Registration number 09506951

Sage Global Services Limited

Report and Financial Statements

Year ended 30 September 2017

Contents

Directors' report

The directors present their report and the financial statements of Sage Global Services Limited ('the Company') for the year ended 30 September 2017.

Principal activities and review of the business

Sage Global Services Limited is the global contracting entity for the Sage Group and holds significant Group contracts as well as providing strategic management and direction services for the Sage Group entities.

Sage Global Services Limited is also the intellectual property owner of Sage Live and is responsible for the IP development, protection and exploitation activities in respect of this product. During the year the Company also started to recognise sales of the Sage Live product.

Future developments

Management will continue to evaluate the operating model of the Company in order to improve the financial performance in future operating periods.

Results and dividends

The loss for the year, after taxation, amounted to £72,326,000 *(2016: £84,949,000)*. The directors do not recommend the payment of a dividend.

Directors

The names of the persons who were directors at any time during the year ended 30 September 2017 are set out below. Unless indicated otherwise they served as directors for the entire period.

V L Bradin
J-H F Liepe
G O D Heald (resigned 10 October 2016)
E M de Greef (appointed 02 January 2018)

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.

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.

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.

Directors' report *(continued)*

Auditor

The Group Audit Committee recommended to the Board that Ernst & Young LLP be appointed as auditors for the financial year ending 30 September 2018. Accordingly, a resolution was proposed to the shareholders at The Sage Group plc AGM in February 2018.

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

J-H F Liepe
Director

28 June 2018

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 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;

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 shareholders of Sage Global Services Limited

Opinion

We have audited the financial statements of Sage Global Services Limited for the year ended 30 September 2017 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 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the shareholders of Sage Global Services Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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 advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Independent auditor's report to the shareholders of Sage Global Services Limited (continued)

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Mark Morritt (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
28 June 2018

Income statement and other comprehensive income

	Note	2017	2016
		£'000	£'000
Revenue	3	473	-
Cost of sales		(914)	(4,709)
Gross profit		(441)	(4,709)
Selling and administrative expenses		(69,782)	(80,121)
Operating loss	4	(70,223)	(84,830)
Finance income	5	66	12
Finance costs	6	(2,222)	(127)
Loss before income tax		(72,379)	(84,945)
Income tax expense	7	53	(4)
Loss for the year		(72,326)	(84,949)
Total comprehensive expense		(72,326)	(84,949)

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

The notes on pages 12 to 25 form part of these financial statements.

Balance Sheet

	Note	2017 £'000	2016 £'000
Non current assets			
Investments	8	-	4,626
Other intangible assets	9	**17,286**	4,239
Property, plant and equipment	10	**1,866**	898
Deferred income tax assets		**57**	-
		19,209	9,763
Current assets			
Trade and other receivables	11	**40,877**	12,260
Cash and cash equivalents		**918**	81
		41,795	12,341
Total assets		**61,004**	22,104
Current liabilities			
Trade and other payables	12	**(226,383)**	(115,735)
Deferred income		**(309)**	(42)
		(226,692)	(115,777)
Non currrent liabilities			
Provisions	13	**(311)**	-
		(311)	-
Total liabilities		**(227,003)**	(115,777)
Net liabilities		**(165,999)**	(93,673)
Equity attributable to owners of the parent			
Ordinary shares	14	**4,626**	4,626
Retained earnings	14	**(170,625)**	(98,299)
Total equity		**(165,999)**	(93,673)

These accounts were approved by the directors and authorised for issue on 28 June 2018, and are signed on their behalf by:

J-H F Liepe
Director
Company registration number: 09506951

The notes on pages 12 to 25 form part of these financial statements.

Statement of changes in equity

	Note	Ordinary shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 October 2015	14	-	(13,350)	(13,350)
Shares issued during the year *4,626,000 ordinary shares of £1 each*		4,626	-	4,626
Loss for the year		-	(84,949)	(84,949)
Total comprehensive expense for the year ended 30 September 2016			(84,949)	(84,949)
Balance at 30 September 2016		4,626	(98,299)	(98,299)
Balance at 1 October 2016	14	**4,626**	**(98,299)**	**(93,673)**
Loss for the year		**-**	**(72,326)**	**(72,326)**
Total comprehensive expense for the year ended 30 September 2017		**-**	**(72,326)**	**(72,326)**
Balance at 30 September 2017		**4,626**	**(170,625)**	**(165,999)**

The notes on pages 12 to 25 form part of these financial statements.

Notes

1. Accounting policies

Sage Global Services 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.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the UK Companies Act 2006.

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.

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 16.

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

- a Cash Flow Statement and related notes, as required by IAS 7 *Statement of cash flows*;
- Disclosures in respect of transactions with wholly owned subsidiaries of Sage Group plc, 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
- 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:

- IFRS 2 Share-based Payments in respect of group settled share-based payments, as required by paragraphs 45(b) and 46 to 52.

Notes *(Continued)*

1. Accounting policies *(Continued)*

- 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.

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), rounded to the nearest thousand (£'000).

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)*

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.

Operating lease commitments

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Finance income and costs

Finance income and costs are recognised using the effective interest method. Finance costs are recognised in the income statement simultaneously with the recognition of an increase in a liability or the reduction in an asset.

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.

Investments

Fixed asset investments are stated at cost less provision for any diminution in value. Any impairment is charged to the profit and loss account as it arises.

Other intangibles

Intangible assets arising on business combinations are recognised initially at cost, which is their fair value at the date of acquisition. Subsequently they are carried at cost less accumulated amortisation and impairment losses. The main intangible assets recognised are brands, technology, in-process R&D, computer software and customer relationships.

Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives.

Notes *(Continued)*

1. Accounting policies *(Continued)*

Other intangibles *(Continued)*

The estimated useful lives are as follows:

Computer software	2 to 5 years

Other intangible assets that are acquired by the Company are stated at cost, which is the asset's purchase and any directly attributable costs of preparing the asset for its intended use, less accumulated amortisation and impairment losses if applicable. Software assets are amortised on a straight-line basis over their estimated useful lives, which do not exceed seven years.

The UK Companies Act requires intangibles to be reduced by provisions for depreciation on a systematic basis over a period chosen by the Directors, its useful economic life. Acquired intangibles relate to indefinite life intellectual property rights, which the Company does not amortise given their indefinite life, instead they are reviewed for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of intangibles in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of intellectual property rights cannot be predicted with a satisfactory level of reliability, nor can the pattern in which the intangible asset diminishes be known.

The carrying value of intangibles is reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

Internally generated software development costs qualify for capitalisation when the Company can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits;
- The existence of a market or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during development.

Notes *(Continued)*

1. Accounting policies *(Continued)*

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:

Long leasehold buildings and improvements	over period of lease
Plant and equipment	2 to 7 years
Motor vehicles	4 years
Office 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.

Provisions

A provision is recognised only when all three of the following conditions are met:

- The Company has a present obligation (legal or constructive) as a result of a past event;
- 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.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Company would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

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.

Research and development

Research and development expenditures are written off in the year in which they are incurred.

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.

Recoverability of investments

Determining whether investments are impaired required an estimate of the value-in-use or assessment of the assets and liabilities in the investment group. Where an estimate of the value-in-use is used, the key assumptions applied in the calculation relate to the future performance expectations of the business – average medium-term revenue growth, long term operating margin and long term growth rate – as well as the discount rate to be applied in the calculation.

The carrying value of investments at 30 September 2017 was £Nil *(2016: £4,626,000)* and an impairment loss of £4,626,000 has been recognised *(2016: £Nil)*.

Notes *(Continued)*

2. Accounting estimates and judgements *(continued)*

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 2017 was £32,383,000 *(2016: £5,598,000)* and no impairment losses have been recognised *(2016: £nil)*.

3. Revenue

The revenue and profit before income tax are attributable to the principal activity of the Company. An analysis of turnover is given below:

	2017	**2016**
	£'000	**£'000**
United Kingdom	293	-
Europe	180	-
	473	-

4. Operating loss

Operating loss is stated after charging:

	2017	**2016**
	£'000	**£'000**
Depreciation of owned property, plant and equipment	**608**	208
Amortisation of intangibles	**1,214**	303
Staff costs recharged by group undertakings	**25,765**	20,647
(Profit) / loss on disposal of property, plant and equipment	-	824
Impairment of investments	**4,626**	-
Operating lease costs:		
- Plant and equipment	**14**	13
- Other	**66**	965

The Company has been recharged staff costs by another group undertaking during the year, however the Company has no employees during the year *(2016: none)*.

Auditors' remuneration is borne by the ultimate parent company, The Sage Group plc, for the year.

The directors did not receive any emoluments during the year in respect of their services to the Company.

Notes *(Continued)*

4. Operating loss *(Continued)*

Operating lease costs have been recharged by another group undertaking during the year, the Company does not have any operating lease commitments.

5. Finance income

	2017	2016
Interest receivable from group undertakings	**66**	12

6. Finance costs

	2017	2016
	£'000	£'000
Interest payable to group undertakings	**780**	37
Foreign exchange losses	**1,442**	90
	2,222	127

7. Income tax credit/(expense)

	2017	2016
	£'000	£'000
Current tax credit/(expense)		
- Current year	**-**	(4)
- Correction to prior year's expense	**(4)**	-
Deferred tax credit/(expense)		
- Current year	**(30)**	-
- Correction to prior year's expense	**87**	-
Total income tax credit/(expense) recognised	**53**	(4)

Notes *(Continued)*

7. Income Tax credit/Expense *(Continued)*

Reconciliation of effective tax rate

The tax charge for the year is higher *(2016: higher)* than the standard rate of corporation tax in the UK of 19.5% *(2016: 20.0%)*. The differences are explained below:

	2017	2016
	£'000	£'000
Profit before income tax	**(72,379)**	(84,945)
Tax calculated at UK standard rate of corporation tax of 19.50% (2016: 20.00%)	**(14,114)**	(16,989)
Additional tax relief on R&D expenditure		
Impact of change in tax laws and rates	**(4)**	-
Adjustments to tax charge in respect of previous periods	**83**	-
Expenses not deductible for tax purposes	**970**	35
Group relief utilised not paid	**13,118**	16,950
Total income tax credit/(expense) recognised	**53**	(4)

The main rate of corporation tax in the UK changed from 20.0% to 19.0% with effect from 1st April 2017 and will remain at 19.0% from the 31st March 2018. Accordingly, the companies results for this accounting period are taxed at an effective tax rate of 19.5%. Further reductions in the main rate to 17.0% from the 1st April 2020 were enacted before the end of the reporting period.

Deferred tax assets totalling £57,000 *(2016: £Nil)* have been recognised on the Company's balance sheet at year end, representing temporary differences on fixed assets.

8. Investments

	£'000
Cost	
As at 1 October 2016 and 30 September 2017	4,626
Provision for diminution in value	
At 1 October 2016	-
Investment impairment	(4,626)
At 30 September 2017	**(4,626)**
Net book value	
At 30 September 2017	-

Notes *(Continued)*

8. Investments *(Continued)*

	£'000
Cost	
At 1 October 2015	-
Investment in subsidiary undertaking	4,626
At 30 September 2016	4,626
Provision for diminution in value	
At 1 October 2015 and 30 September 2016	-
Net book value	
At 30 September 2016	4,626

Investments represent shares in subsidiary undertakings.

As a result of the annual impairment review of investments, an impairment of the Company's investments has been recognised. This impairment has been driven by the losses recognised within Sage Global Services US Inc and its subsidiaries. The impairment loss of £4,626,000 *(2016: £Nil)* is recognised within administrative expenses in the income statement.

The following table lists the Company's subsidiary undertakings. All subsidiaries are held directly.

			Ownership	
	Country of incorporation	**Class of shares held**	**2017**	**2016**
Sage Global Services US Inc[1]	US	Ordinary	100%	100%
Sage Hibernia Services Limited[2]	Ireland	Ordinary	100%	100%

[1] registered address is 271 17th Street NW, Suite 1100, Atlanta, Georgia 30363, USA

[2] registered address is Number One, Central Park, Leopardstown, Dublin 18, Ireland

Notes *(Continued)*

9. Other intangibles

	Software £'000
Cost	
At 1 October 2016	4,542
Additions	14,261
At 30 September 2017	**18,803**
Amortisation	
At 1 October 2016	303
Charge for the year	1,214
At 30 September 2017	**1,517**
Net book value	
At 30 September 2017	**17,286**
At 1 October 2016	4,239

All amortisation charges in the year have been charged through selling and administrative expenses.

10. Property, plant and equipment

	Leasehold land & buildings £'000	Plant & machinery £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 October 2016	425	676	2	3	1,106
Additions	531	-	1,045	-	1,576
At 30 September 2017	**956**	**676**	**1,047**	**3**	**2,682**
Depreciation					
At 1 October 2016	57	148	-	3	208
Charge for the year	243	275	90	-	608
At 30 September 2017	**300**	**423**	**90**	**3**	**816**
Net book value					
At 30 September 2017	**656**	**253**	**957**	**-**	**1,866**
At 1 October 2016	368	528	2	-	898

Depreciation expenses have been charged through selling and administrative expenses.

Notes *(Continued)*

11.Trade and other receivables

	2017	2016
	£'000	£'000
Current		
Trade receivables	**76**	8
Amounts owed by group undertakings	**32,383**	5,598
VAT receivables	**2,588**	1,898
Prepayments and accrued income	**5,830**	4,756
	40,877	12,260

Amounts owed by Group undertakings are unsecured, repayable on demand and attract a rate of interest of between 0% and 2.74% *(2016: 1.78% and 2.01%).*

12. Trade and other payables

	2017	2016
	£'000	£'000
Current		
Trade payables	**6,913**	5,453
Amounts owed to group undertakings	**209,241**	95,208
Other tax and social security payable	**-**	788
Corporation tax payable	**4**	-
Accruals	**10,225**	14,286
	226,383	115,735

Amounts owed to Group undertakings are unsecured, repayable on demand and attract a rate of interest of between 0% and 2.74% *(2016: 1.78% and 2.01%).*

Notes *(Continued)*

13. Provisions

	£ '000
At 1 October 2016	-
- Provided for during the year	311
At 30 September 2017	**311**

	Buildings
Maturity profile	**£ '000**
Within 1 year	-
Within 2 to 5 years	311
At 30 September 2017	**311**

Current provision	-
Non current provision	311
At 30 September 2017	**311**

Buildings

A provision of £311,000 is recognised as the expected amount of dilapidations due to be paid on completion of one of the operating leases held by the Company.

14.Equity

		2017		2016
	shares	£'000	shares	£'000
Issued and fully paid				
Ordinary shares of £1 each	4,626,001	4,626	4,626,001	4,626

Retained earnings represent cumulative comprehensive income less dividends paid.

Notes *(Continued)*

15. 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.

16. 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.