

Company Registration No. 03539217 (England and Wales)

**PAY360 LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

TUESDAY



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# PAY360 LIMITED

## COMPANY INFORMATION

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**Directors** S J S Mayall on behalf of Capita Corporate Director Limited  
S J Maynard  
S R Ferry (Appointed 1 September 2018)  
C F Baker  
J Cowan

**Secretary** Capita Group Secretary Limited

**Company number** 03539217

**Registered office** 30 Berners Street  
London  
England  
W1T 3LR

**Auditor** KPMG LLP  
15 Canada Square  
London  
E14 5GL

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# PAY360 LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1
Directors' report	2 - 3
Independent auditor's report to the members of Pay360 Limited	4 - 6
Income statement	7
Balance sheet	8 - 9
Statement of changes in equity	10
Notes to the financial statements	11 - 25

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# PAY360 LIMITED

## STRATEGIC REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2018*

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The Directors present their Strategic report, Directors' report and financial statements for the year ended 31 December 2018.

### Review of the business

Pay360 Limited ("the Company") is a subsidiary (indirectly held) of Capita plc. Capita plc and its subsidiaries are hereafter referred to as "the Group". The Company operates within the Group's Software division.

The principal activity of the Company continued to be that of providing secure payment services on the internet. There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

As shown in the Company's income statement on page 7, revenue has increased from £3,897,419 to £4,260,625. The Company has resulted in an operating loss of £2,028,064 (2017: operating loss of £173,347). During the year the loss has increased due to the entity hiring the sales staff at a higher cost for the business to grow in future.

The balance sheet on page 8 and 9 of the financial statements shows the Company's financial position at the year end. Net liabilities have decreased from £3,908,094 to net assets £2,384,953. The above position of Net liabilities of £3,908,094 have moved to net assets of £2,384,953 due to issuance of shares resulting to £8m premium during the year. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 8 and 10 to the financial statements.

Key performance indicators used by the Company are operating margins, free cash flow, capital expenditure and return on capital employed. Capita plc and its subsidiaries manage their operations on a divisional basis and as a consequence, some of these indicators are monitored only at a divisional level. The performance of the Group's Software, division of Capita plc is discussed in the Group's annual report which does not form part of this report.

### Principal risks and uncertainties

The Company is subject to various risks and uncertainties during the ordinary course of its business many of which result from factors outside of its control. The Company's risk management framework provides reasonable (but cannot provide absolute) assurance that significant risks are identified and addressed. An active risk management process identifies, assesses, mitigates and reports on strategic, financial, operational and compliance risk.

The principal themes of risk for the Company are:

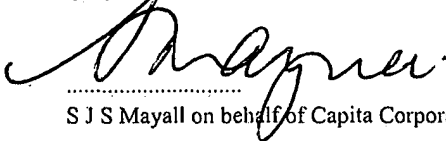
- *Strategic*: changes in economic and market conditions such as contract pricing and competition.
- *Financial*: significant failures in internal systems of control and lack of corporate stability.
- *Operational*: including recruitment and retention of staff, maintenance of reputation and strong supplier and customer relationships, operational IT risk, and failures in information security controls.
- *Compliance*: non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern and regulate its business, and decisions by regulators can affect the Company's business and operations and these effects are often adverse.

To mitigate the effect of these risks and uncertainties, the Company adopts a number of systems and procedures, including:

- Regularly reviewing trading conditions to be able to respond quickly to changes in market conditions.
- Applying procedures and controls to manage compliance, financial and operational risks, including adhering to a internal control framework.

Capita plc has also implemented appropriate controls and risk governance techniques across all of its businesses which are discussed in the Group's annual report which does not form part of this report.

On behalf of the board



S J S Mayall on behalf of Capita Corporate Director Limited

Director

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30/09/2019

# PAY360 LIMITED

## DIRECTORS' REPORT

*FOR THE YEAR ENDED 31 DECEMBER 2018*

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The Directors present their Directors report and financial statements for the year ended 31 December 2018.

### Results and dividends

The results for the year are set out on page 7.

No interim or final dividend was paid during the year (2017: £nil).

### Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

S J S Mayall on behalf of Capita Corporate Director Limited	
D J Lockie	(Resigned 1 September 2018)
S J Maynard	
S R Ferry	(Appointed 1 September 2018)
C F Baker	
J Cowan	

### Political donations

The Company made no political donations and incurred no political expenditure during the year (2017: £nil).

### Auditor

KPMG LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

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

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 101 *Reduced Disclosure Framework*.

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.

## **PAY360 LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Statement of disclosure to 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 Company's auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps he/she might reasonably be expected to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Qualifying 3rd party indemnity provisions**

The Company has granted an indemnity to the directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

On behalf of the board



.....  
S J S Mayall on behalf of Capita Corporate Director Limited

Director

30/09/2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAY360 LIMITED**

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### **Opinion**

We have audited the financial statements of Pay360 Limited ("the Company") for the year ended 31 December 2018, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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.

### **The impact of uncertainties due to the UK exiting the European Union on our audit .**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **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, including the impact of Brexit, 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.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF PAY360 LIMITED**

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#### **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.

#### **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 2, 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: <http://www.frc.org.uk/auditorsresponsibilities>.

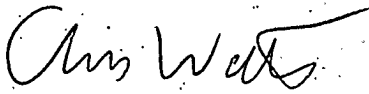
**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**TO THE MEMBERS OF PAY360 LIMITED**

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**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.



**Chris Walters (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditors**  
*Chartered Accountants*  
**15 Canada Square**  
London  
E14 5GL  
30 September 2019

# PAY360 LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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	Notes	2018 £	2017 £
Revenue	3	4,260,625	3,897,419
Cost of sales		(2,712,218)	(2,620,217)
<b>Gross profit</b>		<b>1,548,407</b>	<b>1,277,202</b>
Administrative expenses		(3,576,471)	(1,450,549)
<b>Operating loss before tax</b>	4	<b>(2,028,064)</b>	<b>(173,347)</b>
Income tax (credit)/expense	5	(321,111)	59,679
<b>Total comprehensive loss for the year</b>		<b>(1,706,953)</b>	<b>(233,026)</b>

The income statement has been prepared on the basis that all operations are continuing operations.

There are no recognised gains or losses other than those recognised in the income statement

The accompanying notes and information on pages 11 to 25 form an integral part of these financial statements.

# PAY360 LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

		2018	2017
	Notes	£	£
<b>Non-current assets</b>			
Property, plant and equipment	6	786,634	439,670
Intangible assets	7	4,838,611	3,793,529
Trade and other receivables	8	17,662	-
		<u>5,642,907</u>	<u>4,233,199</u>
<b>Current assets</b>			
Trade and other receivables	8	5,144,738	4,206,268
Income tax receivables		889,905	409,009
Cash	9	135,847	1,671,091
		<u>6,170,490</u>	<u>6,286,368</u>
<b>Total assets</b>		<u><u>11,813,397</u></u>	<u><u>10,519,567</u></u>
<b>Current liabilities</b>			
Trade and other payables	10	5,477,213	1,664,544
Financial liabilities	11	3,609,064	12,632,332
Provisions	12	325,000	104,250
		<u>9,411,277</u>	<u>14,401,126</u>
<b>Non-current liabilities</b>			
Deferred taxation	5	17,167	26,535
		<u>17,167</u>	<u>26,535</u>
<b>Total liabilities</b>		<u>9,428,444</u>	<u>14,427,661</u>
<b>Net assets/(liabilities)</b>		<u><u>2,384,953</u></u>	<u><u>(3,908,094)</u></u>

**PAY360 LIMITED**

**BALANCE SHEET (CONTINUED)**

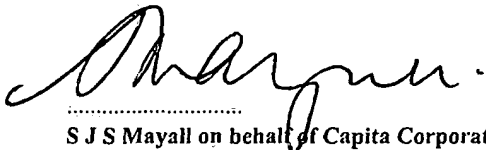
*AS AT 31 DECEMBER 2018*

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	Notes	2018 £	2017 £
<b>Capital and reserves</b>			
Issued share capital	17	91	90
Share premium	17	7,999,999	-
Retained deficit		(5,615,137)	(3,908,184)
<b>Total equity</b>		<u>2,384,953</u>	<u>(3,908,094)</u>

The accompanying notes and information on pages 11 to 25 form an integral part of these financial statements.

Approved by Board and authorised for issue on 30/09/2019



.....  
S J S Mayall on behalf of Capita Corporate Director Limited  
Director

Company Registration No. 03539217

## PAY360 LIMITED

### STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Retained deficit	Total equity
	£	£	£	£
At 1 January 2017	90	-	(3,675,158)	(3,675,068)
Total comprehensive expense for the year	-	-	(233,026)	(233,026)
Contribution in respect of share based payment charge	-	-	2,332	2,332
Settlement of share based payment charged by intercompany	-	-	(2,332)	(2,332)
At 31 December 2017	90	-	(3,908,184)	(3,908,094)
Issue of share capital	1	7,999,999	-	8,000,000
Total comprehensive expense for the year	-	-	(1,706,953)	(1,706,953)
Contribution in respect of share based payment charge	-	-	6,649	6,649
Settlement of share based payment charged by intercompany	-	-	(6,649)	(6,649)
At 31 December 2018	91	7,999,999	(5,615,137)	2,384,953

The accompanying notes and information on pages 11 to 25 for an integral part of these financial statements.

**a) Share capital**

The balance classified as share capital is the nominal proceeds on issue of the Company's equity share capital, comprising £1 ordinary shares.

**b) Share premium**

The amount paid to the Company by shareholders, in cash or other consideration, over and above the nominal value of the shares issued to them.

**c) Retained deficit**

Represents accumulated losses of the Company.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### 1.1 Basis of preparation

Pay360 Limited is a company incorporated and domiciled in the United Kingdom.

The financial statements are prepared under the historical cost basis except where stated otherwise and in accordance with applicable accounting standards.

The Directors have prepared cash flow forecasts for a period of 39 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its overdraft facility and in downside cases funding from its ultimate parent company, Capita plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Capita plc providing additional financial support during that period. Capita plc has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any Company placing reliance on other Group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 39 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.2 Compliance with accounting standards

The Company has applied FRS 101 – Reduced Disclosure Framework in the preparation of its financial statements and those are combined on pages 11 to 24. The Company has prepared and presented these financial statements by applying the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU-IFRSs"), but made amendments, where necessary, in order to comply with The Companies Act 2006.

The Company's ultimate parent undertaking, Capita plc, includes the Company in its consolidated statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU (EU-IFRS) and are available to the public and may be obtained from Capita plc's website on <http://investors.capita.com>.

In these financial statements, the Company has applied the disclosure exemptions available under FRS 101 in respect of the following disclosures:

- A cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Certain disclosures as required by IFRS 15; and
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of Capita plc include equivalent disclosures, the Company has also taken the disclosure exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 2 Share Based Payments in respect of Group settled share based payments;
- Certain disclosures required by IAS 36 Impairments of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company, in the current and prior periods including the comparative period reconciliation for goodwill; and
- Disclosures required by IFRS 7 Financial Instrument Disclosures.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of IFRS 9 Financial Instruments. In addition, the Company has adopted the new amendments to standards and new IFRIC as detailed below.

##### Initial adoption of IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Company applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. There has been no restatement to the comparative balances for the period beginning 1 January 2017 as there are no requirements under the standard to restate comparatives.

The Company has performed an assessment to understand the requirements of IFRS 9 and how these differ from IAS 39 and has concluded there is no significant impact on the financial statements from the date of adoption. There were no differences between previous carrying amounts and consequently no adjustment has been made to opening retained earnings. The updated account policy is set out in 1.11.

##### Annual improvements to IFRS Standards 2014–2016 Cycle

As part of its annual improvements cycles, the International Accounting Standards Board amended various standards primarily with a view to removing inconsistencies and clarifying wording.

##### Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments are intended to eliminate diversity in practice, are narrow in scope and address three specific areas of classification and measurement.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2018*

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### 1 Accounting policies

(Continued)

#### 1.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

The revenue and profits recognised in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

For all contracts and at contract inception, the total transaction price is estimated, being the amount to which the Company expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Company's performance may result in additional revenues based on the achievement of agreed KPIs. Such amounts are only included based on the expected value or the most likely outcome method, and only to the extent that it is highly probable that no revenue reversal will occur.

The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

##### *Transactional (Point in time) contracts*

The Company delivers a range of transactional services for which revenue is recognised at the point in time when control of the service has transferred to the customer. This is considered to be when the customer obtains control of an asset or service in a contract with customer specified acceptance criteria.

##### *Contract modifications*

The Company's contracts are often amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue prospectively as an additional separate contract.

##### *Deferred and accrued income*

The Company's customer contracts include a range of payment schedules dependent upon the nature and type of services being provided. The Company often agrees payment schedules at the inception of long term contracts under which it receives payments throughout the term of the contracts. These payment schedules may include performance-based payments or progress payments as well as regular monthly or quarterly payments for ongoing service delivery.

Where payments made are greater than the revenue recognised at the period end date, the Company recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Company recognises an accrued income asset for this difference.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.5 Intangible assets

The Company develops computer software for internal use. Software development expenditure on large projects is recognised as an intangible asset if it is probable that the asset will generate future economic benefits. The costs that are capitalised are the directly attributable costs necessary to create and prepare the asset for operation. Software development costs recognised as an intangible asset are amortised on a straight line basis over its useful life. Other software costs are recognised in administrative expenses when incurred.

Intangible assets with finite lives are only tested for impairment, either individually or at the cash-generating unit level, where there is an indicator of impairment.

If any such indication exists and where the carrying value exceed the estimated value in use, the assets are written down to their estimated value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the value in use is determined for the cash-generating unit to which the asset belongs.

#### 1.6 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Fixtures, fittings & equipment	4 years
Computers equipment	3 years

#### 1.7 Leasing

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill;
- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

#### 1.9 Pensions

The Company participates in a number of defined contribution schemes and contributions are charged to the income statement in the year in which they are due. These schemes are funded and the payment of contributions is made to separately administered trust funds. The assets of these schemes are held separately from the company. The company remits monthly pension contributions to Capita Business Services Limited, a fellow subsidiary undertaking, which pays the group liability centrally. Any unpaid contributions at the year end have been accrued in the accounts of that company.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### 1.11 Financial instruments

##### (i) Classification

Applicable from 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

##### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

##### (iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### (iv) Impairment

From 1 January 2018, the Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

##### (v) Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information.

As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy, as shown below:

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.11 Financial instruments (Continued)

##### Trade and other receivables

The Company assesses on a forward-looking basis the expected credit losses associated with its receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, resulting in trade receivables recognised and carried at original invoice amount less an allowance for any uncollectible amounts based on expected credit losses.

##### Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### Cash

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand Bank overdrafts are shown within current financial liabilities.

#### 1.12 Share based payments

The Company participates in various share option and sharesave schemes operated by Capita plc, the ultimate parent undertaking. Details of these schemes are contained in the Group's annual report.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense, attributable to the Company, since the previous balance sheet date is recognised in the profit and loss account and settled with Capita plc, the ultimate parent undertaking.

In accordance with IFRS 2, share option awards of the ultimate parent Company's equity instruments in respect of settling grants to employees of the Company are disclosed as a charge to the profit and loss account and a credit to equity. The Company's policy is to reimburse its ultimate parent Company through the intercompany account for charges that are made to it. Hence the credit to equity has been eliminated, rather reflecting a credit to inter-company which better describes the underlying nature of the transaction.

#### 1.13 Change in presentation of costs

During the previous year, the Directors reviewed the method of allocating cost of sales and administrative expenses in the income statement, which had previously been included in administrative expenses. The cost of sales and administrative expenses are split based on a detailed analysis of each item with consideration being taken into the nature of cost. This has resulted in more costs being allocated to the cost of sales in 2017.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires the Directors to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported income and expense during the reported periods. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, events or actions, actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of provisions which include measuring and recognising provisions. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Intangible assets with finite lives are only tested for impairment, either individually or at the cash-generating unit level, where there is an indicator of impairment. This involves estimation of the value in use of the asset which is determined based on discounted future cash flows at a suitable discount rate.

### 3 Revenue

The total revenue of the Company for the year has been derived from its principal activity Primarily undertaken in the United Kingdom.

### 4 Operating loss for the year

	2018	2017
	£	£
Operating loss for the year is stated after charging/(crediting)		
Foreign exchange losses/(gains)	4,040	(1,179)
Depreciation of property, plant and equipment	6 239,313	221,419
Amortisation of intangible assets	7 619,152	328,606
Operating lease rentals - plant and machinery	16,798	12,003
Operating lease rentals - other assets	218,925	291,900

Audit fees are borne by the ultimate parent undertaking. plc. The audit fee for the current period was £2,800 (2017: £2,100). The Company has opted for the exemption provided by regulations 6(2)(b) of The Companies (Disclosure Of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 not to provide information in respect of fees for other (non-audit) services as this information is required to be given in the company accounts of the ultimate parent undertaking, which it is required to prepare in accordance with the Companies Act 2006.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 5 Income tax

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	2018	2017
	£	£
<b>Current tax</b>		
UK corporation tax	(355,572)	(33,408)
Adjustments in respect of prior periods	43,829	-
	<u>(311,743)</u>	<u>(33,408)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(24,449)	900
Adjustment in respect of prior periods	15,081	92,187
	<u>(9,368)</u>	<u>93,087</u>
<b>Total tax credit/(charge) reported in the income statement</b>	<u><u>321,111</u></u>	<u><u>(59,679)</u></u>

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 5 Income tax

(Continued)

The reconciliation between tax (credit)/charge and the accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2018 and 2017 is as follows:

	2018 £	2017 £
Loss before tax	(2,028,064)	(173,347)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(385,332)	(33,369)
Adjustments in respect of deferred income tax of prior periods	15,080	-
Adjustments in respect of current income tax of prior periods	43,829	92,187
Expenses not deductible for tax purposes	2,436	980
Impact of changes in statutory tax rate	2,876	(119)
Total adjustments	64,221	93,048
Total tax credit/(charge) reported in the income statement	321,111	(59,679)

	Balance sheet		Income Statement	
	2018 £	2017 £	2018 £	2017 £
<b>Deferred tax liabilities</b>				
Other short term timing differences	-	(26,535)	(26,535)	93,087
Accelerated/(decelerated) capital allowances	(17,167)	-	(17,167)	-
Net deferred tax liability	(17,167)	(26,535)		
Deferred income tax expense/(credit)			(9,368)	93,087

The UK corporation tax rate has been decreased from 20% to 19% from 1 April 2017 with a further reduction to 17% from 1 April 2020. The deferred tax balance is calculated reflecting this future reduction.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 6 Property, plant and equipment

	Fixtures, fittings & equipment £	Computers equipment £	Total £
<b>Cost</b>			
At 1 January 2018	64,990	1,717,482	1,782,472
Additions	-	231,918	231,918
Reclassifications	-	570,770	570,770
Intragroup group transfers		(216,411)	(216,411)
Asset retirement	(39,305)	(104,180)	(143,485)
<b>At 31 December 2018</b>	<b>25,685</b>	<b>2,199,579</b>	<b>2,225,264</b>
<b>Depreciation</b>			
At 1 January 2018	52,048	1,290,754	1,342,802
Charge for the year	10,375	228,938	239,313
Asset retirement	(39,305)	(104,180)	(143,485)
<b>At 31 December 2018</b>	<b>23,118</b>	<b>1,415,512</b>	<b>1,438,630</b>
<b>Net book value</b>			
At 31 December 2018	2,567	784,067	786,634
At 31 December 2017	12,942	426,728	439,670

### 7 Intangible assets

	Software £
<b>Cost</b>	
At 1 January 2018	8,283,253
Additions	2,342,691
Intra group transfers	(107,690)
Reclassifications	(570,770)
<b>At 31 December 2018</b>	<b>9,947,484</b>
<b>Amortisation</b>	
At 1 January 2018	4,489,724
Charge for the year	619,152
Intra group transfers	(3)
<b>At 31 December 2018</b>	<b>5,108,873</b>
<b>Net book value</b>	
At 31 December 2018	4,838,611
At 31 December 2017	3,793,529

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 8 Trade and other receivables

Current	2018 £	2017 £
Trade receivables	471,928	411,749
Accrued income	40,459	18,119
Prepayments	688,045	409,981
VAT recoverable	83,560	441,702
Amounts due from parent & fellow subsidiary undertaking	3,860,746	2,924,717
	<u>5,144,738</u>	<u>4,206,268</u>
Non-current	2018 £	2017 £
Prepayments	17,662	-
	<u>17,662</u>	<u>-</u>

### 9 Cash

	2018 £	2017 £
Cash at bank and in hand	135,847	1,671,091
	<u>135,847</u>	<u>1,671,091</u>

### 10 Trade and other payables

Current	2018 £	2017 £
Trade payables	254,169	728,373
Other payables	64,991	64,991
Accruals	504,831	15,000
Amounts due to parent and fellow subsidiary undertaking	4,653,222	856,180
	<u>5,477,213</u>	<u>1,664,544</u>

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Financial liabilities

	2018	2017
	£	£
<b>Current</b>		
Overdrafts	3,609,064	12,632,332
	<u>3,609,064</u>	<u>12,632,332</u>

### 12 Provisions

<b>Current</b>	<b>Dilapidations</b>
	£
As at 1 January 2018	104,250
Provided in the year	220,750
At 31 December 2018	<u>325,000</u>

The Company is required to perform repairs on leased properties prior to the properties being vacated at the end of their lease term. Dilapidation provisions for such costs are where a legal obligation is identified and the liability can be reasonably quantified. The dilapidation provisions represents the majority of the provision;

### 13 Employees

The average monthly number of employees (including non-executive directors) during the year were:

	2018	2017
	Number	Number
Sales	20	16
Administration	10	16
Operations	40	33
	<u>70</u>	<u>65</u>

Their aggregate remuneration comprised:

<b>Employment costs</b>	2018	2017
	£	£
Wages and salaries	2,927,021	2,687,150
Social security costs	517,107	416,165
Pension costs	218,351	168,885
Share based payments	6,649	2,332
	<u>3,669,128</u>	<u>3,274,532</u>

Included in above are employment costs incurred by the Company on behalf of Metacharge Limited, a sister concern. These are allocated to Metacharge Limited by way of an intercompany re-charge.

# PAY360 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 14 Employee benefits

The total costs charged to the income statement in respect of defined contribution plans is £218,351 (2017: £168,885).

### 15 Operating lease commitments

At the reporting date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2018	2017	2018	2017
	£	£	£	£
Within one year	218,925	291,900	654	9,860
Between two and five years	-	218,925	-	654
	<u>218,925</u>	<u>510,825</u>	<u>654</u>	<u>10,514</u>

### 16 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	124,903	-
Company pension contributions to defined contribution schemes	10,587	-
	<u>135,490</u>	<u>-</u>

All the Directors except one, were paid by another Company within the Software division. As no significant amount of time was spent by the Directors of the Company's affairs, no Directors' remuneration has been allocated to the Company with respect to the other Directors.

### 17 Issued share capital

	2018	2017	2018	2017
	Numbers	Numbers	£	£
<b>Allotted, called up and fully paid</b>				
Ordinary Shares of £1 each				
At 1 January 2018	90	90	90	90
Issue of share of £1 each	1	-	1	-
At 31 December 2018	<u>91</u>	<u>90</u>	<u>91</u>	<u>90</u>

On 20th December 2018 one share was issued to its holding company, Capita Holdings Limited, for £8,000,000 of which £1 was the share capital and the remaining £7,999,999 was share premium.

## **PAY360 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

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**18 Controlling party**

The Company's immediate parent undertaking is Capita Holdings Limited, a company incorporated in England and Wales.

The Company's ultimate parent undertaking is Capita plc, a company incorporated in England & Wales. The financial statements of Capita plc are available from the registered office at 30 Berners Street, London, W1T 3LR.

**19 Post balance sheet event**

There are no significant events which have occurred post the reporting date.