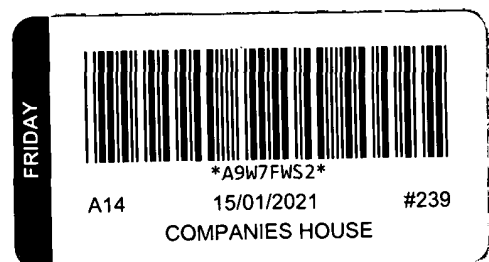


Registered number: 09506951

SAGE GLOBAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020



SAGE GLOBAL SERVICES LIMITED

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SAGE GLOBAL SERVICES LIMITED

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

Introduction

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

Fair review of business

The information that fulfils the requirements of the fair review of business can be found in the Directors' Report.

Future developments

Management will continue to evaluate the operating model of the Company in order to improve the financial performance in future operating periods.

Principal risks and uncertainties

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

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

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

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

The detail on the background and management and mitigation process can be seen in detail in FY20 Annual Report and Accounts.

SAGE GLOBAL SERVICES LIMITED**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020****Financial instruments****Financial risk management**

The Company's operations expose it to a variety of financial risks that include credit risk and interest rate risk. The Company does not use derivative financial instruments to manage interest rate risk and as such, no hedge accounting is applied.

Credit risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure with any counterparty is subject to a limit.

The treasury function is managed at global level. The credit risk on liquid funds is considered to be low, as the Audit & Risk Committee approved Global Treasury Policy restricts the value that can be invested in each approved counterparty to minimise the risk of loss. All counterparties must meet minimum credit rating requirements.

Interest rate risk

The Company's exposure to interest rate risk is managed by the Group treasury function at a global level. The Company holds no external borrowings so is only exposed to interest rate fluctuations on intercompany borrowings, whose rates are set by the treasury function.

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 FY20 Annual Report and Accounts.

Section 172(1) statement

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

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

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

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

SAGE GLOBAL SERVICES LIMITED

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

The Company, as part of Sage, looks to operate within and support this culture. The Directors are responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company and Sage to ensure that their obligations to the Company's stakeholders, including its shareholders, are met. The Company follows Sage's policies and procedures, including those relating to standards of business conduct, colleagues, the community, the environment and other stakeholders. However, in considering items of business, the Company makes autonomous decisions based on each transaction's own merits, after due consideration of the long-term success of the Company, Section 172(1) factors where relevant, and the stakeholders impacted. Board meetings are held as and when required to discuss matters of business. In the year ended 30 September 2020, the Directors approved, amongst others, the following decisions: the appointment of a director to broaden the skills and experience of the Company's board and the approval of the Company's annual report and accounts for the year ended 30 September 2019.

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

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

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

Investors

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

Colleagues

The Directors recognise that colleagues are a key resource of the Company and Sage more widely. They are dedicated to creating, selling, and supporting solutions that free Sage's customers from the burden of administration so that their businesses can thrive. Engagement with the Company's employees during the year ended 30 September 2020 were integrated into Sage colleagues' engagement activities and included, amongst other things, Sage TV broadcasts, presentations of strategy, quarterly performance updates and pulse surveys. Significant focus was placed on ensuring colleagues were moved safely to a working from home environment due to the Covid-19 pandemic, that morale was being maintained and colleagues kept connected. The Directors value diversity in all its forms and endeavour to promote an inclusive culture amongst colleagues. You can read more about Sage's engagement with colleagues on pages 94 to 96 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

Customers

Customers are at the heart of the Company's business and the Directors recognise that fostering business relationships with them is essential to the long-term sustainable success of the Company and Sage. They are the small and medium-sized businesses which are the growth engine of the economy, and the professionals who rely on Sage to help them deliver a great service to their clients, whatever their size. As the Covid-19 pandemic developed, the impact on customers has been kept under constant review and actions were taken at Group level to support customers with payment holidays and deferrals and to provide information and support

SAGE GLOBAL SERVICES LIMITED

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

on accessing government assistance. You can read more about Sage's engagement with customers on page 97 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

Partners


The Company has no partners itself. The Directors are cognisant that partners are crucial to Sage's success and effective engagement is maintained at Group level. You can read more about Sage's engagement with partners on page 98 of the FY20 Annual Report and Accounts available on Sage's website at [sage.com](https://www.sage.com).

Communities and the Environment

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

In addition to the above stakeholders, it is recognised that other groups of stakeholders could also be relevant to the Company's and Sage's activities. The Directors have regard for and engage with such groups to the extent that they are affected by, and themselves affect, the operations of the Company. The Company's suppliers for instance are significant to the Company and Sage, and therefore the Company seeks to develop and foster business relationships with them to maximise value and efficiency. Sage implements a thorough supplier onboarding process and procurement lifecycle through Sage's governance model. Sage has also developed a Supplier Code of Conduct which all suppliers are required to follow, and which defines Sage's expectations of responsible business and behaviour underlying the strategic focus on customer needs, in line with the high standards of business conduct that Sage strives to promote.

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

DocuSigned by:

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Jacqui Cartin
Director

Date: 18 December 2020

SAGE GLOBAL SERVICES LIMITED

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

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

Principal activity

Sage Global Services Limited is the global contracting entity for the Sage Group and holds significant Group contracts.

Sage Global Services Limited is also the intellectual property owner of Sage Live and is responsible for the IP development, protection and exploitation activities in respect of this product.

Dividends

The loss for the year, after taxation, amounted to £67,800,000 (2019 - loss £75,323,000).

The Directors do not recommend the payment of a dividend (2019: £nil).

Directors

The Directors who served during the year were:

Victoria Louise Bradin

Jacqui Cartin (appointed 21 August 2020)

Julia McDonough (resigned 1 March 2020)

Sarah Jane Rolls (resigned 30 September 2020)

Indemnity provisions

The ultimate parent company, The Sage Group plc., maintained liability insurance for its directors and officers during the financial year and up to the date of approval of these financial statements. 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.

Employment policy

The Company and Sage continue to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. This includes, where practicable, the continued employment of those who may become disabled during their employment, and the provision of training and career development and promotion opportunities, where appropriate. For further information please refer to pages 30 to 35 and 150 of the FY20 Annual Report and Accounts available on Sage's website at sage.com.

Engagement with colleagues

Sage has continued its policy of colleague involvement by making information available and consulting, where appropriate, with colleagues on matters of concern to them. Colleagues regularly receive updates on the financial and economic factors affecting the Group, and conversely the Group regularly seeks feedback from colleagues, including through pulse surveys. Many colleagues participate in Sage's share option schemes and a long-term Performance Share Plan. Further details of colleague engagement and how the Directors have had regard to employee interests and the effect of that regard on principal decisions taken during the year ended 30 September 2020 are provided on pages 2 to 4 of the Strategic Report of the Company as the Directors consider them to be of strategic importance with further information on pages 94 and 96 of the FY20 Annual Report and Accounts available on Sage's website at sage.com.

SAGE GLOBAL SERVICES LIMITED

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

Engagement with suppliers, customers and others

Details of engagement with stakeholders including suppliers, customers and others in a business relationship with Sage and information on how the Directors have had regard to their interests and the effect of that regard on principal decisions taken during FY20 are provided on pages 2 to 4 of the Strategic Report of the Company as the Directors consider them to be of strategic importance with further information on pages 97 to 99 of the FY20 Annual Report and Accounts available on Sage's website at sage.com.

Greenhouse gas emissions, energy consumption and energy efficiency action

Disclosure is provided on pages 46 to 51 of the FY20 Annual Report and Accounts available on Sage's website at sage.com.

COVID-19

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

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

Going concern

The Directors have robustly tested the going concern assumption in preparing the financial statements, which included consideration of COVID-19 impacts on the Company, and 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 with 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.

Post balance sheet events

There have been no significant subsequent events identified at the date of this report which would impact the Company.

Disclosure of information to auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

SAGE GLOBAL SERVICES LIMITED

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

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

DocuSigned by:

Jacqui Cartin

SB1118815728435...
Jacqui Cartin
Director

Date: 18 December 2020

SAGE GLOBAL SERVICES LIMITED

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

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 judgments 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 GLOBAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGE GLOBAL SERVICES LIMITED

Opinion

We have audited the financial statements of Sage Global Services Limited for the year ended 30 September 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2020 and of its 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 7, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

SAGE GLOBAL SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGE GLOBAL SERVICES LIMITED

- 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 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Andrew Davison (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
18 December 2020

SAGE GLOBAL SERVICES LIMITED

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

	Note	2020 £000	2019 £000
Revenue	4	6,389	4,196
Cost of sales		(608)	(10)
Gross profit		5,781	4,186
Selling and administrative expenses		(77,125)	(82,014)
Operating loss	5	(71,344)	(77,828)
Finance income	7	3,983	2,431
Finance costs	8	(618)	(616)
Loss before income tax		(67,979)	(76,013)
Income tax credit	9	179	690
Loss for the financial year		(67,800)	(75,323)
Total comprehensive expense for the year		(67,800)	(75,323)

The notes on pages 15 to 36 form part of these financial statements.

SAGE GLOBAL SERVICES LIMITED
REGISTERED NUMBER: 09506951

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	2020 £000	2019 £000
Non current assets			
Investments	10	-	-
Other intangible assets	11	38,390	36,454
Property plant and equipment	12	9,854	1,603
Deferred tax assets		514	550
		<u>48,758</u>	<u>38,607</u>
Current assets			
Trade and other receivables	13	116,499	182,958
Cash and cash equivalents		131,181	21,040
		<u>247,680</u>	<u>203,998</u>
Total assets		<u>296,438</u>	<u>242,605</u>
Current liabilities			
Trade and other payables	14	(591,080)	(481,061)
Provisions	15	(119)	-
Deferred income		(199)	(340)
Lease liabilities		(1,220)	-
		<u>(592,618)</u>	<u>(481,401)</u>
Non current liabilities			
Provisions	15	(311)	(311)
Lease liabilities		(6,509)	-
		<u>(6,820)</u>	<u>(311)</u>
Total liabilities		<u>(599,438)</u>	<u>(481,712)</u>
Net liabilities		<u>(303,000)</u>	<u>(239,107)</u>
Equity attributable to the owners of the parent			
Ordinary shares	16	4,626	4,626
Retained earnings		(307,626)	(243,733)
		<u>(303,000)</u>	<u>(239,107)</u>

SAGE GLOBAL SERVICES LIMITED
REGISTERED NUMBER: 09506951

BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2020

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

DocuSigned by:

5B1119815728435...
Jacqui Cartin
Director

Date: 18 December 2020

The notes on pages 15 to 36 form part of these financial statements.

SAGE GLOBAL SERVICES LIMITED

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

	Ordinary shares £000	Retained earnings £000	Total equity £000
At 1 October 2018	4,626	(168,410)	(163,784)
Loss for the year	-	(75,323)	(75,323)
Total comprehensive expense for the year	-	(75,323)	(75,323)
At 1 October 2019	4,626	(243,733)	(239,107)
Impact on adoption of IFRS 16 net of tax (note 2.3)	-	139	139
At 1 October 2019 (adjusted balance)	4,626	(243,594)	(238,968)
Loss for the year	-	(67,800)	(67,800)
Employee share option scheme	-	3,768	3,768
Total comprehensive expense for the year	-	(64,032)	(64,032)
At 30 September 2020	4,626	(307,626)	(303,000)

The notes on pages 15 to 36 form part of these financial statements.

SAGE GLOBAL SERVICES LIMITED

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

1. General information

Sage Global Services 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 North Park, Newcastle upon Tyne, NE13 9AA.

2. Accounting policies**2.1 Basis of preparation of financial statements**

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the UK Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, The Sage Group plc., includes the Company in its consolidated financial statements. The consolidated financial statements of The Sage Group plc. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address given in note 19.

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

Judgements made by the Directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The financial statements have been prepared on the historical cost basis. All amounts are presented in Great British Pounds (GBP), rounded to the nearest thousand (£'000).

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, which included consideration of COVID-19 impacts on the Company, and 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 with 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.

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

SAGE GLOBAL SERVICES LIMITED

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

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;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total.
- 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:

- IFRS 2 Share-based Payments in respect of group settled share-based payments, as required by paragraphs 45(b) and 46 to 52; and
 - 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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)**2.3 Impact of new international reporting standards, amendments and interpretations****IFRS 16**

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 October 2019.

The following tables summarise the impacts of adopting new reporting standards on the Company's financial statements.

Balance Sheet (extract)

	30 September 2019 As originally presented £000	IFRS 16 £000	1 October 2019 Adjusted balance £000
Non current assets			
Other intangible assets	36,454	-	36,454
Property, plant and equipment	1,603	1,096	2,699
Deferred income tax assets	550	(33)	517
	<u>38,607</u>	<u>1,063</u>	<u>39,670</u>
Current assets			
Trade and other receivables	182,958	(238)	182,720
Cash and cash equivalents	21,040	-	21,040
	<u>203,998</u>	<u>(238)</u>	<u>203,760</u>
Total assets	<u>242,605</u>	<u>825</u>	<u>243,430</u>
Trade and other payables	(481,061)	-	(481,061)
Deferred income	(340)	-	(340)
Lease liabilities	-	(437)	(437)
Provisions - non-current	(311)	-	(311)
Lease liabilities - non-current	-	(249)	(249)
	<u>(239,107)</u>	<u>139</u>	<u>(238,968)</u>
Net liabilities			
Equity attributable to owners of the parent			
Ordinary shares	4,626	-	4,626

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)**2.3 Impact of new international reporting standards, amendments and interpretations (continued)****Balance Sheet (extract) (continued)**

	30 September 2019 As originally presented £000	IFRS 16 £000	1 October 2019 Adjusted balance £000
Retained earnings	(243,733)	139	(243,594)
	<u>(239,107)</u>	<u>139</u>	<u>(238,968)</u>

On transition to IFRS 16, the Group has measured its lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) applicable to each lease at 1 October 2019. The standard permits a choice on initial adoption of measuring lease assets either as if IFRS 16 had been applied since lease commencement but discounted using the IBR at 1 October 2019, or at an amount equal to the lease liability adjusted for accrued or prepaid lease payments. The assets for the Group's property leases have been measured as if IFRS 16 had always been in place. Assets for other leases, mainly vehicles, have been measured at an amount equal to the lease liability.

The Group has made use of the following practical expedients available when the modified retrospective approach is applied to accounting for the transition to IFRS 16:

- For vehicle leases, the Group has applied a single discount rate to a portfolio of those leases with reasonably similar characteristics;
- For all leases, the Group has excluded from the measurement of the right-of-use asset initial direct costs incurred when obtaining the lease; and
- The Group has relied on its existing onerous lease assessments under IAS 37 to impair right-of-use assets instead of performing a new impairment assessment for those assets.

The Group reassessed its lease portfolio against the new IFRS 16 definition of a lease. This resulted in a small number of contracts for property-related arrangements such as car parking not qualifying as leases because the landlord has the ability to substitute the available assets for others throughout the terms of the leases, and would benefit economically from doing so (substantive substitution rights).

Key judgements made in calculating the transition impact include determining the lease term for property leases with extension or termination options. An extension period or a period beyond a termination option are included in the lease term only if the lease is reasonably certain to be extended or not terminated. This is assessed taking account mainly of the time remaining before the option is exercisable; any economic disadvantages or benefits to exercise such as penalties or low rent payments; and operational plans for the location. In most cases, this results in lease terms being assumed to end at the next break date until an operational decision to extend or terminate, unless termination would incur penalties.

The main estimate made on transition is in determining the incremental borrowing rates used as

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)
2.3 Impact of new international reporting standards, amendments and interpretations (continued)

discount rates for property leases. The incremental borrowing rate is the rate of interest that the local Sage business holding the lease would have to pay in order to borrow funds to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, over a similar term and with a similar security. The incremental borrowing rate applied to each lease was determined based on the risk-free rate for the country in which the local business is located adjusted to reflect the credit risk associated with that business and the lease term remaining at 1 October 2019.

2.4 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.

2.5 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

The Group 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.

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

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

2.5 Revenue (continued)

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 Group's performance obligation is the grant of a right to continuously access a cloud offering for 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.

2.6 Cost of sales

Cost of sales includes include the third party costs of providing training and professional services to customers. All other operating expenses incurred in the ordinary course of business are recorded in selling and administrative expenses.

2.7 Leases

The Company recognises lease assets and lease liabilities on the balance sheet for most of its leases to account for the right to use leased items and the obligation to make future lease payments. Lease liabilities are measured at the present value of future lease payments over the lease term. The lease term is determined as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if the option is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if the option is reasonably certain not to be exercised. Lease payments normally include fixed payments (including in substance fixed payments), a deduction for any lease incentives receivable and variable lease payments that depend on an index or a rate. In the event that a lease includes an exercise price for a purchase option that is reasonably certain to be exercised, or a termination penalty that is reasonably certain to be incurred, these too are included in lease payments as are any amounts expected to be paid under any residual value guarantees. Variable lease payments that do not depend on an index or a rate are not included in the lease liability but are recognised as an expense when incurred.

Lease payments are discounted using the incremental borrowing rate applicable to the lease at the lease commencement date, as the rate implicit in the lease cannot normally be readily determined.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)**2.7 Leases (continued)**

Lease assets are recognised at the amount of the lease liability, adjusted where applicable for any lease payments made or lease incentives received before commencement of the lease, direct costs incurred at the commencement of the lease and estimated restoration costs to be incurred at the end of the lease. When IFRS 16 is applied for the first time, the standard permits certain departures from these policies as practical expedients.

Right-of-use assets are presented within property, plant and equipment and depreciated on a straight-line basis over the shorter of their useful life and the lease term. Their carrying amounts are measured at cost less accumulated depreciation and impairment losses. Lease liabilities are presented within current and non-current borrowings. Over the lease term, the carrying amounts of lease liabilities are increased to reflect interest on the liability and reduced by the amount of lease payments made. A lease liability is remeasured if there is a modification, a change in the lease term or a change in lease payments. The costs of these leases are recognised in the income statement split between the depreciation of the lease asset and the interest charge on the lease liability. Depreciation is presented within selling and administrative expenses and interest charges within finance costs.

This policy applies mainly to the Company's leases for properties and vehicles. For short-term leases with a lease term of 12 months or less and leases of low value items, the Company has elected to apply the exemptions available under the standard. For these leases, rentals payable are charged to the income statement on a straight-line basis as an operating expense presented within selling and administrative expenses. Where rent payments are prepaid or accrued, their balances are reported under prepayments and accruals respectively. The low value exemption has been applied to most of the Company's leases of IT and other office equipment.

The Company leases various office and warehouse properties and vehicles, plant and equipment under non-cancellable lease agreements. Leases of properties have a range of lease terms, up to a maximum of 15 years. Other leases are generally for lease terms of 3 or 4 years. Property leases include various contractual terms, most commonly variable lease payments and termination and extension options.

2.8 Finance income

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

2.9 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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)
2.10 Income tax expense

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

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior periods. Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities, calculated using tax rates that have been enacted at the end of the reporting period.

The Company and its fellow group undertakings are able to relieve their tax losses by surrendering them to other group companies, within the UK corporation tax group, where capacity to utilise these losses exists.

2.11 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.

2.12 Other intangible assets

Intangible assets arising on business combinations are recognised initially at cost, which is their fair value at the date of acquisition. Subsequently they are carried at cost less accumulated amortisation and impairment losses. The main intangible assets recognised are brands, technology, in-process R&D, computer software and customer relationships.

Amortisation is charged to the income statement on a straight-line basis over their estimated useful lives.

The estimated useful lives are as follows:

Computer software	2 to 5 years
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Other intangible assets that are acquired by the Company are stated at cost, which is the asset's purchase and any directly attributable costs of preparing the asset for its intended use, less accumulated amortisation and impairment losses if applicable. Software assets are amortised on a straight-line basis over their estimated useful lives, which do not exceed seven years.

The UK Companies Act requires intangibles to be reduced by provisions for depreciation on a systematic basis over a period chosen by the Directors, its useful economic life.

The carrying value of intangibles is reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

Internally generated software development costs qualify for capitalisation when the Company can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits;
- The existence of a market or, if it is to be used internally, the usefulness of the intangible asset;

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)
2.12 Other intangible assets (continued)

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during development.

2.13 Property, plant and equipment

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:

Long leasehold buildings and improvements	over period of lease
Right of use assets	over period of lease
Plant and equipment	2 to 7 years
Office equipment	2 to 7 years

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

2.14 Trade and other receivables

Trade 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 Company uses the term "Trade receivables" for contract receivables. These are recognised when the right to consideration is unconditional. Typically, for performance obligations satisfied over time, judgement is required in determining whether a right to consideration is unconditional. In such situations, a receivable is recognised for the transaction price of the non-cancellable portion of the contract when the Company starts satisfying the performance obligation.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from the customer a contract asset is recognised.

The carrying amounts of trade and other 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.

For amounts owed by group undertakings that are trade receivables, the Company applies the simplified approach using a provision matrix as for external trade receivables. For other amounts, the Company applies IFRS 9's general approach under which a provision for 12-month expected credit losses is recognised unless the credit risk associated with the receivable is deemed to have increased significantly since its initial recognition, in which case lifetime expected credit losses are recognised.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)**2.15 Trade and other payables**

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

2.16 Provisions for liabilities

A provision is recognised only when all three of the following conditions are met:

- The Company has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, i.e. the present value of the amount that the Company would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity period of three months or less. Bank overdrafts that are an integral part of the Company's cash management are included in cash and cash equivalents where they have a legal right of set-off and there is an intention to settle net, against positive cash balances, otherwise bank overdrafts are classified as borrowings.

2.18 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.

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.

2.19 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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)**2.20 Share based payments**

The Sage Group plc. issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest allowing for the effect of non-market-based vesting conditions.

Fair value is measured using the Black-Scholes or the Monte Carlo pricing models. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company also provides certain employees with the ability to purchase The Sage Group plc.'s ordinary shares at a discount to the current market value at the date of the grant. The Company records an expense, based on its estimate of the discount related to shares expected to vest, on a straight-line basis over the vesting period.

At the end of each reporting period, the entity revises its estimates for the number of options expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.21 Research and development

Research and development expenditures are written off in the year in which they are incurred.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next year.

Recoverability of amounts owed by group undertakings

Amounts owed by group undertakings to which IFRS 9's general approach to recognising expected credit losses applies requires determination of whether the amounts are recoverable based on whether the other party is able to repay. This is performed by assessing the assets and liabilities of the other party and the period over which it would be able to repay the amount due if required. A provision is recognised for any shortfall in the amounts that the counterparty would be able to repay compared to the outstanding balance. Where a balance attracts interest, the amount to be repaid is discounted at the applicable interest rate.

The carrying value of amounts owed by group undertakings at 30 September 2020 was £104,168,000 (2019: £168,057,000) and no impairment loss has been recognised (2019: £nil).

SAGE GLOBAL SERVICES LIMITED

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

	2020	2019
	£000	£000
Revenue	6,389	4,196
	6,389	4,196

Analysis of turnover by country of destination:

	2020	2019
	£000	£000
United Kingdom	4,914	2,124
Rest of Europe	1,474	2,072
	6,388	4,196

5. Operating loss

The operating loss is stated after charging:

	2020	2019
	£000	£000
Depreciation of property, plant and equipment	2,137	770
Amortisation of intangible assets	8,314	6,674

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

The Directors did not receive any emoluments during the year in respect of their services to the Company.

SAGE GLOBAL SERVICES LIMITED

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

6. Employees

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	44,033	33,978
Social security costs	6,757	5,094
Other pension costs	3,847	2,885
Equity-settled share-based payments	3,768	-
	<u>58,405</u>	<u>41,957</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2020 No.	2019 No.
Research and development	101	35
Field sales	19	16
Sales support/customer service	41	56
Training	1	-
Marketing	81	64
Finance	109	76
IT	42	18
Administration	123	55
	<u>517</u>	<u>320</u>

7. Finance income

	2020 £000	2019 £000
Interest receivable from group companies	2,916	2,421
Interest on short term deposits	20	10
Net foreign exchange gains	1,047	-
	<u>3,983</u>	<u>2,431</u>

SAGE GLOBAL SERVICES LIMITED

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

8. Finance costs

	2020 £000	2019 £000
Interest payable to group companies	520	-
Bank fees	8	36
Finance leases and hire purchase contracts	90	-
Net foreign exchange losses	-	580
	<u>618</u>	<u>616</u>

9. Taxation

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	(182)	493
Adjustments in respect of previous periods	-	(815)
	<u>(182)</u>	<u>(322)</u>
Total current tax credit	<u>(182)</u>	<u>(322)</u>
Deferred tax		
Origination and reversal of timing differences	(60)	(23)
Adjustment in respect of prior periods	63	(345)
Total deferred tax	<u>3</u>	<u>(368)</u>
Taxation on loss on ordinary activities	<u>(179)</u>	<u>(690)</u>

SAGE GLOBAL SERVICES LIMITED

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

9. Taxation (continued)**Factors affecting tax charge for the year**

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

	2020	2019
	£000	£000
Loss on ordinary activities before tax	(67,979)	(76,013)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(12,916)	(14,442)
Effects of:		
Expenses not deductible for tax purposes	1,748	1,118
Adjustments to tax charge in respect of prior periods	63	(1,160)
Impact of change in tax laws and rates	(57)	3
Withholding tax	(182)	493
Group relief surrendered for no payment	11,165	13,298
Total tax credit for the year	(179)	(690)

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

SAGE GLOBAL SERVICES LIMITED

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

	£000
Cost	
At 1 October 2019	<u>4,626</u>
At 30 September 2020	<u><u>4,626</u></u>
Provision for diminution in value	
At 1 October 2019	<u>4,626</u>
At 30 September 2020	<u><u>4,626</u></u>
Net book value	
At 30 September 2020	<u><u>-</u></u>
At 30 September 2019	<u><u>-</u></u>

Investments represent shares in subsidiary undertakings.

The following table lists the Company's subsidiary undertakings. All subsidiaries are held directly.

Name	Registered office	Class of shares	Holding
Sage Global Services US, Inc.	271, 17th Street NW, Suite 1100, Atlanta, Georgia 30363, USA	Ordinary	100 %
Sage Global Services (Ireland) Limited	Number One, Central Park, Leopardstown, Dublin 18, Ireland	Ordinary	100 %

SAGE GLOBAL SERVICES LIMITED

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

11. Other intangible assets

	Computer software £000
Cost	
At 1 October 2019	48,625
Additions - external	11,646
Disposals	(1,595)
At 30 September 2020	<u>58,676</u>
Amortisation	
At 1 October 2019	12,171
Charge for the year on owned assets	8,314
On disposals	(199)
At 30 September 2020	<u>20,286</u>
Net book value	
At 30 September 2020	<u><u>38,390</u></u>
At 30 September 2019	<u><u>36,454</u></u>

All amortisation charges in the year have been charged through selling and administrative expenses.

SAGE GLOBAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**
12. Property plant and equipment

	Leasehold land and buildings £000	Right of use leasehold property £000	Plant and equipment £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost						
At 1 October 2019	969	-	1,589	3	1,493	4,054
Impact of change in accounting policy	-	9,309	-	-	-	9,309
At 1 October 2019 (adjusted balance)	969	9,309	1,589	3	1,493	13,363
Additions	1,045	-	31	-	2	1,078
At 30 September 2020	2,014	9,309	1,620	3	1,495	14,441
Depreciation						
At 1 October 2019	837	-	1,093	3	518	2,451
Charge for the year on owned assets	107	1,487	329	-	213	2,136
At 30 September 2020	944	1,487	1,422	3	731	4,587
Net book value						
At 30 September 2020	1,070	7,822	198	-	764	9,854
At 30 September 2019	132	-	496	-	975	1,603

Depreciation expenses have been charged through selling and administrative expenses.

SAGE GLOBAL SERVICES LIMITED

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

13. Trade and other receivables

	2020	2019
	£000	£000
Trade receivables	386	217
Amounts owed by group undertakings	104,168	168,057
Other receivables	93	360
VAT recoverable	3,046	3,927
Prepayments and accrued income	8,806	10,397
	116,499	182,958

Amounts owed by group undertakings are unsecured, repayable on demand and attract a rate of interest of between 0% and 3.59% (2019: 0% and 3.59%).

14. Trade and other payables

	2020	2019
	£000	£000
Trade payables	11,156	4,498
Amounts owed to group undertakings	551,412	448,332
Other tax and social security payable	3,497	2,913
Accruals	25,015	25,318
	591,080	481,061

Amounts owed to group undertakings are unsecured, repayable on demand and attract a rate of interest of between 0% and USD 1 month LIBOR plus 1.5% (2019: 0% and USD 1 month LIBOR plus 1.5%).

SAGE GLOBAL SERVICES LIMITED

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

	Dilapidations provisions £000	Restructuring £000	Total £000
At 1 October 2019	311	-	311
Charged to profit or loss	-	119	119
At 30 September 2020	311	119	430

A provision of £311,000 is recognised as the expected amount of dilapidations due to be paid on completion of one of the operating leases held by the Company.

A provision of £119,000 is recognised as the expected amount of redundancies as a result of restructuring to be undertaken by the Company.

16. Equity

	2020 £000	2019 £000
Allotted, called up and fully paid		
4,626,001 (2019 - 4,626,001) Ordinary shares of £1.00 each	4,626	4,626

Retained earnings represent cumulative comprehensive income.

17. Share-based payments

The Company recognises a share-based payment expense based on an allocation from its parent company of the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

The Sage Group Performance Share Plan

Annual grants of performance shares will normally be made to executive directors and senior executives across the Group after the preliminary declaration of the annual results. Under the Performance Share Plan 2,146,687 (2019: 3,690,288) awards were made during the year.

Awards from 2016-2018

These performance shares are subject to a service condition and two performance conditions. Performance conditions are weighted one half on the achievement of a revenue growth target and one half on the achievement of a Total Shareholder Return ("TSR") target. The revenue growth target is subject to two underpin performance conditions relating to EPS growth and organic revenue growth.

The revenue growth target is based on the Group's compound annual recurring revenue growth. Where the Group's annual recurring revenue growth is between 8% and 10% or 10% and 12%, the extent to which the revenue performance condition is satisfied will be calculated on a straight-line pro rata basis between 10% and 40% or between 40% and 50% respectively. Notwithstanding the extent to which the revenue performance condition has been satisfied, the revenue tranche will not be released and will lapse

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on the Board's determination that (i) the compound growth of the Group's underlying EPS over the performance period is less than 8% per annum; or (ii) the compound growth of the Group's organic revenue over the performance period is less than 6% per annum.

The performance target relating to TSR measures share price performance against a designated comparator group. Where the Group's TSR is between median and upper quartile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 10% and 40% and where the Group's TSR is between upper quartile and upper decile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 40% and 50%.

The comparator group for awards granted from 2016 onwards is the companies comprised in the FTSE 100 Index at the start of the performance period, excluding financial services and extraction companies.

Awards from 2019

These performance shares are subject to a service condition and two performance conditions. Performance conditions are weighted 70% on the achievement of a revenue growth target and 30% on the achievement of a TSR target.

The revenue growth target is based on the Group's compound annualised recurring revenue growth. Where the Group's annualised recurring revenue growth is between prescribed targets ranges, the extent to which the revenue performance condition is satisfied will be calculated on a straight-line pro rata basis within a defined range.

For 2019 awards, where the Group's annualised recurring revenue growth is between 6.2% and 7.7% or 7.7% and 8.5%, the extent to which the revenue performance condition is satisfied will be calculated on a straight-line pro rata basis between 14% and 56% or between 56% and 70% respectively.

For 2020 awards, where the Group's annualised recurring revenue growth is between 5.6% and 7.0% or 7.0% and 7.7%, the extent to which the revenue performance condition is satisfied will be calculated on a straight-line pro rata basis between 14% and 56% or between 56% and 70% respectively.

The performance target relating to TSR measures share price performance against a designated comparator group. Where the Group's TSR is between median and upper quartile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 6% and 24% and where the Group's TSR is between upper quartile and upper decile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 24% and 30%.

The comparator group for awards granted from 2019 onwards is the companies comprised in the FTSE 100 Index at the start of the performance period, excluding financial services and extraction companies.

Awards were valued using the Monte Carlo option pricing model. Performance conditions were included in the fair value calculations, which were based on observable market prices at grant date. All options granted under performance share awards have an exercise price of nil.

The Sage Group Restricted Plan

The Group's Restricted Share Plan is a long-term incentive plan used in limited circumstances and usually on a one-off basis, under which contingent share awards are usually made only with service conditions. executive directors are not permitted to participate in the plan and shares are either purchased in the market or treasury shares are utilised to satisfy vesting awards. During the year 4,424,901 (2019: 5,258,827) awards were made. These awards only have service conditions and their fair values are equal to the share price on the date of grant, ranging from 657-736p.

The Sage Group Savings-related Share Option Plan

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The Group operates an approved savings related share option scheme for UK employees. The fair value is expensed over the service period of three, five or seven years on the assumption that 5% of options will lapse over the service period as employees leave the Group. In the year, 2,924,638 (2019: 1,002,584) options were granted under the terms of the Save and Share Plan.

As the consolidated financial statements of The Sage Group plc. include the equivalent disclosures, the Company has taken the exemption under FRS 101 available in respect of certain disclosures required by IFRS 2 Share-based Payments.

18. 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.

19. Immediate and ultimate parent company

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

The ultimate parent undertaking and ultimate controlling party is The Sage Group plc. a Company registered in England and Wales. The Sage Group plc. is the largest and smallest group to consolidate these financial statements. Copies of the group financial statements can be obtained from the registered office at The Sage Group plc., North Park, Newcastle upon Tyne, NE13 9AA.