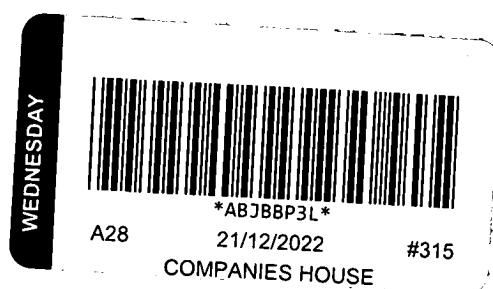


Registered number: 03610110

SAGE HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022



SAGE HOLDINGS LIMITED

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SAGE HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022

Introduction

The Directors of Sage Holdings Limited (the "Directors") present their Strategic Report on Sage Holdings Limited (the "Company") for the year ended 30 September 2022. 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 2022 (the "Plc 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 twelve principal risks which are monitored and reported against at a Global level.

- Understanding Customer Needs
- Execution of Product Strategy
- Developing and Exploiting New Business Models
- Route to Market
- Customer Experience
- Third Party Reliance
- People and Performance
- Culture
- Cyber Security & Data Privacy
- Data Strategy
- Readiness to Scale
- Environmental, Social & Governance

The background, management and mitigation process are disclosed in the Plc 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 2022.

SAGE HOLDINGS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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 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 Plc 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.

The Directors are responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that their obligations to the Company's stakeholders, including its shareholder, are met. The Company follows Sage's policies and procedures, including those relating to standards of business conduct, colleagues, society 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 sustainable 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 2022 the Directors approved, amongst other decisions, changes to the Board of Directors. In considering the approval of the Director changes, the Board had regard for the need to maintain an appropriate balance of skills and experience and the need to consider the consequences of decisions in the long term. The Board also considered the interests of its shareholder.

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.

The Directors recognise that Sage, including the Company, has a wide range of stakeholders and balancing their respective needs and expectations is important. The decision-making process is structured to enable Directors to evaluate the merit of proposed business activities in view of competing priorities and the likely consequences of decisions on our stakeholders over the short, medium and longer term. 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.

SAGE HOLDINGS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

Colleagues

The Company has no employees itself. The Directors are cognisant that colleagues are crucial to Sage's success and effective engagement is maintained at Group level.

Customers

The Company has no customers itself. The Directors are cognisant that customers are crucial to Sage's success and effective engagement is maintained at Group level.

Society

The Directors recognise that Sage is committed to managing the Group's use of resources proactively to minimise environmental impact and investing in education, technology, and environmental change to give individuals, small and mid-sized businesses and our planet the opportunity to thrive.

The Directors of the Company also support Sage's culture and commitment to doing business the right way. Sage's culture and commitment are demonstrated through the work of the Sage Foundation, which combines charitable giving and supporting colleague engagement with non-profit organisations delivering change.

Shareholder

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. Engagement with other Sage Group undertakings, including the Company's shareholder is conducted through internal Sage management activities and ongoing meetings and dialogue. The Company's ultimate parent is The Sage Group plc. and effective engagement with the Sage Group's shareholders is maintained at Group level.

This report was approved by the board on 16 December 2022 and signed on its behalf.

DocuSigned by:

59E8830E72C44AA...
Mark Parry
Director

SAGE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022

The Directors present their report and the financial statements for the year ended 30 September 2022.

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 loss for the year amounted to £472,000 (2021: £1,000 loss) and is reflective of the activity during the year. During the year dividends of £nil were declared and paid (2021: £nil).

Directors

The Directors who served during the year were:

Jacqui Cartin (resigned 27 June 2022)
Victoria Louise Bradin (resigned 27 June 2022)
Mark Parry (appointed 27 June 2022)
Ditmir Xhaferi (appointed 27 June 2022, resigned 1 December 2022)
Alexander Hall (appointed 1 December 2022)

Indemnity provisions

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

Going concern

The Directors have robustly tested the going concern assumption in preparing the financial statements ensuring that the Company can continue to pay its liabilities as they fall due through a forecasted period to 31 December 2023 ("the going concern assessment period"). This included reviewing the Company's cash position, net current asset position and obligations under debt arrangements with other Sage Group companies.

Based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence throughout the going concern assessment period. For this reason, they have adopted the going concern basis in preparing the financial statements.

Streamlined Energy and Carbon Reporting

In line with the Streamlined Energy and Carbon Reporting (SECR) requirements of the Companies Act 2006 for large quoted and unlisted companies, the Company has taken the exemption available to not disclose its energy and carbon information within the Directors' report due to the disclosure being included in the Plc Annual Report and Accounts.

SAGE HOLDINGS LIMITED

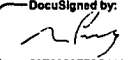
**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

This report was approved by the board on 16 December 2022 and signed on its behalf.

DocuSigned by:

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Mark Parry
Director

SAGE HOLDINGS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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.

SAGE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE HOLDINGS LIMITED

Opinion

We have audited the financial statements of Sage Holding Limited (the 'company') for the year ended 30 September 2022 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

SAGE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE HOLDINGS LIMITED

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
- 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 6, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

SAGE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE HOLDINGS LIMITED

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006), the relevant direct and indirect tax compliance regulation in the jurisdictions in which the company operates and the EU General Data Protection Regulation (GDPR). In addition, the company has to comply with laws and regulations relating to its operations, data protection and anti-bribery and corruption.

- We understood how Sage Holding Limited is complying with those frameworks by making enquiries of management and legal counsel being those responsible for legal and compliance procedures to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation such as the group Code of Conduct and correspondence from local legal counsel.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, performance targets and their influence on efforts made by management to manage earnings. We incorporated data analytics into our testing of revenue and manual journals, including segregation of duties. We performed audit procedures to address each identified fraud risk, including testing manual journals which were designed to provide reasonable assurance that the financial statements were free from material misstatement, whether due to fraud or error. We tested specific transactions back to source documentation or independent confirmations as appropriate.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved reviewing minutes from the Board of Directors, enquiries of management and journal entry testing, with a focus on manual journals and journals indicating significant unusual transactions identified by specific risk criteria based on our understanding of the business.

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

Julie Cavin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh, United Kingdom
16 December 2022

SAGE HOLDINGS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Note	2022 £000	2021 £000
Interest receivable and similar income	4	-	76
Interest payable and similar expenses	5	(472)	(77)
Loss before tax		<u>(472)</u>	<u>(1)</u>
Loss for the financial year		<u>(472)</u>	<u>(1)</u>
Total comprehensive loss for the year		<u>(472)</u>	<u>(1)</u>

The notes on pages 13 to 23 form part of these financial statements.

SAGE HOLDINGS LIMITED
REGISTERED NUMBER: 03610110

BALANCE SHEET
AS AT 30 SEPTEMBER 2022

	Note	2022 £000	2021 £000
Non-current assets			
Investments	8	602,066	602,066
		<u>602,066</u>	<u>602,066</u>
Current assets			
Trade and other receivables	9	9,024	9,024
Cash and cash equivalents	10	24	24
		<u>9,048</u>	<u>9,048</u>
Trade and other payables	11	(2,819)	(2,347)
Net current assets		<u>6,229</u>	<u>6,701</u>
Net assets		<u>608,295</u>	<u>608,767</u>
Equity attributable to the owners of the parent			
Ordinary shares	12	158,075	158,075
Share premium		39,517	39,517
Other reserves		22,438	22,438
Retained earnings		388,265	388,737
Total equity		<u>608,295</u>	<u>608,767</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 December 2022.

DocuSigned by:

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Mark Parry
 Director

The notes on pages 13 to 23 form part of these financial statements.

SAGE HOLDINGS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Ordinary shares £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 October 2020	158,075	39,517	22,438	388,738	608,768
Loss for the year	-	-	-	(1)	(1)
Total comprehensive expense for the year	-	-	-	(1)	(1)
At 1 October 2021	158,075	39,517	22,438	388,737	608,767
Loss for the year	-	-	-	(472)	(472)
Total comprehensive expense for the year	-	-	-	(472)	(472)
At 30 September 2022	158,075	39,517	22,438	388,265	608,295

The notes on pages 13 to 23 form part of these financial statements.

SAGE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

1. General information

Sage Holdings Limited (the "Company") is a company incorporated and domiciled in England, it is a private company limited by shares and the Company's registered address is C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ.

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 accounting standards in conformity with the requirements of the 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.

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 Great British Pounds (GBP), 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.

The Directors have robustly tested the going concern assumption in preparing the financial statements ensuring that the Company can continue to pay its liabilities as they fall due through a forecasted period to 31 December 2023 ("the going concern assessment period"). This included reviewing the Company's cash position, net current asset position and obligations under debt arrangements with other Sage Group companies.

Based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence throughout the going concern assessment period. For this reason, they have adopted the going concern basis in preparing the financial statements.

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

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

2. Accounting policies (continued)

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 and 18A 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 currencies

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

2.4 Interest 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.

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.

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

2. Accounting policies (continued)

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.

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

2. Accounting policies (continued)

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.

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.

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

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

Financial assets

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.

2.13 Joint arrangements

The Company jointly controls, by virtue of its partnership holding, Sage Software North America which is accounted for as a joint venture. The Company accounts for their share of the joint arrangement within its investments under the amortised cost method.

The nature of the Company's joint venture is that of an intermediary holding company.

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

The preparation of financial statements requires the use of accounting estimates and assumptions by management. It also requires management to exercise its judgement in the process of applying the accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information. The areas involving a higher degree of judgement or complexity are described below.

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 2022 was £602,066,000 (2021: £602,066,000) and no impairment loss has been recognised (2021: £nil).

Recoverability of amounts owed by group undertakings

Determining whether amounts owed by group undertakings are recoverable requires a consideration 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 2022 was £9,024,000 (2021: £9,024,000) and no impairment loss has been recognised (2021: £nil).

4. Finance income

	2022	2021
	£000	£000
Foreign exchange gain	-	76
	<u>-</u>	<u>76</u>

5. Finance costs

	2022	2021
	£000	£000
Loans from group undertakings	67	77
Foreign exchange expense	405	-
	<u>472</u>	<u>77</u>

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

6. Profit after 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 (2021: £nil). No other persons were employed by the Company during the year (2021: none).

7. Taxation

	2022	2021
	£000	£000
Current tax expense		
Current year		
Taxation on profit on ordinary activities	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	2021
	£000	£000
Loss on ordinary activities before tax	<u>(472)</u>	<u>(1)</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(90)	-
Effects of:		
Imputed interest	25	21
Group relief utilised not paid	65	(21)
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The main UK corporation tax rate will increase from 19% to 25% from 1 April 2023, the impact of the UK rate change to our current year financial statements is insignificant.

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

8. Investments

	£000
Cost or valuation	
At 1 October 2021	602,066
At 30 September 2022	602,066
Net book value	
At 30 September 2022	602,066
At 30 September 2021	602,066

Investments represent the Company's direct partnership interest in Sage Software North America.

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 the Directors have used a discount rate between 8.73% and 16.52% (2021: between 8.60% and 12.70%). 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:

Name	Registered office	Class of shares	Holding
Sage Software North America * :	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, USA	Ordinary	99.9%
Sage Software Holdings Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, USA	Ordinary	100%
Sage Software, Inc.	Corporation Service Company, 100 Shockoe Slip, 2nd Floor, Richmond, 23219, Richmond City, Virginia, United States	Ordinary	100%

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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8. Investments (continued)**Subsidiary undertakings (continued)**

Name	Registered office	Class of shares	Holding
Sage Software International, Inc.	Corporation Service Company, 100 Shockoe Slip, 2nd Floor, Richmond, 23219, Richmond City, Virginia, United States	Ordinary	100%
Sage Tempus, Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, USA	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, USA	Ordinary	100%
Sage Budgeta, Inc.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, USA	Ordinary	100%
South Acquisition Corp.	c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, Delaware, 19808, USA	Ordinary	100%
Intacct Software Pvt Limited	No 501 & 502, Tower C, 5th Floor, The Millenia, No. 1 & 2 Murphy Road, Bangalore, Karnataka, 560 008, India	Ordinary	100%
Intacct Development Romania SRL	Cluj-Napoca, Bd. 21 Decembrie 1989 no. 77, 1st floor, room C.1.2 building C-D, The Office, Cluj county, Romania	Ordinary	100%
Budgeta Technologies Ltd	32 HaBarzel St., Tel Aviv, 6971046, Israel	Ordinary	100%

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

8. Investments (continued)**Subsidiary undertakings (continued)**

Name	Registered office	Class of shares	Holding
Sage Intacct Australia Pty Limited	PricewaterhouseCoopers, Level 17, 100 Barangaroo Avenue, Barangaroo NSW 2000, Australia	Ordinary	100%
Lockstep Network Holdings, Inc.	C/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States	Ordinary	100%
Lockstep Network, Inc	C/o Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle DE 19808, United States	Ordinary	100%
Lockstep Netowrk India Pvt. Ltd.	1st and 2nd Flr Sky Loft, Creaticity Mall Opp Golf Course, Shastrinagar, Yerwada, Pune, 411006, India	Ordinary	99.99%
VV Finly Technology Pvt. Ltd.	#S-204, Wilson Court Apts, 6th Cross, 2nd Main, Wilson Garden, Bangalore, 560027, India	Ordinary	99.9%

* Direct subsidiary

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

9. Trade and other receivables

	2022	2021
	£000	£000
Amounts owed by group undertakings	9,024	9,024
	9,024	9,024

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

10. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	24	24
	24	24

11. Trade and other payables

	2022	2021
	£000	£000
Amounts owed to group undertakings	2,819	2,347
	2,819	2,347

Amounts owed to group undertakings are unsecured, carry an interest charge of 5.19% (2021: 5.19%) per annum and are repayable on demand.

12. Equity

	2022	2021
	£000	£000
Authorised, issued and fully paid		
158,069,212 (2021 - 158,069,212) Ordinary shares of £1.00000 each	158,069	158,069
615,392,267 (2021 - 615,392,267) Ordinary shares of £0.00001 each	6	6
	158,075	158,075

SAGE HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2022**

12. Equity (continued)

No dividends declared and paid during the year (2021: none).

Retained earnings represent cumulative comprehensive income less dividends paid.

Share premium account represents the premium paid over par value for shares issued.

Other reserves represent non-distributable reserves accumulated following the issue and redemption of convertible loan notes in September 2008.

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.

14. Immediate and ultimate parent company

The Company's immediate parent undertaking is Sage Whitley 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, C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ.