

Intelligent Processing Solutions Limited

Registered No. 04007855

Report and Financial Statements

31 December 2013

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COMPANIES HOUSE

Intelligent Processing Solutions Limited

STRATEGIC REPORT

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 2013 was £102,938,000, which is a 2.6% increase over the prior year. The increase in turnover is primarily due to increased revenue from new change request work agreed with iPSL's primary customers amounting to just over £5m which has been partially offset by Business as Usual tariff declines of £2.4m.

Business As Usual tariffs declined by 3.3% as determined by the 2009 Shareholder Agreement due to cheque volume decline. The profit before tax for the year ended 31 December 2013 was £10,726,000, which is a 0.5% increase over the profit before tax for the year ended 31 December 2012 of £10,672,000. 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 2013 the company continued to face the following principal risks.

Cheque volumes continued to decline and in 2013 the rate of decline was 11%. The company continued to concentrate on winning further cheque related work to ensure the cost per cheque remains as low as possible for as long as possible.

The Directors continue to evaluate new market opportunities outside of cheque related work but recognise that the company's primary role is to provide its clients with efficient and effective clearing strategies.

The company has had significant involvement in consultations both with its clients and with HM Treasury following the issuance of papers to review the processing of cheques in the future. These exciting developments remain a key focus as all options are considered. The company is in discussion with its clients on such matters, acknowledging that significant investment maybe required in meeting such requirements. Any such funding would be mutually agreed between the company and its clients and under the current contractual agreements the clients would provide such investment.

The current services agreements with clients are due to expire on 31st December 2015. There have been ongoing and extensive discussions with all iPSL's clients to review options to extend such agreements for periods up to 5 years. Although such extensions have not yet been signed, discussions are at an advanced stage and the Directors believe that agreements to extend the services of iPSL beyond 2015 will be signed during 2014.

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 2013 amounting to £6,568,000 (2012: £11,540,000). 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 updated 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 were mitigated or reduced significantly.

Intelligent Processing Solutions Limited

STRATEGIC REPORT (CONTINUED)

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 2013, the company signed significant orders amounting to £15,144,000, revenue which will be recognised during the periods to December 2015.

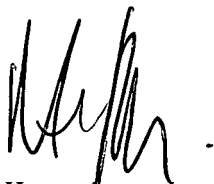
The company is exposed to counter party risk as cash balances are invested in short-term deposits and fixed interest overnight deposits with reputable UK banks. Regular reviews in advance of any short-term deposit are conducted to ensure banks' ratings meet the level of risk the company is willing to 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 2014 are in line with expectations.

On behalf of the Board



R Hoggarth
Director

Date:

Registered No. 04007855



Intelligent Processing Solutions Limited

DIRECTORS' REPORT

The directors submit their report and audited financial statements for the year ended 31 December 2013.

DIVIDENDS

The directors do not propose any dividends for the year (2012: £nil).

FIXED ASSETS

The details of the fixed assets movement are shown in note 9.

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	
B Leitch	(Resigned 29 th April 2014)
N Fraser	
M Godfrey	
D Grant	
S Roberts	
S Yarham	(Appointed 29 th April 2014)

The directors at 31 December 2013 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

G Reeves
M Robinson

DISCLOSURE OF INFORMATION TO THE AUDITOR

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:

Registered No. 04007855

Intelligent Processing Solutions Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND DIRECTORS' REPORT

The directors are responsible for preparing the Strategic Report and 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.



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 2013 set out on pages 8 to 24. 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.

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 2013 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Intelligent Processing Solutions Limited (continued)

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Simon Baxter (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Date 18 July 2014

Intelligent Processing Solutions Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
TURNOVER	3	102,938	100,346
Cost of sales		(90,793)	(88,097)
GROSS PROFIT		<u>12,145</u>	<u>12,249</u>
Administrative expenses		(1,792)	(1,971)
OPERATING PROFIT	4	<u>10,353</u>	<u>10,278</u>
Bank interest receivable		373	332
Other finance income	18	-	62
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>10,726</u>	<u>10,672</u>
Tax charge on profit on ordinary activities	8	(2,766)	(2,566)
PROFIT FOR THE YEAR		<u><u>7,960</u></u>	<u><u>8,106</u></u>

All results relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2013

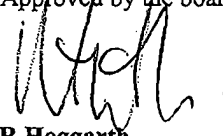
		<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
PROFIT FOR THE YEAR		7,960	8,106
Actuarial (losses) recognised in respect of the pension fund	14	(13,080)	(2,785)
Deferred tax related to the actuarial losses recognised	14	3,041	435
TOTAL RECOGNISED (LOSSES)/ GAINS RELATING TO THE PERIOD		<u><u>(2,079)</u></u>	<u><u>5,756</u></u>

Intelligent Processing Solutions Limited

BALANCE SHEET As at 31 December 2013

	Notes	2013 £'000	2012 £'000
NON CURRENT ASSETS			
Tangible fixed assets	9	22,419	28,129
CURRENT ASSETS			
Debtors	10	14,823	19,437
Cash		64,072	68,328
		<u>78,895</u>	<u>87,765</u>
CREDITORS: amounts falling due within one year	11	(80,513)	(93,087)
NET CURRENT LIABILITIES		<u>(1,618)</u>	<u>(5,322)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,801</u>	<u>22,807</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	(3,100)	(3,027)
NET ASSETS		<u>17,701</u>	<u>19,780</u>
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Share premium account	14	17,500	17,500
Profit and loss account	14	201	2,280
SHAREHOLDERS' FUNDS	14	<u>17,701</u>	<u>19,780</u>

Approved by the board 14 May 2014



R Hoggarth

Director

Date:

Registered No. 04007855

Intelligent Processing Solutions Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
NET CASH (OUTFLOW)/INFLOW/ FROM OPERATING ACTIVITIES	15(A)	(1,708)	6,203
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		373	332
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(4,276)	(3,401)
Corporation Tax		1,355	-
(DECREASE)/INCREASE IN CASH		<u>(4,256)</u>	<u>3,134</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
(DECREASE)/INCREASE IN CASH	(4,256)	3,134
MOVEMENT IN NET FUNDS	<u>(4,256)</u>	<u>3,134</u>
NET FUNDS AT 1 JANUARY	68,328	65,194
NET FUNDS AT 31 DECEMBER	15(B) <u>64,072</u>	<u>68,328</u>

NOTES TO THE FINANCIAL STATEMENTS at 31 December 2013

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 Strategic Report on pages 2 to 3.

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 Parent company issued 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 as it is insignificant.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2013

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2013

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:

	2013	2012
	£'000	£'000
United Kingdom	102,938	100,346

Turnover includes sales to Unisys Payment Services Limited, a wholly owned subsidiary company of Unisys Limited, of £23,832,000 (2012: £21,036,000).

4. OPERATING PROFIT

This is stated after charging:

	2013	2012
	£'000	£'000
Operating lease rentals - land and buildings	2,644	2,631
Operating lease rentals – equipment	88	149
Depreciation of owned fixed assets	9,986	8,746
Restructuring costs	1,133	2,458
Auditor's remuneration – audit services	40	40
Auditor's remuneration – non-audit services	318	335

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 Banking Group plc, HSBC Bank plc and Unisys Payment Services.

In the year ended 31 December 2013 the company charged £278,000 (2012: charge of £451,000) of restructuring costs in the profit and loss account relating to administrative expenses and £855,000 (2012: charge of £2,007,000) of restructuring costs in the profit and loss account relating to cost of sales.

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.

Three 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

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

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 2013 and 31 December 2012.

Four directors are not members of other companies within the Unisys Corporation group of companies. For three of these directors, their 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 2013 and 31 December 2012. The other Director is the Chairman who also served as an Executive Director from February 2013 and was remunerated. This is included under related parties as disclosed in Note 17.

7. STAFF COSTS

	2013 £'000	2012 £'000
Wages and salaries	39,365	40,487
Restructuring costs	1,133	2,458
Social security	3,565	3,681
Pension costs	5,231	4,739
	<u>49,294</u>	<u>51,365</u>

The average number of employees during the year was:

	2013 No.	2012 No.
Operations	1,731	1,800
Administration	88	87
	<u>1,819</u>	<u>1,887</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
<i>Current tax:</i>		
UK corporation tax charge on profit for the year	399	-
Adjustments in respect of prior years	(18)	52
	<u>381</u>	<u>52</u>
<i>Deferred tax:</i>		
Originating and reversing timing differences	2,278	2,732
Adjustments in respect of prior years	107	(218)
	<u>2,766</u>	<u>2,566</u>

Factors affecting the tax charge for the year:

The tax assessed on the profit on ordinary activities for both 2013 and 2012 is higher than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2013

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	10,726	10,672
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012:24.5%)	2,494	2,615
Effect of:		
Disallowed expenses and non-taxable income	60	203
Depreciation in excess of capital allowances	796	193
Reduction of pension liability	(3,041)	(3,220)
Other timing differences	216	53
Tax losses	(126)	156
Current tax charge for the year	399	-

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 2013	8,464	174,427	182,891
Additions	1,309	3,094	4,403
Disposals	(3)	(1,050)	(1,053)
At 31 December 2013	9,770	176,471	186,241
<i>Depreciation:</i>			
At 1 January 2013	6,041	148,721	154,762
Charge for the year	1,011	8,975	9,986
Disposals	-	(926)	(926)
At 31 December 2013	7,052	156,770	163,822
<i>Net book value:</i>			
At 31 December 2013	2,718	19,701	22,419
At 31 December 2012	2,423	25,706	28,129

Included within Fixtures, fittings, tools and equipment above is an amount of £1,335,000 (2012: £1,352,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

10. DEBTORS

	2013 £'000	2012 £'000
Trade debtors	1,301	3,961
Amounts owed by group undertakings	1,151	700
Other debtors	2,714	5,468
Prepayments	7,414	6,693
Corporation tax	-	1,028
Deferred tax (note 12)	2,243	1,587
	<u>14,823</u>	<u>19,437</u>

Within Other debtors is an amount due after more than one year of £2,714,000 (2012: £5,468,000) 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

	2013 £'000	2012 £'000
Trade creditors	3,175	2,899
Amounts owed to group undertakings	530	258
Other taxes and social security costs	2,333	1,788
Corporation tax	709	-
Accruals and deferred income	73,766	88,142
	<u>80,513</u>	<u>93,087</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 Banking Group plc, HSBC Bank plc and Unisys Payment Services Ltd.

The provision at 31 December 2013 of £ 51,000 is expected to be utilised prior to 31 March 2014.

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 2013	904	2,123	3,027
Arising during the year	1,132	926	2,058
Utilised during the year	(1,985)	-	(1,985)
	<u>51</u>	<u>3,049</u>	<u>3,100</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2013

12. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation

The deferred tax assets provided in the financial statements and the amounts not provided are as follows:

	<i>Provided</i>		<i>Unprovided</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Capital allowances in advance of depreciation	1,633	948	-	-
Dilapidations provision	610	488	-	-
Losses	-	151	-	-
Total deferred tax asset	2,243	1,587	-	-

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 20th March 2013 it was announced that the UK corporation tax rate will reduce to 21% with effect from 1st April 2014 and to 20% with effect from 1st April 2015. This will reduce the company's future current tax charge accordingly.

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

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
At 1 January	1,587	3,666
Transfer to profit and loss account tax charge for the year	(2,385)	(2,514)
Transfer to reserves arising on actuarial losses on pension scheme	3,041	435
At 31 December	2,243	1,587

13. SHARE CAPITAL

	<i>Allotted, called up and fully paid</i>	
	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
200 Ordinary shares of £1 each	-	-

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

14. 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 shareholder fund</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
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
At 1 January 2013	-	17,500	2,280	19,780
Profit for the year	-	-	7,960	7,960
Actuarial losses on pension liability	-	-	(13,080)	(13,080)
Deferred tax related to the actuarial losses	-	-	3,041	3,041
At 31 December 2013	-	17,500	201	17,701

15. NOTES TO THE STATEMENT OF CASH FLOWS

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

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
Operating profit	10,353	10,278
Depreciation of tangible fixed assets	9,988	8,727
Decrease / (Increase) in operating debtors	4,242	(1,110)
(Increase) / Decrease in operating creditors	(13,283)	1,173
Pension Paid	(13,080)	(13,080)
Dilapidations provision costs	73	215
	(1,708)	6,203

B) Analysis of changes in net funds

	<i>At 1 January 2013</i>	<i>Cash flow 2013</i>	<i>At 31 December 2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank in hand	68,328	(4,256)	64,072
	68,328	(4,256)	64,072

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

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 Banking Group 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, a company owned and controlled by a director of the company.

Transactions entered into, and trading balances outstanding at 31 December 2013, 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:				
2013	24,411	-	320	-
2012	25,118	-	1,554	-
HSBC Bank plc:				
2013	22,676	-	193	-
2012	22,890	-	1,028	-
Lloyds Banking Group plc:				
2013	32,019	-	1,305	-
2012	30,405	-	1,181	-
Unisys Limited:				
2013	-	1,996	-	530
2012	-	3,268	-	258
Unisys Payment Services Limited:				
2013	23,832	-	1,151	-
2012	21,993	-	700	-
Tumultus Limited:				
2013	-	332	-	-
2012	-	114	-	-

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.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

18. PENSION COMMITMENTS (continued)

	2013 £'000	2012 £'000
<i>Reconciliation of funded status to balance sheet:</i>		
Fair value of scheme assets	304,076	261,187
Present value of funded obligations	(265,024)	(259,629)
Surplus for iPSL section of the UPSL Scheme	39,052	1,558
Effect of asset limit	(39,052)	(1,558)
Net pension liability	-	-

	2013 £'000	2012 £'000
<i>Changes to the fair value of scheme assets during the year:</i>		
Opening fair value of scheme assets at 1 January	261,187	229,002
Expected return on scheme assets	11,021	11,176
Actuarial gains on scheme assets	25,442	13,710
Contributions by the employer	13,080	13,080
Net benefits paid from scheme	(6,659)	(5,784)
Age related payments received	5	3
Closing fair value of scheme assets at 31 December	304,076	261,187

	2013 £'000	2012 £'000
<i>Changes to the present value of the defined benefit obligation during the year:</i>		
Opening defined benefit obligation at 1 January	259,629	239,359
Interest cost	11,021	11,114
Actuarial losses on scheme liabilities	1,028	14,937
Net benefits paid from scheme	(6,659)	(5,784)
Age related payments received	5	3
Closing defined benefit obligation at 31 December	265,024	259,629

	2013 £'000	2012 £'000
<i>Analysis of profit and loss charge:</i>		
Interest cost	11,021	11,114
Expected return on scheme assets	(11,021)	(11,176)
(Income) recognised in profit and loss	-	(62)

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2013

	2013	2012
	£'000	£'000
18. PENSION COMMITMENTS (continued)		
<i>Analysis of net return on pension scheme:</i>		
Expected return on pension scheme assets	11,021	11,176
Interest on pension liabilities	(11,021)	(11,114)
Net return	-	62
	2013	2012
	£'000	£'000
<i>Analysis of amount recognised in statement of total recognised gains and losses:</i>		
Actual return less expected return on assets	25,442	13,710
Changes in assumptions	(1,028)	(14,937)
Actuarial gain / (loss) recognised in STRGL	24,414	(1,227)
Effect of asset limit	(37,494)	(1,558)
Total Pension cost recognized in STRGL	(13,080)	(2,785)

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:

	2013	2012	2011	2010	2009
Equities	6.10%	5.25%	5.30%	6.70%	7.00%
Bonds	4.27%	3.45%	4.04%	4.50%	4.75%
Cash	0.50%	0.50%	0.50%	0.50%	0.50%

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

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:

	2013 £'000	2012 £'000	2009 £'000	2010 £'000	2009 £'000
Equities	188,996	169,158	138,844	152,581	126,547
Bonds	114,397	91,929	90,005	61,829	49,998
Cash	682	100	153	206	159
Total fair value of assets of iPSL section	304,075	261,187	229,002	214,616	176,704

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:

	2013	2012	2011	2010	2009
Rate of increase in salaries	2.51%	2.51%	3.00%	3.45%	3.50%
Rate of increase in deferred pensions	2.20%	2.20%	2.30%	2.80%	3.35%
Rate of increase in pensions in payment	3.30%	2.90%	3.00%	3.30%	3.35%
Discount rate	4.50%	4.30%	4.70%	5.40%	5.70%
Inflation assumption	3.30%	2.90%	3.00%	3.30%	3.35%

*Weighted average life expectancy for mortality tables
used to determine benefit obligations:*

	2013	2012
Member age 65 (current life expectancy)	23.0	22.5
Member age 45 (life expectancy at age 65)	24.9	24.3

The FRS 17 actuarial valuation at 31 December 2013 showed a no change in deficit from 2012, this was £nil in both years (2012: decrease in the deficit from £10,357,000 to £nil). There were no improvements in benefits during 2013. Company contributions were £13,080,000 (2012: £13,080,000) and the agreed company contributions for 2014 are £13,080,000.

Intelligent Processing Solutions Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2013

18. PENSION COMMITMENTS (continued)

	2013	2012	2011	2010	2009
<i>History of asset values, defined benefit obligations and experience gains and losses:</i>					
Fair value of scheme assets: (£'000)	304,076	261,187	229,002	214,616	176,704
Defined benefit obligation: (£'000)	(265,024)	(259,629)	(239,359)	(239,725)	(214,625)
Surplus/ (deficit) in scheme	39,052	1,558	(10,357)	(25,109)	(37,921)
Difference between expected and actual					
Return on scheme assets: (£'000)	25,442	13,710	(8,999)	12,626	15,442
- percentage of scheme assets	-8%	-5%	4%	6%	9%
Experience gains/ (losses)					
on scheme liabilities: (£'000)	-	-	16,351	-	-
- percentage of scheme liabilities	0%	0%	-7%	0%	0%

19. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2012: £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 & Buildings</i>			
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	705	-	-	-
In two to five years	97	2,567	72	72
	802	2,567	72	72

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2013

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 2013 (2012: nil). The expense recognised for all share-based payments in respect of employee services received during the year to 31 December 2013 is £nil (2012: £nil). No expense has been recognised in the financial statement on the grounds that it is insignificant.

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

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at the beginning of the year	350	68.24	1,250	75.53
Transfers during the year	-	n/a	-	n/a
Exercised during the year	-	n/a	-	n/a
Expired during the year	(200)	51.43	(900)	75.62
Outstanding at the end of the year	150	87.22	350	68.24

For the share options outstanding as at 31 December 2013, the weighted average remaining contractual life is 0.11 years (2012: 0.54 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:

	2013	2012
Weighted average share price at grant date (£)	39.10	31.6
Expected volatility	50.19%	71.29%
Option life	10 years	10 years
Risk-free interest rate	0.54%	0.54%

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	2013 Number	2012 Number
£52.6- £91.9	11/02/2004-09/05/2005	150	350