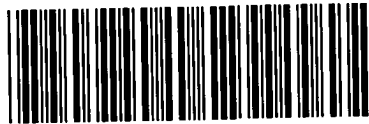


Company Registration No. 03539217 (England and Wales)

PAY360 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

MONDAY



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COMPANIES HOUSE

PAY360 LIMITED

COMPANY INFORMATION

Directors	S J S Mayall on behalf of Capita Corporate Director Limited C F Baker J Cowan S R Ferry (Appointed 1 September 2018) S J Maynard
Secretary	Capita Group Secretary Limited
Company number	03539217
Registered office	30 Berners Street London England W1T 3LR
Auditors	KPMG LLP 15 Canada Square London E14 5GL
Bankers	Barclays Bank PLC 1 Churchill Place London E145HP
Solicitors	Herbert Smith Freehills Exchange House Primrose Street London EC2A 2HS

PAY360 LIMITED

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PAY360 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic report, Directors' report and financial statements for the year ended 31 December 2017.

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 Digital and Software Solutions 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 decreased from £3,935,530 to £3,897,419. The Company has resulted in an operating loss of £173,347 (2016: operating loss of £1,649,467).

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end. Net liabilities have increased from £3,675,068 to £3,908,094. Details of amounts owed by/to its parent company and fellow subsidiary undertakings are shown in notes 9 and 11 to the financial statements.

Despite the Company being in a net current liability position the ultimate parent undertaking has stated that it will provide continuing financial assistance to the Company for the foreseeable future.

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 Digital & Software Solutions, Insurance and Benefits, Local Government and Health & Property 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.

PAY360 LIMITED

STRATEGIC REPORT (CONTINUED)

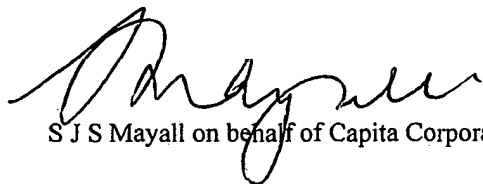
FOR THE YEAR ENDED 31 DECEMBER 2017

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 strict 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

08 November 2018

PAY360 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their Strategic report, Directors report and financial statements for the year ended 31 December 2017.

Results and dividends

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

No interim or final dividend was paid during the year (2016: £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	
C F Baker	
J Cowan	(Appointed 26 January 2017)
D J Lockie	(Resigned 1 September 2018)
S J Maynard	
W S McBrinn	(Resigned 28 February 2017)
S R Ferry	(Appointed 1 September 2018)

Political donations

The Company made no political donations and incurred no political expenditure during the year (2016: £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.

PAY360 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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.

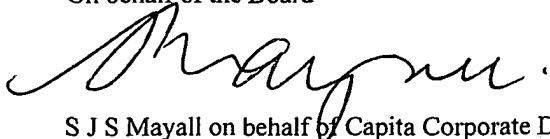
Statement of disclosure to auditor

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 that 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 third 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

08 November 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PAY360 LIMITED

Opinion

We have audited the financial statements of Pay360 Limited ("the company") for the year ended 31 December 2017, 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 2017 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.

Going concern

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

Strategic report and directors' report

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

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

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

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF PAY360 LIMITED

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on pages 3-4, 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.

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.



Rebecca Pett (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

9th November 2018

PAY360 LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Revenue	3	3,897,419	3,935,530
Cost of sales		(2,620,217)	(2,768,975)
Gross profit		1,277,202	1,166,555
Administrative expenses		(1,450,549)	(2,816,022)
Operating loss	4	(173,347)	(1,649,467)
Interest income	5	-	1,434
Loss before tax		(173,347)	(1,648,033)
Income tax (expense)/credit	6	(59,679)	314,008
Total comprehensive income for the year		(233,026)	(1,334,025)

The income statement are 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 10 to 22 form an integral part of these financial statements.

PAY360 LIMITED

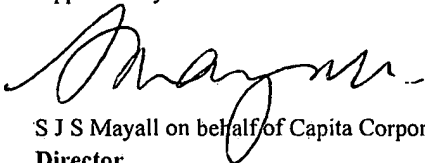
BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	7	439,670	394,712
Intangible assets	8	3,793,529	1,821,001
Deferred tax asset	6	-	66,552
		4,233,199	2,282,265
Current assets			
Trade and other receivables	9	4,206,268	508,931
Income tax receivable		409,009	329,601
Cash	10	1,671,091	271,661
		6,286,368	1,110,193
Total assets		10,519,567	3,392,458
Current liabilities			
Trade and other payables	11	1,664,544	1,630,961
Financial liabilities	12	12,632,332	5,323,073
Provisions	13	104,250	113,492
		14,401,126	7,067,526
Non-current liabilities			
Deferred tax liabilities	6	26,535	-
		26,535	-
Total liabilities		14,427,661	7,067,526
Net liabilities		(3,908,094)	(3,675,068)
Capital and reserves			
Issued share capital	14	90	90
Retained deficit		(3,908,184)	(3,675,158)
Total deficit		(3,908,094)	(3,675,068)

The accompanying notes and information on pages 10 to 22 form an integral part of these financial statements.

Approved by the Board and authorised for issue on 08 November 2018.



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 2017

	Share capital £	Retained deficit £	Total deficit £
At 1 January 2016	90	(2,341,133)	(2,341,043)
Total comprehensive income for the year	-	(1,334,025)	(1,334,025)
Contribution in respect of share based payment charge	-	(1,928)	(1,928)
Settlement of share based payment charge by intercompany	-	1,928	1,928
At 1 January 2017	90	(3,675,158)	(3,675,068)
Total comprehensive income for the year	-	(233,026)	(233,026)
Contribution in respect of share based payment charge	-	(2,332)	(2,332)
Settlement of share based payment charge by intercompany	-	2,332	2,332
At 31 December 2017	90	(3,908,184)	(3,908,094)

The accompanying notes and information on pages 10 to 22 form an integral part of these financial statements.

Nature and purpose of reserves:

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) Retained deficit

Represents accumulated losses of the Company.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

1.1 Basis of preparation

Pay360 Limited is a company incorporated and domiciled in the UK.

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

Despite the Company being in a net current liability position, the ultimate parent undertaking has stated that it will provide continuing financial assistance to the Company for the foreseeable future. Due to the financial assistance provided by the ultimate parent undertaking, the Company should have sufficient financial resources together with long standing relationships with clients and suppliers. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.2 Compliance with accounting standards

The Company has applied FRS101 – Reduced Disclosure Framework in the preparation of its financial statements. 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.

From the year ended 31 December, 2017, the Company has elected to present its financial statements under IAS 1 format to be in line with the consolidated financial statements published by the Group. Accordingly, the comparatives for the year ended 31 December, 2016 have been reclassified to the revised format. Refer to Note 21 for a reconciliation between IAS 1 presentation and presentation as previously reported.

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, property, plant and equipment 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 regarding IFRS 15 Revenue from Contracts with Customers;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy; 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:

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.2 Compliance with accounting standards (continued)

- 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.

1.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the early adoption of IFRS 15 Revenue from Contracts with Customers and Clarifications: Revenue from Contracts with Customers.

Initial adoption of IFRS 15 Revenue from Contracts with Customers

The standard has an effective date of 1 January 2018 but the Company has decided to early adopt this standard with a date of initial application to the Company of 1 January 2017 using the full retrospective method. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as IAS 17 Leases.

The standard outlines the principles entities must apply to measure and recognise revenue with the core principle being that entities should recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to a customer.

The principles in IFRS 15 must be applied using the following 5 step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The standard requires entities to exercise considerable judgement taking into account all the relevant facts and circumstances when applying each step of this model to its contracts with customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, as well as requirements covering matters such as licenses of intellectual property, warranties, principal versus agent assessment and options to acquire additional goods or services.

The Company has applied IFRS 15 fully retrospectively and early adoption of IFRS 15 does not have any impact on the Company's prior period financial statements.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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.

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.

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
Computer 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

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less. Bank overdrafts are shown within current liabilities.

1.9 Taxation

Tax expense recognized in the income statement for the year comprises current and deferred tax. Tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized 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 tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences, except where:

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.9 Taxation (continued)

- The deferred tax liability arises from the initial recognition of goodwill;
- The deferred tax liability arises from the initial recognition of an asset or a 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 or the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized 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 losses can be utilized, except where the deferred 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 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 utilized.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.10 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.

1.11 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.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.11 Provisions (continued)

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.

1.12 Financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Trade and other receivables - Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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.

1.13 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 Income Statement 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 Income Statement and a credit to equity. The Company's policy is to reimburse its ultimate parent Company through the inter Company 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.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies (continued)

1.14 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 2016.

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.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

3 Revenue

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

4 Operating (loss)/profit for the year

	2017	2016
	£	£
Operating (loss)/profit for the year is stated after charging:		
Foreign exchange gains	(1,179)	(1,376)
Depreciation of property, plant and equipment	221,419	177,761
Depreciation of intangible assets	328,606	-
Operating lease rentals - plant and machinery	12,003	1,868
Operating lease rentals - other assets	291,900	232,578

Audit fees are borne by the ultimate parent undertaking, Capita plc. The audit fee for the current period was £2,100 (2016: £2,000). 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.

5 Interest income

	2017	2016
	£	£
Interest received	-	1,434
	-	1,434

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

6 Taxation

The major components of income tax credit for the years ended 31 December 2017 and 2016 are:

	2017	2016
	£	£
Income statement:		
Current income tax		
Current income tax credit	(33,408)	(314,601)
	(33,408)	(314,601)
Deferred income tax		
Origination and reversal of temporary differences	900	1,847
Adjustment in respect of prior years	92,187	(1,254)
	93,087	593
Total tax expense/(credit) in the income statement	59,679	(314,008)

The reconciliation between tax credit and the product of accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
	£	£
Loss before tax	(173,347)	(1,648,033)
Loss before taxation multiplied by standard rate of UK corporation tax of 19.25% (2016 - 20.00%)	(33,369)	(329,607)
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	980	12,708
Impact of changes in statutory tax rate	(119)	4,145
Adjustments in respect of deferred income tax of prior years	92,187	(1,254)
Total adjustments	93,048	15,599
Total tax credit reported in the income statement at effective tax rate of 34.43% (2016: 19%)	59,679	(314,008)

	Balance sheet		Income statement	
	2017	2016	2017	2016
	£	£	£	£
Other temporary differences	(26,535)	66,552	93,087	593
Deferred tax (liabilities)/asset	(26,535)	66,552		
Deferred tax expense			93,087	593

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 has been adjusted to reflect this change.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

7 Property, plant and equipment

	Furniture, fittings & equipments	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2017	64,990	1,478,961	1,543,951
Additions	-	266,377	266,377
Asset retirement	-	(27,856)	(27,856)
At 31 December 2017	64,990	1,717,482	1,782,472
Depreciation and impairment			
At 1 January 2017	39,974	1,109,265	1,149,239
Charge for the year	12,074	209,345	221,419
Asset retirement	-	(27,856)	(27,856)
At 31 December 2017	52,048	1,290,754	1,342,802
Net book value			
At 31 December 2017	12,942	426,728	439,670
At 31 December 2016	25,016	369,696	394,712

8 Intangible assets

	Technology £
Cost	
At 1 January 2017	5,982,119
Additions	2,301,134
At 31 December 2017	8,283,253
Depreciation and impairment	
At 1 January 2017	4,161,118
Charge for the year	328,606
At 31 December 2017	4,489,724
Net book value	
At 31 December 2017	3,793,529
At 31 December 2016	1,821,001

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

9 Trade and other receivables

	2017	2016
	£	£
Trade receivables	411,749	400,834
Accrued income	18,119	32,435
Prepayments	409,981	75,514
Other taxes and social security	441,702	-
Amount due from parent and subsidiary undertakings	2,924,717	148
	4,206,268	508,931

10 Cash

	2,017	2,016
	£	£
Cash at bank and in hand	1,671,091	271,661
	1,671,091	271,661

11 Trade and other payables

	2,017	2,016
	£	£
Trade payables	728,373	45,903
Other payables	64,991	66,008
Other taxes and social security	-	248,098
Accruals	15,000	838,600
Amount due to parent and fellow subsidiary undertakings	856,180	432,352
	1,664,544	1,630,961

12 Financial liabilities

	2017	2016
	£	£
Bank overdraft	12,632,332	5,323,073
	12,632,332	5,323,073

13 Provisions

	Dilapidations	Restructuring costs	Total
	£	£	£
At 1 January 2016	104,250	9,242	113,492
Utilisations	-	(8,167)	(8,167)
Released in the year	-	(1,075)	(1,075)
At 31 December 2017	104,250	-	104,250

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, with the remainder being restructuring costs. The provision is not expected to be utilised within the next year.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

14 Issued share capital

	2017	2016	2017	2016
	Number of shares		£	£
Alloted, called up and fully paid				
Ordinary shares of £1 each				
At 1 January	90	90	90	90
At 31 December	90	90	90	90

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		Others	
	2017	2016	2017	(Restated) 2016
	£	£	£	£
Within one year	291,900	291,900	9,860	1,794
Between two and five years	218,925	510,825	654	-
	510,825	802,725	10,514	1,794

The Company's project to prepare for adopting IFRS 16 Leases has initiated a comprehensive review of all lease arrangements across the Group and how these should be disclosed within our lease commitment note.

The IFRS 16 review has included a wide-ranging search of all leases across the Company and this has highlighted certain discrepancies from the disclosed commitments in the prior year. The comparatives have been restated accordingly.

The effect of the restatement on the previously reported disclosures is as follows:

	Land and buildings	Others
	£	£
Reported lease commitments in 2016		
Within one year	291,900	2,207
Between two and five years	510,825	-
	802,725	2,207
Restatement of lease commitments in 2016		
Within one year	-	413
Between two and five years	-	-
	-	413
Restated of lease commitments in 2016		
Within one year	291,900	1,794
Between two and five years	510,825	-
	802,725	1,794

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

16 Employees

The average monthly number of employees (including non-executive Directors) were:

	2017	2016
	Number	Number
Sales	16	6
Administration	16	16
Operations	33	36
	65	58

Their aggregate remuneration comprised:

Employment costs	2017	2016
	£	£
Wages and salaries	2,687,150	2,354,750
Social security costs	416,165	286,689
Pension costs	168,885	143,446
Share based payments	2,332	1,928
	3,274,532	2,786,813

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.

17 Director's remuneration

The Directors have not provided qualifying services to the Company and are paid by the other Companies within the Capita Group. Such remuneration has not been allocated to the Company.

18 Pensions and other post-retirement benefit commitments

The total costs charged to income in respect of defined contribution plans is £168,885 (2016: £143,446).

19 Events after the reporting date

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

20 Controlling party

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

The Company's ultimate undertaking is Capita plc, a company incorporated in England and Wales. The financial statements of Capita plc are available from the registered office at 30, Berners street, London, England, W 1 T 3LR.

PAY360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

21 Reconciliation for 2016

Following is the reconciliation between IAS 1 presentation and presentation as previously reported for the comparative period of 2016:

Income statement for the year ended 31 December 2016

Schedule I (FRS 101)	Footnote	2016 £	Reclass from Schedule I to IAS 1	IAS 1	2016 £
Turnover		3,935,530	-	Revenue	3,935,530
Cost of sales	D	(2,768,975)	-	Cost of sales	(2,768,975)
Gross Profit		1,166,555		Gross profit	1,166,555
Administrative expenses	A,D	(2,817,398)	1,376	Administrative expenses	(2,816,022)
Other operating income	A	1,376	(1,376)		-
Operating loss		(1,649,467)		Operating loss	(1,649,467)
Interest received		1,434	-	Interest income	1,434
Loss before taxation		(1,648,033)		Loss before tax	(1,648,033)
Income tax credit	D	314,008	-	Income tax credit	314,008
Total comprehensive expense for the year		(1,334,025)		Total comprehensive income for the year	(1,334,025)

Balance sheet as on 31 December 2016

Schedule I (FRS 101)	Footnote	2016 £	Reclass from Schedule I to IAS 1	IAS 1	Footnote	2016 £
Fixed assets				Non-current assets		
Tangible fixed assets		394,712	-	Property, plant and equipment		394,712
Intangible fixed assets		1,821,001	-	Intangible assets		1,821,001
	B	-	66,552	Deferred tax asset		66,552
		2,215,713	66,552			2,282,265
Current assets				Current assets		
Debtors	B,D	905,084	(396,153)	Trade and other receivables		508,931
	B	-	329,601	Income tax receivable		329,601
Cash at bank and in hand	B	271,661	-	Cash		271,661
		1,176,745	(66,552)			1,110,193
Total assets		3,392,458		Total assets		3,392,458
				Current liabilities		
Creditors: amounts falling due within one year	C	(6,954,034)	(5,323,073)	Trade and other payables		1,630,961
	C	-	5,323,073	Financial liabilities		5,323,073
	C	-	113,492	Provisions		113,492
Net current liabilities		(5,777,289)	46,940	Total liabilities		7,067,526
Total assets less current liabilities		(3,561,576)	(46,940)			-
Provisions for liabilities	C	(113,492)	113,492			-
		(3,675,068)		Net liabilities		(3,675,068)
Capital and reserves				Capital and reserves		
Called up share capital		90	-	Issued share capital		90
Profit and loss account	D	(3,675,158)	-	Retained deficit		(3,675,158)
Shareholders' funds		(3,675,068)		Total equity		(3,675,068)

Footnotes:

Note A: As per the IAS 1 format, there is no separate line item for other operating income, these have been shown with in administrative expenses.

Note B: As per the IAS 1 format, deferred tax asset and income tax receivables have been reclassified from debtors and shown separately on the face of the balance sheet. Similarly, bank overdraft has been shown as reclassified from creditors: amounts falling due within one year to financial

Note C: As per the IAS 1 format, overdrafts have been classified under the head financial liabilities. Further, provisions have been classified into non current and current provisions under the IAS 1 format.