

**REGISTERED NUMBER: 09411353**

**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020**  
**FOR**  
**HR BAKERY LTD**



**HR BAKERY LTD**  
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**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

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**HR BAKERY LTD**  
**COMPANY INFORMATION**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**DIRECTORS:**

N Ertz  
K Upmanis  
V L Bradin

**SECRETARY:**

M Roy

**REGISTERED OFFICE:**

C23 – 5&6 Cobalt Park Way  
Cobalt Park  
Newcastle Upon Tyne  
NE28 9EJ

**REGISTERED NUMBER:**

09411353 (England and Wales)

**AUDITORS:**

Ernst & Young LLP  
1 More London Place  
SE1 2AF

**HR BAKERY LTD**  
**REPORT OF THE DIRECTORS**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

The directors present their report with the financial statements of HR Bakery Ltd (the “Company”) for the period from 1 January 2020 to 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. Annual Report and Accounts for the year ended 30 September 2021 (the “Plc Annual Report and Accounts”), which does not form part of this report.

**PRINCIPAL ACTIVITY**

The principal activity of the Company in the period under review was that of the development and sale of human resource software.

**DIVIDENDS**

The loss for the period, after taxation, amounted to £928,658 (2019 - loss of £234,086). No dividends were declared and paid during the period (2019: nil).

**COVID-19**

The COVID-19 pandemic has caused significant social and economic disruption in the markets in which Sage operates. The Group's response to the pandemic has been to ensure the wellbeing of colleagues, to continue serving and supporting our customers, and to remain focused on our SaaS transition strategy. With the Group's focus on high quality recurring and subscription-based revenues, and strong liquidity position, Sage has entered the COVID-19 pandemic in a strong operational and financial position. As a result, the effect on the Company's financial performance to date has been limited. However, there remains a high level of uncertainty regarding the extent of the crisis and impact of associated lockdowns.

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, the Group's 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.

**GOING CONCERN**

The Directors have considered the going concern assumption in preparing the financial statements, which included consideration of the impact of COVID-19 impacts on the Company. The Company incurred a loss for the period ended 30 September 2020 of £928,658 and had net liabilities of (£1,255,440) at 30 September 2020. Based on the above and having closely reviewed the current performance and forecasts, the Directors remain satisfied that the Company has adequate resources to continue its operations for the foreseeable future. However, given the high level of uncertainty a letter of support from the Company's ultimate parent, The Sage Group plc, has been provided for a period of 12 months from the date of this report, to enable the Company to meet its liabilities as and when they become due, as a means to provide the Directors with further confidence that the going concern basis of preparation is appropriate.

**SUBSEQUENT EVENTS**

On 9 December 2020 the registered office of the Company was changed to North Park, Newcastle Upon Tyne, NE13 9AA. This was subsequently changed again on the 27 July 2021 to C23 – 5&6 Cobalt Park Way, Cobalt Park, Newcastle Upon Tyne, NE28 9EJ.

On 24 March 2021 the Company appointed Ernst & Young as auditors.

On 27 May 2021 the transfer of contracts to Sage Global Services Limited was approved.

On 16 September 2021 it was approved that the financial year ended 31 December 2020 would be shortened to 30 September 2020. The Company has shortened its accounting period to the 9 months ending 30 September 2020 in order to align the financial period end with the parent company.

**HR BAKERY LTD**  
**REPORT OF THE DIRECTORS (continued)**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2020 up to the date of this report, unless otherwise indicated.

N Erts

K Upmanis

J Dillon (appointed 27 October 2020 and resigned 19 November 2021)

VL Bradin (appointed 20 May 2020)

SJ Rolls (appointed 20 May 2020 and resigned 30 September 2020)

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


**STRATEGIC REPORT**

This report has been prepared in accordance with the special provision relating to small companies within Part 15 of the Companies Act 2006. The Company is therefore exempt from the requirement to prepare a Strategic report.

**AUDITORS**

Ernst & Young LLP were appointed as auditor for the Company for the 2021 financial year.

**ON BEHALF OF THE BOARD:**

DocuSigned by:  
  
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K Upmanis - Director

Date: 21-Feb-22

**HR BAKERY LTD**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Auditing Standards have been followed, subject to any material departures
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**HR BAKERY LTD**

**Qualified Opinion**

We have audited the financial statements of HR Bakery LTD (the 'Company') for the period ended 30 September 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of changes in equity and the related notes 1 to 18, 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, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the Company's affairs as at 30 September 2020 and of its loss for the period 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 qualified opinion**

We did not express an opinion on the financial statements of the Company for the year ended 31 December 2019 due to lack of supporting evidence for cost of sales and administrative expenses. Some detailed accounting records were not retained prior to the acquisition by The Sage Group plc, which meant we did not have sufficient, appropriate audit evidence relating to cost of sales, administrative expenses and the potential corporate tax impact.

Since opening balances can impact the current year results and cashflows, we were unable to determine whether adjustments to the current year results and cashflows might be necessary arising from this limitation.

For the period ended 30 September 2020, there has continued to be a lack of some detailed accounting records which has affected our ability to obtain sufficient audit evidence in relation to £49,343 of administrative expenses incurred up to 5 months post acquisition (total administrative expenses of £835,480) and the potential corporate tax impact.

We were unable to satisfy ourselves by alternative means. Although payments could be vouched to bank statements, it could not be ascertained as to whether the expenses were business related or whether they had been recorded in the correct accounting period or correctly classified.

Our opinion on the current period's financial statements is also modified because of the effect of the disclaimer of opinion on the comparability of the current period's financial figures and the corresponding figures and the further limitations discussed above for 30 September 2020.

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 qualified 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**HR BAKERY LTD - Continued**

**Other information**

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the comparability of the current period's financial figures and the corresponding figures. We have concluded that where the other information refers to the corresponding figures, it may be materially misstated for the same reason.

**Opinions on other matters prescribed by the Companies Act 2006**

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

Except for the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, 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.



**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF**  
**HR BAKERY LTD – Continued**

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

***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.

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 (FRS101, Companies Act 2006), the relevant direct and indirect tax compliance regulation in the jurisdictions in which the group operates and the EU General Data Protection Regulation (GDPR). In addition, the Company has to comply with laws and regulations relating to its domestic and overseas operations, including health and safety, relevant employee law matters, data protection and anti-bribery and corruption.
- We understood how HR Bakery Ltd is complying with those frameworks by making enquiries of management and 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 Code of Conduct.
- 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 revenue and earnings. We involved our Forensics & Integrity Services team to help us assess the risks, in relation to lack of audit evidence for certain cost of sales and administrative expenses. 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 noncompliance with such laws and regulations. Our procedures involved reading 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*

Andrew Davison (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor, London  
Date: 22 February 2022

**HR BAKERY LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

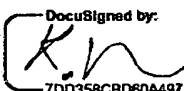
	Notes	Period 1.1.20 to 30.9.20 £	Year Ended 31.12.19 £
<b>TURNOVER</b>		690,917	541,435
Cost of sales		<u>(784,084)</u>	<u>(612,263)</u>
<b>GROSS LOSS</b>		(93,167)	(70,828)
Administrative expenses		<u>(835,480)</u>	<u>(200,481)</u>
<b>OPERATING LOSS</b>	3	(928,647)	(271,309)
Interest payable and similar expenses	5	<u>(11)</u>	<u>(5,975)</u>
<b>LOSS BEFORE TAXATION</b>	6	(928,658)	(277,284)
Tax on loss	7	<u>-</u>	<u>43,198</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(928,658)</u>	<u>(234,086)</u>

The notes on pages 11 to 19 form part of these financial statements

**HR BAKERY LTD**  
**BALANCE SHEET 30 SEPTEMBER 2020**

	Notes	30.9.20 £	£	31.12.19 £	£
<b>FIXED ASSETS</b>					
Tangible assets	8		-		2,247
Investments	9		<u>2,486</u>		<u>2,486</u>
			2,486		4,733
<b>CURRENT ASSETS</b>					
Debtors	10	32,752		218,055	
Cash and cash equivalent		<u>196,537</u>		<u>59,311</u>	
		229,289		277,366	
<b>CREDITORS</b>					
Amounts falling due within one year	11	<u>(912,563)</u>		<u>(543,005)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(683,274)</u>		<u>(265,639)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(680,788)		(260,906)
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		<u>(574,652)</u>		<u>(65,876)</u>
<b>NET LIABILITIES</b>			<u>(1,255,440)</u>		<u>(326,782)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		103		103
Share premium	15		12,500		12,500
Retained earnings	15		<u>(1,268,043)</u>		<u>(339,385)</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>(1,255,440)</u>		<u>(326,782)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 21 February 2022 and were signed on its behalf by:

DocuSigned by:  
  
 7DD358CBD80A497

K Upmanis - Director

Date: 21-Feb-22

**HR BAKERY LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 January 2019</b>	103	(105,299)	12,500	(92,696)
<b>Changes in equity</b>				
Total loss for the period	-	(234,086)	-	(234,086)
<b>Balance at 31 December 2019</b>	103	(339,385)	12,500	(326,782)
<b>Changes in equity</b>				
Total loss for the period	-	(928,658)	-	(928,658)
<b>Balance at 30 September 2020</b>	103	(1,268,043)	12,500	(1,255,440)

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**1. STATUTORY INFORMATION**

HR Bakery Ltd (the "Company") is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

**2.1 Basis of preparation of financial statements**

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 18.

The financial statements have been prepared on the historical cost basis. All amounts are presented in Great British Pounds (GBP) and are round to the nearest (£).

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

The financial statements are prepared on a going concern basis and in accordance with the Companies Act 2006.

The Directors have considered the going concern assumption in preparing the financial statements, which included consideration of the impact of COVID-19 impacts on the Company. The Company incurred a loss for the period ended 30 September 2020 of £928,658 and had net liabilities of (£1,255,440) at 30 September 2020. Based on the above and having closely reviewed the current performance and forecasts, the Directors remain satisfied that the Company has adequate resources to continue its operations for the foreseeable future. However, given the high level of uncertainty a letter of support from the Company's ultimate parent, the Sage Group plc, has been provided for a period of 12 months from the date of this report, to enable the Company to meet its liabilities as and when they become due, as a means to provide the Directors with further confidence that the going concern basis of preparation is appropriate

**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:

- 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;

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**2. ACCOUNTING POLICIES (continued)**

**2.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)**

- Disclosures in respect of capital management, as required by paragraphs 134 to 136 of IAS 1 Presentation of financial statements;
- The effects of new but not yet effective IFRSs, as required by paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors;
- Disclosures in respect of the compensation of Key Management Personnel, as required by paragraph 17 of IAS 24 Related party disclosures; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company, as required by paragraph 17 of IAS 24 Related party disclosures.

As the consolidated financial statements of The Sage Group plc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by paragraphs 91 to 99 of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

**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.

**2.6 Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

**Identification of performance obligations**

When the Company enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations ("obligations") to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified.

**Determination of transaction price and standalone selling prices**

HR Bakery determines the transaction price it is entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Contract terms generally are monthly or annual and customers either pay up-front or over the term of the related service agreement. The transaction price is allocated between the identified obligations according to the relative standalone selling prices (SSPs) of the obligations. The SSP of each obligation deliverable in the contract is determined according to the prices that the Company would obtain by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis.

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**2. ACCOUNTING POLICIES (continued)**

**2.6 Revenue (continued)**

**Timing of recognition**

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable. Licences for standard software products are typically delivered by providing the customer with access to the software. The licence period starts when such access is granted. Licence revenue is recognised at a point in time or over time depending on whether the Company delivers software with significant standalone functionality or software which is dependent on updates for ongoing functionality. The Company recognises revenue for these licenses which have significant standalone functionality at the point in time when the customer has access to and thus control over the software. For licences which are dependent on updates for ongoing functionality the Company recognises revenue based on time elapsed and thus rateably over the term of the contract. Typically, this includes our payroll and tax compliance software.

Where the performance obligation is the grant of a right to continuously access a cloud offering or a certain term, revenue is recognised based on time elapsed and thus rateably over the term.

**Principal versus agent considerations**

When the Company has control of third-party goods or services prior to delivery to a customer, then the Company is the principal in the sale to the customer. As a principal, receipts from customers and payments to suppliers are reported on a gross basis in revenue and cost of sales. If the Company does not have control of third-party goods or services prior to transfer to a customer, then the Company is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and reported revenue represents the margin earned by the Company. Whether the Company is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Company and its supplier. This takes into account whether Sage bears the price, inventory and performance risks associated with the transaction.

**Practical expedients**

As the majority of contracts have a term of one year or less, any financing component is not considered when determining the transaction price.

**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 provision for impairment.

A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

**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 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.

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**2. ACCOUNTING POLICIES (continued)**

**2.10 Financial instruments**

Financial assets are recognised (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.

**2.11 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.

**2.12 Tangible fixed assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on a straight-line basis to write down an asset to its residual value over its useful life as follows:

Furniture, Fixtures & Fittings - 10 years  
 Computer Equipment - 3 years

An item of property, plant and equipment is reviewed for impairment whenever events indicate that its carrying value may not be recoverable.

**2.13 Taxation**

The taxation credit for the year represents the sum of current tax receivable and deferred tax. The credit is recognised in the income statement and statement of comprehensive income according to the accounting treatment of the related transaction. Current tax 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.

**2.14 Employee benefit costs**

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the income statement in the period to which they relate.

**3. OPERATING LOSS**

The operating profit is stated after charging:

	Period 1.1.20 to 30.9.20 £	Year Ended 31.12.19 £
Depreciation of property, plant and equipment	<u>2,246</u>	<u>888</u>



**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**4. EMPLOYEES AND DIRECTORS**

	Period 1.1.20 to 30.9.20 £	Year Ended 31.12.19 £
Wages and salaries	774,718	126,154
Other pension costs	-	1,568
	<u>774,718</u>	<u>127,722</u>

The average number of employees during the period was as follows:

	Period 1.1.20 to 30.9.20	Year Ended 31.12.19
All staff	-	2
	<u>-</u>	<u>2</u>

	Period 1.1.20 to 30.9.20 £	Year Ended 31.12.19 £
Directors' remuneration	-	30,255
	<u>-</u>	<u>30,255</u>

**5. INTEREST PAYABLE AND SIMILAR EXPENSES**

	Period 1.1.20 to 30.9.20 £	Year Ended 31.12.19 £
Late penalty fines	11	610
Loan	-	4,201
Leasing	-	1,164
	<u>11</u>	<u>5,975</u>

**6. LOSS BEFORE TAXATION**

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

**7. TAXATION**

**Analysis of tax credit**

	Period 1.1.20 to 30.9.20 £	Year Ended 31.12.19 £
Current tax:		
Tax charge	-	763
Prior year adjustment	-	(43,961)
Total tax credit in statement of comprehensive income	<u>-</u>	<u>(43,198)</u>

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**7. TAXATION - continued**

**Factors affecting the tax expense**

The tax assessed for the period is the same as (2019 - lower) the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.1.20 to 30.9.20 £	Year Ended 31.12.19 £
Loss before income tax	(928,658)	(277,284)
	<u>          </u>	<u>          </u>
Loss multiplied by the standard rate of corporation tax in the UK of 19%	(176,445)	(52,684)
Effects of:		
Prior year adjustment	-	(43,961)
Group relief surrendered	175,866	4,755
Permanent differences	579	1,639
Directors loan charge	-	763
Losses not recognised	<u>          </u>	<u>46,290</u>
Tax credit	-	(43,198)

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The main UK corporation tax rate will increase from 19% to 25% from 1 April 2023. The impact of the UK rate change to the current year financial statements is insignificant.

**8. TANGIBLE FIXED ASSETS**

	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>			
At 1 January 2020	1,108	2,816	3,924
Disposals	<u>(1,108)</u>	<u>(2,816)</u>	<u>(3,924)</u>
At 30 September 2020	<u>          </u>	<u>          </u>	<u>          </u>
<b>DEPRECIATION</b>			
At 1 January 2020	226	1,451	1,677
Charge for period	882	1,365	2,247
Eliminated on disposal	<u>(1,108)</u>	<u>(2,816)</u>	<u>(3,924)</u>
At 30 September 2020	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET BOOK VALUE</b>			
At 30 September 2020	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2019	<u>882</u>	<u>1,365</u>	<u>2,247</u>

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**9. INVESTMENTS**

	Unlisted investments £
<b>COST</b>	
At 1 January 2020	
and 30 September 2020	<u>2,486</u>
<b>NET BOOK VALUE</b>	
At 30 September 2020	<u>2,486</u>
At 31 December 2019	<u>2,486</u>

Investment in wholly owned subsidiary CakeHR SIA.  
The subsidiary's registered address is Maskavas 10, Riga, LV-050, Latvia.

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.09.20 £	31.12.19 £
Trade debtors	-	157,962
Amounts owed by subsidiary undertakings	11,257	11,257
R&D Tax Credit	-	43,988
Directors' current accounts	2,349	2,349
Prepayments and accrued income	<u>19,146</u>	<u>2,499</u>
	<u>32,752</u>	<u>218,055</u>

Amounts owed by subsidiary undertakings are unsecured, non interest bearing and repayable on demand.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	30.09.20 £	31.12.19 £
Trade creditors	49,806	9,775
Amounts owed to other group companies	238,840	75,000
Tax	774	763
Social security and other taxes	-	7,861
VAT	6,398	3,097
Deferred income	286,249	375,996
Accrued expenses	<u>330,496</u>	<u>70,513</u>
	<u>912,563</u>	<u>543,005</u>

Amounts owed to other group Companies are unsecured, non interest bearing and repayable on demand.

**12. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR**

	30.09.20	31.12.19
Intercompany payable	8,244	8,244
Accrued expenses	<u>566,408</u>	<u>57,632</u>
	<u>574,652</u>	<u>65,876</u>

Intercompany payables are unsecured, non interest bearing and repayable on demand. Accrued expenses relate to staff bonus retention payments due at the period end.

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**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. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30.09.20	31.12.19
			£	£
10,257	ORDINARY	1p	<u>103</u>	<u>103</u>

**15. RESERVES**

	Retained earnings £	Share premium £	Totals £
At 1 January 2020	(339,385)	12,500	(326,885)
Deficit for the period	<u>(928,658)</u>		<u>(928,658)</u>
At 30 September 2020	<u>(1,268,043)</u>	<u>12,500</u>	<u>(1,255,543)</u>

**16. RELATED PARTY DISCLOSURES**

CakeHR SIA is a wholly owned subsidiary of the Company. During the period £514,027 in fees were paid to CakeHR SIA (£393,303 in 2019) relating to research and development activities.

**17. IMMEDIATE AND ULTIMATE CONTROLLING PARTY**

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

The ultimate parent undertaking and 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.

**18. SUBSEQUENT EVENTS**

On 9 December 2020 the registered office of the Company was changed to North Park, Newcastle Upon Tyne, NE13 9AA. This was subsequently changed again to C23- 5&6 Cobalt Park Way, Cobalt Park, Newcastle Upon Tyne, NE28 9EJ.

**HR BAKERY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**FOR THE PERIOD 1 JANUARY 2020 TO 30 SEPTEMBER 2020**

**18. SUBSEQUENT EVENTS - Continued**

On 24 March 2021 the Company appointed Ernst & Young as auditors.

On 27 May 2021 the transfer of contracts to Sage Global Services Limited was approved.

On 16 September 2021 it was approved that the financial year ended 31 December 2020 would be shortened to 30 September 2020. The Company has shortened its accounting period to the 9 months ending 30 September 2020 in order to align the financial period end with the parent company.