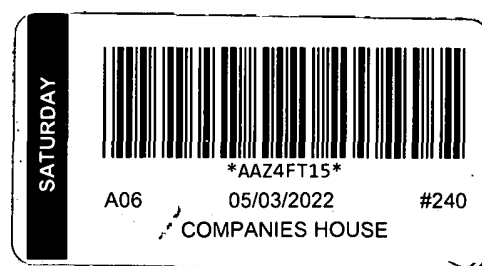


REGISTERED NUMBER: 09411353

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
FOR
HR BAKERY LTD



HR BAKERY LTD
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FOR THE YEAR ENDED 31 DECEMBER 2019

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HR BAKERY LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS:

N Erts
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 YEAR ENDED 31 DECEMBER 2019

The directors present their report with the financial statements of HR Bakery Ltd (the “Company”) for the year ended 31 December 2019. 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 year under review was that of the development and sale of human resource software.

DIVIDENDS

The loss for the year, after taxation, amounted to £234,086 (2018 - loss of £57,467). No dividends were declared and paid during the year (2018: nil).

CHANGE OF OWNERSHIP

On 28 November 2019, the Company was acquired by Sage Holding Company Limited.

REVISION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 which were submitted to Companies House on 30 December 2020 in error, included an audit exemption under Section 477 of the Companies Act 2006 which was incorrectly taken since the Company became part of an ineligible group following its acquisition by The Sage Group plc. As a result, these financial statements have been subsequently audited and approved, and the financial statement amounts which were previously misstated have been revised. These financial statements replace the original annual accounts for the year ended 31 December 2019 and are now the statutory accounts of the Company. These financial statements have been prepared as at the 30 December 2020 being the date of submission of the original annual accounts and do not deal with events between this date and the approval date, with the exception of subsequent events disclosure and the appointment and resignation of directors in order to satisfy audit requirements.

The differences between the originally submitted and revised accounts are as follows: increased debtors from £57,066 to £218,055, increased cash at bank from £49,288 to £59,311, increased creditors due within one year from £130,040 to £543,005, increased creditors due after one year from £nil to £65,876, and a resulting increased retained loss from £31,556 to £339,385. These movements are the result of the finalisation and review of the financial statements by the directors, and are represented by the recognition of deferred income in line with The Sage Group plc.’s accounting policies, the long term classification of staff bonus retention payments and reclassifications.

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.

As the outbreak of COVID-19 occurred after 31 December 2019 it is considered to be a non adjusting event under IAS10 – events after the reporting period. Therefore, no adjustments to the financial statements as at 31 December 2019 have been made.

GOING CONCERN

The Directors have considered the going concern assumption in preparing the financial statements, which included consideration of COVID-19 impacts on the Company. The Company made a loss for the year ended 31 December 2019 of £234,086 and had net liabilities of (£326,782) at 31 December 2019. The Directors remain satisfied that the going concern basis of preparation is appropriate. However, as the Covid-19 pandemic currently continues, the Company’s ultimate parent, The Sage Group plc., has provided the Company a letter of support for a period of 12 months from the

HR BAKERY LTD
REPORT OF THE DIRECTORS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2019

GOING CONCERN - Continued

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.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 up to the date of this report, unless otherwise indicated.

N Erts

K Upmanis

VL Bradin (appointed 20 May 2020)

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

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

MJH Morrison (resigned on 28 November 2019)

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.

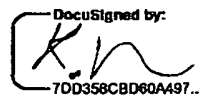
STRATEGIC REPORT

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 period ending 30 September 2020.

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 YEAR ENDED 31 DECEMBER 2019

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

Disclaimer of opinion

We were engaged to audit the revised financial statements of HR Bakery Limited (the “Company”) for the year ended 31 December 2019 which comprise Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 20 to the revised financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 “Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice). These revised financial statements replace the original financial statements approved by the directors on 30 December 2020.

The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Report) Regulations 2008 and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

We do not express an opinion on the accompanying revised financial statements of the Company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these revised financial statements.

Basis for disclaimer of opinion

On 29 November 2019, The Sage Group plc acquired 100% of the HR Bakery group. Prior to the acquisition some detailed accounting records were not retained in relation to £210,110 of cost of sales (total cost of sales of £612,263), administrative expenses of £82,806 (total administrative expenses of £200,481) and the potential corporate tax impact, which has significantly affected our ability to obtain sufficient, appropriate audit evidence over these transactions.

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 expense was business related or whether it had been recorded in the correct accounting period or correctly classified.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded cost of sales and administrative expenses and the elements making up the statement of comprehensive income and statement of changes in equity.

Emphasis of matter – revision due to accounts previously incorrectly being prepared with an audit exemption (Section 477 of the Companies Act)

We draw attention to note 19 to these revised financial statements which describes the need for revision due to the company filing accounts which were prepared under Section 477 of the Companies Act 2006 with an exemption from audit whilst they did not meet the criteria and the correction of certain misstatements in the original financial statements as described in note 19. The original financial statements were approved on 30 December 2020. Our opinion is not modified in this respect

Other matters

The corresponding comparative financial information of HR Bakery Limited for the year ended 31 December 2018 is unaudited.

Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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 has been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit performed subject to the limitation described above, we have not identified material misstatements in the directors' report.

Arising 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 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.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Report) Regulations 2008. 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 YEAR ENDED 31 DECEMBER 2019

		31.12.19	31.12.18 as restated ("unaudited")
	Notes	£	£
TURNOVER		541,435	273,099
Cost of sales		<u>(612,263)</u>	<u>(284,021)</u>
GROSS LOSS		(70,828)	(10,922)
Selling and administrative expenses		<u>(200,481)</u>	<u>(57,924)</u>
OPERATING LOSS	3	(271,309)	(68,846)
Interest payable and similar expenses	5	<u>(5,975)</u>	<u>(10,772)</u>
LOSS BEFORE TAXATION	6	(277,284)	(79,618)
Tax on loss	7	<u>43,198</u>	<u>22,151</u>
LOSS FOR THE FINANCIAL YEAR		<u>(234,086)</u>	<u>(57,467)</u>

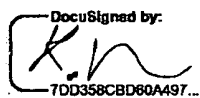
The notes on pages 10 to 19 form part of these financial statements

HR BAKERY LTD
BALANCE SHEET AS AT 31 DECEMBER 2019

			31.12.19	31.12.18 as restated ("unaudited")
	Notes	£	£	£
FIXED ASSETS				
Tangible assets	9		2,247	1,198
Investments	10		<u>2,486</u>	<u>2,486</u>
			4,733	3,684
CURRENT ASSETS				
Debtors	11	218,055	11,447	
Cash and cash equivalent		<u>59,311</u>	<u>474</u>	
		277,366	11,921	
CREDITORS				
Amounts falling due within one year	12	<u>(543,005)</u>	<u>(108,301)</u>	
NET CURRENT LIABILITIES			<u>(265,639)</u>	<u>(96,380)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(260,906)</u>	<u>(92,696)</u>
CREDITORS				
Amounts falling due after more than one year	13	<u>(65,876)</u>		-
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(326,782)</u>	<u>(92,696)</u>
CAPITAL AND RESERVES				
Called up share capital	15		103	103
Share premium	16		12,500	12,500
Retained earnings	16		<u>(339,385)</u>	<u>(105,299)</u>
SHAREHOLDERS' FUNDS			<u>(326,782)</u>	<u>(92,696)</u>

21 February 2022

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

DocuSigned by:

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K Upmanis - Director

Date: 21-Feb-22

HR BAKERY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2018		103	(47,832)	12,500	(35,229)
Changes in equity					
Total loss for the year		-	(18,453)	-	(18,453)
Balance at 31 December 2018		103	(66,285)	12,500	(53,682)
Prior year adjustment	8	-	(39,014)	-	(39,014)
As restated		103	(105,299)	12,500	(92,696)
Changes in equity					
Total loss for the year		-	(234,086)	-	(234,086)
Balance at 31 December 2019		103	(339,385)	12,500	(326,782)

HR BAKERY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. STATUTORY INFORMATION

HR Bakery Ltd 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.

In the prior year the Companies financial statements were prepared in accordance with FRS102 however no adjustments were required upon transmission to FRS 101.

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 COVID-19 impacts on the Company. The Company made a loss for the year ended 31 December 2019 of £234,086 and had net liabilities of (£326,782) at 31 December 2019. The Directors remain satisfied that the going concern basis of preparation is appropriate. However, as the Covid-19 pandemic currently continues, the Company's ultimate parent, The Sage Group plc., has provided the Company a letter of support 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 YEAR ENDED 31 DECEMBER 2019

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 YEAR ENDED 31 DECEMBER 2019

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 YEAR ENDED 31 DECEMBER 2019

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:

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Depreciation of property, plant and equipment	<u>888</u>	<u>662</u>

HR BAKERY LTD
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

4. EMPLOYEES AND DIRECTORS

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Wages and salaries	126,154	17,097
Other pension costs	<u>1,568</u>	<u>135</u>
	<u>127,722</u>	<u>17,232</u>

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

	31.12.19	31.12.18 as restated ("unaudited")
All staff	<u>2</u>	<u>2</u>

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Directors' remuneration	<u>30,255</u>	<u>12,400</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Late penalty fines	610	-
Loan	4,201	9,036
Leasing	<u>1,164</u>	<u>1,736</u>
	<u>5,975</u>	<u>10,772</u>

6. LOSS BEFORE TAXATION

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

7. TAXATION

Analysis of tax credit

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Current tax:		
Tax charge	763	-
Prior year adjustment	<u>(43,961)</u>	<u>(22,151)</u>
Total tax credit in statement of comprehensive income	<u>(43,198)</u>	<u>(22,151)</u>

HR BAKERY LTD
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

7. TAXATION – continued

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Loss before income tax	<u>277,284</u>	<u>79,618</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19%	(52,684)	(15,127)
Effects of:		
Prior year adjustment	(43,961)	(22,151)
Group relief surrendered	4,755	-
Permanent differences	1,639	-
Directors loan charge	763	-
Losses not recognised	<u>46,290</u>	<u>15,127</u>
Tax income	<u>(43,198)</u>	<u>(22,151)</u>

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. PRIOR YEAR ADJUSTMENT

During the year, it was identified that certain revenue recognised in the year ended 31 December 2018 should have instead been recognised in the year ended 31 December 2019. The directors have restated the comparative financial information in line with the revenue recognition policy.

The effect of this prior year restatement is to: reduce revenue from £312,113 to £273,099; increase deferred income from £nil to £39,014; increase the retained loss from £66,285 to £105,299; and increase net liabilities from £53,682 to £92,696 at 31 December 2018. The restatement resulted in additional revenue of £39,014 for the year ended 30 December 2019 and had no impact on taxation.

9. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2019	-	1,987	1,987
Additions	<u>1,108</u>	<u>829</u>	<u>1,937</u>
At 31 December 2019	<u>1,108</u>	<u>2,816</u>	<u>3,924</u>
DEPRECIATION			
At 1 January 2019	-	789	789
Charge for year	<u>226</u>	<u>662</u>	<u>888</u>
At 31 December 2019	<u>226</u>	<u>1,451</u>	<u>1,677</u>
NET BOOK VALUE			
At 31 December 2019	<u>882</u>	<u>1,365</u>	<u>2,247</u>
At 31 December 2018	<u>-</u>	<u>1,198</u>	<u>1,198</u>

HR BAKERY LTD
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

10. INVESTMENTS

	Unlisted investments £
COST	
At 1 January 2019	
and 31 December 2019	<u>2,486</u>
NET BOOK VALUE	
At 31 December 2019	<u>2,486</u>
At 31 December 2018	<u>2,486</u>

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

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Trade debtors	157,962	3,165
Amounts owed from subsidiary undertakings	11,257	8,262
R&D Tax Credit	43,988	-
Prepayments	2,499	-
Directors' current accounts	<u>2,349</u>	<u>20</u>
	<u>218,055</u>	<u>11,447</u>

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

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18 as restated ("unaudited")
	£	£
Bank loans and overdrafts	-	1,012
Other loans	-	31,800
Trade creditors	9,775	-
Amounts owed to other group companies	75,000	-
Tax	763	-
Social security and other taxes	7,861	2,598
VAT	3,097	715
Directors' current accounts	-	31,135
Deferred income	375,996	39,014
Accrued expenses	<u>70,513</u>	<u>2,027</u>
	<u>543,005</u>	<u>108,301</u>

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

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NOTES TO THE FINANCIAL STATEMENTS - continued
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13. CREDITORS: AMOUNT FALLING DUE IN MORE THAN ONE YEAR

	31.12.19	31.12.18 as restated ("unaudited")
Intercompany payable	8,244	-
Accrued expenses	<u>57,632</u>	<u>-</u>
	<u>65,876</u>	<u>-</u>

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

14. 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.

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal	31.12.19	31.12.18 as restated ("unaudited")
		value:	£	£
10,257	ORDINARY	1p	<u>103</u>	<u>103</u>

16. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 January 2019	(66,285)	12,500	(53,785)
Prior year adjustment	<u>(39,014)</u>		<u>(39,014)</u>
	(105,299)	12,500	(92,799)
Deficit for the year	<u>(234,086)</u>	<u> </u>	<u>(234,086)</u>
At 31 December 2019	(339,385)	12,500	(326,885)

17. RELATED PARTY DISCLOSURES

CakeHR SIA is a wholly owned subsidiary of the Company. During the year £393,303 in fees were paid to CakeHR SIA (£166,991 in 2018) relating to research and development activities.

HR BAKERY LTD
NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2019

18. 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.

On 28 November 2019 the Company was acquired by Sage Holding Company Ltd and is now part of the Sage Group.

19. REVISION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 which were submitted to Companies House on 30 December 2020 in error, included an audit exemption under Section 477 of the Companies Act 2006 which was incorrectly taken since the Company became part of an ineligible group following its acquisition by The Sage Group plc. As a result, these financial statements have been subsequently audited and approved, and the financial statement amounts which were previously misstated have been revised. These financial statements replace the original annual accounts for the year ended 31 December 2019 and are now the statutory accounts of the Company. These financial statements have been prepared as at the 30 December 2020 being the date of submission of the original annual accounts and do not deal with events between this date and the approval date, with the exception of subsequent events disclosure and the appointment and resignation of directors in order to satisfy audit requirements.

The differences between the originally submitted and revised accounts are as follows: increased debtors from £57,066 to £218,055, increased cash at bank from £49,288 to £59,311, increased creditors due within one year from £130,040 to £543,005, increased creditors due after one year from £nil to £65,876, and a resulting increased retained loss from £31,556 to £339,385. These movements are the result of the finalisation and review of the financial statements by the directors, and are represented by the recognition of deferred income in line with The Sage Group plc.'s accounting policies, the long term classification of staff bonus retention payments and reclassifications.

20. SUBSEQUENT EVENTS

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, our consistent focus on customer success has supported our performance to date. At the same time, the pace of digital transformation among small and medium businesses is increasing and delivering Sage Business Cloud innovations as scheduled throughout the year has positioned the Group well to support customers as they adopt new digital solutions.

As the outbreak of COVID-19 occurred after 31 December 2019 it is considered to be a non adjusting event under IAS10 – events after the reporting period. Therefore, no adjustments to the financial statements as at 31 December 2019 have been made.

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.

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NOTES TO THE FINANCIAL STATEMENTS - continued
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20. 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 Ltd 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.