

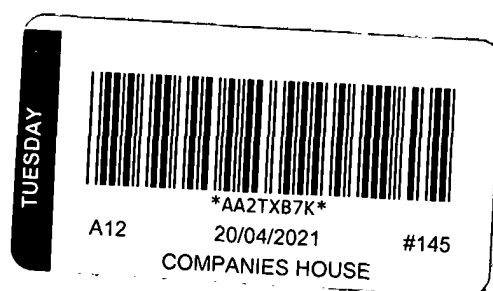
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**SAGESOFT**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**



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## **SAGESOFT**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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#### **Introduction**

The Directors of Sagesoft (the "Directors") present their Strategic Report on Sagesoft (the "Company") for the year ended 30 September 2020. The Directors of The Sage Group plc., the ultimate parent company, set the strategy for the whole Sage group of companies ("Sage", or the "Group"). This is set out within the The Sage Group plc.'s Annual Report and Accounts for the year ended 30 September 2020 (the "FY20 Annual Report and Accounts"), which does not form part of this report.

#### **Principal activity and business review**

The principal activity of the Company is that of a holding company. The Company has not traded during the year or prior year and the only amounts included in the income statement relate to the Company's activity as a holding company.

#### **Principal risks and uncertainties**

The Global Risk Management Framework has been built to identify, evaluate, analyse, manage and mitigate those risks which threaten the successful achievement of our business strategy and objectives, within tolerable appetites. Risks are owned and managed at a Global level and are formally reviewed on a quarterly basis.

Risk is inherent within our business activities, and the Group as a whole continues to prioritise and develop its risk management capability in recognition of this. Timely identification of risks, combined with their appropriate management and escalation, enables the Group to successfully run each business and deliver strategic change, whilst ensuring that the likelihood and/or impact associated with such risks is understood and managed within our defined risk appetite.

Currently there are eleven principal risks which are monitored and reported against at a Global level.

- Understanding Customer Needs
- Execution of Product Strategy
- Innovation
- Route to Market
- Customer Success
- Third Party Reliance
- People and Performance
- Culture
- Cyber Security & Data Privacy
- Data Strategy
- Live Services Management

The background, management and mitigation process are disclosed in the FY20 Annual Report and Accounts.

#### **Investment risk**

The Company acts as a holding company of investments. The main risk facing the Company is a deterioration in the recoverable amount of its investments in subsidiary undertakings, which reflects their underlying performance and future prospects. The Directors assess the recoverable amounts of investments annually or when indicators of impairment exist, by performing an impairment test annually, comparing for each investment the recoverable amount with its carrying value. Only if there is an impairment loss is the carrying value reduced to the recoverable amount.

Upon performing an impairment review of the Company's investments, the Directors have determined that the investments recoverable amount exceeds its carrying value as at 30 September 2020.

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**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**Key performance indicators**

The directors of The Sage Group plc. manage and measure the Group's operations on a regional and segmental basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company's business. The key performance indicators used by the directors of The Sage Group plc. to manage and measure the performance of the Group are discussed within the FY20 Annual Report and Accounts.

**Future developments**

It is the intention of the Directors that the Company will continue to act as a holding and investment company for the foreseeable future.

**Section 172(1) Statement**

As per Section 172(1) of the Companies Act 2006 ("Section 172(1)"), a director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the interests of the company's employees;
- c. the need to foster the company's business relationships with suppliers, customers and others;
- d. the impact of the company's operations on the community and the environment;
- e. the desirability of the company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between members of the company.

This statement describes how the Directors have had regard to the matters set out above when performing their duty to promote the success of the Company for the benefit of its members as a whole, having regard to the interests of its stakeholders and the wider society.

Sage is the global market leader for technology that provides small and medium businesses with the visibility, flexibility and efficiency to manage finances, operations and people. Working alongside its partners, Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support. Sage's years of experience mean that colleagues and partners understand how to serve its customers and communities through the good as well as the more challenging times. Sage's purpose is to transform the way people think and work so their organisations can thrive, and its vision is to become a great SaaS company for all its stakeholders.

The Company, as part of Sage, looks to operate within and support this culture. The Directors are responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company and Sage to ensure that their obligations to the Company's stakeholders, including its shareholders, are met. The Company follows Sage's policies and procedures, including those relating to standards of business conduct, colleagues, the community, the environment and other stakeholders. However, in considering items of business, the Company makes autonomous decisions based on each transaction's own merits, after due consideration of the long-term success of the Company, Section 172(1) factors where relevant, and the stakeholders impacted.

Board meetings are held as and when required to discuss matters of business. In the year ended 30 September 2020 the Directors approved, amongst others, the following decisions: the approval of interim dividend of \$108,355,054 to its sole shareholder, Sage Holding Company Limited, the appointment of additional director to broaden the skills and experience of the Company's board and the approval of the Company's annual report and accounts for the year ended 30 September 2019.

As is typical for a company which is part of a large listed group, the Directors fulfil their duties partly through a governance framework determined at Group level that delegates day-to-day decision-making to Sage's management. Such delegation forms part of Sage's robust governance structure which encompasses the principles of Section 172(1) so that they ultimately become embedded within the business and everything Sage does as a Group.

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## SAGESOFT

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### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2020

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The Directors recognise that Sage, including the Company, has a wide range of stakeholders that it needs to have regard to when fulfilling their duties. For each matter which comes before the Directors, stakeholders who may be affected are identified and their interests are carefully considered as part of the decision-making process. The Directors are committed to effective engagement with all stakeholders of the Company and acknowledge that, as part of Sage, engagement activities are mostly carried out at Group level. The values and behaviours upheld when engaging with stakeholders are consistent across Sage, irrespective of which member of the Group is communicating with any and all of Sage's stakeholders.

After due consideration, the Directors have determined the Company's key stakeholders to be largely consistent with those set out in the FY20 Annual Report and Accounts.

#### Investors

The Directors consider the long-term impact of corporate actions and decisions on and for the benefit of the Company's direct and indirect shareholders. The Company's ultimate parent is The Sage Group plc. and effective engagement with Sage's investors is maintained at Group level. You can read more about Sage's engagement with investors on page 95 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

#### Colleagues

The Company has no employees.

All UK colleagues engaged in the activities of the Company are employed by subsidiaries of Sage and disclosures relating to such colleagues can be found in the annual report and accounts of these subsidiaries. You can read more about Sage's engagement with colleagues on pages 94 to 96 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

#### Customers

The Company is a holding company and thus has no customers itself.

The Directors recognise that fostering business relationships with customers is essential to the long-term sustainable success of Sage and effective engagement is maintained at Group level. You can read more about Sage's engagement with customers on page 97 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

#### Partners

The Company is a holding company and thus has no partners itself.

The Directors are cognisant that partners are crucial to Sage's success and effective engagement is maintained at Group level. You can read more about Sage's engagement with partners on page 98 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

#### Communities and the Environment

The Directors recognise that Sage is committed to managing the Group's use of resources proactively to minimise environmental impact and continues to review and develop the Group's corporate sustainability strategy. Sage's culture and commitment to doing business the right way is notably demonstrated through the work of the Sage Foundation, which combines charitable giving and supporting colleague engagement with nonprofit organisations delivering change. You can read more about Sage's engagement with communities and its impact on the environment on pages 98 and 99 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

In addition to the above stakeholders, it is recognised that other groups of stakeholders could also be relevant to the Company's and Sage's activities. The Directors have regard for and engage with such groups to the extent that they are affected by, and themselves affect, the operations of the Company. For instance, the Company itself does not have suppliers although the Directors recognise that suppliers are significant to Sage, and therefore Sage seeks to develop and foster business relationships with them to maximise value and efficiency. Sage implements a thorough supplier onboarding process and procurement lifecycle through Sage's governance model. Sage has also developed a Supplier Code of Conduct which all suppliers are required to follow, and which defines Sage's expectations of responsible business and behaviour underlying the strategic focus on customer needs, in line with the high standards of business conduct that Sage strives to promote.

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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This report was approved by the board on 14 April 2021 and signed on its behalf.

DocuSigned by:  
  
5B1119845728435...  
**Jacqui Cartin**  
Director

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## **SAGESOFT**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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The Directors present their report and the financial statements for the year ended 30 September 2020.

#### **Principal activity**

The principal activity of the Company throughout the year has been that of an intermediate holding company within the Group and will remain as such for the foreseeable future.

#### **Results and dividends**

The profit for the year amounted to \$108,295,000 (2019: \$262,198,000) and is reflective of the activity during the period. During the year dividends of \$108,355,000 were declared and paid (2019: \$262,135,000).

#### **Directors**

The Directors who served during the year were:

Victoria Louise Bradin  
Jacqui Cartin (appointed 21 August 2020)  
Julia McDonough (resigned 1 March 2020)  
Sarah Jane Rolls (resigned 30 September 2020)

#### **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. Following shareholder approval, the Company 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.

#### **COVID-19**

Early in the COVID-19 crisis, the Group moved decisively to protect the health and wellbeing of our colleagues, and to provide continued support to our customers and partners. While the pandemic continues to create uncertainty for small and medium businesses, moderating the Group's growth in the short-term, our consistent focus on customer success has supported our performance to date.

At the same time, the pace of digital transformation among small and medium businesses is increasing, and delivering Sage Business Cloud innovations as scheduled throughout the year has positioned the Group well to support customers as they adopt new digital solutions. In FY21, the Group's planned investment in Sage Business Cloud and particularly in cloud native solutions, together with continued focus on embedding SaaS capability and culture, are expected to drive further progress on our journey to becoming a great SaaS company.

#### **Going concern**

Management have assessed the relevant factors around going concern, including financing available from other companies within the Sage group, and conclude that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the Directors deem it appropriate in continuing to adopt the going concern basis in the preparation of the financial statements.

The Directors are of the view that COVID-19 does not impact the Company's ability to continue as a going concern as the Company does not carry out any trading activities and is in a net asset position as at 30 September 2020. The impact of COVID-19 is therefore limited to the recoverability of the assets held. Impairment testing was undertaken to ensure the assets are carried at a recoverable value and it is anticipated that the Company will continue to receive dividend income from its investments.

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**SAGESOFT**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**Disclosure of information to auditors**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be 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.

This report was approved by the board on 14 April 2021 and signed on its behalf.

DocuSigned by:

*Jacqui Cartin*

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**Jacqui Cartin**  
Director

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**SAGESOFT**

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 to 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.

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## **SAGESOFT**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGESOFT**

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#### **Opinion**

We have audited the financial statements of Sagesoft for the year ended 30 September 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 14, 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 2020 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 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 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 other information comprises the information included in the Strategic report and Directors' report set out on pages 1 to 6, 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

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**SAGESOFT**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGESOFT**

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- 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 or 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 set out on page 7, 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*

Andrew Davison (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London, United Kingdom  
15 April 2021

**SAGESOFT****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	<b>Note</b>	<b>2020 \$000</b>	<b>2019 \$000</b>
Income from participating interests	5	108,371	262,175
Finance income	6	-	45
Finance costs	7	(40)	(2)
<b>Profit before income tax</b>	4	<b>108,331</b>	<b>262,218</b>
Income tax expense	8	(36)	(20)
<b>Profit for the financial year</b>		<b>108,295</b>	<b>262,198</b>
<b>Total comprehensive income for the year</b>		<b>108,295</b>	<b>262,198</b>

The notes on pages 13 to 22 form part of these financial statements.

**SAGESOFT**  
**REGISTERED NUMBER: 02470736**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2020**

	Note	2020 \$000	2019 \$000
<b>Non-current assets</b>			
Investments	9	1,975,038	1,975,038
		<u>1,975,038</u>	<u>1,975,038</u>
<b>Current assets</b>			
Trade and other receivables	10	4,663	4,504
Cash and cash equivalents		1	1
		<u>4,664</u>	<u>4,505</u>
<b>Total assets</b>		<u>1,979,702</u>	<u>1,979,543</u>
<b>Current liabilities</b>			
Trade and other payables	11	(4,549)	(4,330)
<b>Total liabilities</b>		<u>(4,549)</u>	<u>(4,330)</u>
<b>Net assets</b>		<u>1,975,153</u>	<u>1,975,213</u>
<b>Equity attributable to the owners of the parent</b>			
Ordinary shares	12	563,551	563,551
Other reserves	12	310,310	310,310
Retained earnings	12	1,101,292	1,101,352
<b>Total equity</b>		<u>1,975,153</u>	<u>1,975,213</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 April 2021.

DocuSigned by:  
  
 5B1119815728435...  
**Jacqui Cartin**  
 Director

The notes on pages 13 to 22 form part of these financial statements.

**SAGESOFT****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	Ordinary shares \$000	Other reserves \$000	Retained earnings \$000	Total equity \$000
<b>At 1 October 2018</b>	<b>563,551</b>	<b>310,310</b>	<b>1,101,289</b>	<b>1,975,150</b>
Profit for the year	-	-	262,198	262,198
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>262,198</b>	<b>262,198</b>
Dividends paid	-	-	(262,135)	(262,135)
<b>At 1 October 2019</b>	<b>563,551</b>	<b>310,310</b>	<b>1,101,352</b>	<b>1,975,213</b>
Profit for the year	-	-	108,295	108,295
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>108,295</b>	<b>108,295</b>
Dividends paid	-	-	(108,355)	(108,355)
<b>At 30 September 2020</b>	<b>563,551</b>	<b>310,310</b>	<b>1,101,292</b>	<b>1,975,153</b>

The notes on pages 13 to 22 form part of these financial statements.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

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#### 1. General information

Sagesoft (the "Company") is a company incorporated and domiciled in England, it is a private unlimited company and the Company's registered address is North Park, Newcastle upon Tyne, NE13 9AA.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

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 14.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next 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 3.

The financial statements have been prepared on the historical cost basis. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in US Dollars (USD), which is the Company's functional and presentation currency and is denoted by the symbol "\$".

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

Management have assessed the relevant factors around going concern, including financing available from other companies within the Sage group, and conclude that there are no material events or uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern. Accordingly, the Directors deem it appropriate in continuing to adopt the going concern basis in the preparation of the financial statements.

The Directors are of the view that COVID-19 does not impact the Company's ability to continue as a going concern as the Company does not carry out any trading activities and is in a net asset position as at 30 September 2020. The impact of COVID-19 is therefore limited to the recoverability of the assets held. Impairment testing was undertaken to ensure the assets are carried at a recoverable value and it is anticipated that the Company will continue to receive dividend income from its investments.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Accounting policies (continued)****2.1 Basis of preparation of financial statements (continued)**

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

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

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, 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.

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.

**2.3 Foreign currency translation**

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.

**2.4 Finance income**

Interest income is recognised in profit or loss using the effective interest method.

**2.5 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**2. Accounting policies (continued)****2.6 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.

**2.7 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.

**2.8 Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit losses.

The carrying amounts of trade receivables are reduced by allowances for expected credit losses using the simplified approach under IFRS 9. The Company uses a matrix approach to determine the allowance. The default rates applied are based on the ageing of the receivable, past experience of credit losses and forward looking information. An allowance for a receivable's estimated lifetime expected credit losses is first recorded when the receivable is initially recognised, and subsequently adjusted to reflect changes in credit risk until the balance is collected. In the event that management considers that a receivable cannot be collected, the balance is written off.

**2.9 Trade and other payables**

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

**2.10 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.

**2.11 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**


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**2. Accounting policies (continued)**
**2.11 Financial instruments (continued)**

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.

Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**2.12 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.

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

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 2020 was \$1,975,038,000 (2019: \$1,975,038,000) and no impairment loss has been recognised during the year (2019: \$nil).

**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 2020 was \$4,663,000 (2019: \$4,504,000) and no impairment loss has been recognised (2019: \$nil).

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**


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**4. Profit before income tax**

Auditor's remuneration is borne by the ultimate parent company, The Sage Group plc., in both the current and prior year.

The directors did not receive any emoluments during the year in respect of their services to the Company (2019: \$nil). No other persons were employed by the Company during the year (2019: none).

**5. Income from participating interests**

	<b>2020</b> <b>\$000</b>	<b>2019</b> <b>\$000</b>
Dividends receivable from participating interests	<b>108,371</b>	262,175
	<u><b>108,371</b></u>	<u>262,175</u>

**6. Finance income**

	<b>2020</b> <b>\$000</b>	<b>2019</b> <b>\$000</b>
Net foreign exchange gains	-	45
	<u>-</u>	<u>45</u>

**7. Finance costs**

	<b>2020</b> <b>\$000</b>	<b>2019</b> <b>\$000</b>
Interest payable to group undertakings	<b>2</b>	2
Net foreign exchange losses	<b>38</b>	-
	<u><b>40</b></u>	<u>2</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020

## 8. Taxation

	2020 \$000	2019 \$000
<b>Current tax</b>		
Current tax on profits for the year	36	20
<b>Total current tax</b>	<u>36</u>	<u>20</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>36</u>	<u>20</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 \$000	2019 \$000
Profit on ordinary activities before tax	<u>108,331</u>	<u>262,218</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	20,583	49,821
<b>Effects of:</b>		
Non-taxable dividend income	(20,590)	(49,813)
Withholding tax	36	20
Imputed interest	-	(4)
Group relief surrendered/(utilised) not paid	7	(4)
<b>Total tax charge for the year</b>	<u>36</u>	<u>20</u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**SAGESOFT****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020****9. Investments**

	<b>\$000</b>
<b>Cost</b>	
At 1 October 2019	<b>1,975,038</b>
At 30 September 2020	<b>1,975,038</b>
<b>Net book value</b>	
At 30 September 2020	<b>1,975,038</b>
At 30 September 2019	<b>1,975,038</b>

Investments represent shares in subsidiary undertakings and partnership interest.

No impairment is noted from the annual impairment review of US cash-generating units. The Directors believe that the carrying value of the investments is supported by their underlying value in use. In assessing the existing value in use, management have used a discount rate between 7.68% and 7.73% (2019: 9.00%). Cash flows have been projected using management's most recent business forecast over the next three years. Beyond the three years the cash flows are extrapolated using an estimated long-term growth rate of between 1% and 3%.

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Sage Whitley Limited *	North Park, Newcastle upon Tyne, NE13 9AA, United Kingdom	Ordinary	100%
Sage Holdings Limited	North Park, Newcastle upon Tyne, NE13 9AA, United Kingdom	Ordinary	100%
Sage Intacct UK Limited	North Park, Newcastle upon Tyne, NE13 9AA, United Kingdom	Ordinary	100%
Sage Software North America	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, United States	Ordinary	100%
Sage Software Holdings Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, United States	Ordinary	100%
Sage Software, Inc.	c/o Corporation Service Company, 100 Shockoe Slip, 2nd Floor, Richmond, 23219, Richmond City, Virginia, USA	Ordinary	100%
Sage Software International, Inc.	c/o Corporation Service Company, 100 Shockoe Slip, 2nd Floor, Richmond, 23219, Richmond City, Virginia, USA	Ordinary	100%

**SAGESOFT****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020****9. Investments (continued)****Subsidiary undertakings (continued)**

<b>Name</b>	<b>Registered office</b>	<b>Class of shares</b>	<b>Holding</b>
Sage Tempus, Inc.	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, United States	Ordinary	100%
Sage US LLP	North Park, Newcastle upon Tyne, NE13 9AA, United Kingdom	Membership	100%
Sage Software Canada Ltd	111, 5th Avenue SW, Suite 3100-C, Calgary, AB, T2P 5L3, Canada	Ordinary	100%
Best Software (Germany) GmbH	Franklinstraße 61-63, 60486, Frankfurt am Main, Germany	Ordinary	100%
Sage Intacct, Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, United States	Ordinary	100%
Sage Budgeta, Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, United States	Ordinary	100%
South Acquisition Corp.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, United States	Ordinary	100%
Intacct Software Pvt Limited	3rd Floor, Esteem Arcade 26/1, Race course Road, Bangalore 560001, India	Ordinary	100%
Intacct Development Romania SRL	21 Decembrie 1989 Blvd, no77 The office building, C section, 1st floor 400604 Cluj-Napoca, Romania	Ordinary	100%
Budgeta Technologies Ltd	Derech Menachem Begin 144, Tel Aviv-Yafo, 6492102, Israel	Ordinary	100%
Sage Intacct Australia Pty Limited	Level 11, The Zenith Tower B, 821 Pacific Hwy, Chatswood, 2067, Australia	Ordinary	100%

\* Direct subsidiary

**10. Trade and other receivables**

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
Amounts owed by group undertakings	<b>4,663</b>	<b>4,504</b>
	<b>4,663</b>	<b>4,504</b>

Amounts owed by group undertakings are unsecured, interest free and repayable upon demand.

**SAGESOFT****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020****11. Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
Amounts owed to group undertakings	<b>4,549</b>	<b>4,330</b>
	<b>4,549</b>	<b>4,330</b>

Amounts owed to group undertakings are unsecured, repayable on demand and attract an interest rate of between 0% and 5.19%.

**12. Equity**

	<b>2020</b>	<b>2019</b>
	<b>\$000</b>	<b>\$000</b>
<b>Allotted, called up and fully paid</b>		
300 (2019 - 300) Ordinary shares of \$1.69 each	<b>1</b>	<b>1</b>
563,549,998 (2019 - 563,549,998) Redeemable ordinary shares of \$1.00 each	<b>563,550</b>	<b>563,550</b>
	<b>563,551</b>	<b>563,551</b>

Dividends declared and paid during the year totalled 19.2c per share (2019: 46.5c per share).

The redeemable ordinary shares are redeemable at par on demand of the Company and are ranked pari passu with ordinary shares in all respects.

Retained earnings represent cumulative comprehensive income less dividends paid.

Other reserves represent non distributable reserves following the redemption or purchase of the Company's own shares.

**13. 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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**14. Immediate and ultimate parent Company**

The Company's immediate parent undertaking is Sage Holding Company Limited, a Company registered in England and Wales.

The ultimate parent undertaking and ultimate controlling party is The Sage Group plc. a Company registered in England and Wales. 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 upon Tyne, NE13 9AA.