

	2010 £'000	2009 £'000
Trade debtors	10,479	16,901
Amounts owed by group undertakings	648	389
Other debtors	11,630	14,637
Prepayments	8,018	7,346
Deferred tax (note 13)	1,549	596
	<u>32,324</u>	<u>39,869</u>

Within Other debtors is an amount due after more than one year of £11,630,000 (2009 £14,637,000) in respect of discounts for future services associated with long-term outsourcing contracts that are being spread over the term of the contract

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

11. CREDITORS: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	3,761	1,288
Amounts owed to group undertakings	3,423	8,140
Corporation tax	2,110	310
Other taxes and social security costs	1,399	939
Accruals and deferred income	109,541	66,550
	<u>120,234</u>	<u>77,227</u>

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

	2010 £'000	2009 £'000
Deferred customer revenue	-	6,568
Other long term liabilities	-	2,410
	<u>-</u>	<u>8,978</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

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 provision at 31 December 2010 includes £926,000 in respect of the closure of a company location during the prior year. This amount is expected to be utilised prior to 31 December 2014. The remaining balance of £1,904,000 is expected to be utilised prior to 30 September 2011.

Dilapidations provision

Provision is made for the estimated costs of returning leasehold properties to their original state in accordance with contractual terms. It is expected that most payments will be made between 2014 and 2015.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

	<i>Redundancy Provision £'000</i>	<i>Dilapidations Provision £'000</i>	<i>Total £'000</i>
At 1 January 2010	1,859	6,325	8,184
Arising during the year	3,093	172	3,265
Utilised during the year	(2,122)	-	(2,122)
Released during the year	-	(4,728)	(4,728)
	<hr/>	<hr/>	<hr/>
At 31 December 2010	2,830	1,769	4,599

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>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	1,501	(234)	-	-
Pension deficit	6,779	10,618	-	-
Dilapidations provision	48	-	-	-
Tax losses	-	830	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred tax asset	8,328	11,214	-	-
Amount offset against net pension asset (note 19)	(6,779)	(10,618)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset	1,549	596	-	-

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

On 23rd March 2011 it was announced that the UK corporation tax rate will reduce from 28% to 23% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantially enacted on 27th July 2010 and will be effective from 1st April 2011. This reduction has been taken into account in preparing these financial statements. A further reduction to 26%, also to be effective from 1st April 2011 was substantially enacted by Parliamentary resolution on 29th March 2011. This will reduce the company's future current tax charge accordingly. If the rate change from 27% to 26% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset recognised at that date by £55,000. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets accordingly.

The movement in the deferred tax asset for the year was as follows

	<i>2010 £'000</i>	<i>2009 £'000</i>
At 1 January	11,214	6,042
Transfer to profit and loss account tax charge for the year	(3,057)	(5,962)
Transfer to reserves arising on actuarial losses on pension scheme	171	11,134
	<hr/>	<hr/>
At 31 December	8,328	11,214

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

14. SHARE CAPITAL

	<i>Authorised, allotted, called up & fully paid</i>			
	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>No</i>	<i>£'000</i>	<i>No</i>	<i>£'000</i>
Ordinary shares of £1 each	-	-	-	-

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

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2009	-	17,500	(14,231)	3,269
Profit for the year	-	-	15,196	15,196
Actuarial losses on pension liability	-	-	(39,766)	(39,766)
Deferred tax related to the actuarial losses	-	-	11,134	11,134
At 31 December 2009	-	17,500	(27,667)	(10,167)
At 1 January 2010	-	17,500	(27,667)	(10,167)
Profit for the year	-	-	17,566	17,566
Actuarial losses on pension liability	-	-	(610)	(610)
Deferred tax related to the actuarial losses	-	-	171	171
At 31 December 2010	-	17,500	(10,540)	6,960

16. NOTES TO THE STATEMENT OF CASH FLOWS

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

	<i>2010</i>	<i>2009</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	28,524	25,055
Depreciation of tangible fixed assets	17,580	25,518
Decrease/(increase) in operating debtors	8,547	(33,827)
Increase in operating creditors	15,529	13,355
Exceptional restructuring costs	(2,122)	(2,513)
Dilapidations provision costs	172	-
	68,230	27,588

B) Analysis of changes in net funds

	<i>At 1 January 2010</i>	<i>Cash flow</i>	<i>At 31 December 2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank in hand	25,496	59,454	84,950
	25,496	59,454	84,950

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

16. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

C) Cash flows relating to non-operating exceptional items

A cash flow of £2,122,000 (2009 £2,513,000) is included for the restructuring costs relating to the non-operating exceptional items detailed in note 13

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 Payment Services Limited, a wholly owned subsidiary company of Unisys Limited, and with Tumultus Limited, companies owned and controlled by directors of the company

Transactions entered into, and trading balances outstanding at 31 December 2010, 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				
2010	28,470	-	1,105	-
2009	33,159	-	1,017	-
HSBC Bank plc				
2010	29,580	81	1,796	-
2009	36,371	-	8,462	-
Lloyds TSB Bank plc				
2010	19,277	-	606	-
2009	24,562	-	108	-
Unisys Limited				
2010	-	4,555	-	917
2009	-	13,204	-	8,140
Unisys Payment Services Limited				
2010	30,518	-	648	-
2009	30,634	-	389	-
Tumultus Limited				
2010	-	104	-	-
2009	-	120	-	-
Turrill Consultancy Services Limited				
2010	-	-	-	-
2009	-	84	-	-

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

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". The UPSL scheme closed to future service accrual at 31 March 2011. Members were offered the opportunity to join the Unisys Defined Contribution Plan. In accordance with accounting standard FRS 17 the company will record a pension curtailment gain of approximately £3.9 million before tax in its 2011 profit and loss account.

	2010 £'000	2009 £'000
<i>Reconciliation of funded status to balance sheet</i>		
Fair value of scheme assets	214,616	176,704
Present value of funded obligations	(239,725)	(214,625)
Deficit for UPSL section of the UPSL Scheme	(25,109)	(37,921)
Related deferred tax asset	6,778	10,617
Net pension liability	(18,331)	(27,304)

	2010 £'000	2009 £'000
<i>Changes to the fair value of scheme assets during the year</i>		
Opening fair value of scheme assets at 1 January	176,704	146,243
Expected return on scheme assets	11,609	9,795
Actuarial gains on scheme assets	12,626	15,442
Contributions by the employer	17,235	8,085
Contributions by scheme members	674	734
Net benefits paid from scheme	(4,424)	(3,817)
Age related payments received	192	222
Closing fair value of scheme assets at 31 December	214,616	176,704

	2010 £'000	2009 £'000
<i>Changes to the present value of the defined benefit obligation during the year</i>		
Opening defined benefit obligation at 1 January	214,625	150,716
Current service cost	3,089	1,787
Interest cost	12,333	9,775
Contributions by scheme members	674	734
Actuarial gains on scheme liabilities	13,236	55,208
Net benefits paid from scheme	(4,424)	(3,817)
Age related payments received	192	222
Closing defined benefit obligation at 31 December	239,725	214,625

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

19. PENSION COMMITMENTS (continued)

	2010 £'000	2009 £'000
<i>Analysis of profit and loss charge</i>		
Current service cost	3,089	1,787
Interest cost	12,333	9,775
Expected return on scheme assets	(11,609)	(9,795)
Expense recognised in profit and loss	3,813	1,767
	2010 £'000	2009 £'000
<i>Analysis of net return on pension scheme</i>		
Expected return on pension scheme assets	11,609	9,795
Interest on pension liabilities	(12,333)	(9,775)
Net return	(724)	20
	2010 £'000	2009 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on assets	12,626	15,442
Changes in assumptions	(13,236)	(55,208)
Actuarial loss recognised in STRGL	(610)	(39,766)

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

	2010	2009	2008	2007	2006
Equities	6.70%	7.00%	7.20%	7.00%	7.00%
Bonds	4.50%	4.75%	5.20%	5.80%	5.10%
Cash	0.50%	0.50%	2.00%	5.50%	5.00%

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

19. PENSION COMMITMENTS (continued)

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

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Equities	152,581	126,547	101,611	118,242	117,828
Bonds	61,829	49,998	44,592	52,228	42,203
Cash	206	159	40	150	365
Total fair value of assets of iPSL section	214,616	176,704	146,243	170,620	160,396

In order to determine the long-term rate of return on pension assets, the company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

As noted above, some employees are members of the UPSL scheme. A full actuarial valuation was carried out at 31 March 2008 and updated to 31 December 2010 by a qualified independent actuary. The main assumptions used by the actuary for FRS 17 purposes were:

	2010	2009	2008	2007	2006
Rate of increase in salaries	3.45%	3.50%	3.00%	3.50%	3.25%
Rate of increase in deferred pensions	2.80%	3.35%	2.70%	3.20%	2.90%
Rate of increase in pensions in payment	3.30%	3.35%	2.70%	3.20%	2.90%
Discount rate	5.40%	5.70%	6.45%	5.80%	5.10%
Inflation assumption	3.30%	3.35%	2.70%	3.20%	2.90%

	2010	2009
<i>Weighted average life expectancy for mortality tables used to determine benefit obligations</i>		
Member age 65 (current life expectancy)	21.3	20.3
Member age 45 (life expectancy at age 65)	22.3	21.3

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

19. PENSION COMMITMENTS (continued)

The FRS 17 actuarial valuation at 31 December 2010 showed an decrease in the deficit from £37,921,000 to £25,109,000 (2009 increase in deficit from £4,473,000 to £37,921,000). There were no improvements in benefits during 2010. Company contributions were £17,235,000 (2009 £8,085,000) and the agreed company contributions for 2011 are £14,092,000.

	2010	2009	2008	2007	2006
<i>History of asset values, defined benefit obligations and experience gains and losses</i>					
Fair value of scheme assets (£'000)	214,616	176,704	146,243	170,620	160,396
Defined benefit obligation (£'000)	(239,725)	(214,625)	(150,716)	(178,095)	(188,993)
Deficit in scheme	(25,109)	(37,921)	(4,473)	(7,475)	(28,597)
Difference between expected and actual Return on scheme assets (£'000)	12,626	15,442	(38,207)	(1,466)	3,289
- percentage of scheme assets	6%	9%	-26%	-1%	2%
Experience gains/ (losses) on scheme liabilities (£'000)	-	-	(2,062)	2,837	16,062
- percentage of scheme liabilities	0%	0%	-1%	2%	8%

20. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2009 £nil)

21. OTHER FINANCIAL COMMITMENTS

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

	Leasehold		Equipment	
	<i>Land & Buildings</i>			
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	172	-	3	12
In two to five years	705	1,149	57	61
In over five years	1,470	1,950	-	-
	2,347	3,099	60	73

During the year, the company has extended certain of its land and buildings operating leases such that they now expire after more than 5 years

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

22. ULTIMATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The parent undertaking for the 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, Hertford Place, Denham Way, Maple Cross, Rickmansworth, Hertfordshire, WD3 9AB.

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

The immediate parent company is Unisys Limited.

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 31 December 2010 (2009 nil). The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2010 is £nil (2009 £nil).

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

	2010 No	2010 WAEP	2009 No	2009 WAEP
Outstanding at the beginning of the year	2,654	95.9	3,599	113.3
Transfers during the year	-	n/a	-	n/a
Exercised during the year	-	n/a	-	n/a
Expired during the year	(904)	128.04	(945)	130.7
Outstanding at the end of the year	<u>1,750</u>	<u>88.33</u>	<u>2,654</u>	<u>95.9</u>

For the share options outstanding as at 31 December 2010, the weighted average remaining contractual life is 1.12 years (2009 2.16 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.

	2010	2009
Weighted average share price at grant date (£)	46.9	52.6
Expected volatility	72.20%	58.28%
Option life	10 years	10 years
Risk-free interest rate	1.74%	1.57%

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2010

23. SHARE BASED PAYMENT PLANS (continued)

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	2010 Number	2009 Number
£73.3 - £33.2	13/02/2003 – 09/05/2005	550	300
£86.5 - £73.4	14/02/2002 – 11/02/2004	-	1,372
£112.6 - £86.6	22/04/1998 – 15/02/2001	-	632
£257.6 - £112.7	22/04/1999 – 17/02/2000	1,200	350