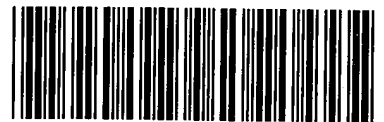


Sage Pay Europe Limited  
Annual report and financial statements  
for the year ended 30 September 2015

Registered number: 07492608

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# Sage Pay Europe Limited

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# **Sage Pay Europe Limited**

## **Strategic review for the year ended 30 September 2015**

The directors present their strategic report on Sage Pay Europe Limited (the "Company") for the year ended 30 September 2015.

The business continues to execute on its strategic plan to take advantage of the changes taking place in its key markets and leveraging its association with the ultimate parent company – The Sage Group plc. The business plans to accelerate growth principally through the provision of payment and related services to The Sage Group plc's significant and growing customer base.

### **Fair Review of the business**

The principal activity of the Company during the financial year was the provision of payment processing services; comprising online, card present, mail order and telephone order payment solutions and associated services (including the resale, hire and rental of payment card terminals and similar technologies).

Revenue and customer numbers have grown year-on-year, with the business performing in line with financial projections. The business continues to invest for growth, evidenced by the launch of new products, features and product improvements.

A decision was taken in February 2015 to exit operations in Spain and Germany following lower take-up of available payment services than originally anticipated.

The Company reported a loss on ordinary activities before taxation of £867,000 (2014: £2,301,000) on turnover of £24,927,000 (2014: £22,653,000). The loss for the year is stated after charging goodwill amortisation of £4,155,000 (2014: £4,155,000).

The Sage Group's growth objectives were achieved with an increase in organic revenue of 10%.

Further supporting information to fulfil the Company's requirement to present a fair review of business can be found on pages 9 to 26 of the 2015 financial statements.

### **Principal risks and uncertainties**

Principal risks and uncertainties associated with the activities of the Company are as follows:

- Potential disruption to core payment processing services; and
- Data security threats common to those businesses providing payment processing services, particularly online.

The Company actively manages these risks and has adopted a detailed framework to control the risks associated with the provision of online services of the nature of those undertaken by the Company and the protection of customers' data. Risk management activities undertaken to control the risks referenced above include business continuity and disaster recovery planning and robust information security management.

# **Sage Pay Europe Limited**

## **Strategic review for the year ended 30 September 2015 (continued)**

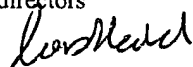
We note that The Sage Group plc, the Company's ultimate parent, manages the Group's risks at a Group level, rather than at an individual business unit level. For this reason, the Company's directors consider that a general discussion of the Group's risks (beyond those referenced above) would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of The Sage Group plc, which include those of the Company (beyond those referenced above), are discussed in further detail within the Group's annual report (which does not form part of this report) on pages 39 to 43.

### **Key performance indicators**

The directors of The Sage Group plc manage and measure the Group's operations on a regional and segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The key performance indicators used by the directors of The Sage Group plc to manage and measure the performance of the Group are discussed within the Group's annual report (which does not form part of this report) on pages 28 and 29.

Signed on behalf of the directors

Mr G Heald, Director



Approved by the directors on 30 March 2016

# **Sage Pay Europe Limited**

## **Directors' report for the year ended 30 September 2015**

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2015.

### **Financial instruments**

#### *Financial risk management*

The Company's operations expose it to a variety of financial risks that include credit risk and interest rate risk. The Company does not use derivative financial instruments to manage interest rate risk and as such, no hedge accounting is applied.

#### *Credit risk*

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure with any counterparty is subject to a limit.

The treasury function is managed at Group level. The credit risk on cash is considered to be low, as the Audit Committee approved Group Treasury Policy limits the value that can be invested in each approved counterparty to minimise the risk of loss. All counterparties must meet minimum credit rating requirements.

#### *Interest rate risk*

The Company has limited exposure to interest rate fluctuations mainly arising from lending to related Group companies. The Company monitors this exposure and works with other related Group companies to minimise exposure.

### **Research and development**

The directors regard the investment in research and development as integral to the continuing success of the business and ensuring our products remain market leading.

### **Future developments**

The external commercial environment is expected to remain competitive during the current financial year. However, the directors remain confident that the Company will maintain its current level of performance and that continued integration with The Sage Group plc, and access to its significant customer base, will yield greater revenues in the upcoming financial year.

### **Directors**

The directors who served the Company during the year and up to the date of signing the financial statements were as follows:

Mr S Black	(resigned 13 March 2015)
Mr M Robinson	(appointed 13 March 2015)
Mr G Heald	(appointed 1 October 2014)
Mr F Verniere	

## **Sage Pay Europe Limited**

As at the date of this report, indemnities (which are qualifying third party indemnity provisions under the Companies Act 2006) are in place under which the Company has agreed to indemnify the directors of the Company and the former directors of the Company who held office during the year ended 30 September 2015, to the extent permitted by law and by the Company's articles of association, in respect of all liabilities incurred in connection with the performance of their duties as a director of the Company or its subsidiaries. Copies of these indemnities are available for review at the registered office of the Company.

# **Sage Pay Europe Limited**

## **Directors' report for the year ended 30 September 2015 (continued)**

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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

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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

Each director at the date of approval of this report has confirmed that:

- so far as the director 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 auditors are unaware; and
- that each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company The Sage Group plc. The directors have received confirmation that The Sage Group plc intends to support the Company for at least one year after these financial statements are signed.

### **Independent auditor**

During October 2014 the Sage Group plc Audit Committee conducted a formal tender for the proposed appointment of a new external audit firm for the Group for the 2015 financial year. The Committee appointed a selection panel to undertake much of the detailed work and invited three of the Big Four firms to tender.

PricewaterhouseCoopers LLP had been external auditors since 1988 and no formal tender process had taken place since the appointment. Therefore, by mutual agreement, it was decided that they would not be invited to participate in the tender process. The selection panel and Committee recommended to the Board that Ernst & Young LLP be appointed as auditors for the financial year ending 30 September 2015. Accordingly a

## Sage Pay Europe Limited

resolution proposing their appointment was put to shareholders, and approved, at the Sage Group plc AGM in March 2015.

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Registered office:  
Sage Pay Europe Limited  
North Park  
Newcastle Upon Tyne  
United Kingdom  
NE13 9AA

Signed on behalf of the directors



Mr G Heald  
Director

Approved by the directors on 30 March 2016



# **Sage Pay Europe Limited**

## **Independent auditor's report to the members of Sage Pay Europe Limited**

We have audited the financial statements of Sage Pay Europe Limited (the Company) for the year ended 30 September 2015 which comprise the balance sheet as at 30 September 2015, the profit and loss account for the year then ended, the statement of accounting policies and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# Sage Pay Europe Limited

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Andrew Davison (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
04 April 2016

## Sage Pay Europe Limited

### Profit and loss account for the year ended 30 September 2015

	Note	2015 £'000	2014 £'000
Turnover	1	24,927	22,653
Cost of sales		(1,335)	(1,872)
Gross profit		23,592	20,781
Administrative expenses		(24,608)	(23,227)
Operating loss	2	(1,016)	(2,446)
Interest receivable and similar income	5	412	145
Loss on ordinary activities before taxation		(604)	(2,301)
Tax on loss on ordinary activities	6	(263)	-
Loss for the financial year	16	(867)	(2,301)

All of the activities of the Company are classed as continuing.

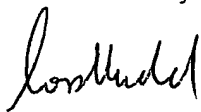
The Company had no other recognised gains or losses for the current or preceding year other than the loss above; therefore no statement of total recognised gains and losses is presented.

# Sage Pay Europe Limited

## Balance sheet as at 30 September 2015

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Intangible assets	7	66,478	70,633
Tangible assets	8	2,058	2,425
Investments	9	17,329	17,328
		<b>85,865</b>	<b>90,386</b>
<b>Current assets</b>			
Debtors	10	14,266	12,975
Cash at bank and in hand		341	525
		<b>14,607</b>	<b>13,500</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(7,422)</b>	<b>(9,969)</b>
<b>Net current assets</b>		<b>7,185</b>	<b>3,531</b>
<b>Net assets</b>		<b>93,050</b>	<b>93,917</b>
<b>Capital and reserves</b>			
Called up share capital	15	104,269	104,269
Profit and loss account	16	(11,219)	(10,352)
<b>Total shareholders' funds</b>	17	<b>93,050</b>	<b>93,917</b>

The financial statements on pages 9 to 26 were approved by the board of directors on 30 March 2016 and were signed on its behalf by:



Mr G Heald

Director

Registered number: 07492608

# **Sage Pay Europe Limited**

## **Statement of accounting policies**

### **Basis of preparation**

These financial statements are prepared on the going concern basis, under historical cost convention, and in accordance with the Companies Act 2006, and applicable accounting standards in the United Kingdom.

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, The Sage Group plc. The directors have received confirmation that The Sage Group plc intend to support the Company for at least one year after these financial statements are signed.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

### **Consolidation**

The Company was, at the end of the year, a wholly-owned subsidiary of another Company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated financial statements.

### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard Number 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement.

### **Related parties transactions**

The Company has taken advantage of the exemptions available under Financial Reporting Standard Number 8, and has not disclosed transactions with other companies that are consolidated into the financial statements of The Sage Group plc.

### **Turnover**

Turnover is comprised of subscription revenue for the use of the payment gateway and related services – these are a combination of fixed monthly fees and transactional based charges. Revenue is recognised in the period to which it relates, revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet. Third party commission based revenue is recorded as and when incurred.

### **Research and development**

Research and development expenditure is written off in the year in which it is incurred.

### **Goodwill**

The purchase method of accounting is used to account for the acquisition of trade and assets by the Company. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets.

Goodwill arising on the acquisition of trade and assets is included in intangible assets, representing the excess of compensation paid over the value of net assets.

Goodwill is being amortised on a straight line basis over its useful economic life of 20 years.

# **Sage Pay Europe Limited**

## **Statement of accounting policies (continued)**

### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

### **Depreciation**

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

Plant and machinery - 3 to 4 years straight line

Fixtures and fittings - 7 years straight line.

### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **Pension costs**

The Company operates a defined contribution pension scheme for certain of its employees. The costs are charged to the profit and loss account as they fall due. The assets of the defined contribution pension scheme are held separately from those of the Company.

### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transactions. Exchange differences are taken into account in arriving at the operating profit.

### **Investment in subsidiary undertakings**

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

### **Share-based payments**

The Sage Group plc (the "Group") issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest allowing for the effect of non-market-based vesting conditions.

Fair value is measured using the Black-Scholes or Monte Carlo pricing models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group also provides certain employees with the ability to purchase the Group's ordinary shares at a discount to the current market value at the date of the grant. The Group records an expense, based on its estimate of the discount related to shares expected to vest, on a straight-line basis over the vesting period.

# Sage Pay Europe Limited

## Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

### (i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

### (ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and loss for the financial year as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015

### 1 Turnover

	2015	2014
	£'000	£'000
United Kingdom	24,635	22,384
Rest of Europe	292	269
	24,927	22,653

### 2 Operating loss

Operating loss is stated after charging the following items:

	2015	2014
	£'000	£'000
Amortisation of intangible fixed assets (Note 7)	4,155	4,155
Depreciation of tangible fixed assets (Note 8)	1,317	1,097
Operating lease costs - other	427	561
Auditors remuneration: Audit of the financial statements	55	26

There have been no fees payable to the auditor and its associates for other (non-audit) services during the 2015 financial year end.

### 3 Particulars of employees

The average monthly number of staff employed by the Company during the financial year amounted to:

	2015	2014
	Number	Number
Sales	55	58
Customer Service	74	74
Administration	95	92
	224	224



# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 3 Particulars of employees (continued)

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£'000	£'000
Wages and salaries	10,456	10,007
Social security costs	1,031	1,037
Other pension costs	495	534
Equity-settled share-based payments	(36)	195
	11,946	11,773

### 4 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2015	2014
	£'000	£'000
Remuneration receivable	410	509
Value of company pension contributions to money purchase schemes	25	42
Payments made to directors for leaving service	-	86
	435	637

#### Remuneration of highest paid director

	2015	2014
	£'000	£'000
Total remuneration (excluding pension contributions)	204	361
Value of company pension contributions to money purchase schemes	13	28
	217	389

# **Sage Pay Europe Limited**

## **Notes to the financial statements for the year ended 30 September 2015 (continued)**

### **4 Directors' remuneration (continued)**

The number of directors who accrued benefits under company pension schemes was as follows:

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Money purchase schemes	<b>1</b>	<b>1</b>

During the year no directors (2014: no) (including the highest paid director) exercised share options.

### **5 Interest receivable and similar income**

	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable on loans to Group undertakings	<b>412</b>	<b>145</b>

# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 6 Tax on loss on ordinary activities

#### (a) Analysis of tax charge in the year

	2015	2014
	£'000	£'000
<b>Current tax</b>		
UK corporation tax based on the results for the year	138	-
Adjustments in respect of prior year	125	-
<b>Total current tax</b>	<b>263</b>	<b>-</b>

#### (b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher (2014: higher) than the standard rate of corporation tax in the UK of 20.5% (2014: 22%).

The main rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly the companies' results for this accounting period are taxed at an effective rate of 20.5% and should be taxed at 20% in the 2016 period.

	2015	2014
	£'000	£'000
Loss on ordinary activities before taxation	(604)	(2,301)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.5% (2014: 22%)	(124)	(506)
Expenses not deductible for tax purposes	(867)	925
Depreciation in excess of Capital Allowances	128	-
Adjustments to tax charge in respect of previous periods	125	-
Group Relief utilised not paid	(733)	(419)
<b>Total current tax charge for the year</b>	<b>263</b>	<b>-</b>

#### (c) Factors that may affect future tax charges

In addition to the changes in rates of Corporation Tax disclosed above, a number of changes to the UK Corporation Tax system are proposed. A further reduction in the main rate to reduce the rate to 19% from 1 April 2017 and 18% from 1 April 2020 has been substantively enacted after the balance sheet date.

# Sage Pay Europe Limited

## (d) Unrecognised deferred tax assets

Deferred tax assets of £252,576 (2014: £128,179) have not been recognised in respect of the difference between the tax and accounting treatment of the depreciation of assets, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

## 7 Intangible fixed assets

	Goodwill
Cost	£'000
At 1 October 2014 and 30 September 2015	83,098
<b>Accumulated Amortisation</b>	
At 1 October 2014	12,465
Charge for the year	4,155
At 30 September 2015	16,620
<b>Net book value</b>	
At 30 September 2015	66,478
At 1 October 2014	70,633

## 8 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 October 2014	4,413	870	5,283
Additions	949	1	950
At 30 September 2015	5,362	871	6,233
<b>Accumulated depreciation</b>			
At 1 October 2014	2,560	298	2,858
Charge for the year	1,187	130	1,317
At 30 September 2015	3,747	428	4,175
<b>Net book value</b>			
At 30 September 2015	1,615	443	2,058
At 30 September 2014	1,853	572	2,425

# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 9 Investments

Cost and net book value	Investment in subsidiary undertakings
	£'000
At 1 October 2014 and 30 September 2015	17,329

There were no additions during the year.

The directors believe that the carrying value of the investments is supported by its value in use.

At 30 September 2015 the Company had the following investments in subsidiary undertakings:

Subsidiary Undertakings	Percentage ownership of ordinary shares	Country of operation and incorporation	Principal activity
Sage Pay Ireland Limited	100%	Ireland	Marketing and holding Company
Sage Pay GmbH	100%	Germany	Marketing
Sage Pay S.L.	100%	Spain	Marketing
Sage Pay (Dublin) Limited (Formerly Integral Computers Limited (Ireland)*)	100%	Ireland	Payment processing and terminal rental
Sage Pay (GB) Limited (Formerly Integral Computers Limited (UK)*)	100%	England and Wales	Payment processing and terminal rental

\*The investments are all direct other than Sage Pay (Dublin) Limited (Formerly Integral Computers Limited (Ireland)) which is held indirectly through Sage Pay Ireland Limited and Sage Pay (GB) Limited (Formerly Integral Computers Limited (UK)) which is held indirectly through Sage Pay (Dublin) Limited (Formerly Integral Computers Limited (Ireland)).

# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 10 Debtors

	2015	2014
	£'000	£'000
Trade debtors	2,572	2,500
Amounts owed by Group undertakings	10,872	9,384
Prepayments and accrued income	822	1,091
	14,266	12,975

Interest is charged on the principal of amounts owed by parent undertakings and is calculated at the applicable rate for the interest period. The interest rate applicable is 1.5% p.a. over the relevant 1-month LIBOR rate on the first working day of the calendar month. The amounts owed by the parent are repayable on demand.

### 11 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Amounts owed to Group undertakings	3,828	7,274
Taxation and social security	1,103	1,032
Accruals and deferred income	2,491	1,664
	7,422	9,969

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

# **Sage Pay Europe Limited**

## **Notes to the financial statements for the year ended 30 September 2015 (continued)**

### **12 Share based payments**

The total credit for the year relating to employee share-based payment plans was £35,695 (2014: £195,088 charge), all of which related to equity-settled share-based payment transactions. A reconciliation of share movements for options granted after 7 November 2002 to which FRS 20 is applicable is shown below.

#### **The Sage Group Performance Share Plan**

Annual grants of performance shares will normally be made to executive directors and senior executives across the Group after the preliminary declaration of the annual results. Under the Performance Share Plan 50,160 (2014: 78,463) awards were made during the year.

#### Awards prior to 2013

Annual awards under the Plan are limited to shares worth up to 300% of base salary. In practice, annual grants to executive directors are limited to shares with a maximum value on award of 210% of base salary except in exceptional circumstances, such as a promotion or recruitment or to reflect local market practice.

The performance shares are subject to performance conditions on a sliding scale based on EPS. 25% of the award will vest at the end of the period if the increase in EPS exceeds RPI by 9% (an average of 3% per year); 100% of the award will vest at that time only if RPI is exceeded in that period by 27% (an average of 9% per year). Between those targets, awards will vest on a straight-line basis, and if those targets are not met there is no opportunity for re-testing. Awards are then subject to a total shareholder return (TSR) "multiplier" whereby the level of vesting based on EPS achievement will be adjusted according to TSR performance over the same three-year period compared with a Group of international software and computer services companies.

# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 13 Share based payments (continued)

The comparator Group for awards made in 2012 comprised the following companies:

- Adobe Systems	- Cegid	- Logica	- Salesforce.com
- ARM Holdings	- Dassault Systèmes	- Micro Focus International	- SAP
- Blackbaud	- Exact	- Microsoft	- Software AG
- Cap Gemini	- Intuit	- Oracle	

If Sage's TSR is ranked at lower quartile in the Group, the multiplier is 0.75. If Sage's TSR is ranked at median in the Group, the multiplier is 1. If Sage's TSR is ranked at upper quartile in the Group, then the multiplier is 1.5. Straight-line pro-rating applies between 0.75 and 1, and between 1 and 1.5, but the multiplier cannot be higher or lower than these figures.

#### Awards from 2013 onwards

These performance shares are subject to a service condition and three performance conditions. Performance conditions are weighted one third on the achievement of an EPS target, and one third on the achievement of an organic revenue growth target. The remaining one third is based on a TSR target.

The EPS vesting percentage is based on compound EPS growth. Where compound EPS growth is between 6% and 12%, the EPS vesting percentage will be calculated on a straight-line pro-rata basis between 6.7% and 26.7%, and where compound EPS growth is between 12% and 15%, the EPS vesting percentage will be calculated on a straight-line pro-rata basis between 26.7% and 33.3%.

The organic revenue growth target is based on the Company's compound annual organic revenue growth. Where growth is between 4% and 8% the organic revenue growth vesting percentage will be calculated on a straight-line pro-rata basis between 6.7% and 26.7%, and where the Company's compound organic revenue growth is between 8% and 10%, the organic revenue growth vesting percentage will be calculated on a straight-line pro-rata basis between 26.7% and 33.3%. In order for the organic revenue growth target proportion to vest, the underlying operating profit margin in the financial year of vesting must not be less than that of the underlying operating profit margin for the financial year in which the award is granted.

The final third of the award is the performance target relating to TSR which measures share price performance against a designated comparator group. Where the Company's TSR is between median and upper quartile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 6.7% and 26.7% and where the Company's TSR is between upper quartile and upper decile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 26.7% and 33.3%. The TSR vesting percentage may only exceed 26.7% ("Stretch" level) if performance against either the EPS target or the organic revenue growth target is also at "Stretch" level.

The comparator group for awards granted from 2013 onwards is the companies comprised in the FTSE 100 Index at the start of the performance period, excluding financial services and extraction companies.

Awards were valued using the Monte Carlo option-pricing model. Performance conditions were included in the fair value calculations, which were based on observable market prices at grant date. All options granted under performance share awards have an exercise price of nil.



# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 13 Share based payments (continued)

The fair value per award granted and the assumptions used in the calculation are as follows:

Grant date	January 2015	January 2015	January 2015	March 2014	March 2014
Share price at grant date	£4.65	£4.65	£4.65	£4.20	£4.20
Number of employees	150	111	1	15	27
Shares under award	3,930,755	485,199	213,421	294,718	112,012
Vesting period (years)	3	3	3	3	3
Expected volatility	20%	20%	20%	22%	22%
Award life (years)	3	3	3	3	3
Expected life (years)	3	3	3	3	3
Risk free rate	0.67%	0.67%	0.67%	1.10%	1.10%
Expected dividends expressed as a dividend yield	-	-	-	-	-
Fair value per award	£4.13	£4.65	£3.06	£3.62	£4.2

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed award life.

A reconciliation of award movements over the year is shown below:

	Number '000s	2015 Weighted average exercise price £	Number '000s	2014 Weighted average exercise price £
Outstanding at 1 October	198	-	227	-
Awarded	50	-	78	-
Forfeited	(119)	-	(107)	-
Exercised	(48)	-	-	-
Outstanding at 30 September	81	-	198	-
Exercisable at 30 September	-	-	-	-

	2015		2014	
	Weighted average remaining life years		Weighted average remaining life years	
Range of exercise price	Expected	Contractual	Expected	Contractual
N/A	1.4	1.4	1.6	1.6

# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 13 Share based payments (continued)

#### The Sage Group Restricted Share Plan

The Group's Restricted Share Plan is a long-term incentive plan used in limited circumstances and usually on a one-off basis, under which contingent share awards are usually made only with service conditions. Executive directors are not permitted to participate in the plan and shares are purchased in the market to satisfy vesting awards. During the year 12,510 (2014: 28,296) awards were made. These awards only have service conditions and have a fair value of 465p, equal to the share price on the date of grant.

A reconciliation of award movements over the year is shown below:

	2015		2014	
	Number '000s	Weighted average exercise price £	Number '000s	Weighted average exercise price £
Outstanding at 1 October	28	-	-	-
Awarded	13	-	28	-
Forfeited	(41)	-	-	-
Exercised	-	-	-	-
Outstanding at 30 September	28	-	28	-
Exercisable at 30 September	-	-	-	-

	2015		2014	
	Weighted average remaining life years		Weighted average remaining life years	
	Expected	Contractual	Expected	Contractual
Range of exercise price				
N/A	-	-	2.3	2.3

#### The Sage Group Savings-related Share Option Plan (the "SAYE Plan")

The Group operates an approved savings-related share option scheme for UK employees. The fair value is expensed over the service period of three, five or seven years on the assumption that 20% of options will lapse over the service period as employees leave the Group. In the year, no options were granted under the terms of the Savings-related Share Option Scheme (2014: 73,492).

# Sage Pay Europe Limited

## Notes to the financial statements for the year ended 30 September 2015 (continued)

### 14 Commitments under operating lease payments

At 30 September 2015 the Company had annual commitments under leases as set out below:

	2015	2014
	Land and buildings	Land and buildings
	£'000	£'000
Operating leases which expire:		
Within two to five years	477	477
	477	477

### 15 Called up share capital

	2015	2014
	£'000	£'000
Allotted, called-up and fully paid		
8,339,335,361 (2014: 8,339,335,361) ordinary share of £0.012503275 each	104,269	104,269

### 16 Profit and loss account

	2015	2014
	£'000	£'000
At 1 October	(10,352)	(8,051)
Loss for the financial year	(867)	(2,301)
At 30 September	(11,219)	(10,352)

## **Sage Pay Europe Limited**

### **Notes to the financial statements for the year ended 30 September 2015 (continued)**

#### **17 Reconciliation of movements in shareholders' deficit**

	2015	2014
	£'000	£'000
Loss for the financial year	(867)	(2,301)
Opening shareholders' funds	93,917	96,218
Closing shareholders' funds	93,050	93,917

#### **18 Parent undertaking and controlling party**

The ultimate parent undertaking and ultimate controlling party is The Sage Group plc a Company registered in England. The Sage Group plc is the largest and smallest Group to consolidate these financial statements at 30 September 2015. Copies of the Group financial statements can be obtained from the registered office at The Sage Group Plc, North Park, Newcastle upon Tyne, NE13 9AA.

#### **19 Subsequent events**

There are no material subsequent events from the date of financial statement to the director's signing date.