Registration number: 04007855

Intelligent Processing Solutions Limited

Annual Report and Financial Statements

For the year ended 31 December 2017

Directors

I Graham
C Caldwell
J Clapham
D Grant
J Martin
M Piercy
M Radfar

Company secretary

G Reeves
M Robinson

Chair

I Graham

Registered number

04007855

Registered office

1st Floor
Building 6 Chiswick Park
566 Chiswick High Road
London
W4 5HR

Independent Auditor

KPMG LLP
Statutory Auditor
Arlington Business Park
Theale
Reading
RG7 4SD

Strategic Report
for the Year Ended 31 December 2017

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. A service which is undergoing significant transformation as the UK moves from a paper based clearing operation into a digital clearing operation.

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 2017 was £98,786,000 which is a 6.5% increase over the prior year. The gross profit amounted to £27,962,000 compared with the year ended 31 December 2016 of £12,912,000.

The Directors recognise that the primary reason for the increased profit was due to a significant pension credit of £39,592,000 *(including £40,605,000 one-time credit arising from agreed changes to pension indexation)*, without which the company would have recorded a pre-tax loss of £12,555,000. The loss is the result of the unbilled portion of an accrual for a restructuring provision of £21,276,000 as the company implements an image based clearing system and significantly reduces its headcount in 2018. iPSL contracts ensure that this provision will be fully funded by customers as the restructuring is executed through 2018 mitigating the loss position.

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 2017 the company continued to face the following principal risks.

As in prior years, cheque volumes continued to decline and in 2017 this was at 15% . iPSL remains committed to managing its cost base to ensure that the delivery of service ensures that cost per cheque is as low as possible. iPSL is heavily engaged in delivering new systems to adhere to the requirement for the UK industry to move to an image based clearing model.

The move to image based clearing commenced on the 30 October 2017 with minimal volumes with a planned full migration by December 2018. The company continues to work closely with its clients and Cheque and Credit on this.

The current services agreements were extended on the 22 December 2017 to 31 December 2023.

Strategic Report

for the Year Ended 31 December 2017 (continued)

Principal risks and uncertainties (continued)

The Directors consider the agreement signed in December 2017 with the Shareholders to govern the structure of revenue and charges between 2019 and 2023 will continue to protect the future cash flow of the company and further mitigate principal risks and uncertainties.

The Directors consider that the shareholder agreement signed in December 2017 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. 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.

On behalf of the Board on 28 September 2018

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I Graham
Director
Date:
Registered No. 04007855

Directors' Report
for the Year Ended 31 December 2017

The directors present their report and the audited financial statements for the year ended 31 December 2017.

Directors of the Company
The directors who held office during the year were as follows:

C Caldwell

N Fraser (resigned 25 May 2017)

M Godfrey (resigned 1 February 2017)

D Grant

R Hoggarth - Chair (resigned 2 January 2018)

J Martin (appointed 1 February 2017)

M Piercy

M Radfar (appointed 25 May 2017)

S Roberts (resigned 14 June 2018)

The following directors were appointed after the year end:

I Graham - Chair (appointed 2 January 2018)

J Clapham (appointed 14 June 2018)

The directors at 31 December 2017 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

Dividends
The directors do not propose any dividends for the year (2016: £nil).

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

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.

Directors' Report

for the Year Ended 31 December 2017 (continued)

Auditor

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

Approved by the Board on 28 September 2018 and signed on its behalf by:

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I Graham
Director
Date:
Registered No. 04007855
1st Floor
Building 6 Chiswick Park
566 Chiswick High Road
London
W4 5HR

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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's Report

to the Members of Intelligent Processing Solutions Limited

Opinion

We have audited the financial statements of Intelligent Processing Solutions Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, and Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report

to the Members of Intelligent Processing Solutions Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report

to the Members of Intelligent Processing Solutions Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

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.

....

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

Arlington Business Park
Theale
Reading
RG7 4SD

Date: 28 September 2018

Profit and Loss Account

for the year ended 31 December 2017

	Note	*2017* *£ 000*	*2016* *£ 000*
Turnover	3	98,786	92,724
Cost of sales (including restructuring provision of £22.8m (2016: £3.2m) and pension curtailment gain of £40.6m (2016: nil))		(70,824)	(79,812)
Gross profit	4	**27,962**	**12,912**
Bank interest income		88	168
Net pension (cost)/income	17	(1,013)	401
Profit before tax		**27,037**	**13,481**
Taxation	8	(4,747)	(2,942)
Profit for the year		**22,290**	**10,539**

The above results were derived from continuing operations.

The notes on pages 13 to 29 form an integral part of these financial statements.

Statement of Comprehensive Income

for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Profit for the year		22,290	10,539
Actuarial gains/(losses) recognised in respect of pension fund	17	53,178	(59,922)
Deferred tax related to the actuarial (gains)/losses recognised		(9,041)	7,980
Current tax - defined benefit contributions		-	2,616
		44,137	(49,326)
Total comprehensive income/(loss) for the year		66,427	(38,787)

The notes on pages 13 to 29 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Tangible assets	9	65,694	32,228
Current assets			
Debtors	10	31,154	33,355
Cash at bank and in hand		66,438	50,825
Pension asset	17	60,150	-
		157,742	84,180
Creditors: Amounts falling due within one year	12	(117,741)	(96,034)
Net current assets/(liabilities)		40,001	(11,854)
Creditors: Amounts falling due after more than one year	12	(40,665)	(755)
Provisions for liabilities			
Pension liability	17	-	(42,430)
Other provisions	16	(23,824)	(2,410)
Net assets/(liabilities)		41,206	(25,221)
Capital and reserves			
Called up share capital	13	-	-
Share premium account		17,500	17,500
Profit and loss account		23,706	(42,721)
Total equity		41,206	(25,221)

The financial statements were approved and authorised for issue by the Board on 28 September 2018 and were signed on its behalf by:

I Graham
Director
Registered No: 04007855

The notes on pages 13 to 29 form an integral part of these financial statements.

Statement of Changes in Equity

for the Year Ended 31 December 2017

	Called up share capital £ 000	*Share premium account £ 000*	*Profit and loss account £ 000*	*Total £ 000*
At 1 January 2016	-	17,500	(3,934)	13,566
Profit for the year	-	-	10,539	10,539
Actuarial losses on pension liability	-	-	(59,922)	(59,922)
Deferred tax related to the actuarial losses	-	-	7,980	7,980
Current tax - defined benefit contributions	-	-	2,616	2,616
At 31 December 2016	-	17,500	(42,721)	(25,221)
Profit for the year	-	-	22,290	22,290
Actuarial gains on pension asset	-	-	53,178	53,178
Deferred tax related to the actuarial gains	-	-	(9,041)	(9,041)
At 31 December 2017	-	17,500	23,706	41,206

The notes on pages 13 to 29 form an integral part of these financial statements.

Notes to the Financial Statements
for the Year Ended 31 December 2017

1 Fundamental accounting concept

Fundamental accounting concept - going concern

The company has long term agreements with its customers (who are also shareholders) that result in a full reimbursement of the costs of the business over the life of the agreements. In December 2017, the company and its four main customers extended the existing agreements until 31 December 2023.

The agreements also commit customers to pay in advance for services and related capital expenditure to enable the operations to be funded. The company's customers will also fully fund the costs of the restructuring provision. As the advance payments represent deferred income included as current liabilities of the company this has resulted in net current liabilities, excluding the pension asset of £20,149,000 as at 31 December 2017. However this does not impact the ability of the company to settle liabilities as they fall due.

Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at the least the next 12 months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2017 (continued)

2 Accounting policies

iPSL (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Unisys Corporation, 801 Lakeside Drive, Suite 100, Blue Bell, Pennsylvania, USA, includes the Company in its consolidated financial statements. The consolidated financial statements of Unisys Corporation are available to the public and may be obtained from 1st Floor, Building 6, Chiswick Park, 566 Chiswick High Road, London W4 5HR. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

• Reconciliation of the number of shares outstanding from the beginning to end of the period;
• Cash Flow Statement and related notes; and
• Key Management Personnel compensation.

As the consolidated financial statements of Unisys Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:
• Certain disclosures required by FRS 102.26 Share Based Payments; and,
• The disclosures required by FRS 102.11 Basic Financial Instruments and,
• FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Accounting convention

The financial statements are prepared on a historical cost basis

During the year the parent company made the decision to change the presentation of the profit and loss account so that 100% of all costs are presented as Cost of sales. This is because 100% of the costs of the company are used in the generation of revenue. As a result of this change in policy the comparative period has been changed to reflect this along with the disclosure of staff numbers in note 7.

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

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.

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 1 and 6 years.

The estimated useful economic life of land & buildings are the shorter of the period of purchase to lease expiration or Service contract expiry date.

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.

Leases
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Notes to the Financial Statements

for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Defined benefit pension obligation

The company operates a defined benefit scheme which requires contributions to be made to a separately administered fund. The scheme is now closed but in accordance with FRS 102, 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 net interest charge/credit based on net balance sheet asset/liability is included in other finance income/ charges. The difference between actual and expected returns on assets and the difference arising from changes in assumptions are recognised in other comprehensive income. 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.

When the defined benefit pension scheme is in a surplus position, a pension asset is recognised as the entity has the contractual right to receive surplus assets once outstanding pension obligations have been settled at the end of the plan.

During 2017 iPSL was a participating employer in two defined benefit pension schemes that share risks between entities under common control. Unisys Limited is the sponsoring employer for the plans. Unisys Limited's financial statements include disclosure information. The two Pension schemes are Unisys Pension Scheme (UPS) and Unisys Payment Services Ltd Pension Scheme. During 2017 iPSL ceased to participate in the UPS scheme by paying a "section 75" debt amount, it therefore has no further liability to that scheme.

Defined contribution pension obligation

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

3 Turnover

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:

	2017 *£ 000*	*2016* *£ 000*
United Kingdom	98,786	92,724

Turnover includes sales to Unisys Payment Services Limited, a wholly owned subsidiary company of Unisys Limited, of £21,128,000 (2016: £23,112,000).

4 Gross profit

The gross profit is stated after charging:

		2017 *£ 000*	*2016* *£ 000*
Depreciation expense	9	17,418	5,769
Restructuring costs		22,761	3,225
Operating lease expense - property		2,225	2,335
Operating lease expense - equipment		155	156
Auditor's remuneration - audit services		48	48
Auditor's remuneration - non-audit services		810	699

Non-audit services relate to other assurance services.

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

5 Restructuring costs

These restructuring costs relate to redundancies in conjunction with the current outsourcing contracts with Barclays Bank plc, Lloyds Banking Group plc, HSBC Bank plc and Unisys Payment Services Limited.

In the year ended 31 December 2017 the company charged £22,761,000 (2016: charge of £3,225,000) to provide for the future costs of restructuring as we transition to image clearing.

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.

One of the directors is also director of other companies within the Unisys Corporation group of companies. This directors' service to the company do not occupy a significant amount of their time and as such the director does not consider that they have received any remuneration for their incidental service to the company during the years ended 31 December 2017 and 31 December 2016. Six directors are not members of other companies within the Unisys Corporation group of companies. For five of these directors, their services to the company did 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 2017 and 31 December 2016. The other Director was the chair (resigned 2nd January 2018) who also served as an Executive Director from February 2013 and was remunerated. This is included under related parties as disclosed in Note 15.

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 *£ 000*	*2016* *£ 000*
Wages and salaries	36,412	37,773
Social security costs	3,601	3,813
Pension costs, defined contribution scheme	7,985	4,684
Redundancy costs	22,761	3,225
	70,759	49,495

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

7 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2017 No.	*2016 No.*
Operations	1,525	1,627

8 Taxation

Tax charged in the income statement

	2017 £ 000	*2016 £ 000*
Current taxation		
UK Corporation tax	-	2,616
Deferred taxation		
Arising from origination and reversal of timing differences	5,511	186
Arising from changes in tax rates and laws	(643)	142
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(121)	(2)
Total deferred taxation	4,747	326
Tax expense in the income statement	4,747	2,942

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - higher than) of 19.25% (2016 - 20%).

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

8 Taxation (continued)

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	27,037	13,481
Corporation tax at standard rate of 19.25% (2016: 20%)	5,204	2,696
(Decrease)/increase from effect of different UK tax rates on some earnings	(643)	142
Effect of expense not deductible in determining taxable profit (tax loss)	307	106
Decrease in UK and foreign current tax from adjustment for prior periods	(121)	(2)
Total tax charge	4,747	2,942

Deferred tax

	2017 £000	2016 £000
Capital allowances in advance of depreciation	5,318	2,830
Restructuring	1,162	-
Dilapidations	352	352
Deferred tax on pension liability/(asset)	(10,225)	7,213
Total deferred tax (liability)/asset	(3,393)	10,395

A reduction in the UK corporation tax rate to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax assets and liabilities at 31 December 2016 and 31 December 2017 have been calculated based on this rate.

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

9 Tangible assets

	Land and buildings *£ 000*	*Furniture, fittings and equipment* *£ 000*	*Total* *£ 000*
Cost or valuation			
At 1 January 2017	12,338	214,025	226,363
Additions	507	50,377	50,884
Disposals	(594)	(31,334)	(31,928)
At 31 December 2017	12,251	233,068	245,319
Depreciation			
At 1 January 2017	10,446	183,689	194,135
Charge for the year	1,597	15,821	17,418
Eliminated on disposal	(594)	(31,334)	(31,928)
At 31 December 2017	11,449	168,176	179,625
Net book value			
At 31 December 2017	802	64,892	65,694
At 31 December 2016	1,892	30,336	32,228

Included within the net book value of land and buildings above is £802,062 (2016 - £1,892,108) in respect of long leasehold land and buildings.

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

10 Debtors

	Note	2017 £ 000	2016 £ 000
Trade debtors		17,449	14,401
Amounts owed by group undertakings	15	4,618	3,963
Prepayments		9,087	4,596
Deferred tax assets	8	-	10,395
		31,154	33,355

Amounts owed by group undertakings are unsecured, interest earning and repayable on demand.

11 Cash

Included within cash is £16,643,000 (2016: £9,862,000) of cash which is restricted. This is a result of the clause in the agreements signed with the shareholders in December 2014 which stated that iPSL will hold any surplus funds of its customers on trust and that the funds will only be used for deposit, holding and payment at the clients' discretion.

12 Creditors

	Note	2017 £ 000	2016 £ 000
Due within one year			
Trade creditors		15,076	5,124
Amounts due to group undertakings	15	1,182	829
Social security and other taxes		2,861	1,132
Deferred tax liability		3,393	-
Corporation tax liability		347	347
Accruals and deferred income		94,882	88,602
		117,741	96,034

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

12 Creditors (continued)

	Note	2017 £ 000	2016 £ 000
Due after one year			
Deferred income		39,866	-
Other non-current financial liabilities		799	755
		40,665	755

Amounts owed to group undertakings are unsecured, interest bearing and repayable on demand.

13 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary Shares of £1 each	200	200	200	200

14 Transactions with the directors

Except for the disclosure in note 15, no director had any interest in any transaction carried out by the company during either period.

Notes to the Financial Statements

for the Year Ended 31 December 2017 (continued)

15 Related party transactions

Summary of transactions with parent

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 the chair of the company.

Transactions entered into, and trading balances outstanding at 31 December 2017 are as follows.

	Sales to related party £000	*Purchases from related party £000*	*Amounts owed from related party £ 000*	*Amounts owed to related party £000*
Barclays Bank				
2017	23,211	-	4,078	-
2016	21,533	-	713	-
HSBC Bank plc:				
2017	22,465	-	4,792	-
2016	20,080	-	6,987	-
Lloyds Banking Group plc:				
2017	31,156	-	7,911	-
2016	27,999	-	6,088	-
Unisys Limited				
2017	-	3,105	-	873
2016	-	4,650	63	520
Unisys Payment Services Limited				
2017	21,128	-	4,618	309
2016	23,112	-	3,900	309
Tumultus Limited				
2017	-	510	-	-
2016	-	343	-	-

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

16 Provisions

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 Limited.

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 of the payments, for both provision categories, will be made in 2018.

	Dilapidations provision £ 000	*Redundancy provision £ 000*	*Total £ 000*
At 1 January 2017	2,068	342	2,410
Change to provision estimate during the year	-	22,761	22,761
Amounts utilised during the year	-	(1,347)	(1,347)
At 31 December 2017	2,068	21,756	23,824

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

17 Pension commitments

Defined benefit pension schemes

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 102 "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 December 2017, it was agreed by the trustee of the Unisys Payment Services Limited Pension Scheme and the Company that future pension increases should reference CPI rather than RPI for certain members. This has been treated as a curtailment. There were no other changes in plan provisions in the year.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2017 *£ 000*	*2016* *£ 000*
Fair value of scheme assets	434,136	403,378
Present value of defined benefit obligation	(373,986)	(445,808)
Defined benefit pension scheme surplus/(deficit)	60,150	(42,430)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2017 *£ 000*	*2016* *£ 000*
At 1 January	445,808	347,480
Interest expense	11,833	12,993
Benefits paid	(15,100)	(11,092)
Effects of changes in assumptions	(6,892)	96,427
Effects of experience adjustments	(21,058)	-
Gain in curtailment	(40,605)	-
Present value at end of year	373,986	445,808

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

17 Pension commitments (continued)

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2017 £ 000	2016 £ 000
At 1 January	403,378	351,491
Interest income	10,820	13,394
Gain on plan assets	25,228	36,505
Employer contributions	9,810	13,080
Benefits paid	(15,100)	(11,092)
At 31 December	434,136	403,378

Analysis of assets

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Equities	237,262	256,060
Bonds	196,192	145,981
Cash	682	1,337
	434,136	403,378

	2017 £000	2016 £000
Reconciliation of funded status to balance sheet		
Fair value of plan assets	434,136	403,378
Present value of plan liabilities	(373,986)	(445,808)
Net pension scheme asset/(liability)	60,150	(42,430)

Notes to the Financial Statements

for the Year Ended 31 December 2017 (continued)

17 Pension commitments (continued)

	2017 *£000*	*2016* *£000*
Analysis of profit and loss charge		
Interest cost	(11,833)	(12,993)
Expected return on scheme assets	10,820	13,394
Gain in curtailment	40,605	-
Total	39,592	401

	2017 *£000*	*2016* *£000*
Analysis of actuarial gain/(loss) recognised in other comprehensive income		
Changes in assumptions	6,892	(96,427)
Return on plan assets	25,228	36,505
Effect of experience adjustments	21,058	-
Total pension gain/(loss) recognised in OCI	53,178	(59,922)

Principal actuarial assumptions

A full actuarial valuation was carried out at 31 March 2014 and updated to 31 December 2017 by a qualified independent actuary. The main assumptions used by the actuary for FRS 102 purposes were:

	2017 *%*	*2016* *%*
Discount rate	2.50	2.70
Rate of increase in deferred pensions	2.10	2.20
Rate of increase in pensions in payment	2.15	3.15
Inflation	3.10	3.20

Notes to the Financial Statements
for the Year Ended 31 December 2017 (continued)

17 Pension commitments (continued)

Weighted Average life expectancy for mortality tables used to determine benefit obligations

	2017 Years	*2016 Years*
Member age 65 (current life expectancy)	22.4	23.0
Member age 45 (life expectancy at age 65)	23.8	25.3

There were no improvements in benefits during 2017. Company contributions were £9,810,000 (2016: £13,080,000). There is no company contribution required for 2018 as the scheme was in surplus as at 31 December 2017.

18 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2016 - £Nil).

Other financial commitments

The total amount of other financial commitments not provided in the financial statements was:

	Leasehold land and buildings			*Equipment*
	2017 £000	*2016 £000*	*2017 £000*	*2016 £000*
Within one year	2,338	2,325	155	155
In two to five years	606	2,814	39	194
	2,944	5,139	194	349

19 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, 801 Lakeside Drive, Suite 100, Blue Bell, Pennsylvania, USA 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, 1st Floor, Building 6, Chiswick Park, 566 Chiswick High Road, London, W4 5HR.

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

The immediate parent company is Unisys Limited.