

Blackbaud Europe Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number SC212593

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Blackbaud Europe Limited

Report and financial statements for the year ended 31 December 2017

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Directors

J Olson
T Boor

Secretary

Taylor Wessing Secretaries Limited
J Olson

Registered office

Lower ground floor, Kintyre House, 205 West George Street, Glasgow, G2 2LW, United Kingdom.

Company number

SC212593

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Blackbaud Europe Limited

Strategic report for the year ended 31 December 2017

The directors present their strategic report and the audited financial statements of the company for the year ended 31 December 2017.

Principal activities

The company's principal activities during the year were the sale of cloud software and services for the social good community.

Results and dividends

The company's profit for the year is £448,000 (2016 - £397,000). The company paid no dividend in 2017 (2016 - £nil).

Business review

Blackbaud Europe Limited is a UK subsidiary of Blackbaud Inc., the world's leading cloud software company powering social good. Serving the entire social good community, non-profits, foundations, companies, education institutions, healthcare organizations and individual change agents, Blackbaud connects and empowers organizations to increase their impact through cloud software, services, expertise, and data intelligence.

The directors consider the company's performance in 2017 to have been strong in the context of the strategic decision taken to migrate existing customers away from products sold under a perpetual license model toward the company's modern cloud-based subscription offerings. The long-term benefits of these products are strong, predictable recurring revenue streams recognised over the life of the contract. In the short term, this transition can create some flattening of revenue growth as the upfront revenue recognition components of the perpetual license contracts are replaced by subscriptions recognised over time. The company only has one remaining product offered under a perpetual license model.

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

The directors believe that preparing these accounts on the going concern basis is appropriate as its ultimate parent, Blackbaud Inc., has confirmed its intention to provide financial support to enable the company to settle its liabilities as they fall due for at least twelve months from the date of signing of these financial statements, if required.

Future outlook

The market in which the company operates is expected to remain competitive. Demand for software tailored to meet the unique needs of vertical markets is expected to exceed present levels despite some uncertainty regarding the UK's status within the European Union (EU). The directors are confident that the company will improve its performance throughout the 3-year planning horizon.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the group are considered to relate to competition from other multinational suppliers, the current economic climate in regards to prospects reducing or freezing their respective budgets in the context of the UK's pending exit of the EU, product availability and price.

Blackbaud Europe Limited

Strategic report for the year ended 31 December 2017 (*continued*)

Key performance indicators

The board utilises a number of key performance indicators to enable a consistent method of analysing performance, in addition to allowing the directors to benchmark performance against similar businesses. The key performance indicators utilised by the board are as follows:

Revenue

Revenue is used to measure the sales growth of the company and is generated primarily from the following sources: (i) charging for the use of software solutions in cloud-based and hosted environments; (ii) providing transaction and payment processing services; (iii) providing professional services including implementation, training, consulting, analytic, and other services; and (iv) providing software maintenance and support services.

Revenue decreased 2% in 2017 compared to the prior year, largely due to the company's migration to a cloud-based subscription delivery model. As discussed above, the transition to subscription-based solutions negatively impacts revenue growth in the near term, as time-based license revenue from subscription arrangements is deferred and recognized ratably over the subscription period, whereas on-premise license revenue from arrangements that include perpetual licenses is recognized up-front.

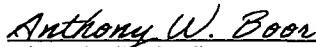
Operating profit margin

Operating profit margin measures the profit achieved on the company's activities after taking account of the total operating costs incurred, before finance costs and taxation. This is calculated by dividing operating profit by turnover.

The company's operating profit margin decreased from 3% in 2016 to 2% in 2017, largely due to a decrease in other operating income related to less refundable research and development expenditure credits received in 2017 than in 2016.

Approval

This strategic report was approved by order of the Board on 24 September 2018


Anthony W. Boor (p 28, 2018)

T Boor
Director

Blackbaud Europe Limited

Report of the directors for the year ended 31 December 2017

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

Directors

The directors of the company during the year were:

T Boor
J Olson

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

Blackbaud Europe Limited


Report of the directors for the year ended 31 December 2017 (*continued*)

Auditors

The directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

On behalf of the Board


Anthony W. Boor (p. 28, 2018)

T Boor
Director

Date 28 September 2018

Blackbaud Europe Limited

Independent auditor's report for the year ended 31 December 2017

TO THE MEMBERS OF BLACKBAUD EUROPE LIMITED

Opinion

We have audited the financial statements of Blackbaud Europe Limited ("the Company") for the year ended 31 December 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit 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. 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 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Blackbaud Europe Limited

Independent auditor's report for the year ended 31 December 2017 (continued)

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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have 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 strategic report and 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 determines 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.

Blackbaud Europe Limited

Independent auditor's report for the year ended 31 December 2017 *(continued)*

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 at 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.

BDO LLP

Andrew Gandell (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 28 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Blackbaud Europe Limited

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000 (restated)
Turnover	3	14,259	14,481
Cost of sales		(3,479)	(3,690)
Gross profit		10,780	10,791
Administrative expenses		(10,557)	(10,538)
Other operating income		25	139
Operating profit	6	248	392
Interest receivable	7	23	17
Profit on ordinary activities before taxation		271	409
Taxation	8	177	(12)
Profit and total comprehensive income for the financial year		448	397

All items dealt with in arriving at operating results relate to continuing operations.

The company has no other income or loss other than the result above and therefore no separate statement of total comprehensive income or loss has been presented.

The notes on pages 12 to 24 form part of these financial statements.

Blackbaud Europe Limited

Balance sheet at 31 December 2017

Company number SC212593	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Intangible assets	9	-	-	-	24
Tangible assets	10	685	685	863	863
			685		887
Current assets					
Debtors	11	5,798		5,018	
Cash at bank and in hand		1,738		1,376	
		7,536		6,394	
Creditors: amounts falling due within one year	12	(8,903)		(8,348)	
Net current liabilities			(1,367)		(1,954)
Total assets less current liabilities			(682)		(1,067)
Creditors: amounts falling due after more than one year	13		(69)		(132)
Net liabilities			(751)		(1,199)
Capital and reserves					
Called up share capital	16	170	170	170	170
Re-organisation reserve		(954)	(954)	(954)	(954)
Capital contribution reserve		1,000	1,000	1,000	1,000
Profit and loss account		(967)	(967)	(1,415)	(1,415)
Shareholders' deficit			(751)		(1,199)

The financial statements were approved by the Board of Directors and authorised for issue on

Anthony W. Boor
Anthony W. Boor (28 Sep 2018)

28 September
2018

T Boor
Director

The notes on pages 12 to 24 form part of these financial statements.

Blackbaud Europe Limited

Statement of changes in equity for the year ended 31 December 2017

	Share capital £'000	Re- organisation reserve £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
1 January 2017	170	(954)	1,000	(1,415)	(1,199)
Comprehensive income for the year					
Profit for the year	-	-	-	448	448
Total comprehensive income	-	-	-	448	448
31 December 2017	170	(954)	1,000	(967)	(751)

	Share capital £'000	Re- organisation reserve £'000	Capital contribution reserve £'000	Profit and loss account £'000	Total £'000
1 January 2016	170	(954)	1,000	(1,812)	(1,596)
Comprehensive income for the year					
Profit for the year	-	-	-	397	397
Total comprehensive income	-	-	-	397	397
31 December 2016	170	(954)	1,000	(1,415)	(1,199)

The notes on pages 12 to 24 form part of these financial statements.

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017

1 Accounting policies

General information

The address of the registered office of the company is given on the contents page and the nature of the company's operations and principal activities are set out in the strategic report.

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. These judgements and estimates have been set out in note 2.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of disclosure exemptions conferred by FRS 102 because equivalent disclosures are included in the consolidated financial statements of Blackbaud Inc, a company listed on NASDAQ and registered in the state of Delaware in the United States of America. Therefore these accounts do not include certain disclosures in respect of:

- A statement of cash flows;
- The disclosure of remuneration of key management personnel;
- Financial instruments.

In addition advantage has been taken of the exemption allowed by FRS 102 "Related Party Disclosures" not to disclose any transactions with members of the group of Blackbaud Inc where 100% of the voting rights of those companies are controlled within that group.

The following principal accounting policies have been applied:

Going concern

The directors believe that preparing these accounts on the going concern basis is appropriate as its ultimate parent, Blackbaud Inc., has confirmed its intention to provide financial support to enable the company to settle its liabilities as they fall due for at least twelve months from the date of approval of these financial statements, if required.

Revenue recognition

Software is recorded as revenue upon delivery to the customer.

Revenue from maintenance/subscription contracts is allocated to the statement of comprehensive income on a straight line basis over the term of the contract/subscription period.

Services revenue is recognised when projects are complete for smaller fixed price projects and on a percentage complete basis for larger fixed price projects once arising revenue can be reasonably ascertained. All other projects are recognised on a time and materials basis.

Training revenue is recognised upon delivery to the customer.

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

Goodwill

Goodwill arising on acquisitions represents the difference between the fair value of the consideration given and the aggregate of the fair values of the identifiable net assets acquired. Where a permanent diminution of value is identified this is charged to the statement of comprehensive income.

Goodwill is amortised over a period of 10 years on a straight line basis, representing its estimated useful life.

Operating leases

All rentals under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Computer equipment	-	5 years
Computer software	-	5 years
Fixtures and fittings	-	7 years

Residual value is calculated on prices prevailing at the date of acquisition.

Current and deferred taxation

Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Transactions in foreign currency are translated at the rate ruling at the date of the transaction. All differences on exchange are taken to the statement of comprehensive income.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share-based payments

The cost of share-based payments is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service period, which is the vesting period. The cost of share-based payments arising from restricted stock, restricted stock units and stock appreciation right is recognized on a straight-line basis.

Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Re-organisation reserve relates to transfers on a group re-construction
- Capital contribution reserve represents additions to the capital not invested in the company's share capital
- Profit and loss account represents cumulative profits or losses.

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

2 Judgements in applying policies and key sources of estimation uncertainty

In preparing these financial statements the directors have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible and purchased goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible fixed assets (note 10) are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Purchased goodwill (note 9) is amortised over its useful economic life. The actual life may vary depending on a number of factors.

3 Turnover

Turnover and gross profit may be analysed by geography as follows.

	2017 £'000	2016 £'000
UK	12,700	12,490
Rest of world	1,559	1,991
	<hr/>	<hr/>
Total turnover	14,259	14,481
	<hr/>	<hr/>

4 Employees

	2017 £'000	2016 £'000
Wages and salaries	6,945	7,031
Social security costs	877	806
Pension costs (note 17)	306	286
Share-based payments (note 15)	650	385
	<hr/>	<hr/>
	8,778	8,509
	<hr/>	<hr/>

The average monthly number of persons (including executive directors) employed by the company during the year was:

	Number	Number
Distribution	66	68
Sales	37	41
Administration	24	15
	<hr/>	<hr/>
	127	124
	<hr/>	<hr/>

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

5 Directors

The company's key management personnel are deemed to be the directors. The directors' remuneration is borne by the parent company Blackbaud, Inc.

6 Operating profit

	2017 £'000	2016 £'000
This has been arrived at after charging:		
Depreciation	240	292
Amortisation of goodwill	24	55
Auditors' remuneration - audit services	33	30
Operating lease charges - land and buildings	518	522
Defined contribution costs	306	286
Exchange differences	(399)	170
	<hr/>	<hr/>

7 Interest receivable

	2017 £'000	2016 £'000
Intercompany loan interest receivable	23	17
	<hr/>	<hr/>

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (continued)

8 Taxation

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on profits of the year	1	-
Adjustments in respect of prior periods	-	12
Deferred tax		
Origination and reversal of timing differences	(180)	-
Effect of changes in tax rates	2	-
Taxation (credit)/charge on ordinary activities	(177)	12

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	271	409
Tax on profit at standard UK tax rate of 19.25% (2016: 20.00%)	52	82
Effects of:		
Expenses not deductible for tax purposes	4	3
Income not taxable for tax purposes	(5)	(18)
Effects of group relief/other reliefs	(4)	-
Deferred tax not recognized	(120)	-
Tax rate changes	2	-
Share option timing differences	(109)	(83)
Other	3	16
Adjustments in respect of prior periods	-	12
Total tax (credit)/charge for year	(177)	12

In the current year, a total of £2,811,748 of unrecognised losses are carried forward.

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

9 Intangible assets

	Purchased goodwill £'000
<i>Cost</i>	
At 1 January 2017 and 31 December 2017	1,568
<i>Amortisation</i>	
At 1 January 2017	1,544
Amortisation charge for the year	24
At 31 December 2017	1,568
<i>Net book value</i>	
At 31 December 2017	-
At 31 December 2016	24

10 Tangible fixed assets

	Computer equipment £'000	Computer software £'000	Fixtures and fittings £'000	Total £'000
<i>Cost</i>				
At 1 January 2017	1,657	37	730	2,424
Additions	62	-	-	62
Disposals	(347)	(37)	(37)	(421)
At 31 December 2017	1,372	-	693	2,065
<i>Depreciation</i>				
At 1 January 2017	(1,258)	(35)	(268)	(1,561)
Charge for the year	(169)	(2)	(69)	(240)
Disposals	347	37	37	421
At 31 December 2017	(1,080)	-	(300)	(1,380)
<i>Net book value</i>				
At 31 December 2017	292	-	393	685
At 31 December 2016	399	2	462	863

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

11 Debtors

	2017 £'000	2016 £'000
Trade debtors	3,308	2,850
Deferred tax asset	178	-
Amounts due from ultimate and immediate parent companies	1,345	1,098
Prepayments and accrued income	967	1,070
	<u>5,798</u>	<u>5,018</u>

Amounts due from the parent company are unsecured, with interest charged and are repayable on demand.

12 Creditors - amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	183	38
Taxation and social security	728	887
Accruals and other payables	1,725	1,469
Deferred income	6,267	5,954
	<u>8,903</u>	<u>8,348</u>

Amounts due to the parent company are unsecured, with interest charged and are repayable on demand.

13 Creditors - amounts falling due after more than one year

	2017 £'000	2016 £'000
Deferred income	69	132
	<u>69</u>	<u>132</u>

14 Deferred tax asset

The deferred tax asset comprises:

	2017 £'000	2016 £'000
Fixed asset timing differences	14	-
Short term timing differences	8	-
Trading losses	156	-
	<u>178</u>	<u>-</u>

The deferred tax asset recognised is expected to be utilised against future taxable profits. The directors have used an estimate of 3 years taxable profits in recognising the asset.

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

15 Share-based payments

Employee share-based compensation plans

The Blackbaud, Inc. 2008 Equity Incentive Plan (2008 Equity Plan) allows certain employees of Blackbaud Europe Limited to receive restricted stock awards (RSAs), restricted stock units (RSUs), performance-based restricted stock units (PRSUs) and stock appreciation rights (SARs) as a reward for performance. Blackbaud, Inc. issues common stock from its pool of authorized stock upon granting of restricted stock or upon settlement of RSUs, PRSUs and SARs.

The following table sets forth the number of awards outstanding for each award type as at 31 December 2017 and 2016.

Award type	2017 £'000	2016 £'000
RSAs	24	19
PRSUs	11	6
SARs	-	-

RSAs and RSUs generally have contractual lives of 10 years while SARs have contractual lives of 7 years. Blackbaud Europe Limited recognizes compensation expense associated with RSAs, RSUs, PRSUs and SARs on an accelerated basis over the requisite service period of the individual grantees, which generally equals the vesting period.

The following table summarises stock-based compensation expense for the years ended 31 December 2017 and 2016:

Award type	2017 £'000	2016 £'000
RSAs	383	272
PRSUs	267	103
SARs	-	10
	<hr/>	<hr/>
	650	385
	<hr/>	<hr/>

The company has an obligation to reimburse its ultimate parent company for the stock based compensation expense and is therefore held within amounts due from/to group undertakings at the year end.

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

15 Share-based payments (continued)

Restricted stock awards (RSAs)

Blackbaud, Inc. has granted shares of common stock subject to certain restrictions under the 2008 Equity Plan. RSAs granted to employees vest in equal annual instalments generally over four years from the grant date subject to the employees' continued employment. The fair market value of the stock at the time of the grant is charged to the statement of comprehensive income on a straight line basis over the period of vesting. Recipients of RSAs have the right to vote and receive dividends.

A summary of unvested RSAs as of 31 December 2017, and changes during the year then ended, are as follows:

	Restricted stock awards (RSAs)	Weighted average grant-date fair value £
Unvested restricted stock awards (RSAs)		
Unvested at 1 January 2017	19,462	40.57
Forfeited	(3,106)	43.71
Vested	(7,372)	39.19
Granted	14,587	39.19
	<hr/>	<hr/>
Unvested at 31 December 2017	23,571	46.99

The total fair value of RSAs that vested during the years ended 31 December 2017 and 2016 was £288,908 and £355,882, respectively.

RSUs

RSUs granted to employees vest in equal annual instalments generally over four years from the grant date subject to the employees' continued employment. The fair market value of the stock at the time of the grant is charged to the statement of comprehensive income on a straight line basis over the period of vesting.

There was no RSU awards forfeited, granted or vested during the year ended 31 December 2017.

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

15 Share-based payments (continued)

PRSUs

PRSUs granted to employees vest over three cumulative performance periods beginning at the grant date subject to the employees' continued employment Blackbaud Europe Limited as well as meeting certain performance conditions. The fair market value of the stock at the time of the grant is charged to the statement of comprehensive income on a straight line basis over the period of vesting.

A summary of PRSUs as of 31 December 2017, and changes during the year then ended, is as follows:

	PRSUs	Weighted average grant-date fair value £
PRSUs		
Unvested at 1 January 2017	5,705	39.33
Forfeited	-	-
Granted	9,048	31.32
Vested	3,883	31.32
	<hr/>	<hr/>
Unvested at 31 December 2017	10,870	49.02
	<hr/>	<hr/>

There were no PRSUs forfeited during the year ended 31 December 2017. The total fair value of PRSUs that vested during the year ended 31 December 2017 and 2016 was £121,616 and £56,624 respectively.

Stock appreciation rights (SARs)

Blackbaud, Inc. has granted SARs under the 2008 Equity Plan. The SARs will be settled in stock at the time of exercise and vest in equal annual instalments generally over four years from the grant date subject to the recipient's continued employment with Blackbaud Europe Limited. The fair market value of the award at the time of the grant is charged to the statement of comprehensive income on a straight line basis over the period of vesting. The number of shares issued upon the exercise of the SARs is calculated as the difference between the share price of our stock on the date of exercise and the date of grant multiplied by the number of SARs divided by the share price on the exercise date.

There were no SARs granted, exercised or forfeited during the years ended 31 December 2017 and 2016. There were 3,197 SARs vested at 31 December 2016 with the fair value of 56,971. There were no unvested SARs that were expected to vest at 31 December 2017 or 2016.

Blackbaud Europe Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

16 Called up share capital

	2017 Number	Allotted, issued and fully paid		2016 £'000
		2016 Number	2017 £'000	
Ordinary shares of £1 each	170,233	170,233	170	170

17 Pension commitments

The company operates a defined contribution scheme for its employees. The pension cost charged in respect of this scheme in the year ended 31 December 2017 was £305,899 (2016 - £286,113). There were no outstanding pension contributions at the year ended 2017 (2016 - £nil).

18 Capital commitments

The Company had minimum lease payments under non-concealable operating leases as set out below:

	Land and buildings 2017 £'000	Land and buildings 2016 £'000
Not later than 1 year	591	558
Later than 1 year and not later than 5 years	2,383	2,378
Later than 5 years	118	713
	3,092	3,649

19 Related party transactions

The Company has taken advantage of the exemptions available under FRS 102 for Related Party Disclosures not to disclose any transactions that are under the common control of Blackbaud Inc.

20 Ultimate controlling party

The ultimate parent company and controlling party is Blackbaud, Inc., a company listed on NASDAQ and registered in the state of Delaware in the United States of America. The financial statements of Blackbaud Europe Limited are consolidated in those of the ultimate parent company.

21 Prior period adjustment

In the prior year financial statements, the company recognized an intercompany balance sheet account that contained an erroneous accumulation of foreign currency remeasurements. This error, together with the transfer pricing adjustment, resulted in administrative expenses and cost of sales being overstated and understated respectively in the amount of £356,961. Profit for the year ended 31 December 2016 was therefore misstated by £nil.

Blackbaud Europe Limited

**Notes forming part of the financial statements
for the year ended 31 December 2017 *(continued)***

22 Post balance sheet events

The directors are not aware of any post balance sheet events.