Certegy Card Services Limited

Annual report and financial statements

Registered number 3517639

For the year ended 31 December 2013

Contents

Strategic report

Business review and principal activities

The principal activity of the company during the year continued to be processing of credit card transactions and related services.

Revenue grew from £11.9 million in 2012 to £25.9 million in 2013. The main driver for this substantial growth was the successful winning of a large contract with Sainsbury's bank to provide them with all of their outsourced requirements. Revenue from Sainsbury's at £10.6 million represented 41% of the total company revenues.

With the increased revenues year on year coupled with control exercised over the cost base led to increased operating profits of £4.4 million against a prior year operating loss of £1.3 million.

The company anticipates that the growth delivered in 2013 will continue into 2014 and future years.

Principal risks and uncertainties

We are exposed to a number of risks and have established a structured approach to manage and mitigate the risk where possible.

Risks are managed under the following headings:

- *Business environment risk*

  We recognise the benefit that is derived from conducting business in an ethically and socially responsible manner. This approach extends to the supply of services and the provision of a safe and healthy place of work and investment in technologies. A failure in any of these areas could damage the company's reputation and disrupt the business.

- *Financial risk*

  Our customers are generally subsidiaries of large financial organisations and the likelihood of the company being subject to financial risk from the inability of our customers to pay, is considered by the directors to be relatively low.

- *Operational risk*

  Our strategy is to simplify external supply chains through strategic relationships with fewer but stronger suppliers to ensure consistency of services provided, primarily with technology and communications.

  With respect to security of consumers' personal data, we have been introducing policies and technologies to safeguard and prevent theft of consumer data.

  Exposure to operational issues which generate service penalties and/or claims from a customer associated with direct losses from operational errors is mitigated by strengthening the controls within our operational environment on an ongoing basis and also ensuring that these issues are considered and met when significant changes are made to the software and associated operational procedures.

Future developments

With respect to revenue growth, we will continue to try to win new business in partnership with sister companies within the Fidelity Group to provide a more extensive and varied product choice for prospective new clients.

We continue to strive to drive down costs to improve efficiency and have been reviewing all major contracts and re-negotiating where applicable and we expect to see benefits from these activities during 2013 and into future years.

Key performance indicators

Key performance indicators used to manage the business are the number of accounts, both resident and active, the number of transactions, the number of applications processed and also the usage of third party products such as Falcon and Triad.

Dividends

The profit for the year, after taxation, amounted to £3,656,456 *(2012: loss £762,603)*. The directors do not recommend the payment of an ordinary dividend *(2012: £Nil)*.

Strategic report *(continued)*

Employee involvement

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as is possible, be identical with that of other employees.

Political and charitable contributions

There were no charitable donations during the year *(2012: £Nil)*.

By order of the board

Mark P Davey
Director

29 September 2014

Directors' report

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

Directors

The directors who held office during the year were:

MP. Davey	
MP Oates	(appointed 15 February 2013)
M Gravelle	(resigned 15 February 2013)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

By order of the board

Mark P Davey
Director

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

29 September 2014

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Certegy Card Services Limited

We have audited the financial statements of Certegy Card Services Limited for the year ended 31 December 2013 set out on pages 7 to 17. 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 4, 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 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 Certegy Card Services 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.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

29 September 2014

Profit and loss account

for the year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	2	**25,983,919**	11,978,523
Cost of sales		**(13,078,702)**	(4,917,619)
Gross profit		**12,905,217**	7,060,904
Administrative expenses		**(8,520,090)**	(8,373,822)
Operating Profit		**4,385,127**	(1,312,918)
Interest receivable and similar income	7	**2,834**	15,353
Interest payable and similar charges	6	**(2,191)**	(2,207)
Profit on ordinary activities before taxation	3	**4,385,770**	(1,299,772)
Tax on profit/(loss) on ordinary activities	8	**(729,314)**	537,169
Profit for the financial year	15	**3,656,456**	(762,603)

All activities in both the current and prior years are continuing.

Statement of total recognised gains and losses

for the year ended 31 December 2013

	Note	2013 £000	2012 £000
Profit for the financial year		**3,656,456**	(762,603)
Share based payments	15	**21,878**	75,627
Total recognised gains and losses for the financial year		**3,678,334**	(686,976)

Balance sheet
at 31 December 2013

	Note	**2013** £	£	2012 £	£
Fixed assets					
Tangible assets	*9*		**680,428**		745,375
Current assets					
Stocks	*10*	**56,031**		16,105	
Debtors	*11*	**8,694,795**		3,132,875	
Cash at bank and in hand		**7,851,275**		2,844,415	
		16,602,101		5,993,395	
Creditors: amounts falling due within one year	*12*	**(14,620,845)**		(7,755,420)	
Net current Assets			**1,981,256**		(1,762,025)
Total assets less current liabilities			**2,661,684**		(1,016,650)
Creditors: Amounts falling due after more than one year	*13*		**(19,625,561)**		(19,625,561)
Net liabilities			**(16,963,877)**		(20,642,211)
Capital and reserves					
Called up share capital	*14*		**1,000**		1,000
Capital contribution reserve	*15*		**4,295,488**		4,295,488
Profit and loss account	*15*		**(21,260,365)**		(24,938,699)
Shareholders' deficit	*16*		**(16,963,877)**		(20,642,211)

These financial statements were approved by the board of directors on 29 September 2014 and were signed on its behalf by:

MP Davey
Director

Company registered number: 3517639

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Going concern

The company has net liabilities of £16,963,877. Fidelity National Information Service, Inc., the company's ultimate parent undertaking, has confirmed that it will provide or procure such funds as are necessary to enable the company to settle all external liabilities as they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

Cash flow statement

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

All fixed assets are initially recorded at cost.

Costs of software developed to enable the company to provide services to third parties are capitalised. These costs include internal staff time, charges from other group companies and third party invoices.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset which is normally as follows:

Office equipment	- 3-10 years, straight line
Software development costs	- 3-8 years, straight line

Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to sales and services in the normal course of business.

The Company generates revenues from the delivery of bank processing, credit and debit card processing services, other payment processing services, professional services, software licensing and software related services. The Company recognizes revenue when: (i) evidence of an arrangement exists; (ii) delivery has occurred; (iii) the fees are fixed or determinable; and (iv) collection is considered probable.

Processing services

Processing services include data processing and application management. Revenues from processing services are typically volume-based depending on factors such as the number of accounts processed, transactions processed and computer resources utilised. Revenues from these arrangements are recognized as services are performed.

Professional service revenues

Revenues and costs related to implementation, conversion and programming services associated with the Company's data processing and application management agreements during the implementation phase are deferred and subsequently recognized using the straight-line method over the term of the related services agreement when these upfront services do not have standalone value. Revenues and costs related to other consulting service agreements are recognised as the services are provided.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit 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, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Stock includes card, statements and letters, which are used in the operational support areas of the credit card processing business.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The company is part of the Certegy Retirement Savings Plan defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme.

Share based payments

Share based incentive arrangements are provided to certain employees under share option schemes of Fidelity National Information Services, Inc. share options granted to the employee since 7 November 2002 are valued at the date of grant using an appropriate option pricing model and are charged to operating profit over the vesting periods of the schemes. The amount recognised as an expense is adjusted to reflect the actual number of shares expected to vest, taking account of employees who forfeited their options.

2 Turnover

An analysis of turnover by geographical market is given below:

	2013	2012
	£	£
By geographical market		
United Kingdom	**21,783,201**	8,628,487
Europe	**1,074,017**	1,239,633
United States of America	**2,801,563**	2,110,403
Rest of the World	**325,138**	-
	25,983,919	11,978,523

Notes *(continued)*

3 Loss on ordinary activities before taxation

	2013 £	2012 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets – owned	**343,673**	388,048
Operating leases:		
Land and buildings	**233,134**	170,103
Plant and machinery	**150,409**	157,495
Exchange loss	**19,189**	22,757
Auditor's remuneration		
Audit of these financial statements	**35,100**	34,100

4 Remuneration of directors

No director received any remuneration during the year *(2012: none)*. None of the directors were members of the pension schemes *(2012: none)*.

No director exercised any share options during the year *(2012: none)*.

5 Staff numbers and costs

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

	Number of employees 2013	2012
Operations	**87**	92
Administration	**28**	27
	115	119

The aggregate payroll costs of these people were as follows:

	£	£
Wages and salaries	**4,556,551**	3,900,315
Social security costs	**609,544**	477,450
Pension costs	**579,814**	520,183
Share based payments	**21,878**	75,627
	5,767,787	4,973,575

6 Interest payable and similar charges

	2013 £	2012 £
Bank charges	**2,191**	2,207

Notes *(continued)*

7 Interest receivable and similar charges

	2013	2012
	£	£
On bank deposits	**2,834**	15,353

8 Taxation

Analysis of charge in period

	2013	2012
	£	£
UK corporation tax		
Current tax on income for the year	**738,613**	(584,700)
Adjustment in respect of prior years	**(9,299)**	47,531
Current tax charge	**729,314**	(537,169)
Deferred tax		
Origination/reversal of timing differences	**-**	-
Total tax on profit on ordinary activities	**729,314**	(537,169)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2012: higher)* than the standard rate of corporation tax in the UK of 23.25% *(2012: 24.5%)*. The differences are explained below.

	2013	2012
	£	£
Current tax reconciliation		
Profit/(Loss) on ordinary activities before tax	**4,385,770**	(1,299,772)
Current tax at 23.25% *(2012: 24.5%)*	**1,019,541**	(318,444)
Effects of:		
Expenses not deductible for tax purposes	**5,726**	1,592
Capital allowances in excess of depreciation	**(186,415)**	(240,571)
Short term timing differences	**(7,834)**	10,651
Share option timing differences	**(92,405)**	6,261
Adjustment in respect of prior period	**(9,299)**	47,531
Effects of other tax rates/credits	**-**	(44,189)
Total current tax charge/ (see above)	**729,314**	(537,169)

Notes *(continued)*

8 Taxation *(continued)*

Factors that may affect future current and total tax charges

At 31 December 2013, the company had an unrecognised deferred tax asset of £1,061,993 *(2012: £1,368,005)*. This comprises of accelerated capital allowances of £907,481 *(2012: £1,237,737)*, other timing differences of £154,512 *(2012: £130,268)* and trading losses of £Nil *(2012: £Nil)*. In accordance with FRS 19, no deferred tax asset, which at 20% would amount to £1,061,993 *(2012: £1,368,005)* has been recognised in respect of these losses due to lack of certainty regarding the quantum and timing of future years' taxable profits.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

9 Tangible fixed assets

	Software development costs	**Office equipment**	**Total**
	£	**£**	**£**
Cost			
At beginning of year	22,837,416	4,595,173	27,432,589
Additions	89,837	188,889	278,726
At end of year	22,927,253	4,784,062	27,711,315
Depreciation			
At beginning of year	22,188,108	4,499,106	26,687,214
Charge for year	280,248	63,425	343,673
At end of year	22,468,356	4,562,531	27,030,887
Net book value			
At 31 December 2013	**458,897**	**221,531**	**680,428**
At 31 December 2012	649,308	96,067	745,375

10 Stocks

	2013	2012
	£	£
Stationery and cards	**56,031**	16,105

Notes *(continued)*

11 Debtors

	2013 £	2012 £
Trade debtors	**3,204,094**	1,573,924
Amounts owed by group undertakings	**282,155**	525,142
Other debtors	**611,461**	10,729
Corporation tax	**168,495**	576,418
Prepayments and accrued income	**4,428,590**	446,662
	8,694,795	3,132,875

12 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	**210,162**	2,478
Amounts owed to group undertakings	**10,175,252**	6,342,678
Other creditors including taxation and social security	**296,046**	124,089
Other creditors	**456,657**	302,278
Accruals and deferred income	**3,482,728**	983,897
	14,620,845	7,755,420

13 Creditors: amounts falling due after more than one year

	2013 £	2012 £
Loans from parent undertakings	**19,625,561**	19,625,561

None of the loans from the parent undertaking are interest bearing *(2012: £Nil)*.

14 Called up share capital

	2013 £	2012 £
Share Capital		
1000 ordinary shares of £1 each	**1,000**	1,000

Notes *(continued)*

15 Share premium and reserves

	Capital contribution receive £	Profit and loss account £
At beginning of year	4,295,488	(24,938,699)
Profit for the financial year	-	3,656,456
Share based payment credit	-	21,878
At end of year	**4,295,488**	**(21,260,365)**

16 Reconciliation of movements in shareholders' deficit

	2013 **£**	2012 £
Profit for the financial year	**3,656,456**	(762,603)
Share based payment credit	**21,878**	75,627
Net Increase in shareholders' funds	**3,678,334**	(686,976)
Opening shareholders' deficit	**(20,642,211)**	(19,955,235)
Closing shareholders' deficit	**(16,963,877)**	(20,642,211)

17 Commitments

At 31 December 2013 there were no capital commitments *(2012: £Nil)*.

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		**Other**	
	2013 **£**	2012 £	**2013** **£**	2012 £
Operating leases which expire:				
Within one year	**-**	-	**364**	-
In the second to fifth years inclusive	**75,081**	75,081	**4,459**	6,131
	75,081	75,081	**4,823**	6,131

18 Pension commitments

The company is a member of the Certegy Retirement Savings Plan. This is a defined contribution scheme, which represents the main scheme of the group and is funded by contributions from the employer and the employee, for the benefit of individual members.

The pension charge for the year was £579,814 *(2012: £520,183)* and the year end accrual for pension costs was £54,004 *(2012: £43,278)*.

Notes *(continued)*

19 Share based payments

The ultimate parent, Fidelity National Information Services (formerly Certegy Inc) grants options over shares to employees under share option schemes. Where grants were made after 7 November 2002, they have been accounted for in accordance with FRS 20: Share based payments. All options have been valued at the date of grant, using an appropriate options pricing model.

The options were granted under different schemes with vesting periods of either 3 or 4 years, with the shares besting gradually over the period. The exercise price is not less than the market price at the date of grant.

The options were valued using the Black-Scholes-Merton model applying the following principal assumptions:

Grant date	**31 October 2013**	8 November 2012	5 November 2011	29 October 2010	5 November 2009
Exercise price	**$48.75**	$34.33	$25.66	$27.10	$22.55
Number of employees	**1**	2	2	2	2
Shares under option	**15,903**	9,643	16,426	17,735	12,682
Vesting period (years)	**3**	3	3	3	3
Expected volatility	**23%**	36%	36%	36%	35%
Option life (years)	**7**	7	7	7	7
Expected life (years)	**4.2**	4.3	4.5	4.4	5.3
Risk free rate	**1.0%**	0.6%	0.8%	1.1%	2.3%
Expected dividends expressed as a dividend yield	**1.8%**	2.4%	0.8	0.7%	1.0%

A reconciliation of the option movements is set out below:

	2013 Number	**Weighted average exercise price**	2012 Number	Weighted average exercise price
Outstanding at beginning of year	**71,444**	**$25.29**	71,273	$23.63
Granted	**15,903**	**$48.75**	9,643	$34.33
Forfeited	**(8,193)**	**$29.22**	-	-
Exercised	**(29,922)**	**$22.24**	(9,472)	$22.01
Outstanding at end of year	**49,232**	**$34.07**	71,444	$25.29
Exercisable at end of year	**25,144**	**$26.01**	44,938	$23.03

Notes *(continued)*

19 Share based payments *(continued)*

For options outstanding at the year end, the range of exercise prices and the average remaining lives were as follows:

2013

	Weighted average exercise price $	Number of shares	Average remaining contractual life Years
$20-$30	25.28	26,757	4.0
$30-$40	34.33	6,572	5.9
$40-$50	48.75	15,903	6.8

2012

	Weighted average exercise price $	Number of shares	Average remaining contractual life Years
£10-$20	14.35	5,625	2.8
$20-$30	24.84	56,176	4.2
$30-$40	34.33	9,643	6.8

20 Immediate parent company

The immediate parent undertaking is Certegy Limited, a company registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is that headed by the ultimate parent company, Fidelity National Information Services, Inc., a company registered in the USA. The consolidated financial statements of the group are available from Fidelity National Information Services, Inc., 601 Riverside Avenue, Jacksonville, Florida 32204.

As a subsidiary of Fidelity National Information Service, Inc., Certegy Card Services Limited has taken advantage of the exemption in FRS 8: Related party disclosures not to disclose transactions with other members of the group headed by Fidelity National Information Services, Inc.