Registration number 03840196

Sage Pay (GB) Limited

Report and Financial Statements

Year ended 30 September 2016

FRIDAY

A69O7V4H

A23 30/06/2017 #291

COMPANIES HOUSE

Contents

Directors' report

The directors present their report and the audited financial statements of Sage Pay (GB) Limited ("the Company") for the year ended 30 September 2016.

Principal activity

The principal activity of the Company during the year continues to be the provision of payment processing services including the resale, hire, rental of card present terminals (and similar technologies) together with associated technical services and the marketing and promotion of e-commerce and mail order / telephone order payment processing activities on behalf of Sage Pay Europe Limited.

The directors are satisfied with the profits made in 2016 and believe that the Company will continue with this level of performance in the coming years.

Review of business

The results for the year are set out on page 8. The directors do not recommend payment of a dividend *(2015: £nil).*

Directors

The directors who served during the year and up to the date of signing of the financial statements are set out below:

M J Robinson (resigned on 16/09/2016)
G O D Heald (resigned on 10/10/2016)
M Parry (appointed on 16/09/2016)
V L Bradin (appointed on 10/10/2016)

Indemnity provisions

The ultimate parent company, The Sage Group plc, maintained liability insurance for its directors and officers during the financial year and up to the date of approval of these financial statements. The Sage Group plc has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

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 in the future.

Going concern

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' report *(continued)*

Strategic report

This report has been prepared in accordance with the special provision relating to small companies within Part 15 of the Companies Act 2006 and the Company is therefore exempt from the requirement to prepare a Strategic Report.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) the directors have 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board

M Parry
Director

28 June 2017

Statement of Directors' responsibilities

The directors are responsible for preparing 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 the directors have prepared the financial statements in accordance with UK Accounting Standards and applicable law (United Kingdom 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 for that period.

In preparing those 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE PAY (GB) LIMITED

We have audited the financial statements of Sage Pay (GB) Limited for the year ended 30 September 2016 which comprise the Income Statement and Statement of Other Comprehensive Income, the Balance Sheet, and the Statement of Changes in Equity and the related notes 1 to 12. 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), including FRS 101 "Reduced Disclosure Framework".

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 financial statements 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Directors' Report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE PAY (GB) LIMITED (CONTINUED)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take the advantage of the small companies' exemptions in not preparing the Strategic Report and take advantage of the small companies' exemption in preparing the Directors' Report.

Ernst & Young LLP

Andrew Davison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 June 2017

Income statement and other comprehensive income

	Note	2016	2015
		£	£
Revenue	3	**3,190,492**	2,659,781
Cost of sales		**(1,433,127)**	(2,444,773)
Gross profit		**1,757,365**	215,008
Administrative expenses		**(154,350)**	(108,617)
Profit before income tax		**1,603,015**	106,391
Income tax credit	5	**5,613**	29,493
Profit for the year		**1,608,628**	135,884
Total comprehensive income		**1,608,628**	135,884

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

The notes on pages 11 to 19 form part of these financial statements.

Balance sheet

	Note	2016	2015
		£	£
Non current assets			
Property, plant and equipment	6	-	-
		-	-
Current assets			
Trade and other receivables	7	**1,004,229**	519,203
Cash and cash equivalents		**1,821,654**	484,480
Deferred income tax assets		**5,613**	-
		2,831,496	1,003,683
Total assets		**2,831,496**	1,003,683
Current liabilities			
Trade and other payables	8	**(513,048)**	(280,900)
Deferred income		**(50,843)**	(63,806)
		(563,891)	(344,706)
Total liabilities		**(563,891)**	(344,706)
Net assets		**2,267,605**	658,977
Equity attributable to owners of the parent			
Ordinary shares	9	**2**	2
Retained earnings		**2,267,603**	658,975
Total equity		**2,267,605**	658,977

These accounts were approved by the directors and authorised for issue on 28 June 2017, and are signed on their behalf by:

M Parry
Director

Company registration number: 03840196

The notes on pages 11 to 19 form part of these financial statements.

Statement of changes in equity

	Ordinary shares	Retained earnings	Total equity
	£	£	£
Balance at 1 October 2014	2	523,091	523,093
Profit for the year	-	135,884	135,884
Total comprehensive income for the year ended 30 September 2015	-	135,884	135,884
Balance at 30 September 2015	2	658,975	658,977
Balance at 1 October 2015	**2**	**658,975**	**658,977**
Profit for the year	**-**	**1,608,628**	**1,608,628**
Total comprehensive income for the year ended 30 September 2016	**-**	**1,608,628**	**1,608,628**
Balance at 30 September 2016	**2**	**2,267,603**	**2,267,605**

The notes on pages 11 to 19 form part of these financial statements.

Notes

1. Accounting policies

Sage Pay (GB) Limited (the "Company") is a company incorporated and domiciled in England, it is a private company limited by shares and the Company's registered address is North Park, Newcastle upon Tyne, NE13 9AA.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the UK Companies Act 2006. The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 have been early adopted with effect from 1 October 2015, together with the equivalent amendments to FRS 101.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported balance sheet and income statement and other comprehensive income of the Company is provided in note 12.

The Company's ultimate parent undertaking, The Sage Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of The Sage Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in note 11.

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

- An additional balance sheet as at the date of transition, as required by paragraphs 6 and 21 of IFRS 1 *First time adoption of International Financial Reporting Standards*;
- a Cash Flow Statement and related notes, as required by IAS 7 *Statement of cash flows*;
- Comparative period reconciliations as required by paragraph 38 of IAS 1 *Presentation of financial statements* for (i) share capital (paragraph 79(a)(iv) of IAS 1 *Presentation of financial statements*) and (ii) property, plant and equipment (paragraph 73(e) of IAS 16 *Property, Plant and Equipment*);
- Disclosures in respect of transactions with wholly owned subsidiaries, as required by IAS 24 *Related party disclosures*;
- Disclosures in respect of capital management, as required by paragraphs 134 to 136 of IAS 1 *Presentation of financial statements*;
- The effects of new but not yet effective IFRSs, as required by paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors*;
- Disclosures in respect of the compensation of Key Management Personnel, as required by paragraph 17 of IAS 24 *Related party disclosures*; and

Notes *(continued)*

1. Accounting policies *(continued)*

- Disclosures of transactions with a management entity that provides key management personnel services to the company, as required by paragraph 17 of IAS 24 *Related party disclosures*.

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

- Certain disclosures required by paragraphs 91 to 99 of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening balance sheet at 1 October 2014 for the purposes of the transition to FRS 101.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Basis of preparation

The financial statements have been prepared on the historical cost basis. All amounts are presented in Great British Pounds (GBP).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements are prepared on a going concern basis and in accordance with the Companies Act 2006.

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

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into sterling at the rate prevailing at the dates of the transactions. All differences on exchange are taken to the income statement.

Revenue

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

Notes *(continued)*

1. Accounting policies *(continued)*

Revenue *(continued)*

The Company reports revenue under three revenue categories and the basis of recognition for each category is described below.

Category & Examples	Accounting Treatment
Recurring revenue Subscription contracts Maintenance and support contracts	Recurring revenue is revenue earned from customers for the provision of a good or service, where risks and rewards are transferred to the customer over the term of a contract, with the customer being unable to continue to benefit from the full functionality of the good or service without ongoing payments. Subscription revenue is revenue earned from customers for the provision of a good or service, where the risk and rewards are transferred to the customer over the term of a contract. In the event that the customer stops paying, they lose the legal right to use the software and the Company has the ability to restrict the use of the product or service. (Also known as 'Pay to play'). Maintenance and support revenue is recognised on a straight-line basis over the term of the contract (including non-specified upgrades, when included). Revenue relating to future periods is classified as deferred income on the balance sheet to reflect the transfer of risk and reward.
Software and software-related services Professional services Hardware	Hardware product revenue is recognised as the products are shipped to the customer. Other services revenue (which includes the sale of professional services) is recognised when delivered.
Processing revenue Payment processing services	Processing revenue is revenue earned from customers for the processing of payments. Processing revenue is recognised at the point that the service is rendered on a per transaction basis.

When products are bundled together before being sold to the customer, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. The associated revenue is allocated between the constituent parts of the bundle on a relative fair value basis. When customers are offered discounts on bundled products and/or services, the combined discount is allocated to the constituent elements of the bundle, based upon publically available list prices.

Notes *(continued)*

1. Accounting policies *(continued)*

Cost of sales

Cost of sales includes items such as third party royalties, transaction and credit card fees related to the provision of payment processing services and the cost of hardware and inventories. These also include the third party costs of providing training and professional services to customers. All other operating expenses incurred in the ordinary course of business are recorded in selling and administrative expenses.

Income tax expense

The taxation expense for the year represents the sum of current tax payable and deferred tax. The expense is recognised in the income statement and statement of comprehensive income according to the accounting treatment of the related transaction.

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods. Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities, calculated using tax rates that have been enacted at the end of the reporting period.

The Company and its fellow group undertakings are able to relieve their tax losses by surrendering them to other group companies, within the UK corporation tax group, where capacity to utilise these losses exists.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on a straight-line basis to write down an asset to its residual value over its useful life as follows:

Plant and equipment	2 to 7 years

An item of property, plant and equipment is reviewed for impairment whenever events indicate that its carrying value may not be recoverable.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes *(continued)*

1. Accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity period of three months or less. Bank overdrafts that are an integral part of the Company's cash management are included in cash and cash equivalents where they have a legal right of set-off and there is an intention to settle net, against positive cash balances, otherwise bank overdrafts are classified as borrowings.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised (i.e. removed from the Company's balance sheet) when the rights to receive cash flows from the asset have expired; or when the Company has transferred those rights and either has also transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but no longer has control of the asset.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Accounting estimates and judgements

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next year.

Revenue recognition

An area of judgement is the recognition and deferral of revenue on bundled products, for example the sale of hardware with an annual maintenance and support contract. When products are bundled together for the purpose of sale, the associated revenue, net of all applicable discounts, is allocated between the constituent parts of the bundle on a relative fair value basis. The Company has a systematic basis for allocating relative fair values in these situations, based upon published list prices.

Recoverability of amounts owed by group undertakings

Determining whether amounts owed by group undertakings are recoverable requires a determination of whether the other party is able to repay. This is performed by assessing the assets and liabilities of the other party.

The carrying value of amounts owed by group undertakings at 30 September 2016 was £334,354 *(2015: £nil)* and no impairment loss has been recognised *(2015: £nil)*.

Notes *(continued)*

3. Revenue

The revenue and profit before income tax are attributable to the principal activity of the Company wholly undertaken in the UK.

4. Operating profit

The directors did not receive any emoluments during the year in respect of their services to the Company *(2015: £nil)*. No other persons were employed by the Company during the year *(2015: none)*.

Operating profit is stated after charging / (crediting):

	2016	2015
	£	£
Depreciation of owned property, plant and equipment	**-**	1,749
Net profit on foreign currency translation	**(115,413)**	(4,706)
Auditor's remuneration - audit of the financial statements	**9,894**	11,000

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its parent The Sage Group plc.

5. Income tax credit

	2016	2015
	£	£
Current tax credit		
- Current year	**-**	-
- Adjustments to tax charge in respect of previous periods	**-**	(29,493)
Deferred tax credit		
- Origination and reversal of temporary differences	**(5,613)**	-
Total income tax credit recognised	**(5,613)**	(29,493)

Reconciliation of effective tax rate

The tax charge for the year is the lower *(2015: lower)* than the standard rate of corporation tax in the UK of 20.0% *(2015: 20.5%)*. The differences are explained below:

	£	£
Profit before income tax	**1,603,015**	106,391
Tax calculated at UK standard rate of corporation tax of 20.0% (2015: 20.5%)	**320,603**	21,810
Adjustments to tax charge in respect of previous periods	**(8,054)**	(29,493)
Impact of change in tax laws and rates	**991**	-
Group relief utilised not paid	**(319,153)**	(21,810)
Total income tax credit recognised	**(5,613)**	(29,493)

Notes *(continued)*

5. Income tax expense *(continued)*

The main rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015 and will remain at 20% from 1 April 2016. Accordingly, the Company's results for this accounting period are taxed at an effective tax rate of 20%. Further reductions in the main rate to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted before the end of the reporting period.

6. Property, plant and equipment

	Plant and equipment £
Cost	
At 1 October 2015	**133,174**
Disposals	**(133,174)**
At 30 September 2016	-
Depreciation	
At 1 October 2015	**133,174**
Disposals	**(133,174)**
At 30 September 2016	-
Net book value	
At 30 September 2016	-
At 1 October 2015	-

Depreciation expenses of £nil *(2015: £1,749)* have been charged through selling and administrative expenses.

7. Trade and other receivables

	2016 £	2015 £
Current		
Trade receivables	**702,164**	526,728
Less: provision for impairment of receivables	**(141,203)**	(31,075)
Trade receivables - net	**560,961**	495,653
Amounts owed by group undertakings	**334,354**	-
Prepayments and accrued income	**108,914**	23,550
	1,004,229	519,203

Amounts owed by group undertakings are unsecured and interest free.

Notes *(continued)*

8. Trade and other payables

	2016	2015
	£	£
Current		
Trade payables	**53,922**	22,391
Amounts owed to group undertakings	**340,192**	143,232
Accruals	**28,254**	22,230
Taxation	**90,680**	93,047
	513,048	280,900

Amounts owed to group undertakings are unsecured and interest free.

9. Equity

		2016		2015
	shares	**£**	shares	£
Issued and fully paid				
Ordinary shares of £1 each	**2**	**2**	2	2

10. Financial instruments

As the consolidated financial statements of The Sage Group plc include the equivalent disclosures, the Company has taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures. The disclosures below cover statutory balances in relation to Amounts owed by / to group undertakings that are not covered in The Sage Group plc consolidated financial statements.

Fair value measurement of financial assets and financial liabilities

Amounts owed by group undertakings and amounts owed to group undertakings are initially measured at fair value and are subsequently measured at amortised cost. The directors of the Company consider that the carry amounts of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

11. Ultimate parent company

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. Copies of the group financial statements can be obtained from the registered office at The Sage Group plc, North Park, Newcastle Great Park, Newcastle upon Tyne, NE13 9AA.

Notes *(continued)*

12. Explanation of transition to FRS 101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 September 2016, the comparative information presented in these financial statements for the year ended 30 September 2015 and in the preparation of an opening FRS 101 balance sheet at 1 October 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). As there is no impact on the Company's equity either at the date of transition or 30 September 2015, or its total comprehensive income for the year ended 30 September 2015, no reconciliations are presented for equity or total comprehensive income at those dates.