Registration number: 04007855

Intelligent Processing Solutions Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

Directors	I Graham C Caldwell J Clapham D Grant J Martin C Becker-Smith D Bundy
Company secretary	R Gajree
Chair	I Graham
Registered number	04007855
Registered office	Enigma Wavendon Business Park Milton Keynes MK17 8LX
Independent Auditor	KPMG LLP Statutory Auditor 2 Forbury Place 33 Forbury Road Reading RG1 3AD

Strategic Report
for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

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 has undergone significant transformation as the UK moved from a paper based clearing operation into a digital clearing operation. The Company and its clients completed full roll out of digital clearing on 18th September 2019.

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 and cash flow.

Turnover for the year ended 31 December 2019 was £129,183,000 (2018: £120,255,000) which is a 7.4% increase (2018: 21.7% increase) over the prior year. The gross profit amounted to £15,703,000 compared with the year ended 31 December 2018 of £1,602,000. The profit in 2019 is largely the result of revenue recognised in respect of restructuring activities for which costs were provided for in 2017, as the Company continues to implement the restructuring and transition the business towards the image based clearing system and significantly reduce headcount.

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, IT and people.

A Finance Committee (previously the 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 2019 the Company continued to face the following principal risks:

As in prior years, cheque volumes continued to decline and in 2019 the annual rate of decline was 25% (2018: 21%) albeit the higher rate is partially due from losing volume from 1 client entirely from July 2019. The Company remains committed to managing its cost base to ensure that the delivery of services ensures that the cost per cheque is as low as possible. The move to image based clearing initially went live 30 October 2017 and was completed at an industry level in September 2019.

The current service agreements were extended on 22 December 2017 through to 31 December 2023. 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.

Strategic Report
for the Year Ended 31 December 2019

Principal risks and uncertainties (continued)
The Shareholder agreement signed December 2017 between iPSL and Shareholders protects future revenue to ensure that the Company has low exposure to liquidity risk as sufficient cash flows are generated to ensure the Company satisfies its obligations with the 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 deposits are conducted to ensure bank's 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 clients who are also shareholders with whom the Company has strong relationships. We have also considered the nature and extent of principal risks and uncertainties arising from Brexit and will continue to monitor developments. Overall, we do not consider there to be any significant risk to the Company which may threaten the long-term viability of our business.

Since the year end, the COVID-19 pandemic has emerged as a significant risk across the world. The initial impact for iPSL is primarily operational. Our business continuity plans and processes have been employed to ensure we continue to provide services and provide the support needed whilst also ensuring the safety of our colleagues and complying with government and regulatory advice.

s172(1) Statement
The Board of directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to a range of matters when making decisions. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

The Board makes decisions with a long-term view in mind and with the highest standards of conduct. Where possible, decisions are discussed with the affected groups and therefore fully understood and supported when taken. Reports are regularly made to the Board from the Executive Management Team about the Company and the strategy and key performance decisions which are made. Regular reporting enables the Board to stay in touch and make the decisions with the best interests of the Company in mind. In addition, the Board contains members from each of the shareholders so that their views are constantly considered when long term decisions are made.

The Board are aware of the impact their decisions may have on the wider community and hold our reputation to the highest standards as the market leader in cheque processing, ensuring that the Company are compliant with laws and regulations whilst delivering the best service possible to our customers. We engage with regulators through a range of industry consultations and meetings and keep up to date with government regulations ensuring that any changes are acted on swiftly. In addition, we have regular regulatory audits to ensure that the controls operating with the Company are operating effectively. The Board is updated on legal and regulatory requirements and any control deficiencies on a regular basis and takes these into accounts when considering future actions.

Strategic Report
for the Year Ended 31 December 2019

Community and the Environment
iPSL has policies in place through the parent Company, Unisys, which consider the Company's impact on the environment, social matters, human rights and anti-corruption and anti bribery including the global environmental, safety, health, security and energy/resource conservation policy, the code of ethics and business conduct, the anti-bribery policy and the global respectful workplace policy. These are all available on the internal internet home page and can be accessed by all employees and contractors at any time and take into consideration the impact of the Company's activity on these areas. Training is mandatory in all areas for all employees and is refreshed on a regular basis.

The Executive Management Team are constantly working with the facilities managers to ensure that iPSL are considering the environment when carrying out day to day services and that the facilities used enable employees to do their bit. Furthermore iPSL work with the community throughout the year using our Corporate Social Responsibility team who organise events and fundraisers to give back to the community. As examples, at Christmas and Easter, areas are set aside for food donations for local food banks and the Company support Pennies from Heaven through our payroll provider.

Employee Engagement
We use a range of regular communication channels to keep employees briefed on the strategic and financial progress and any ongoing initiatives that may affect them. This is a two way process and employees are actively encouraged to share ideas and opinions with senior management. All our employees of all levels attend 1-2-1s with their managers to discuss their career progression and individual opinions further.

Directors liaise with employees through the Executive Management Team who are onsite and part of the individual teams throughout the business. During 2019, all employees were encouraged to take part in a Company wide staff engagement survey which was run externally to ensure independence and had full support from the Board. Since the results of the survey, the Executive Management Team have been working with employees from all areas of the Company to bed in new values and initiatives to take the Company forward. One of these initiatives is called High-5 and allows employees and managers to reward each other and show gratitude for employees meeting the values. Management also hold town hall meetings to ensure employees are up-to-date with principal decisions taken by the Company during the financial year and Communications emails are sent as and when important decisions are made. Other upgrades to the building including a restaurant refurbishment and additional meeting space have been completed following feedback from employees.

Business Relationships
The success of our business is dependent on the support of both customers and suppliers, and in order to keep the services to the banks operating effectively, it is essential the Company fosters business relationships with our customers and suppliers and work together with both towards shared goals. Consideration at Board level and throughout the Company is made on a regular basis. The Company only trades with reputable high street banks, large financial institutions and fellow group companies, and has a contract in place with each of the four shareholders of the Company who are also its customers. Meetings have been held with all of the shareholders on a regular basis throughout 2019 (continuing through into 2020) to ensure the relationships continue to be successful. In addition, the client relations team review the Service Level Agreements in place and ensure any issues are dealt with. The procurement function liaise with our suppliers on a regular basis to ensure they are meeting the Service Level Agreements that they have in place and will follow up on any suppliers where the service provided is not meeting the agreed targets. When suppliers are consistently not meeting the standards required, procedures will be put in place to rectify this or change the supplier where possible.

Strategic Report
for the Year Ended 31 December 2019

Basis of preparation - going concern
The directors have considered the appropriateness of the going concern basis of preparation of the financial statements taking into account the Company's current and projected performance, including considerations of the impact of the COVID-19 pandemic.

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 of £6,469,000 as at 31 December 2019, excluding the pension asset. However this does not impact the ability of the Company to settle liabilities as they fall due.

During the unprecedented times of COVID-19, the Company has continued operating despite the UK lockdown albeit at lower volumes which has had no significant impact on the Company as costs are passed directly onto the customers with invoices continuing to be paid. The directors do not consider there to be a significant risk that any of the customers (which are all major UK banks) will be unable to continue to trade with the Company over the next 12 months from the date of approval of these financial statements.

Cash flow forecasts which include consideration of 'worse case' scenarios are prepared regularly to review the cash position of the Company and confirm that adequate resources are available for at least the next 12 months from the date of approval of these financial statements.

Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at 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.

Approved by the Board on 11/9/20 and signed on its behalf by:

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I Graham
Director
Date: 11th September 2020.
Registered No. 04007855

Directors' Report
for the Year Ended 31 December 2019

The directors submit their report and audited financial statements for the year ended 31 December 2019.

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

I Graham

C Caldwell

J Clapham

D Grant

J Martin

M Piercy (resigned 31 July 2019)

M Radfar (resigned 10 October 2019)

C Becker-Smith (appointed 1 August 2019)

The following director was appointed after the year end:

D Bundy (appointed 7 April 2020)

The directors at 31 December 2019 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.

Dividends
The directors do not propose any dividends for the year (2018: £nil).

Employees
The Company's continuing success is reliant on having the best people in all areas of our businesses. Our employees are considered for employment, training, career development and promotion on the basis of their abilities and aptitudes, regardless of physical ability, age, gender, sexual orientation, religion or ethnic origin.

Full and fair consideration (having regard to the person's particular aptitudes and abilities) is given to applications for employment and the career development of disabled persons. We will take all practicable steps to ensure that if an employee becomes disabled during the time they are employed, their employment can continue. We continue to review both performance and potential as a key part of our annual performance management, career development and succession planning processes.

Employee Engagement
Considerations surrounding employee engagement have been included in the s172(1) statement which can be found in the strategic report.

Business Relationships
Considerations surrounding business relationships have been included in the s172(1) statement which can be found in the strategic report.

Directors' Report
for the Year Ended 31 December 2019

Political donations
No political donations were made during the year (2018: £nil).

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
KPMG LLP have acted as auditors during the year but will resign upon completion of the 2019 financial statements. Pricewaterhousecoopers LLP have been appointed as auditors for 2020.

Approved by the Board on 11/9/20 and signed on its behalf by:

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I Graham
Director

Date: 11th September 2020.

Registered No. 04007855
Enigma
Wavendon Business Park
MK17 8LX

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 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;
- 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 2019 which comprise the Profit and Loss Account, Statement of Comprehensive Income, 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 2019 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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;

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

- 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.

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 7, 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

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.

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Simon Baxter (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD

Date:..14 September2020..........................

Profit and Loss Account

for the year ended 31 December 2019

	Note	*2019* *£ 000*	*2018* *£ 000*
Turnover	3	129,183	120,255
Cost of sales (including restructuring provision of £1.7m (2018: £2.4m)		(113,480)	(118,653)
Gross profit	4	**15,703**	**1,602**
Bank interest income		306	344
Net pension income		2,027	1,503
Profit before tax		**18,036**	**3,449**
Taxation	7	(3,205)	9
Profit for the financial year		**14,831**	**3,458**

The above results were derived from continuing operations.

The notes on pages 15 to 32 form an integral part of these financial statements.

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Profit for the year		14,831	3,458
Remeasurement (loss)/gain on defined benefit pension scheme	17	(15,863)	10,217
Deferred tax related to the remeasurement of defined benefit scheme		2,696	(1,737)
Total other comprehensive (expense)/income		(13,167)	8,480
Total comprehensive income for the year		1,664	11,938

The notes on pages 15 to 32 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Intangible assets	9	50,489	63,112
Tangible assets	8	5,778	3,762
		56,267	66,874
Current assets			
Debtors (includes £2,425k (2018: £3,211k) of debtors due after more than one year)	10	9,991	20,404
Cash at bank and in hand		42,924	57,166
Pension asset	17	56,034	69,870
		108,949	147,440
Creditors: Amounts falling due within one year	12	(59,384)	(82,331)
Net current assets		49,565	65,109
Total assets less current liabilities		105,832	131,983
Creditors: Amounts falling due after more than one year	12	(41,365)	(53,991)
Provisions for liabilities			
Other provisions	16	(3,819)	(19,380)
Deferred tax liabilities	7	(5,840)	(5,468)
Net assets		54,808	53,144
Capital and reserves			
Called up share capital	13	-	-
Share premium account	14	17,500	17,500
Profit and loss account		37,308	35,644
Total equity		54,808	53,144

The financial statements were approved and authorised for issue by the Board on 11/9/2020 and were signed on its behalf by:

I Graham
Director
Registered No: 04007855

The notes on pages 15 to 32 form an integral part of these financial statements.

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	-	17,500	23,706	41,206
Profit for the year	-	-	3,458	3,458
Other comprehensive income	-	-	8,480	8,480
At 31 December 2018	-	17,500	35,644	53,144
Profit for the year	-	-	14,831	14,831
Other comprehensive loss	-	-	(15,863)	(15,863)
Deferred tax related to the remeasurement of the defined benefit pension scheme	-	-	2,696	2,696
At 31 December 2019	-	17,500	37,308	54,808

The notes on pages 15 to 32 form an integral part of these financial statements.

Notes to the Financial Statements

for the Year Ended 31 December 2019

1 Basis of preparation - going concern

The directors have considered the appropriateness of the going concern basis of preparation of the financial statements taking into account the Company's current and projected performance, including considerations of the impact of the COVID-19 pandemic.

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 of £6,469,000 as at 31 December 2019, excluding the pension asset. However this does not impact the ability of the Company to settle liabilities as they fall due.

During the unprecedented times of COVID-19, the Company has continued operating despite the UK lockdown albeit at lower volumes which has had no significant impact on the Company as costs are passed directly onto the customers with invoices continuing to be paid. The directors do not consider there to be a significant risk that any of the customers (which are all major UK banks) will be unable to continue to trade with the Company over the next 12 months from the date of approval of these financial statements.

Cash flow forecasts which include consideration of 'worse case' scenarios are prepared regularly to review the cash position of the Company and confirm that adequate resources are available for at least the next 12 months from the date of approval of these financial statements.

Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at 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.

2 Accounting policies

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

The company's registered office is: Enigma, Wavendon Business Park, Wavendon, Milton Keynes, MK17 8LX. These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The presentational and functional currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

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 First Floor, ENIGMA, Wavendon Business Park, Wavendon, Milton Keynes, MK17 8LX. 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;
- Key Management Personnel compensation; and
- Related party transactions with wholly owned group companies.

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 accounts have been prepared under historical cost convention and in accordance with applicable accounting standards as defined in section 464 of the Companies Act 2006 with the exception of certain financial instruments which have been shown at fair value.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019

2 Accounting policies (continued)

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 the related 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.

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, any 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 2019 iPSL was a participating employer in a defined benefit pension scheme that shares risks between entities under common control. Unisys Limited is the sponsoring employer for the plan.

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 benefit 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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

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.

Intangible assets

Intangible assets are initially measured at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation

Intangible assets are amortised over their estimated useful economic life using the straight line method. The useful life of intangible assets is reviewed on an annual basis. An assessment is carried out at each reporting to date to test if there is any indication of impairment. The ICS software useful life is assessed to be the current term of the service agreement with the shareholders. All intangible assets are due to be written down by December 2023.

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.

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.

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.

Notes to the Financial Statements
for the Year Ended 31 December 2019

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.

	2019 *£ 000*	*2018* *£ 000*
United Kingdom	129,183	120,255

Turnover includes sales to Unisys Payment Services Limited, a wholly owned subsidiary company of Unisys Limited, of £11,707,000 (2018: £16,026,000).

4 Gross profit

The gross profit is stated after charging:

	2019 *£ 000*	*2018* *£ 000*
Depreciation expense	1,223	10,440
Amortisation expense	12,623	10,059
Restructuring costs	1,726	2,420
Operating lease expense - property	1,886	2,274
Operating lease expense - equipment	-	39
Auditors remuneration - audit services	48	48
Auditors remuneration - non-audit services	-	429

Notes to the Financial Statements
for the Year Ended 31 December 2019

5 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 director's service to the Company does 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 2019 and 31 December 2018. 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 2019 and 31 December 2018. The other director was the chair who was remunerated for her services. This is included under related parties as disclosed in Note 15.

6 Staff costs

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

	2019 *£ 000*	*2018* *£ 000*
Wages and salaries	27,348	34,392
Social security costs	2,639	3,235
Pension costs, defined contribution scheme	4,951	6,213
Redundancy costs	1,726	2,420
	36,664	46,260

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

	2019 *No.*	*2018* *No.*
Operations	1,055	1,396

Notes to the Financial Statements
for the Year Ended 31 December 2019

7 Taxation

Tax charged in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	137	(347)
Total current tax	137	(347)
Deferred taxation		
Arising from origination and reversal of timing differences	3,859	658
Arising from changes in tax rates and laws	(406)	(69)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(385)	(251)
Total deferred taxation	3,068	338
Tax charge/(credit) in the income statement	3,205	(9)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018 - lower than) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	18,036	3,449
Corporation tax at standard rate of 19% (2018: 19%)	3,427	655
Decrease from effect of different UK tax rates on some earnings	(406)	(69)
Effect of expense not deductible in determining taxable profit (tax loss)	32	3
Decrease in UK and foreign current tax from adjustment for prior periods	(248)	(598)
Current year losses carried back to prior periods	400	-
Total tax charge/(credit)	3,205	(9)

Notes to the Financial Statements
for the Year Ended 31 December 2019

7 Taxation (continued)

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 2018 and 31 December 2019 have been calculated based on this rate.

Deferred tax

	2019 *£000*	*2018* *£000*
Capital allowances in advance of depreciation	3,342	3,380
Restructuring	83	2,678
Dilapidations	261	352
Deferred tax on pension asset	(9,526)	(11,878)
Total deferred tax liability	(5,840)	(5,468)

	Deferred tax *£ 000*
At 1 January 2019	5,468
Adjustment in respect of prior years	(385)
Deferred tax charge to profit and loss account	3,453
Deferred tax charge to other comprehensive income	(2,696)
At 31 December 2019	5,840

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under FRS 102. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of the net deferred tax liability recognised will be £639,040.

Notes to the Financial Statements
for the Year Ended 31 December 2019

8 Tangible assets

	Land and buildings £ 000	*Furniture, fittings and equipment £ 000*	*Total £ 000*
Cost or valuation			
At 1 January 2019	10,337	174,224	184,561
Additions	352	2,887	3,239
Disposals	(5,864)	(115,904)	(121,768)
At 31 December 2019	4,825	61,207	66,032
Depreciation			
At 1 January 2019	9,709	171,090	180,799
Charge for the year	212	1,011	1,223
Eliminated on disposal	(5,864)	(115,904)	(121,768)
At 31 December 2019	4,057	56,197	60,254
Net book value			
At 31 December 2019	768	5,010	5,778
At 31 December 2018	628	3,134	3,762

Included within the net book value of land and buildings above is £768,000 (2018 - £628,000) in respect of long leasehold land and buildings.

Notes to the Financial Statements
for the Year Ended 31 December 2019

9 Intangible assets

	Software £ 000
Cost or valuation	
At 1 January 2019 & 31 December 2019	74,398
Amortisation	
At 1 January 2019	11,286
Charge for the year	12,623
At 31 December 2019	23,909
Net Book Value	
At 31 December 2019	50,489
At 31 December 2018	63,112

10 Debtors

	Note	*2019 £ 000*	*2018 £ 000*
Trade debtors		3,717	12,650
Amounts owed by group undertakings	15	-	1,559
Prepayments		6,274	6,195
		9,991	20,404

Debtors include prepayments of £2,425k (2018: £3,211k) due after more than one year.

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

Notes to the Financial Statements
for the Year Ended 31 December 2019

11 Cash

Included within cash is £1,865,000 (2018: £14,536,000) of cash which is restricted. This is a result of the clause in the agreements signed with the shareholders in December 2017 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	2019 £ 000	2018 £ 000
Due within one year			
Trade creditors		4,694	9,304
Amounts due to group undertakings	15	1,663	1,307
Social security and other taxes		1,432	4,049
Accruals and deferred income		51,595	67,671
		59,384	82,331
Due after one year			
Deferred income		40,954	53,440
Other non-current financial liabilities		411	551
		41,365	53,991

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

13 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No.	2018 £
Ordinary Shares of £1 each	200	200	200	200

14 Share premium

Share premium relates to the excess over nominal value of a share at share issue.

Notes to the Financial Statements
for the Year Ended 31 December 2019

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, with Tumultus Limited, a company owned and controlled by the Chief Executive of the Company, Irene Graham, Chair of the Company and Unisys Corporation, the ultimate parent company.

Transactions entered into, and trading balances outstanding at 31 December 2019 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 plc;				
2019	21,383	-	82	-
2018	21,189	-	-	988
HSBC Bank plc;				
2019	43,041	-	2,781	-
2018	36,295	-	2,966	-
Lloyds Banking Group plc;				
2019	53,610	-	-	814
2018	46,745	-	6,187	-
Unisys Limited;				
2019	-	2,946	-	947
2018	-	4,607	-	445
Unisys Payment Services Limited;				
2019	11,115	-	-	160
2018	16,026	-	1,559	-
Unisys Corporation;				
2019	-	1,036	-	63

Notes to the Financial Statements
for the Year Ended 31 December 2019

15 Related party transactions (continued)

	Sales to related party £000	*Purchases from related party £000*	*Amounts owed from related party £ 000*	*Amounts owed to related party £000*
Unisys Global Services - India;				
2019	-	15	2	-
Unisys Global Services - Hungary;				
2019	-	18	-	5
Unisys Europe Limited;				
2019	-	10	-	-
Unisys Holdings;				
2019	-	-	-	92
Unisys Finance Limited;				
2019	-	-	-	398
Tumultus Limited;				
2019	-	478	-	-
2018	-	688	-	-
Irene Graham;				
2019	-	80	-	80
2018	-	100	-	-

Notes to the Financial Statements
for the Year Ended 31 December 2019

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.

	Dilapidations provision £ 000	*Redundancy provision £ 000*	*Total £ 000*
At 1 January 2019	2,068	17,312	19,380
Increase in provision during the year	-	1,477	1,477
Amounts utilised during the year	-	(16,504)	(16,504)
Release of provision	(534)	-	(534)
	1,534	2,285	3,819

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.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2019 £ 000	*2018 £ 000*
Fair value of scheme assets	429,800	403,129
Present value of defined benefit obligation	(373,766)	(333,259)
Defined benefit pension scheme surplus	56,034	69,870

Notes to the Financial Statements
for the Year Ended 31 December 2019

17 Pension commitments (continued)

Defined benefit obligation

Changes in the present value of the defined benefit obligation are as follows:

	2019 *£ 000*	*2018* *£ 000*
At 1 January	333,259	373,986
Interest expense	9,449	9,084
Benefits paid	(14,837)	(21,288)
Effects of changes in assumptions	45,895	(27,071)
Effects of experience adjustments	-	(3,452)
Past service costs	-	2,000
Present value at end of year	373,766	333,259

Fair value of scheme assets

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

	2019 *£ 000*	*2018* *£ 000*
At 1 January	403,129	434,136
Interest income	11,476	10,587
Actual return on plan assets	30,032	(20,306)
Benefits paid	(14,837)	(21,288)
At 31 December	429,800	403,129

Notes to the Financial Statements

for the Year Ended 31 December 2019

17 Pension commitments (continued)

Analysis of assets

The major categories of scheme assets are as follows:

	2019 *£ 000*	*2018* *£ 000*
Equities	68,970	106,436
Bonds	359,967	295,600
Cash	863	1,093
	429,800	403,129

	2019 *£000*	*2018* *£000*
Analysis of profit and loss credit/(charge)		
Interest cost	(9,449)	(9,084)
Interest income	11,476	10,587
	2,027	1,503
Past service cost	-	(2,000)
	2,027	(497)

	2019 *£000*	*2018* *£000*
Analysis of actuarial (loss)/gain recognised in other comprehensive income		
Changes in assumptions	(45,895)	27,071
Actual return on plan assets	30,032	(20,306)
Effect of experience adjustments	-	3,452
Total remeasurement (loss)/gain recognised in OCI	(15,863)	10,217

Notes to the Financial Statements
for the Year Ended 31 December 2019

17 Pension commitments (continued)

Principal actuarial assumptions

A full actuarial valuation was carried out at 31 March 2014 and updated to 31 December 2019 by a qualified independent actuary. The main assumptions used by the actuary for FRS 102 purposes were:

	2019 %	*2018* %
Discount rate	2.10	2.90
Rate of increase in deferred pensions	2.15	2.15
Rate of increase in pensions in payment	2.15	2.15
Inflation	2.75	3.15

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

	2019 Years	*2018* Years
Member age 65 (current life expectancy)	22.1	22.3
Member age 45 (life expectancy at age 65)	23.4	23.6

18 Commitments

Other financial commitments

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

	Leasehold land and buildings			*Equipment*
	2019 £000	*2018* £000	*2019* £000	*2018* £000
Within one year	1,891	1,906	-	39
In two to five years	2,287	4,141	-	-
	4,178	6,047	-	39

Notes to the Financial Statements

for the Year Ended 31 December 2019

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 Unisys Limited, First Floor, ENIGMA, Wavendon Business Park, Wavendon, Milton Keynes, MK17 8LX.

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

The immediate parent company is Unisys Limited, First Floor, ENIGMA, Wavendon Business Park, Wavendon, Milton Keynes, MK17 8LX.