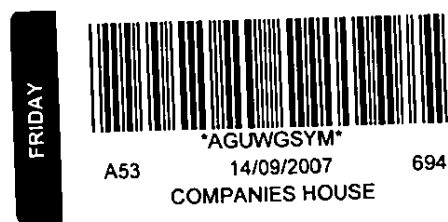


Sage Holdings Limited
Report and Financial Statements
for the year ended 30 September 2006

Registered Number. 03610110



Sage Holdings Limited
Report and Financial Statements
for the year ended 30 September 2006
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Sage Holdings Limited

Directors' report for the year ended 30 September 2006

The directors present their report and the audited financial statements of Sage Holdings Limited ("the Company") for the year ended 30 September 2006

Principal activity, business review and future developments

The principal activity of the Company is that of a holding company. The results for the year are set out in the profit and loss account on page 5. No dividend has been paid in the year (2005: £Nil). The Company will continue to hold investments in other group companies and anticipates no major changes in the environment.

Key performance indicators (KPI's)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors and their interests

The Directors who held office during the year are given below:

P S Harrison

P A Walker

The directors who served during the year, had no interest in the shares of the Company at any time during the year, or prior year. The interests of the directors in the shares of the ultimate parent The Sage Group plc are set out in the annual report of that company for the year ended 30 September 2006.

Statement of Directors' responsibilities

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

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2006 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each 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 s234ZA of the Companies Act 1985.

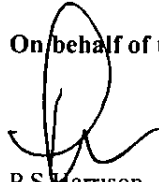
Sage Holdings Limited

Directors' report for the year ended 30 September 2006 (continued)

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting

On behalf of the Board



P S Harrison
Director

12 September 2007

Sage Holdings Limited

Independent auditors' report to the members of Sage Holdings Limited

We have audited the financial statements of Sage Holdings Limited for the year ended 30 September 2006 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Sage Holdings Limited

Independent auditors' report to the members of Sage Holdings Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 September 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

12 September 2007

Sage Holdings Limited

Profit and loss account for the year ended 30 September 2006

	Note	2006 £'000	2005 £'000
Share of (loss)/profit from partnership	2	(633)	26,436
Income from shares in group undertakings		6,341	6,489
Interest receivable and similar income	3	16,477	4,714
Interest payable and similar charges	4	(31,959)	(16,877)
(Loss)/profit on ordinary activities before taxation		(9,774)	20,762
Taxation on (loss)/profit on ordinary activities	5	-	-
(Loss)/profit for the year transferred (from)/to reserves	13,14	(9,774)	20,762

All results refer entirely to continuing operations

Recognised gains and losses

The Company has no recognised gains or losses, as defined in Financial Reporting Standard 3 ("FRS 3"), Reporting Financial Performance, which are not included in the above profit and loss account

Historical cost profits and losses

There is no material difference between the reported (losses)/profits and the historical cost (losses)/profits for 2006 and 2005

Sage Holdings Limited

Balance sheet as at 30 September 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	6	1,307,280	1,215,377
Current assets			
Debtors due within one year	7	383,120	52,689
Debtors due in more than one year	7	172,240	172,240
Cash		101	14
		555,461	224,943
Creditors amounts falling due within one year	8	(1,005,078)	(874,602)
Net current liabilities		(449,617)	(649,659)
Total assets less current liabilities		857,663	565,718
Creditors amounts falling due in more than one year	9	(176,099)	-
Net assets		681,564	565,718
Capital and reserves			
Called up equity share capital	10	503,798	400,616
Share premium account	11	201,765	201,765
Other reserves	12	22,438	-
Profit and loss account	13	(46,437)	(36,663)
Equity shareholders' funds	14	681,564	565,718

The financial statements on pages 5 to 13 were approved by the board of directors on 12 September 2007 and were signed on its behalf by



P S Harrison
Director

Sage Holdings Limited

Statement of accounting policies

Accounting convention

These financial statements are prepared on the going concern basis, under the historical costs convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies applied consistently, are set out below.

Cash flow statement

The Company is a wholly owned subsidiary of The Sage Group plc and is included in the consolidated financial statements of The Sage Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1, "Cash flow statements", (revised 1996).

Deferred taxation

Deferred tax is accounted for under FRS 19, "Deferred Tax", which requires a form of full provision for accounting for deferred tax, called the incremental liability approach. Deferred tax is provided on timing differences where the Company has an obligation to pay more tax in the future as a result of those timing differences. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. As permitted by FRS 19, the Group has adopted a policy of not discounting deferred tax assets and liabilities.

Foreign currency translation

Monetary assets and liabilities are translated into sterling at rates of exchange ruling at the year end. Trading results are translated at the average rate prevailing during the relevant period. All gains and losses are dealt with in the profit and loss account.

Investments

Investments are stated at cost. Investments comprise capital invested into a partnership together with the Company's share of the partnership profit and losses. The Company has taken advantage of the exemption not to prepare consolidated financial statements per s228 Companies Act 1985, as it is included in the consolidated financial statements of The Sage Group plc.

Sage Holdings Limited

Notes to the financial statements for the year ended 30 September 2006

1 Employees and directors

Neither the Directors nor the Secretary received any emoluments during the year in respect of their services to the Company (2005 £Nil)

No other persons were employed during the year (2005 Nil)

2 Share of (loss)/profits from partnership

Share of (loss)/profits from partnership include 99.9% share of the results of Sage Software North America

3 Interest receivable and similar income

	2006 £'000	2005 £'000
Net exchange gains on translation of foreign currency loan	-	1,532
On loans to group undertakings	16,477	3,182
	16,477	4,714

4 Interest payable and similar charges

	2006 £'000	2005 £'000
Net exchange losses on translation of foreign currency loan	26,924	-
Accretion to convertible loan note	507	
On loans from group undertakings	4,528	16,877
	31,959	16,877

Sage Holdings Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

5 Taxation on profit/(loss) on ordinary activities

(a) Analysis of charge in the year

	2006	2005
	£'000	£'000
Current tax		
UK Corporation tax on profits/(loss) of the year	-	13,275
Double tax relief	-	(13,275)
Total current tax	-	-
Total deferred tax	-	-
Taxation on profit/(loss) on ordinary activities	-	-

(b) Factors affecting tax charge for the period

	2006	2005
	£'000	£'000
(Loss)/profit on ordinary activities before taxation	(9,774)	20,762
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	(2,932)	6,229
Effects of		
Double tax relief	-	(13,275)
Expenses not deductible for tax purposes	-	4,895
Group relief surrendered not paid	2,932	2,151
Current tax (credit)/charge for the year	-	-

(c) Factors that may affect future tax charges

There are no factors which are expected to affect future tax charges materially

Sage Holdings Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

6 Investments

Sage Holdings Limited has a 99.9% share of Sage Software North America

	Group companies £'000
Cost	
At 1 October 2005	1,215,377
Additions	186,323
Disposals	(94,420)
At 30 September 2006	1,307,280

The Company has the following interests at 30 September 2006

Company	% ownership of ordinary shares	Country of Incorporation	Principal activity
Subsidiaries			
Sage Jesmond Limited	Ordinary shares – 100%	UK	Holding company
Sage Quayside Limited	Ordinary shares – 100%	UK	Holding company
Sage (South Gosforth)	Ordinary shares – 100%	UK	Holding company
Sage Finance	Ordinary shares – 100%	UK	Holding company
Sage Finance II	Ordinary shares – 100%	UK	Holding company

The directors believe that the investments are stated at an amount not less than their carrying value

7 Debtors

	2006 £'000	2005 £'000
Amounts owed by group undertakings	555,000	213,351
Corporation tax	360	11,578
	555,360	224,929

Debtors include amounts owed by group undertakings of £172,240,000 (2005: £172,240,000) due after more than one year

Sage Holdings Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

8 Creditors – amounts falling due within one year

	2006	2005
	£'000	£'000
Amounts owed to group undertakings	1,004,571	874,602
	1,004,571	-

9 Creditors – amounts falling due in more than one year

	2006	2005
	£'000	£'000
Amounts owed to group undertakings	176,606	-
	176,606	-

10 Called up equity share capital

	2006	2005
	£	£
Authorised		
810,000,000 ordinary shares of £1 each	810,000,000	
410,000,000 ordinary shares of £1 each		410,000,000
Allotted, called up and fully paid		
503,798,334 ordinary shares of £1 each	503,798,334	
400,615,525 ordinary shares of £1 each		400,615,525

Sage Holdings Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

10 Called up equity share capital (continued)

On 24 April 2006, the Company issued 178,059 ordinary shares of £1 each. On 25 September 2006 the Company increased its authorised share capital by 400,000,000 ordinary shares of £1 each to £810,000,000. The Company then issued 103,004,750 ordinary shares of £1 each on 25 September 2006.

11 Share premium account

	£'000
At 1 October 2005 and 30 September 2006	201,765

12 Other reserves

	£'000
At 1 October 2005	-
Issue of convertible loan note	22,438
At 30 September 2006	22,438

This reserve created is the equity element of the non interest bearing unsecured convertible loan note issued by the Company to Sage Whitley Limited of £198,538,000. The date of maturity is 13 September 2008.

13 Profit and loss account

	£'000
At 1 October 2005	(36,663)
Loss for the year	(9,774)
At 30 September 2006	(46,437)

Sage Holdings Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

14 Reconciliation of movement in equity shareholders' funds

	2006 £'000	2005 £'000
(Loss)/profit for the year	(9,774)	20,762
Share issue during the year (note 10)	103,182	400,616
Issue of convertible loan note (note 12)	22,438	-
Opening equity shareholders' funds	565,718	144,340
Closing equity shareholders' funds	681,564	565,718

15 Parent undertaking and controlling party

The Company's ultimate parent undertaking and controlling party is The Sage Group plc, a company registered in England. Copies of the group accounts can be obtained from the registered office at North Park, Newcastle upon Tyne, NE13 9AA.

16 Related party transactions

As the Company is a wholly owned subsidiary of The Sage Group plc, the Company has taken advantage of the exemption pursuant to paragraph 17 of FRS 8, Related Party Disclosures, not to include details of transactions with other companies which are subsidiaries of The Sage Group plc. There are no other related party transactions.