

# Intelligent Processing Solutions Limited

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Registered No 04007855

Report and Financial Statements

31 December 2012



# Intelligent Processing Solutions Limited

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## DIRECTORS' REPORT

The directors present their report and the audited financial statement for the year ended 31 December 2012

### RESULTS AND DIVIDENDS

The results for the year ended 31 December 2012 amounted to a profit of £8,106,000 (2011 profit of £9,522,000) The directors do not propose any dividends for the year (2011 £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 2012 was £100,346,000, which is an 11% increase over the prior year turnover The increase in turnover is primarily due to the following key drivers Increased revenue from the full year revenue associated with the Lloyds TSB work for cheque returns, stops, cancelling and fraud, alongside new business taken on in 2012

The core business charge declined by 15% as executed under the 2009 Shareholder Agreement due to cheque volume decline The profit before tax for the year ended 31 December 2012 was £10,672,000, which is a 19% decrease over the profit before tax for the year ended 31 December 2011 of £13,230,000 This is primarily as a result of the decrease in the operating profit for the year end 31 December 2012 due to ongoing restructuring charges of £2,458,000 compared to £587,000 spent during year end 31 December 2011 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 2012 the company faced the following principal risks

During 2012 cheque volumes continued to decline at 10%, with this driver the company concentrated on winning as much cheque related work as possible, to ensure the cost per cheque remains as low as possible as well as looking at new markets During the latter part of 2012 the company took on the International Cheque processing volumes from Lloyds TSB, as a result the company is only exposed to low risk from this as the contract signed in 2012 ensures that all of the cost incurred are payable by its customers

Options outside of cheques are being considered

The agreements signed with the company's shareholders in September 2009 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 2012 amounting to £11,540,000 (2011 £19,650,000) 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

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

# Intelligent Processing Solutions Limited

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## DIRECTORS' REPORT

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

During 2012, the company signed significant orders amounting to £16,200,000, revenue which will be recognised during the periods to December 2015. This included the expansion of operations to process International Cheque business for Lloyds TSB

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. Regular reviews in advance of any short-term deposit are conducted to ensure banks' ratings meet the level of risk the company is willing to accept

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 at a reasonable level and orders closed to date in 2012 are in line with expectations

### SHARE CAPITAL AND RESERVES

On 31 December 2012 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

### PAYMENT OF CREDITORS

It is the company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions

### 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 formal agreements in operation with both recognised trade unions and a documented union engagement plan to ensure that at both a collective and individual level employees are fully engaged in the issues and opportunities that the business encounters. To supplement this approach the company has a policy of informing employees of the affairs of the company by Key Business Information newsletters and regular broadcasts

### CHARITABLE AND POLITICAL DONATIONS

Donations made by the company for charitable purposes in the United Kingdom amounted to £8,333 (2011 £19,050). No political contributions were made during the year (2011 £nil)

# Intelligent Processing Solutions Limited

## DIRECTORS' REPORT

### 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)
M Piercy	
R Chapman	(Resigned 5 April 2012)
B Leitch	
N Fraser	
M Godfrey	(Appointed 4 September 2012)
D Grant	(Appointed 21 February 2012)
S Roberts	(Appointed 2 April 2012)
J Coyle	(Resigned 21 February 2012)
P Frost	(Resigned 30 March 2012)

The directors at 31 December 2012 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	(Resigned 13 March 2012)
G Reeves	
M Robinson	(Appointed 13 March 2012)

### 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 s487 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:

15 July 2013.

Registered No 04007855

## Intelligent Processing Solutions Limited

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### 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 judgements 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.

## **Independent auditor 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 2012 set out on pages 8 to 25. 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 auditor's 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2012 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

**Wayne Southwood (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

**Chartered Accountants**

*Wayne Southwood*  
17 July 2013

**KPMG LLP**

*Arlington Business Park*

*Theale*

*Reading*

*RG7 4SD*

*United Kingdom*

# Intelligent Processing Solutions Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>TURNOVER</b>	3	100,346	90,008
Cost of sales		(88,097)	(76,168)
<b>GROSS PROFIT</b>		12,249	13,840
Administrative expenses		(1,971)	(1,599)
<b>OPERATING PROFIT</b>	4	10,278	12,241
Bank interest receivable		332	395
Other finance income/(expense)	18	62	594
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		10,672	13,230
Tax charge on profit on ordinary activities	8	(2,566)	(3,708)
<b>PROFIT RETAINED FOR THE PERIOD</b>		8,106	9,522

All results relate to continuing operations

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2012

		<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		8,106	9,522
Actuarial (losses) recognised in respect of the pension fund	14	(2,785)	(3,277)
Deferred tax related to the actuarial losses recognised	14	435	819
<b>TOTAL RECOGNISED GAINS RELATING TO THE PERIOD</b>		5,756	7,064




# Intelligent Processing Solutions Limited

## BALANCE SHEET at 31 December 2012

	Notes	2012 £'000	2011 £'000
<b>NON CURRENT ASSETS</b>			
Tangible fixed assets	9	28,129	33,455
<b>CURRENT ASSETS</b>			
Debtors	10	19,437	20,877
Cash		68,328	65,194
		<u>87,765</u>	<u>86,071</u>
<b>CREDITORS</b> amounts falling due within one year	11	(93,087)	(95,178)
<b>NET CURRENT LIABILITIES</b>		<u>(5,322)</u>	<u>(9,107)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>22,807</u>	<u>24,348</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	(3,027)	(2,556)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>19,780</u>	<u>21,792</u>
<b>NET PENSION LIABILITY</b>	18	-	(7,768)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>19,780</u>	<u>14,024</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	-	-
Share premium account	14	17,500	17,500
Profit and loss account	14	2,280	(3,476)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	<u>19,780</u>	<u>14,024</u>

Approved by the board



R Hoggarth

Director

Date:

15 July 2013

Registered No 04007855

# Intelligent Processing Solutions Limited

## STATEMENT OF CASH FLOWS for the year ended 31 December 2012

	<i>Notes</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
<b>NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>15(A)</b>	<b>6,203</b>	<b>(7,098)</b>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
Interest received		332	395
		<u>332</u>	<u>395</u>
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Purchase of tangible fixed assets		(3,401)	(9,131)
		<u>(3,401)</u>	<u>(9,131)</u>
Corporation Tax Payment		-	(3,922)
		<u>-</u>	<u>(3,922)</u>
<b>INCREASE/(DECREASE) IN CASH</b>		<b>3,134</b>	<b>(19,756)</b>
		<u>3,134</u>	<u>(19,756)</u>

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

	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Increase/ (decrease) in cash	3,134	(19,756)
<b>MOVEMENT IN NET FUNDS</b>	<b>3,134</b>	<b>(19,756)</b>
<b>NET FUNDS AT 1 JANUARY</b>	<b>65,194</b>	<b>84,950</b>
<b>NET FUNDS AT 31 DECEMBER</b>	<b>15(B) 68,328</b>	<b>65,194</b>
	<u>68,328</u>	<u>65,194</u>

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2012

**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

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

### 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 2012

### 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

	2012	2011
	£'000	£'000
United Kingdom	100,346	90,008

Turnover includes sales to Unisys Payment Services Limited, a wholly owned subsidiary company of Unisys Limited, of £21,993,000 (2011 £23,123,000)

### 4. OPERATING PROFIT

This is stated after charging

	2012	2011
	£'000	£'000
Operating lease rentals - land and buildings	2,631	2,200
Operating lease rentals – equipment	149	179
Depreciation of owned fixed assets	8,746	8,486
Restructuring costs	2,458	587
Auditor's remuneration – audit services	40	40
Auditor's remuneration – non-audit services	335	240

### 5. RESTRUCTURING COSTS

Restructuring costs are detailed in note 4. These restructuring costs relate to redundancies in conjunction with its current outsourcing contracts with Barclays Bank plc, Lloyds TSB Bank plc, HSBC Bank plc and Unisys Payment Services

In the year ended 31 December 2012 the company charged £451,000 (2011 charge of £218,000) of restructuring costs in the profit and loss account relating to administrative expenses and £2,007,000 (2011 charge of £369,000) of restructuring costs in the profit and loss account relating to cost of sales

In the year ended 31 December 2011 the total restructuring costs of £587,000 were considered to be exceptional and disclosed below operating profit as a separate line item. The 2011 comparative has been restated in these financial statements to align with the current period presentation

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

### 6. DIRECTORS' REMUNERATION

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 2012 and 31 December 2011.

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 2012 and 31 December 2011.

Some directors are remunerated by related parties as disclosed in Note 17.

### 7. STAFF COSTS

	2012 £'000	2011 £'000
Wages and salaries	40,487	39,947
Restructuring costs	2,458	587
Social security	3,681	3,745
Pension costs	4,739	3,624
	<u>51,365</u>	<u>47,903</u>
<i>The average number of employees during the year was</i>		
	2012 No	2011 No
Operations	1,800	1,599
Administration	87	85
	<u>1,887</u>	<u>1,684</u>

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
<i>Current tax</i>		
UK corporation tax (credit) on profit for the year	-	(1,388)
Adjustments in respect of prior years	52	(385)
	<u>52</u>	<u>(1,773)</u>
<i>Deferred tax</i>		
Originating and reversing timing differences	2,732	5,153
Adjustments in respect of prior years	(218)	328
	<u>2,566</u>	<u>3,708</u>

#### *Factors affecting the tax charge for the year.*

The tax assessed on the profit on ordinary activities for both 2012 and 2011 is higher than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	10,672	13,230
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	<u>2,615</u>	<u>3,506</u>
Effect of:		
Disallowed expenses and non-taxable income	203	15
Depreciation in excess of capital allowances	193	(110)
Reduction of pension liability	(3,220)	(4,778)
Other timing differences	53	53
Tax losses	156	(74)
Current tax credit for the year	<u>-</u>	<u>(1,388)</u>

The tax credit in the profit and loss account relating to restructuring costs is £602,210 (2011: £156,000).

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 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 2012	7,926	182,063	189,989
Additions	538	2,984	3,522
Disposals	-	(10,620)	(10,620)
At 31 December 2012	8,464	174,427	182,891
<i>Depreciation</i>			
At 1 January 2012	5,292	151,242	156,534
Charge for the year	749	7,997	8,746
Disposals	-	(10,518)	(10,518)
At 31 December 2012	6,041	148,721	154,762
<i>Net book value</i>			
At 31 December 2012	2,423	25,706	28,129
At 31 December 2011	2,634	30,821	33,455

Included within Fixtures, fittings, tools and equipment above is an amount of £1,352,000 (2011 £1,907,000) 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.



# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 10. DEBTORS

	2012 £'000	2011 £'000
Trade debtors	3,961	2,833
Amounts owed by group undertakings	700	998
Other debtors	5,468	8,652
Prepayments	6,693	6,628
Corporation tax	1,028	689
Deferred tax (note 12)	1,587	1,077
	<u>19,437</u>	<u>20,877</u>

Within Other debtors is an amount due after more than one year of £5,468,000 (2011 £8,652,000) 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

	2012 £'000	2011 £'000
Trade creditors	2,899	1,786
Amounts owed to group undertakings	258	539
Other taxes and social security costs	1,788	1,492
Accruals and deferred income	88,142	91,361
	<u>93,087</u>	<u>95,178</u>

### 12. 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 2012 of £904,000 is expected to be utilised prior to 30 September 2013.

#### *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.

	<i>Redundancy Provision £'000</i>	<i>Dilapidations Provision £'000</i>	<i>Total £'000</i>
At 1 January 2012	648	1,908	2,556
Arising during the year	2,458	215	2,673
Utilised during the year	(2,202)	-	(2,202)
At 31 December 2012	<u>904</u>	<u>2,123</u>	<u>3,027</u>

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

### 12. 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>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	948	983	-	-
Pension deficit	-	2,589	-	-
Dilapidations provision	488	94	-	-
Losses	151	-	-	-
Total deferred tax asset	1,587	3,666	-	-
Amount offset against net pension asset (note 18)	-	(2,589)	-	-
Deferred tax asset	1,587	1,077	-	-

The deferred tax asset is treated as recoverable as, in the Directors' opinion, there will be suitable taxable profits within the group from which the future reversal of the underlying timing differences can be deducted

On 20<sup>th</sup> March 2013 it was announced that the UK corporation tax rate will reduce to 21% with effect from 1<sup>st</sup> April 2014 and to 20% with effect from 1<sup>st</sup> April 2015. This will reduce the company's future current tax charge accordingly. If the rate change to 20% 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 £206,000.

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

	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January	3,666	8,328
Transfer to profit and loss account tax charge for the year	(2,514)	(5,481)
Transfer to reserves arising on actuarial losses on pension scheme	435	819
At 31 December	1,587	3,666

### 13. SHARE CAPITAL

	<i>Allotted, called up and fully paid</i>	
	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>
200 Ordinary shares of £1 each	-	-

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

### 14. RECONCILIATION OF SHAREHOLDERS' FUNDS/ (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 2011	-	17,500	(10,540)	6,960
Profit for the year	-	-	9,522	9,522
Actuarial losses on pension liability	-	-	(3,277)	(3,277)
Deferred tax related to the actuarial losses	-	-	819	819
At 31 December 2011	-	17,500	(3,476)	14,024
At 1 January 2012	-	17,500	(3,476)	14,024
Profit for the year	-	-	8,106	8,106
Actuarial losses on pension liability	-	-	(2,785)	(2,785)
Deferred tax related to the actuarial losses	-	-	435	435
At 31 December 2012	-	17,500	2,280	19,780

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

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

	<i>2012 £'000</i>	<i>2011 £'000</i>
Operating profit	10,278	12,241
Depreciation of tangible fixed assets	8,727	8,464
(Increase) / decrease in operating debtors	(1,110)	13,607
Increase in operating creditors	(11,907)	(37,889)
Dilapidations provision costs	215	201
Curtailed gain on IPSL Section closure	-	(3,722)
	6,203	(7,098)

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

	<i>At 1 January 2012 £'000</i>	<i>Cash flow £'000</i>	<i>At 31 December 2012 £'000</i>
Cash at bank in hand	65,194	3,134	68,328
	65,194	3,134	68,328

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

### 16. TRANSACTIONS WITH DIRECTORS

Except for the disclosure in Note 17, no director had any interest in any transaction carried out by the company during either period

### 17. 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 2012, 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				
2012	25,118	-	1,554	-
2011	23,980	-	1,728	-
HSBC Bank plc				
2012	22,890	-	1,028	-
2011	23,149	81	56	-
Lloyds TSB Bank plc				
2012	30,345	-	1,181	-
2011	19,510	-	1,045	-
Unisys Limited				
2012	-	3,268	-	258
2011	-	6,789	-	539
Unisys Payment Services Limited				
2012	21,993	-	700	-
2011	23,123	-	607	-
Tumultus Limited				
2012	-	114	-	-
2011	-	96	-	-

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 18. 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.

	2012 £'000	2011 £'000
<i>Reconciliation of funded status to balance sheet</i>		
Fair value of scheme assets	261,187	229,002
Present value of funded obligations	(259,629)	(239,359)
Surplus/ (deficit) for iPSL section of the UPSL Scheme	1,558	(10,357)
Effect of asset Limit	(1,558)	-
Related deferred tax asset	-	2,589
Net pension liability	-	(7,768)

	2012 £'000	2011 £'000
<i>Changes to the fair value of scheme assets during the year</i>		
Opening fair value of scheme assets at 1 January	229,002	214,616
Expected return on scheme assets	11,176	13,561
Actuarial gains/(losses) on scheme assets	13,710	(8,999)
Contributions by the employer	13,080	14,444
Contributions by scheme members	-	217
Net benefits paid from scheme	(5,784)	(5,015)
Age related payments received	3	178
Closing fair value of scheme assets at 31 December	261,187	229,002

	2012 £'000	2011 £'000
<i>Changes to the present value of the defined benefit obligation during the year</i>		
Opening defined benefit obligation at 1 January	239,359	239,725
Current service cost	-	731
Interest cost	11,114	12,967
Contributions by scheme members	-	217
Actuarial losses/(gains) on scheme liabilities	14,937	(5,722)
Net benefits paid from scheme	(5,784)	(5,015)
Age related payments received	3	178
Plan curtailments	-	(3,722)
Closing defined benefit obligation at 31 December	259,629	239,359

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 18. PENSION COMMITMENTS (continued)

	2012 £'000	2011 £'000
<i>Analysis of profit and loss charge</i>		
Current service cost	-	731
Interest cost	11,114	12,967
Expected return on scheme assets	(11,176)	(13,561)
(Income)/ Expense recognised in profit and loss	(62)	137
	<u>          </u>	<u>          </u>
	2012 £'000	2011 £'000
<i>Analysis of net return on pension scheme</i>		
Expected return on pension scheme assets	11,176	13,561
Interest on pension liabilities	(11,114)	(12,967)
Net return	62	594
	<u>          </u>	<u>          </u>
	2012 £'000	2011 £'000
<i>Analysis of amount recognised in statement of total recognised gains and losses</i>		
Actual return less expected return on assets	13,710	(8,999)
Changes in assumptions	(14,937)	5,722
Actuarial loss recognised in STRGL	(1,227)	(3,277)
Effect of asset limit	(1,558)	-
Total Pension cost recognized in STRGL	(2,785)	(3,277)
	<u>          </u>	<u>          </u>

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

	2012	2011	2010	2009	2008
Equities	5.25%	5.30%	6.70%	7.00%	7.20%
Bonds	3.45%	4.04%	4.50%	4.75%	5.20%
Cash	0.50%	0.50%	0.50%	0.50%	2.00%

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 18. 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

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Equities	169,158	138,844	152,581	126,547	101,611
Bonds	91,929	90,005	61,829	49,998	44,592
Cash	100	153	206	159	40
Total fair value of assets of iPSL section	261,187	229,002	214,616	176,704	146,243

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 2011 and updated to 31 December 2011 by a qualified independent actuary. The main assumptions used by the actuary for FRS 17 purposes were:

	2012	2011	2010	2009	2008
Rate of increase in salaries	2.51%	3.00%	3.45%	3.50%	3.00%
Rate of increase in deferred pensions	2.20%	2.30%	2.80%	3.35%	2.70%
Rate of increase in pensions in payment	2.90%	3.00%	3.30%	3.35%	2.70%
Discount rate	4.30%	4.70%	5.40%	5.70%	6.45%
Inflation assumption	2.90%	3.00%	3.30%	3.35%	2.70%

	2012	2011
<i>Weighted average life expectancy for mortality tables used to determine benefit obligations</i>		
Member age 65 (current life expectancy)	22.5	21.9
Member age 45 (life expectancy at age 65)	24.3	22.9

The FRS 17 actuarial valuation at 31 December 2012 showed a decrease in the deficit from £10,357,000 to £nil (2011 decrease in the deficit from £25,109,000 to £10,357,000). There were no improvements in benefits during 2012. Company contributions were £13,080,000 (2011: £14,444,000) and the agreed company contributions for 2013 are £13,080,000.

# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2012

### 18. PENSION COMMITMENTS (continued)

	2012	2011	2010	2009	2008
<i>History of asset values, defined benefit obligations and experience gains and losses</i>					
Fair value of scheme assets (£'000)	261,187	229,002	214,616	176,704	146,243
Defined benefit obligation (£'000)	(259,629)	(239,359)	(239,725)	(214,625)	(150,716)
Surplus/ (deficit) in scheme	1,558	(10,357)	(25,109)	(37,921)	(4,473)
Difference between expected and actual Return on scheme assets (£'000)	13,710	(8,999)	12,626	15,442	(38,207)
- percentage of scheme assets	-5%	4%	6%	9%	-26%
Experience gains/ (losses) on scheme liabilities (£'000)	-	16,351	-	-	(2,062)
- percentage of scheme liabilities	0%	-7%	0%	0%	-1%

### 19. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2011 £nil)

### 20. 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 &amp; Buildings</i>			
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	-	-	-
In two to five years	2,567	2,567	72	57
In over five years	-	-	-	-
	2,567	2,567	72	57

### 21. 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.



# Intelligent Processing Solutions Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2012

### 22. 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 2012 (2011 nil). The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2012 is £nil (2011 £nil).

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

	2012 No	2012 WAEP	2011 No	2011 WAEP
Outstanding at the beginning of the year	1,250	75.53	1,750	88.33
Transfers during the year	-	n/a	-	n/a
Exercised during the year	-	n/a	-	n/a
Expired during the year	(900)	75.62	(500)	119.12
Outstanding at the end of the year	350	68.24	1,250	75.53

For the share options outstanding as at 31 December 2012, the weighted average remaining contractual life is 0.54 years (2011 0.52 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:

	2012	2011
Weighted average share price at grant date (£)	31.6	38.9
Expected volatility	72.20%	71.31%
Option life	10 years	10 years
Risk-free interest rate	1.74%	1.71%

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	2012 Number	2011 Number
£91.9 - £52.6	13/02/2003 – 09/05/2005	350	350
£119.6 - £77.9	22/04/1999 – 14/02/2002	-	900