Company Registration No. 03539217 (England and Wales)

PAY360 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

PAY360 LIMITED

COMPANY INFORMATION

Directors	S N Taylor on behalf of Capita Corporate Director Limited	
	S R Ferry	
	C F Baker	
	J Cowan	
	A J Timlin	(Appointed 29 June 2020)
Secretary	Capita Group Secretary Limited	
Company number	03539217	
Registered office	65 Gresham Street London England EC2V 7NQ	
Auditor	KPMG LLP 15 Canada Square London E14 5GL	

PAY360 LIMITED

CONTENTS

The Directors present their Strategic report, Directors' report and financial statements for the year ended 31 December 2019.

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 £4,260,625 to £5,505,368 due to winning new contracts. The Company has incurred in an operating loss of £3,631,997 (2018: operating loss of £2,028,064) due to investment in future growth of the business in both sales and product.

The Company adopted IFRS 16 during the year which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The adoption of IFRS 16 has had no impact on financial statements of the Company.

The balance sheet on page 8 and 9 of the financial statements shows the Company's financial position at the year end. The Company has net liability of £549,540 as at 31 December 2019 as compared to net asset position of £23,84,953 as at 31 December 2018. 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 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.

Section 172 statement

The Company forms part of the Software division of the Group and Capita plc's section 172 statement applies to both the Division and the Company to the extent it relates to the Company's activities. Common policies and practices are applied throughout the Group via divisional management teams and a common governance framework. The following disclosure describes how the Directors have had regard to the matters set out in section 172(1a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Further details of the Group approach to each stakeholder are provided in Capita plc's section 172 statement which can be found on page 39 of Capita plc's Annual Report.

Stakeholder	Strategic issue	Engagement	Outcome	Principal decision*
Our people	Workforce engagement; organisational culture; employee net promoter score	People surveys; regular all-employee communications	Established managers' commitments; research into future of work	Application of standard Capita plc policies and procedures; refreshed purpose, values and behaviours
Clients and customers	Net promoter score; quality and sustainability; additional value	Client survey; regular meetings with key clients and customers	Receipt of regular detailed feedback summaries; application of standard Capita plc policies and procedures which includes the establishment of Group contract review committee to ensure delivery against contractual obligations	Collaboration with clients and customers on key contracts
Suppliers and partners	Payment practices	Capita plc holds regular meetings with Federation of Small Businesses; account management meetings with large suppliers	Application of Group payment policies including supplier charter; signatory to UK Prompt Payment Code (target 95% of supplier payments within 60 days)	
Society	Operating responsibly	Meetings, memberships and surveys of non-governmental organisations and charities	Group established responsible business strategy and responsible business committee; approval of third-party transaction guidelines; commitment to real living wage in 2020; enhanced family pay policies; Fair Tax Mark accreditation	Approval of new code of conduct

* Principal decisions are those that are material to the Group and/or significant to any of our key stakeholder groups.

On behalf of the board

....
S N Taylor on behalf of Capita Corporate Director Limited

Director

24 November 2020

The Directors present their Directors report and financial statements for the year ended 31 December 2019.

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

No interim or final dividend was proposed or paid during the year (2018: £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 N Taylor on behalf of Capita Corporate Director Limited	
S J Maynard	(Resigned 29 June 2020)
S R Ferry	
C F Baker	
J Cowan	
A J Timlin	(Appointed 29 June 2020)

Political donations
The Company made no political donations and incurred no political expenditure during the year (2018: £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. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PAY360 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 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

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S N Taylor on behalf of Capita Corporate Director Limited

Director

24 November 2020

INDEPENDENT AUDITOR'S 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 2019 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 2019 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.

Material uncertainty related to going concern

We draw attention to note 1.1 to the financial statements which indicates that the company is reliant on its ultimate parent undertaking, Capita plc, in regard to its ability to continue as a going concern. Under a severe but plausible downside scenario Capita plc may require completion of its planned disposal programme, which requires shareholder approval and approval from the group's lenders. These agreements with third parties constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 3, 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.

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.

RMartin

Ross Martin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

24 November 2020

PAY360 LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Revenue	3	5,505,368	4,260,625
Cost of sales		(3,453,705)	(2,712,218)
Gross profit		**2,051,663**	**1,548,407**
Administrative expenses		(5,683,660)	(3,576,471)
Operating loss before tax	**4**	**(3,631,997)**	**(2,028,064)**
Income tax credit	**5**	697,504	321,111
Total comprehensive loss for the year		**(2,934,493)**	**(1,706,953)**

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 26 form an integral part of these financial statements.

PAY360 LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	**6**	587,061	786,634
Intangible assets	**7**	12,510,093	4,838,611
Trade and other receivables	**8**	705,068	17,662
Deferred tax	**5**	18,293	-
		13,820,515	**5,642,907**
Current assets			
Trade and other receivables	**8**	7,058,553	5,144,738
Income tax receivables		1,008,515	889,905
Cash	**9**	272,194	135,847
		8,339,262	**6,170,490**
Total assets		**22,159,777**	**11,813,397**
Current liabilities			
Trade and other payables	**10**	16,393,316	5,477,213
Deferred income	**12**	24,418	-
Financial liabilities	**11**	6,291,583	3,609,064
Provisions	**13**	-	325,000
		22,709,317	**9,411,277**
Non-current liabilities			
Deferred tax	**5**	-	17,167
		-	**17,167**
Total liabilities		**22,709,317**	**9,428,444**
Net (liabilities)/assets		**(549,540)**	**2,384,953**

PAY360 LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Capital and reserves			
Issued share capital	**17**	91	91
Share premium	**17**	7,999,999	7,999,999
Retained deficit		(8,549,630)	(5,615,137)
Total equity		**(549,540)**	**2,384,953**

The accompanying notes and information on pages 11 to 26 form an integral part of these financial statements.

Approved by Board and authorised for issue on 24 November 2020

....

S N Taylor on behalf of Capita Corporate Director Limited
Director

Company Registration No. 03539217

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Retained deficit	Total equity
	£	£	£	£
At 1 January 2018	**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**
Total comprehensive expense for the year	-	-	(2,934,493)	(2,934,493)
At 31 December 2019	**91**	**7,999,999**	**(8,549,630)**	**(549,540)**

The accompanying notes and information on pages 11 to 26 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.

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.

In determining the appropriate basis of preparation for the annual report and financial statements for the year ended 31 December 2019, the Directors are required to consider whether the Company will be able to operate within the level of available facilities and cash for the foreseeable future, being a period of at least 12 months following the approval of these accounts. The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, including the potential impact of COVID-19 as set out below.

Since late March 2020, the Group and the Company have faced challenges and uncertainties due to the COVID-19 pandemic.

The Directors expect revenue over the rest of the year to remain resilient, given the client base and the long-term nature of our contracts. Nevertheless, to enable a robust assessment of the medium term forecast financial performance the Directors commissioned an exercise in June 2020 to revisit the outlook to the end of 2021 ahead of the normal business plan process. The high level of uncertainty as to how the COVID-19 pandemic might evolve over the remainder of 2020 and into 2021, including whether or not there will be a second wave and what impact this may have on the operation of the business, makes precise forecasting challenging. There is a higher degree of uncertainty than would usually be the case in making the key judgements and assumptions that underpin the Company's financial forecasts.

The bottom-up forecasts have been subject to review and challenge by management and the Directors. The forecasts include overlays for additional financial benefits that are expected to be driven by the Group transformation programme. These include sales growth together with margin improvements and further cost out targets. The Directors have approved the 2021 outlook which, on the assumption that the overlays are successfully delivered, supports the base case and time period assessed as part of the going concern review for these financial statements.

In addition to the base case, the Directors considered severe but plausible downside scenarios, recognising there is execution risk associated with a transformation programme of such magnitude that has been impacted by the broader political and economic uncertainty introduced by COVID-19. Offsetting these risks the Directors have considered available mitigations within the direct control of the Company, including (restructuring and limiting variable rewards). Finally, the assessment has considered the extent to which the Company is reliant on the Group.

The Company is reliant on the Group in respect of the following:

- provision of administrative support services. If the Group were to be unable to deliver such services then the Company would have difficulty in continuing to trade;
- participation in the Group's notional cash pooling arrangements, of which £15,596,655 was overdrawn by the Company as at 30 September 2020. In the event of a default by the Group, the Company may not be able to access this facility;
- recovery of receivables of £5,549,368 from fellow Group undertakings as of 30 September 2020. If these receivables are not able to be recovered when forecast by the Company, then the Company may have difficulty in continuing to trade; and
- additional funding that may be required if the company continues to suffer future losses.

Given the reliance the Company has on the Group, the Directors have considered the financial position of the ultimate parent undertaking as disclosed in its most recent financial statements, being for the six months ended 30 June 2020.

Despite the Company being in a net liability position, the ultimate parent undertaking has stated that it will provide continuing financial support as necessary and to the extent it is able to do so.

1 Accounting policies **(Continued)**

1.1 Basis of preparation (continued)

Ultimate parent undertaking – Capita plc

The Capita plc Board ('the Board') concluded that it was appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts, key uncertainties and sensitivities, including the potential impact of COVID-19, when preparing the Group's consolidated financial statements for the six months to 30 June 2020. These financial statements were approved by the Board on 17 August 2020 and are available on the Group's website (www.capita.com/investors).

To address the medium-term resilience of the Group, the Board have announced the planned disposal of the Education Software Services business ('ESS'). It is the Board's expectation that these funds will provide the necessary liquidity headroom to address any potential shortfalls arising in the downside scenarios evaluated, albeit with potentially limited covenant headroom as at 30 June 2021. It is also the Board's expectation that these funds will provide for compliance with all covenants although in certain circumstances this headroom is potentially limited at June 2021. The Board has confidence in the robustness of its primary mitigation (the ESS disposal) against the downside scenarios considered. The Board has several other options which are being actively pursued to provide further resilience in the event of a downside scenario. These include additional disposals and a refinancing of short-term maturities.

Material uncertainty

The disposal of ESS is subject to shareholder and lender approval, both of which are outside the control of the Company. Accordingly, this gives rise to material uncertainty, as defined in auditing and accounting standards, relating to events and circumstances which may cast significant doubt about the Group's ability to continue as a going concern.

The Board is confident that the ESS disposal will be approved by shareholders and lenders, and based on this expectation believes that, even in a plausible but severe downside scenario, the Group will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the period to 31 December 2021.

Conclusion

Although the Company has a reliance on the Group detailed above, even in a severe but plausible downside for both the Company and the Group, the Directors are confident the Company will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due over the period to 31 December 2021. Consequently, the annual report and financial statements have been prepared on the going concern basis and do not include any adjustments which would be required if the going concern basis of preparation were to be deemed inappropriate.

However, as the Group's disposal of ESS is subject to shareholder and lender approval, both of which are outside the control of the Group, this gives rise to a material uncertainty relating to events and circumstances which may cast significant doubt about the Group and therefore also the Company's ability to continue as a going concern.

1 Accounting policies **(Continued)**

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 26. 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.

1 Accounting policies **(Continued)**

1.3 Changes in accounting policies

Initial adoption of IFRS 16 Leases

IFRS 16 (effective 1 January 2019) replaces IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Company applied IFRS 16 using the modified retrospective approach, under which the Company has measured the right-of-use assets at the value of lease liability. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under IAS 17 and related interpretations.

The adoption of the above changes has had no impact on the financial statements of the Company, as it does not hold any leases.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 (effective 1 January 2019) addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The Company has initially applied IFRIC 23 Uncertainty over Income Tax Treatments at 1 January 2019. The Company applies judgement in quantifying uncertainties over income tax treatments and has considered whether it should adjust its uncertain tax provisions in line with this new criteria. There is no impact on the Company's financial statements due to the application of IFRIC 23 (2018: £ nil).

In addition, the Company has adopted the new amendments to standards detailed below but they do not have a material effect on the Company's financial statements.

New amendments or interpretation	Effective date
Prepayment features with negative compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	1 January 2019
Plan amendment, curtailment or settlement (Amendments to IAS 19)	1 January 2019
Annual improvements to IFRS Standards 2015-2017 cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	1 January 2019

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.

1.5 Intangible assets

Other intangibles are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life, which is typically 5 years. In the case of capitalised software development costs, research expenditure is written off to the income statement in the period in which it is incurred.

Development expenditure is written off as incurred unless and until the Company is satisfied as to the technical, commercial and financial viability of individual projects. In these cases, the development expenditure is capitalised and amortised over the period during which the Company is expected to benefit.

1 Accounting policies **(Continued)**

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 and equipment	4 years
Computers equipment	3 years

1.7 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.

1.8 Income Tax

Tax on the profit or loss for year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items 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 tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred 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 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, associates and interests in joint ventures, 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 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 difference 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 profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred 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 Accounting policies **(Continued)**

1.9 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.

1.10 Financial instruments

(i) Classification

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

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.

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.

1.11 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.

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.

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

		2019	2018
		£	£
Operating loss for the year is stated after charging			
Foreign exchange losses		125	4,040
Depreciation of property, plant and equipment	6	236,599	239,313
Amortisation of intangible assets	7	1,007,114	619,152
Expenses related to short term leases - plant and machinery		9,181	-
Operating lease rentals - plant and machinery		-	16,798
Operating lease rentals - other assets		-	218,925

Audit fees are borne by the ultimate parent undertaking. plc. The audit fee for the current period was £2,781 (2018: £2,800). 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 Income tax

The major components of income tax credit for the years ended 31 December 2019 and 2018 are:

	2019	2018
	£	£
Current tax		
UK corporation tax	(530,701)	(355,572)
Adjustments in respect of prior periods	(131,343)	43,829
	(662,044)	**(311,743)**
Deferred tax		
Origination and reversal of temporary differences	(139,635)	(24,449)
Adjustment in respect of prior periods	104,175	15,081
	(35,460)	**(9,368)**
Total tax credit reported in the income statement	**(697,504)**	**(321,111)**

The reconciliation between tax credit and the accounting profit multiplied by the UK corporation tax rate for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
	£	£
Loss before tax	(3,631,997)	(2,028,064)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(690,080)	(385,332)
Adjustments in respect of deferred income tax of prior periods	104,175	15,080
Adjustments in respect of current income tax of prior periods	(131,343)	43,829
Expenses not deductible for tax purposes	3,316	2,436
Impact of changes in statutory tax rate	16,428	2,876
Total adjustments	(7,424)	64,221
Total tax credit reported in the income statement	**(697,504)**	**(321,111)**

5 Income tax **(Continued)**

	Balance sheet		Income statement	
	2019	2018	2019	2018
	£	£	£	£
Deferred Tax (Asset)/Liabilities				
Other short term timing differences	(2,617)	-	(2,617)	(26,535)
Accelerated/(decelerated) capital allowances	(15,677)	17,167	(32,843)	17,167
Net deferred tax (asset)/liabilities	**(18,294)**	**17,167**		
Deferred income tax credit			**(35,460)**	**(9,368)**

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. On the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020.

This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £2,152.

A deferred tax asset of £368,896 (2018: £342,075) has been unrecognised in the statutory accounts due to the uncertainty of future use. If the rate change had been substantively enacted at the current balance sheet date the unrecognised deferred tax asset would be increased by £43,400.

6 Property, plant and equipment

	Fixtures, fittings and equipment	Computers equipment	Total
	£	£	£
Cost			
At 1 January 2019	**25,685**	**2,199,579**	**2,225,264**
Additions	2,385	34,641	37,026
Asset retirement	(25,685)	(1,278,218)	(1,303,903)
At 31 December 2019	**2,385**	**956,002**	**958,387**
Depreciation			
At 1 January 2019	**23,118**	**1,415,512**	**1,438,630**
Charge for the year	3,097	233,502	236,599
Asset retirement	(25,685)	(1,278,218)	(1,303,903)
At 31 December 2019	**530**	**370,796**	**371,326**
Net book value			
At 31 December 2019	**1,855**	**585,206**	**587,061**
At 31 December 2018	**2,567**	**784,067**	**786,634**

7 Intangible assets

	Software
	£
Cost	
At 1 January 2019	**9,947,484**
Additions	8,678,596
Asset retirement	(4,212,683)
At 31 December 2019	**14,413,397**
Amortisation	
At 1 January 2019	**5,108,873**
Charge for the year	1,007,114
Asset retirement	(4,212,683)
At 31 December 2019	**1,903,304**
Net book value	
At 31 December 2019	**12,510,093**
At 31 December 2018	**4,838,611**

Impairment of intangible assets with finite life

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

The impairment test compares the carrying value of each asset with its recoverable amount, which is the higher of its fair value less cost of disposal and value in use. The Directors have determined the recoverable amount for all assets their value in use, estimated using discounted forecast cash flows.

The impairment test

The carrying amount of relevant intangible assets at 31 December 2019 is £12.5m (2018: £4.8m). Intangible assets comprise two newly developed products expected to be launched in 2020 (£8.9m) and existing products already in use (£3.6m).

Recent losses incurred by the Company are considered to be an indicator of impairment and have triggered the need for an impairment test at 31 December 2019 for all intangible assets.

The value in use determined at 31 December 2019 exceeds the carrying value for each asset and therefore no impairment has been recorded. The Directors consider the assumptions used in the impairment review to be realistic and achievable. However, this includes an expectation of significant revenue growth across all products driven by the recent investment, and if actual results are different from expectations then it is possible that the value of intangible assets could become impaired in the future.

Cash flow projections

The value in use has been estimated using forecast cash flows over a 5-year period, which is the estimated useful life of each of the assets. The forecasts are based upon the company's approved financial projections for the next three years. For the newly developed products years four and five have been extrapolated based on known future events, recently observable trends and management expectations and in the case of existing products a long-term growth rate of 1.6% has been applied. Cash flows are adjusted for working capital movements and include forecast capital expenditure.

7 Intangible assets **(Continued)**

Key assumptions

The value in use for all assets is particularly sensitive to changes in forecast cash flows, which are driven by assumptions around revenue growth and EBITDA margins, and the discount rates.

The key assumptions are:

Revenues: Forecast revenues are built up with reference to expected sales prices and volumes from individual markets and asset categories based on past performance, projections of developments in key markets, sales pipelines and management's judgement, including the involvement of external advisors to provide information on the market. Where appropriate these have also been subject to challenge by senior management of Capita plc group prior to investment decisions.

EBITDA margins: Forecast margins reflect historical performance of existing assets and management's best estimate of new products based on knowledge of similar products profitability at the forecast level of sales including the impact of committed restructuring projects. The projections do not include the impact of future restructuring projects to which the company is not yet committed.

Discount rate: A pre-tax discount rate of 11.5% has been applied, which reflects the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt, all of which are all based on publicly available external sources. The discount rate is consistent with that used by Capita plc group for its impairment assessment for the Software division at 31 December 2019.

Sensitivity analysis

The impairment testing as described is reliant on the accuracy of management's forecasts and the assumptions that underlie them and on the selection of the discount rate to be applied.

A 15% reduction in the forecast cash flows for each of the five years would result in an impairment of £0.2m of one of the newly developed assets and no impairment of the other assets.

A 3% increase in the discount rate would not result in an impairment of any of the assets.

8 Trade and other receivables

Current	**2019**	**2018**
	£	**£**
Trade receivables	470,095	471,928
Accrued income	42,743	40,459
Prepayments	821,494	688,045
VAT recoverable	128,964	83,560
Amounts due from parent and fellow subsidiary undertaking	5,595,257	3,860,746
	7,058,553	**5,144,738**

Non-current	**2019**	**2018**
	£	**£**
Prepayments	705,068	17,662
	705,068	**17,662**

9 Cash

	2019	2018
	£	£
Cash at bank and in hand	272,194	135,847
	272,194	**135,847**

10 Trade and other payables

Current	2019	2018
	£	£
Trade payables	1,874,004	254,169
Other payables	88	64,991
Accruals	1,450,688	504,831
Amounts due to parent and fellow subsidiary undertaking	13,068,536	4,653,222
	16,393,316	**5,477,213**

11 Financial liabilities

	2019	2018
	£	£
Current		
Overdrafts	6,291,583	3,609,064
	6,291,583	**3,609,064**

12 Deferred income

	2019	2018
	£	£
Current		
Deferred income	24,418	-
	24,418	**-**

13 Provisions

Current	**Dilapidations**
As at 1 January 2019	325,000
Released during the year	(325,000)
At 31 December 2019	**-**

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 entire provision has been utilised in the current year as the Company has surrendered the lease.

14 Employees

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

	2019	**2018**
	Number	**Number**
Sales	25	20
Administration	9	10
Operations	40	40
	74	**70**

Their aggregate remuneration comprised:

Employment costs	**2019**	**2018**
	£	**£**
Wages and salaries	3,193,074	2,927,021
Social security costs	611,772	517,107
Pension costs	309,817	218,351
Share based payments	-	6,649
	4,114,663	**3,669,128**

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

15 Employee benefits

The total costs charged to the income statement in respect of defined contribution plans is £309,817 (2018: £218,351).

16 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	-	124,903
Company pension contributions to defined contribution schemes	-	10,587
	-	135,490

The directors have not provided qualifying services to the Company and are paid by the other Companies within the Capita Group (2018:1). Such remuneration has not been allocated to the Company. In addition to the above, the Directors of the Company were reimbursed for the expenses incurred by them whilst performing business responsibilities.

17 Issued share capital

	2019	2018	2019	2018
	Numbers	Numbers	£	£
Allotted, called up and fully paid				
Ordinary Shares of £1 each				
At 1 January	91	90	91	90
Issue of share of £1 each	-	1	-	1
At 31 December	**91**	**91**	**91**	**91**

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.

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 65 Gresham Street, London, England, EC2V 7NQ.

19 Post balance sheet event

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which the Directors have assessed in considering the going concern assumption.

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. The Directors have assessed that there is no material impact on the recognition and measurement of assets and liabilities as a result of this subsequent event.