

Registered number: 09506951

SAGE GLOBAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2022



SAGE GLOBAL SERVICES LIMITED

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SAGE GLOBAL SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022

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 2022. The Directors of The Sage Group plc., the ultimate parent company, set the strategy for the whole Sage group of companies ("Sage", or the "Group"). This is set out within the The Sage Group plc. Annual Report and Accounts for the year ended 30 September 2022 (the "Plc Annual Report and Accounts"), which does not form part of this report.

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 twelve principal risks which are monitored and reported against at a Global level

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

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

SAGE GLOBAL SERVICES LIMITED

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

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 Group 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 Plc 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.

The Directors are responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that their obligations to the Company's stakeholders, including its shareholder, are met. The Company follows Sage's policies and procedures, including those relating to standards of business conduct, colleagues, society and other stakeholders. However, in considering items of business, the Company makes autonomous decisions based on each transaction's own merits, after due consideration of the long-term sustainable success of the Company, Section 172(1) factors where relevant, and the stakeholders impacted. Board meetings are held as and when required to discuss matters of business. In the year ended 30 September

SAGE GLOBAL SERVICES LIMITED

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

2022 the Directors approved, amongst others, the following decisions:

The Board approved Sage Business Cloud Accounting and Payroll back-office migrations to consolidate the Cloud Native back-office on the Global Model Office as part of a strategy to have Cloud Native small business products managed on one platform. As part of this decision, the Directors considered the Company's customers and noted that the successful completion of this proposal would achieve an outcome whereby all customers would be aligned so that they are contracted by and billed by the same Sage Group company.

The Board approved the transfer and purchase of beneficial and legal title to certain Futrli Limited assets, including customer and supplier contracts. The Directors noted that the transaction would promote the success of the Company for the benefit of the members as a whole, having regard to the relevant factors set out in section 172 of the Companies Act 2006, and that it was in the best interests of the Company to enter into the Asset Transfer Agreement. The Board also considered that the decision to approve the transfer and purchase was in the interest of customers and that Futrli is aimed at helping SMBs and accountants to better understand their current and future cash flow.

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 the Company has a wide range of stakeholders and balancing their respective needs and expectations is important. The decision-making process is structured to enable the Directors to evaluate the merit of proposed business activities in view of competing priorities and the likely consequences of decisions on our stakeholders over the short, medium and longer term. The Directors are committed to effective engagement with all stakeholders of the Company and engagement through delegation to its management teams. 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 Plc Annual Report and Accounts.

Colleagues

Colleagues want to work for a company that values them, and that provides them an opportunity to be themselves and thrive. They expect the Company to address societal issues from diversity and inclusion to the future of work. Sage colleagues are proud of the work we do in our communities through our Sustainability and Society strategy and Sage Foundation.

The Directors recognise that colleagues are a key resource and the life blood of the Company. Every day they serve our customers through their innovation, integrity and passion. Engagement with the Company's employees during the year ended 30 September 2022 included, amongst other things, Sage TV broadcasts, presentations of strategy, quarterly performance updates, bi-annual colleague 'Pulse' surveys, ongoing 'Always Listening' channels and other feedback channels around moments that matter. Diversity, equity and inclusion remains an area of focus at Sage. The Directors are committed to fostering a culture of diversity, equity and inclusion and promoting a healthy and supportive corporate culture by setting the tone from the top.

Customers

Our customers and business partners are focused on (i) running and growing their business; (ii) having products that keep their business compliant; (iii) quality customer service; and (iv) having greater visibility into their business and deriving actionable insights from their data. Improving efficiencies and productivity remain priorities, but they are also increasingly interested in the wellbeing of their staff and the environment and their role in protecting it.

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. They are the small and mid-sized businesses which are the growth engine of the global economy, and the accountants and other professionals who rely on Sage to help them deliver a great service to their clients, whatever their size.

SAGE GLOBAL SERVICES LIMITED

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

Engagement with our customers is conducted through Sage management activities and ongoing meetings and dialogue.

Shareholder

The Directors consider the long-term impact of corporate actions and decisions on and for the benefit of the Company's direct and indirect shareholders. Engagement with other Sage Group undertakings, including the Company's shareholder is conducted through internal Sage management activities and ongoing meetings and dialogue. The Company's ultimate parent is The Sage Group plc.

Suppliers

In addition to the above stakeholders, it is recognised that suppliers are also relevant to the Company'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 are significant to the Company, and therefore the Company seeks to develop and foster business relationships with them to maximise value and efficiency. The Company engages with its suppliers through a thorough supplier onboarding process and procurement life-cycle (including to appropriately manage data privacy and security matters) through Sage's governance model.

The Company also operates and engages with its suppliers in accordance with Sage's 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. It is essential that our suppliers hold similar values to us, promote ethical business practices and conduct their business in accordance with applicable laws and regulations. That's why the principles set out in the Supplier Code of Conduct are shared principles; we follow them in our business and we expect our suppliers to as well. By working together to promote good practices, we can ensure these principles are reflected in both Sage's, and our supply chain's ways of working.

Society

The Directors recognise that Sage, including the Company, is committed to managing the Group's use of resources proactively to minimise environmental impact and investing in education, technology, and environmental change to give individuals, small and mid-sized businesses and our planet the opportunity to thrive. Sage has made good progress on the Group's Sustainability and Society strategy during FY22 and has strengthened executive oversight and responsibility with the inclusion of ESG targets (one on climate, one on products and one on DEI) in leadership incentives.

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

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

DocuSigned by:

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Jacqui Cartin
Director

Date: 16 December 2022

SAGE GLOBAL SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2022

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

Principal activity

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

Sage Global Services Limited is also the intellectual property owner of various products and is responsible for the IP development, enhancement, maintenance, protection and exploitation activities in respect of these products.

Dividends

The loss for the year, after taxation, amounted to £42,189,000 (2021: loss £19,007,000).

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors

The Directors who served during the year were:

Victoria Louise Bradin
Jacqui Cartin

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 continues 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 the Plc Annual Report and Accounts available on Sage's website at [sage.com](https://www.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 2022 are provided on page 3 of the Strategic Report of the Company as the Directors consider them to be of strategic importance.

SAGE GLOBAL SERVICES LIMITED

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

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 FY22 are provided on page 3 of the Strategic Report of the Company as the Directors consider them to be of strategic importance.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company is exempt from providing the information required by Schedule 7A to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) in respect of greenhouse gas emissions, energy consumption and action taken to increase its energy efficiency in the UK, as the Company is included in the annual report and accounts of The Sage Group plc. for the year ended 30 September 2022 which include the required disclosures.

Going concern

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

Based on the above and having closely reviewed the current performance and forecasts, the Directors remain satisfied that the Company has adequate resources to continue its operations for a period of 12 months from the date of this report. However, given the high level of uncertainty a letter of support from the Company's ultimate parent, the Sage Group plc, has been provided for a period of 12 months from the date of this report, to enable the Company to meet its liabilities as and when they become due, as a means to provide the Directors with further confidence that the going concern basis of preparation is appropriate.

Disclosure of information to auditor

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

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

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

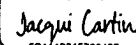
Post balance sheet events

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

SAGE GLOBAL SERVICES LIMITED

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

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

DocuSigned by:

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Jacqui Cartin
Director

Date: 16 December 2022

SAGE GLOBAL SERVICES LIMITED

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

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

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

SAGE GLOBAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE GLOBAL SERVICES LIMITED

Opinion

We have audited the financial statements of Sage Global Services Limited (the 'company') for the year ended 30 September 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

SAGE GLOBAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE GLOBAL SERVICES LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

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

SAGE GLOBAL SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE GLOBAL SERVICES LIMITED

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

Our approach was as follows:

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

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

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

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

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

Use of our report

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

Ernst & Young LLP

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

SAGE GLOBAL SERVICES LIMITED

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

	Note	2022 £000	2021 £000
Revenue	4	25,392	9,933
Cost of sales		(318)	(12)
Gross profit		25,074	9,921
Selling and administrative expenses		(61,062)	(47,689)
Operating loss	5	(35,988)	(37,768)
Finance income	7	3,516	10,090
Finance costs	8	(8,950)	(2,004)
Loss before income tax		(41,422)	(29,682)
Income tax (expense)/benefit	9	(767)	10,675
Loss for the financial year		(42,189)	(19,007)
Total comprehensive expense for the year		(42,189)	(19,007)

The notes on pages 16 to 40 form part of these financial statements.

SAGE GLOBAL SERVICES LIMITED
REGISTERED NUMBER: 09506951

BALANCE SHEET
AS AT 30 SEPTEMBER 2022

	Note	2022 £000	2021 £000
Non current assets			
Goodwill	11	145	-
Investments	10	-	-
Other intangible assets	12	37,858	40,586
Property plant and equipment	13	6,736	8,132
Deferred tax assets		3,215	2,662
		<u>47,954</u>	<u>51,380</u>
Current assets			
Trade and other receivables	14	96,951	268,568
Cash and cash equivalents		93,611	125,817
Total assets		<u>238,516</u>	<u>445,765</u>
Current liabilities			
Trade and other payables	15	(192,656)	(362,888)
Provisions	17	(343)	(1,261)
Deferred income	18	(849)	(538)
Lease liabilities		(1,856)	(1,659)
		<u>(195,704)</u>	<u>(366,346)</u>
Non current liabilities			
Trade and other payables	16	-	(460)
Dilapidations provisions	17	(722)	(722)
Lease liabilities		(3,287)	(4,814)
		<u>(4,009)</u>	<u>(5,996)</u>
Total liabilities		<u>(199,713)</u>	<u>(372,342)</u>
Net assets		<u>38,803</u>	<u>73,423</u>
Equity attributable to the owners of the parent			
Ordinary shares	19	4,626	4,626
Share premium		400,000	400,000
Other reserves		(10,070)	(10,070)
Retained earnings		(355,753)	(321,133)
		<u>38,803</u>	<u>73,423</u>

SAGE GLOBAL SERVICES LIMITED
REGISTERED NUMBER: 09506951

BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2022

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

DocuSigned by:

SB1119815728435...
Jacqui Cartin
Director

The notes on pages 16 to 40 form part of these financial statements.

SAGE GLOBAL SERVICES LIMITED

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

	Ordinary shares £000	Share premium account £000	Other reserves £000	Retained earnings £000	Total equity £000
At 1 October 2020	4,626	-	-	(307,626)	(303,000)
Loss for the year	-	-	-	(19,007)	(19,007)
Employee share option scheme	-	-	-	5,500	5,500
Total comprehensive expense for the year	-	-	-	(13,507)	(13,507)
Shares issued during the year	-	400,000	-	-	400,000
Transfer of assets	-	-	(10,070)	-	(10,070)
At 1 October 2021	4,626	400,000	(10,070)	(321,133)	73,423
Total comprehensive expense for the year					
Loss for the year	-	-	-	(42,189)	(42,189)
Employee share option scheme	-	-	-	7,569	7,569
Total comprehensive expense for the year	-	-	-	(34,620)	(34,620)
At 30 September 2022	4,626	400,000	(10,070)	(355,753)	38,803

The notes on pages 16 to 40 form part of these financial statements.

SAGE GLOBAL SERVICES LIMITED

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

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 C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International 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 22.

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 ensuring that the Company can continue to pay its liabilities as they fall due. This included reviewing the Company's cash position, net current asset position and obligations under debt arrangements with other Sage Group companies.

Based on the above and having closely reviewed the current performance and forecasts, the Directors remain satisfied that the Company has adequate resources to continue its operations for a period of 12 months from the date of this report. However, given the high level of uncertainty a letter of support from the Company's ultimate parent, the Sage Group plc, has been provided for a period of 12 months from the date of this report, to enable the Company to meet its liabilities as and when they become due, as a means to provide the Directors with further confidence that the going concern basis of preparation is appropriate.

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 2022**

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the Company, as a qualifying entity under FRS 101, has applied the exemptions available under the standard 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.

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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

2.4 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 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

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

2.4 Revenue (continued)

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.

2.5 Cost of sales

Cost of sales 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.

2.6 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. 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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

2.6 Leases (continued)

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.

2.7 Finance income

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

2.8 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 2022**

2. Accounting policies (continued)

2.9 Taxation

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.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and carried forward tax credits or tax losses can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period. The carrying amount of deferred income tax asset is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

2.10 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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

2.11 Goodwill

The Company acquires subsidiaries and subsequently hives the trade of the subsidiary up into the trade of the Company. The transfers are made at net asset value. Upon transfer there is often a shortfall between the carrying value of the investment in the financial statements of the Company and the net asset value of the subsidiary.

Goodwill represents a reallocation of this shortfall on the investment in the subsidiary from investments to goodwill in the books of the Company. The total amount carried in both goodwill and investments is in effect the same value as the previous carrying value of the investment in the subsidiary. The goodwill arising is capitalised as an intangible asset.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviewed it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is allocated to the Company's cash generating units (CGUs) that are expected to have a long-term benefit from synergies of the combination and therefore goodwill is considered to have an indefinite useful life.

Goodwill is tested for impairment annually and when circumstances indicate that it may be impaired. Impairment is determined by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised.

Goodwill is allocated to CGUs expected to benefit from the synergies of the combination and the allocation represents the lowest level at which goodwill is monitored.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

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;
- 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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

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.

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.

SAGE GLOBAL SERVICES LIMITED

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

2. Accounting policies (continued)

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 2022**

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 2022 was £68,818,000 (2021: £243,035,000) and no impairment loss has been recognised (2021: £nil).

SAGE GLOBAL SERVICES LIMITED

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

4. Revenue

	2022	2021
	£000	£000
Revenue	25,392	9,933
	<u>25,392</u>	<u>9,933</u>

Analysis of turnover by country of destination:

	2022	2021
	£000	£000
United Kingdom	23,067	8,200
Rest of Europe	1,926	1,651
Rest of the world	400	82
	<u>25,393</u>	<u>9,933</u>

5. Operating loss

The operating loss is stated after charging:

	2022	2021
	£000	£000
Depreciation of property, plant and equipment	2,179	2,242
Amortisation of intangible assets	(11,065)	(10,684)
	<u></u>	<u></u>

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 2022**

6. Employees

Staff costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	78,310	65,502
Social security costs	10,586	9,026
Other pension costs	6,066	4,905
Equity-settled share-based payments	7,569	5,500
	102,531	84,933

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

	2022	2021
	No.	No.
Research and development	250	186
Field sales	17	13
Sales support/customer service	73	40
Training	1	2
Marketing	184	120
Finance	141	124
IT	108	90
Administration	202	177
	976	752

7. Finance income

	2022	2021
	£000	£000
Interest receivable from group companies	3,516	1,950
Net foreign exchange gains	-	8,140
	3,516	10,090

SAGE GLOBAL SERVICES LIMITED

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

8. Finance costs

	2022	2021
	£000	£000
Other loan interest payable	328	243
Interest payable to the group companies	2,141	1,585
Net foreign exchange losses	6,275	-
Bank fees	129	84
Finance leases and hire purchase contracts	77	92
	<u>8,950</u>	<u>2,004</u>

9. Taxation

	2022	2021
	£000	£000
Corporation tax		
Current tax on loss for the year	1,372	(8,527)
Adjustments in respect of previous periods	(44)	-
	<u>1,328</u>	<u>(8,527)</u>
Total current tax	<u>1,328</u>	<u>(8,527)</u>
Deferred tax		
Origination and reversal of timing differences	(1,170)	(1,518)
Adjustment in respect of prior years	609	(630)
Total deferred tax	<u>(561)</u>	<u>(2,148)</u>
Taxation on loss on ordinary activities	<u>767</u>	<u>(10,675)</u>

SAGE GLOBAL SERVICES LIMITED

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

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

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

	2022 £000	2021 £000
Loss on ordinary activities before tax	(41,422)	(29,682)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(7,870)	(5,640)
Effects of:		
Expenses not deductible for tax purposes	(650)	(301)
Movement in uncertain tax provisions	463	(9,502)
Adjustments to tax charge in respect of prior periods	565	(630)
Withholding tax	909	975
Group relief surrendered for no payment	7,416	4,423
Impact of tax law changes and rates	(66)	-
Total tax charge for the year	767	(10,675)

Factors that may affect future tax charges

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

Uncertain tax provisions

The Company has recognised certain provisional assets in respect of tax which involve a degree of estimation and uncertainty where the tax treatment cannot finally be determined until a resolution has been reached by the relevant tax authorities. This approach has resulted in recognising an asset of £9m as at 30 September 2022 (2021: an asset of £9.5m).

SAGE GLOBAL SERVICES LIMITED

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

10. Investments

	£000
Cost	
At 1 October 2021	<u>4,626</u>
At 30 September 2022	<u>4,626</u>
Provision for diminution in value	
At 1 October 2021	<u>4,626</u>
At 30 September 2022	<u>4,626</u>
Net book value	
At 30 September 2022	<u>-</u>
At 30 September 2021	<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.	251 Little Falls Drive, Wilmington, New Castle, DE, 19808, United States	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 2022**

11. Goodwill

	2022 £000
Cost	
On acquisition of subsidiaries	145
At 30 September 2022	145
Amortisation	
Net book value	
At 30 September 2022	145

The value of goodwill recognised during the year arose on to the acquisition of Go Proposal Limited.

Goodwill impairment

The cash generating units (CGUs) for the Company have been assessed as the Company. The recoverable amounts of the CGUs are determined as the higher of fair value less cost to sell and the value-in-use. In determining value-in-use, estimated future cash flows are discounted to their present value.

The 2023 budget and the approved plan for the three years following the current financial year form the basis for the cash flow projections for the CGU. Beyond the three year plan these projections are extrapolated using an estimated long-term growth rate. The key assumptions in the value-in-use calculations are the average medium-term revenue growth rate of 11.4% (2021: 11.5%) and the longterm growth rate of net operating cash flows of 1.2% (2021: 2.1%).

The Company uses a discount rate based on the Weighted Average Cost of Capital (WACC), applying UK government yield bonds and tax rates. The discount rate applied represents a post-tax rate that reflects the market assessment of the time value of money and the risks specific to the Company. The discount rate applied was 7.8% (2021: 7.7%).

The Company performed its annual test for impairment as at 30 June 2022 and the recoverable amount exceeded the carrying value.

A sensitivity analysis was also performed, and the Directors believe that no reasonably possible change in any of the key assumptions would cause the carrying value to exceed its recoverable amount.

SAGE GLOBAL SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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12. Other intangible assets

	Technology £000	Computer software £000	Total £000
Cost			
At 1 October 2021	717	70,378	71,095
Additions - external	-	8,448	8,448
Transfers intra-group	-	12	12
Disposals	-	(2,807)	(2,807)
At 30 September 2022	717	76,031	76,748
Amortisation			
At 1 October 2021	84	30,425	30,509
Charge for the year on owned assets	143	10,922	11,065
Transfers intra- group	-	3	3
On disposals	-	(2,686)	(2,686)
At 30 September 2022	227	38,664	38,891
Net book value			
At 30 September 2022	490	37,367	37,857
At 30 September 2021	633	39,953	40,586

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

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13. 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 or valuation						
At 1 October 2021	2,366	9,350	1,687	3	1,321	14,727
Additions	116	456	185	-	5	762
Transfers intra group	12	-	60	-	-	72
Disposals	-	-	(675)	(3)	(2)	(680)
At 30 September 2022	2,494	9,806	1,257	-	1,324	14,881
Depreciation						
At 1 October 2021	1,220	3,035	1,604	3	732	6,594
Charge for the year on owned assets	292	1,643	34	-	210	2,179
Transfers intra group	7	-	45	-	-	52
Disposals	-	-	(675)	(3)	(2)	(680)
At 30 September 2022	1,519	4,678	1,008	-	940	8,145
Net book value						
At 30 September 2022	975	5,128	249	-	384	6,736
At 30 September 2021	1,146	6,315	83	-	588	8,132

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14. Trade and other receivables

	2022	2021
	£000	£000
Trade receivables	880	248
Amounts owed by group undertakings	68,818	243,035
Other receivables	195	434
VAT recoverable	4,916	4,651
Prepayments and accrued income	13,107	10,698
Corporate tax recoverable	9,035	9,502
	96,951	268,568

Amounts owed by group undertakings are unsecured, repayable on demand and attract a rate of interest of between 0% and a 1 month currency risk free rate plus 1.6% (2021: 0% and 3.59%).

15. Trade and other payables

	2022	2021
	£000	£000
Trade payables	12,741	15,378
Amounts owed to group undertakings	141,391	305,602
Other tax and social security	4,894	4,701
Accruals	33,630	37,207
	192,656	362,888

Amounts owed to group undertakings are unsecured, repayable on demand and attract a rate of interest of between 0% and a 1 month currency risk free rate plus 1.6% (2021: 0% and USD 1 month LIBOR plus 1.5%).

16. Trade and other payables due after more than one year

	2022	2021
	£000	£000
Lease liabilities	3,287	4,814
Other creditors	-	460
	3,287	5,274

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17. Provisions

	Dilapidations provisions £000	Restructuring £000	Total £000
At 1 October 2021	722	1,261	1,983
Utilised in year	-	(918)	(918)
At 30 September 2022	722	343	1,065

A provision of £722,000 (2021: £722,000) 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 £343,000 (2021: £1,261,000) is recognised as the expected amount of redundancies as a result of restructuring to be undertaken by the Company.

18. Deferred income

The majority of the deferred revenue balance (95%) is related to Sage HR product with the remainder is related to Sage One Products. In all material respects current deferred income at 1 October 2021 was recognised as revenue during the year. Other than business-as-usual movements there were no significant changes in contract liability balances during the year.

19. Equity

	2022 £000	2021 £000
Allotted, called up and fully paid		
4,626,002 (2021 - 4,626,001) Ordinary shares of £1.00 each	4,626	4,626

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

Retained earnings represent cumulative comprehensive income.

20. 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 below is a description of the Group share based payment awards in the year:

The Sage Group Performance Share Plan

Annual grants of performance shares will normally be made to Executive Directors after the preliminary declaration of the annual results. Under the Performance Share Plan, 1,036,987 (2021: 452,380) awards were made during the year.

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Awards for 2019 and 2020

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 Total Shareholder Return (TSR) target.

The revenue growth target is based on compound annualised recurring revenue growth. Where annualised recurring revenue growth is between prescribed target 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 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 TSR is between upper quartile and upper decile, TSR vesting percentage will be calculated on a straight-line, pro-rata basis between 24% and 30%.

The comparator group for awards granted for 2019 and 2020 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.

Awards for 2021

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

The revenue targets are based on compound annualised recurring revenue growth and Cloud Native annualised recurring revenue over the performance period. Where annualised recurring revenue is between prescribed target ranges, the extent to which the revenue performance conditions are satisfied will be calculated on a straight-line, pro-rata basis within a defined range.

Where the Group's annualised recurring revenue growth is between 6.0% and 8.5% or 8.5% and 10.0%, the extent to which the revenue performance condition is satisfied will be calculated on a straight-line pro rata basis between 7% and 28% or between 28% and 35% respectively.

Where the Group's Cloud Native annualised recurring revenue is between £600m and £750m or £750m and £900m, the extent to which the revenue performance condition is satisfied will be calculated on a straight-line pro rata basis between 7% and 28% or between 28% and 35% respectively.

The performance target relating to TSR measures share price performance against a designated comparator group. Where 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 TSR is between upper quartile and upper decile, the TSR

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vesting percentage will be calculated on a straight-line, pro-rata basis between 24% and 30%.

The comparator group for awards granted for 2021 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.

Awards for 2022

These performance shares are subject to a service condition and three performance conditions. Performance conditions are weighted 55% on the achievement of a financial performance target, 30% on the achievement of a TSR target, and 15% on the achievement of ESG targets.

The financial performance target is based on the achievement of Sage Business Cloud (SBC) Penetration targets for the final year of the performance period. Where SBC Penetration is between prescribed targets, the extent to which the financial performance condition is satisfied will be calculated on a straight-line, pro-rata basis within a defined range.

Where the Group's SBC Penetration is between 75% and 80% or 80% and 85%, the extent to which the financial performance condition is satisfied will be calculated on a straight-line pro rata basis between 11% and 44% or between 44% and 55% respectively.

The performance target relating to TSR measures share price performance against a designated comparator group. Where 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 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 for 2022 onwards is the companies comprised in the FTSE 100 Index at the start of the performance period, excluding financial services and extraction companies.

The performance targets relating to ESG are based on the achievement of targets relating to i) the aggregate number of volunteering hours recorded through the Sage Foundation during the performance period, ii) the aggregate number of individuals supported through Sage's Sustainability and Society strategy during the performance period, and iii) Sage's ESG Strategy Impact at the end of the performance period. Where aggregate volunteering hours and aggregate individuals supported are between prescribed targets, the extent to which the ESG performance conditions are satisfied will be calculated on a straight-line, pro-rata basis within a defined range.

Where the Group's Volunteering hours are between 400,000 and 500,000 or 500,000 and 600,000, the extent to which the volunteering hours performance condition is satisfied will be calculated on a straight-line pro rata basis between 0.75% and 3.0% or between 3.0% and 3.75% respectively.

Where the Group's individuals supported number is between 22,000 and 27,000 or 27,000 and 32,000, the extent to which the individuals supported performance condition is satisfied will be calculated on a straight-line pro rata basis between 0.75% and 3.0% or between 3.0% and 3.75% respectively.

Sage's ESG Strategy Impact will be measured by i) its alignment to the Sustainability Accounting Standards Board's (SASB's) standards, ii) its achievement of Global Reporting Initiative's (GRI's) sustainability reporting standards (GRI CORE and GRI COMPREHENSIVE are the two levels to which Sage can align), and iii) achievement of a top 10% ranking in at least 3 ESG rating schemes.

Given an achievement of full SASB alignment, achieving GRI CORE would result in the performance condition being 1.5% satisfied, while achieving GRI COMPREHENSIVE would result in the performance condition being 6% satisfied. Where the ESG Strategy Impact is between GRI CORE and GRI

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COMPREHENSIVE, the extent to which the ESG performance condition is satisfied will be calculated on a straight-line, pro-rata basis within this defined range of 1.5%–6%.

Given an achievement of full SASB alignment and GRI COMPREHENSIVE, achieving a top 10% ranking in at least 3 ESG rating schemes would result in the performance condition being 7.5% satisfied. Where a top 10% ranking is between zero and 3 ESG rating schemes, the extent to which the ESG performance condition is satisfied will be calculated on a straight-line, pro-rata basis within this defined range of 6%–7.5%.

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 Share Plan

The Group's Restricted Share Plan is a long-term incentive plan issued to senior management across the Group. These 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, 10,816,324 (2021: 7,499,399) 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 667 to 783p.

Share options

The Save and Share Plan is a savings-related share option scheme for employees of the Group and is available to employees in the majority of countries in which the Group operates. The UK plan is an HMRC-approved savings-related share option scheme. The fair value of the options is expensed over the service period of three years on the assumption that 30% of options will lapse over the service period as employees leave the Group. In the year, 1,628,909 (2021: 1,920,653) 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.

21. 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 consider that the carry amounts of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

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22. 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., C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ.