THE SAGE GROUP PLC

(*incorporated with limited liability in England and Wales with registered number 2231246*)

Legal Entity Identifier: 2138005RN5XYLTF8G138

£350,000,000 1.625 per cent. Guaranteed Notes due 25 February 2031

guaranteed by

SAGE TREASURY COMPANY LIMITED

(*incorporated with limited liability in England and Wales with registered number 8319044*)

Issue Price: 98.921 per cent.

The £350,000,000 1.625 per cent. Guaranteed Notes due 25 February 2031 (the **Notes**) will be issued by The Sage Group plc (the **Issuer** and, together with its subsidiaries, the **Group**) and guaranteed by Sage Treasury Company Limited (the **Guarantee** and the **Guarantor**, respectively).

This Prospectus has been approved by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of United Kingdom (**UK**) domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer, the Guarantor or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for the Notes to be admitted to listing on the Official List of the Financial Conduct Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's Main Market (the **Market**). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**).

The Notes bear interest from and including 25 February 2021 (the **Issue Date**) at the rate of 1.625 per cent. per annum, payable annually in arrear on 25 February in each year, as described under "*Terms and Conditions of the Notes—Condition 5* (*Interest*)". Payments of principal of, and interest on, the Notes will be made without withholding or deduction on account of UK taxes, to the extent described under "*Terms and Conditions of the Notes—Condition 8* (*Taxation*)".

The Notes will be represented initially by a temporary global note (the **Temporary Global Note**) which will be issued in new global note form and will be deposited on or about 25 February 2021 with a common safekeeper for Clearstream Banking S.A. (**Clearstream, Luxembourg**) and

Euroclear Bank SA/NV (**Euroclear**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons attached, on or after 6 April 2021, upon certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for Notes in definitive form only in certain limited circumstances. See "*Summary of Provisions relating to the Notes while in Global Form*".

UK MiFIR professionals / ECPs only / No UK PRIIPs KID – the manufacturer's target market is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**) and professional clients, as defined in UK MiFIR (all distribution channels). No key information document, within the meaning of Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**), has been prepared as the Notes are not available to retail investors in the UK.

No PRIIPs KID – No key information document, within the meaning of Regulation (EU) No. 1286/2014 (as amended, the **PRIIPs Regulation**), has been prepared as the Notes are not available to retail investors in the European Economic Area (the **EEA**).

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 25 February 2031. The Notes are subject to early redemption, in whole or in part, (i) at the option of the Issuer (A) at any time up to and including the date falling three months prior to the Maturity Date (as defined below) at the relevant make-whole redemption amount plus a margin of 0.150 per cent.; or (B) at any time thereafter at par, in each case plus accrued interest; (ii) at the option of the Issuer at any time in the event of certain changes affecting taxes of the UK at their principal amount together with accrued interest; and (iii) at the option of Noteholders if a Change of Control Put Event (as defined in Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*) shall occur. See Condition 7 (*Redemption and Purchase*).

The Notes are expected on issue to be rated BBB+ by S&P Global Ratings UK Limited (**S&P**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**).

S&P is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009, as amended (the **CRA Regulation**). The ratings issued by S&P have been endorsed by S&P Global Ratings Europe Limited in accordance with the CRA Regulation. S&P Global Ratings Europe Limited is established in the European Union and registered under the CRA Regulation. As such, S&P Global Ratings Europe Limited is included in the list of registered credit rating agencies published at the website of the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Prospectus.

Joint Lead Managers

BofA Securities | **J.P. Morgan** | **Lloyds Bank Corporate Markets**

Prospectus dated 23 February 2021

This Prospectus comprises a prospectus for the purposes of Article 8 of the UK Prospectus Regulation. When used in this Prospectus, UK Prospectus Regulation means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. This Prospectus has been prepared for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries (the Group), the Guarantor and the Notes, which according to the particular nature and circumstances of the Issuer, the Guarantor, the Group and the Notes, is necessary information which is material to an investor for making an informed assessment of (i) the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor; (ii) the rights attaching to the Notes; and (iii) the reasons for the issuance and its impact on the Issuer.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of the Issuer and the Guarantor, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission of anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form a part of this Prospectus and has not been scrutinised or approved by the FCA.

Neither the Joint Lead Managers (as described under "*Subscription and Sale*" below) nor HSBC Corporate Trustee Company (UK) Limited (the Trustee) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. No Joint Lead Manager nor the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person has been authorised to give any information or to make any representation not contained in and not consistent with this Prospectus, in connection with the offering of the Notes and any such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change since the date hereof in the affairs of the Issuer, the Group or the Guarantor or that information contained herein has remained accurate and complete.

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for, or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the

Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

The Notes and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or under any relevant securities laws of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)) except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws. For a description of certain restrictions on the offer, sale and delivery of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*".

PRIIPs Regulation / Prohibition of Sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs Regulation / Prohibition of Sales to UK retail investors - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the FSMA) and any rules or regulations made under the FSMA which were relied on immediately before 11:00 pm (London time) on 31 December 2020 to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of UK MiFIR. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MiFIR product governance professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or

refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it: has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement; has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; understands thoroughly the terms of the Notes and is familiar with the financial markets; and is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Prospective investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Prospective investors should review and consider such restrictions prior to investing in the Notes. Prospective investors should consider the tax consequences of investing in the Notes and consult their own tax advisers with respect to the acquisition, sale and redemption of the Notes in light of their personal situations.

IN CONNECTION WITH THE ISSUE OF THE NOTES, MERRILL LYNCH INTERNATIONAL AS STABILISATION MANAGER (THE STABILISATION MANAGER) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF CERTAIN INFORMATION

Certain non-IFRS financial information

This Prospectus includes and incorporates by reference certain financial information which has not been prepared in accordance with International Financial Reporting Standards (**IFRS**) but which has been derived from the audited financial statements. The glossary of these alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures (**APMs**) set out on pages 241 to 242 of the Issuer's 2020 Annual Report (as defined below) is incorporated by reference in this Prospectus (see "*Documents Incorporated by Reference*").

Underlying and organic results

The Group's consolidated income statements are presented on both an underlying and a statutory basis. Statutory results reflect the Group's results prepared in accordance with the requirements of IFRS. Underlying results and underlying as reported results are APMs and not IFRS measures. Adjustments are made to statutory results to arrive at an underlying result which is in line with how the business is managed and measured on a day-to-day basis. Adjustments are made for items that are individually important in order to understand the financial performance. If included, these items could distort understanding of the performance for the year and the comparability between periods. Management applies judgement in determining which items should be excluded from underlying performance.

In addition, the prior year underlying amounts are translated at current year exchange rates, so that exchange rate impacts do not distort comparisons. Prior year underlying amounts at prior year exchange rates are referred to as "underlying as reported"; prior year and current year amounts at current year exchange rates are referred to as "underlying".

In addition, the Group refers to organic measures, such as organic revenue and organic operating profit, in this Prospectus and in the Group's financial statements. Organic measures are also APMs and non-IFRS measures. When determining organic measures, in addition to the adjustments made to the underlying measures, the contributions from discontinued operations, disposals and assets held for sale of standalone businesses are excluded in the current and prior period. Results from acquired businesses are excluded in the year of acquisition. Adjustments are made to the comparative period to present prior period acquired businesses as if these had been part of the Group throughout the prior period. Acquisitions and disposals which occurred close to the start of the opening comparative period where the contribution impact would be immaterial are not adjusted. In the Group's financial statements for the year ending 30 September 2019, organic results for the prior year are restated to include the impact of IFRS 15 in a manner consistent with the year ending 30 September 2019. Organic measures allow management and investors to understand the like-for-like revenue and current period margin performance of the continuing business.

Reflecting the above factors, the Group has presented certain of its FY2019 financial information in this Prospectus on both an original and a comparative basis or just on a comparative basis when it is being compared solely to financial information for FY2020. Where FY2019 financial information is not identified as either original or comparative in this Prospectus, this means that there is no difference between the Original FY2019 financial information and the Comparative FY2019 financial information.

Financial information described in this Prospectus as **Original FY2019** or as being presented on an original basis has been derived from the Group's audited consolidated financial statements for the financial year ended 30 September 2019 which are incorporated by reference in this Prospectus and is directly comparable with the Group's financial information for FY2018 which has also been derived from those financial statements.

Financial information described in this Prospectus as **Comparative FY2019** or as being presented on a comparative basis has been derived from the Group's audited consolidated financial statements for the financial year ended 30 September 2020 which are incorporated by reference in this Prospectus and is directly comparable with the Group's financial information for FY2020 which has also been derived from those financial statements.

Unless otherwise specified, all financial information in this Prospectus for FY2018 or as at any date in FY2018 has been derived from the Group's audited consolidated financial statements for the financial year ended 30 September 2019 which are incorporated by reference in this Prospectus and is directly comparable with the Group's financial information for FY2019 which has also been derived from those financial statements. Certain FY2018 comparative amounts presented in the FY2019 audited consolidated financial statements have been restated, on a constant currency basis, for disposals made in the period, assets held for sale and to include the impact of IFRS 15 applied in a manner consistent with FY2019, to provide more direct comparability with the Group's FY2019 results; such comparative figures are not audited.

The table below shows reconciliations of the Group's underlying and organic measures to the statutory results for each of FY2020, Comparative FY2019, Original FY2019 and FY2018.

	FY2020		**Comparative FY2019**		**Original FY2019**		**FY2018**	
	Revenue	**Operating profit**	**Revenue**	**Operating profit**	**Revenue**	**Operating profit**	**Revenue**	**Operating profit**
				(*£ million*)				
Statutory	**1,903**	**404**	**1,936**	**382**	**1,936**	**382**	**1,846**	**427**
Recurring items[1]	—	53	—	52	—	52	11	67
Net (gain)/loss on disposal of subsidiaries	—	(141)	—	(28)	—	(28)	—	1
Impairment of assets held for sale	—	—	—	14	—	14	—	—
Litigation items	—	—	—	—	—	—	—	4
Asia goodwill impairment	—	19	—	—	—	—	—	—
Restructuring costs	—	—	—	—	—	—	—	5
Property restructuring costs	—	21	—	16	—	16	—	—
Professional services restructuring	—	22	—	—	—	—	—	—
Office relocation	—	33	—	12	—	12	—	—
Impact of foreign exchange[2]	—	—	(32)	(7)	—	—	21	5
Underlying	**1,903**	**411**	**1,904**	**441**	**1,936**	**448**	**1,878**	**509**
Disposals	(37)	(5)	(103)	(16)	(21)	—	(48)	3
Held for sale	(98)	(15)	(100)	(18)	(93)	(16)	(95)	(8)
Impact of IFRS 15	—	—	—	—	—	—	(9)	(8)
Acquisitions	—	—	4	(1)	—	—	—	—
Organic	**1,768**	**391**	**1,705**	**406**	**1,822**	**432**	**1,725**	**496**

Notes

(1) Recurring items are detailed in note 3.6 to the financial statements for the financial year ended 30 September 2020 and note 3.6 to the financial statements for the financial year ended 30 September 2019.

(2) Impact of retranslating FY2019 results at FY2020 average rates and FY2018 results at FY2019 average rates.

Operating margins

This Prospectus contains references to the Group's operating margins, which are APMs and not measures of financial performance under IFRS. In determining its operating margins, the Group divides its operating profit by its revenue. The Group's statutory operating margins were 21.3 per cent. in FY2020, 19.7 per cent. in FY2019 (on both an original and comparative basis) and 23.2 per cent. in FY2018. The Group's underlying operating margins were 21.6 per cent. in FY2020, 23.2 per cent. in Comparative FY2019, 23.1 per cent. in Original FY2019 and 27.1 per cent. in FY2018.

The Group's organic operating margins were 22.1 per cent. in FY2020, 23.8 per cent. in Comparative FY2019, 23.7 per cent. in Original FY2019 and 28.8 per cent. in FY2018.

The Group believes that the presentation of its operating margins is helpful to investors because these and other similar measures enable understanding of like-for-like comparison of performance of the continuing business.

Other APMS

Certain other APMs are referred to elsewhere in this Prospectus. These include:

- annualised recurring revenue (**ARR**), which is the normalised reported recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by 12. Adjustments to normalise reported recurring revenue include those components that management has assessed should be excluded in order to ensure the measure reflects that part of the contracted revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods (such as non-refundable contract sign-up fees). ARR represents the annualised value of the recurring revenue base that is expected to be carried into future periods, and its growth is a forward-looking indicator of reporting recurring revenue growth;

- software subscription penetration, which is organic software subscription revenue expressed as a percentage of organic total revenue. The Group uses this APM to measure the progress of migrating its customer base from licence and maintenance to a subscription relationship;

- Sage Business Cloud penetration, which is organic recurring revenue from the Sage Business Cloud (native and connected cloud) expressed as a percentage of the organic recurring revenue of the Future Sage Business Cloud Opportunity. Future Sage Business Cloud Opportunity is defined as revenue from customers using products that are currently part of - or that management currently believe have a clear pathway to - Sage Business Cloud. The Group uses this APM to measure the progress in the migration of its revenue base to the Sage Business Cloud by connecting its solutions to the cloud and/or migrating its customers to cloud connected and cloud native solutions; and

- renewal by value, which is the ARR from renewals, migrations, upsell and cross-sell of active customers at the start of the year, divided by the opening ARR for the year. This APM is used as an indicator of the Group's ability to retain and generate additional revenue from its existing customer base through up and cross sell.

Each of these measures is a strategic key performance indicator (**KPI**) monitored and reported by management to demonstrate the Group's strategic progress, showing how it achieves success and reinforcing the quality of its performance.

In addition, the Group monitors and reports its underlying cash flow from operations, its free cash flow and its underlying cash conversion. Underlying cash flow from operations is the Group's underlying operating profit adjusted for non-cash items, net capital expenditure (excluding business combinations and similar items) and changes in working capital and it shows the cash flow generated by the Group's operations and enables the calculation of underlying cash conversion. Underlying cash conversion is the Group's underlying cash flow from operations divided by its underlying (as reported) operating profit and informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash. Free cash flow is calculated as cash flow from operations minus non-recurring cash items, interest paid, tax paid and adjusted for profit and loss foreign exchange movements and measures the cash generated by the Group's operating activities during the period that is available to repay debt, undertake acquisitions or distribute to shareholders.

The table below shows the Group's calculation of underlying cash flow from operating activities and free cash flow for each of FY2020, FY2019 and FY2018.

	FY2020	FY2019	FY2018
	(£ million, except where otherwise indicated)		
Underlying operating profit (as reported)	**411**	**448**	**504**
Depreciation, amortisation and non-cash items in profit[1]	56	33	28
Share-based payments	29	26	5
Net changes in working capital[1]	45	108	(10)
Net capital expenditure[1]	(36)	(38)	(45)
Underlying cash flow from operations	**505**	**577**	**482**
Underlying cash conversion (*per cent.*)	123%	129%	96%
Non-recurring cash items[1]	(4)	(24)	(35)
Net interest paid[1]	(26)	(21)	(26)
Income tax paid[1]	(93)	(88)	(64)
Profit and loss foreign exchange movements[1]	—	(1)	(1)
Free cash flow[1]	**382**	**443**	**356**

Further, the Group also monitors and reports its leverage ratio, which is defined as net debt divided by EBITDA. Net debt is determined as total borrowings less cash and cash equivalents inclusive of the impact of businesses categorised as held for sale and EBITDA is determined as underlying operating profit excluding depreciation, amortisation and share-based payments. In addition to enabling the calculation of the leverage ratio, EBITDA also shows profitability before the impact of major non-cash charges.

The table below shows the Group's calculation of EBITDA and its leverage ratio for each of FY2020, Comparative FY2019, Original FY2019 and FY2018.

	FY2020	Comparative FY2019	Original FY2019	FY2018
	(£ million, except where otherwise indicated)			
Underlying operating profit	**411**	**441**	**448**	**509**
Depreciation and amortisation[1]	58	35	35	34
Share-based payments	29	26	26	5
EBITDA[1]	**498**	**502**	**509**	**548**
Net debt	151	393	393	668

[1] The information for FY2018 has been derived from the Annual Report of the Issuer for the financial year ended 30 September 2019.

Net debt/EBITDA leverage ratio[2]	0.3x	0.8x	0.8x	1.2x

Third party and market share data

This Prospectus contains information regarding the Group's business and the industry in which it operates and competes, which the Group has obtained from third party sources. Where third party information has been used in this Prospectus, the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Prospectus is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Group believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group's knowledge of the market within which it operates, the Group cannot provide any assurance that a third-party expert using different methods would reach the same conclusions.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

The Group's website is www.sage.com. The information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

Certain defined terms and rounding

All references in this Prospectus to:

FY2021 are to the financial year ending 30 September 2021;

FY2020 are to the financial year ended 30 September 2020;

FY2019 are to the financial year ended 30 September 2019;

FY2018 are to the financial year ended 30 September 2018; and

GBP, sterling, pounds and **£** are to the currency of the United Kingdom.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

[2] The information for FY2018 has been derived from the Annual Report of the Issuer for the financial year ended 30 September 2019.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which have been previously published or are published simultaneously with this Prospectus. The following documents shall be incorporated in, and form part of, this Prospectus:

(a) the audited consolidated financial statements of the Issuer for the financial year ended 30 September 2020, together with the auditor's report thereon (which can be found at pages 156 – 232 of the Annual Report of the Issuer for the financial year ended 30 September 2020) (which can be accessed from the following hyperlink: https://www.sage.com/investors/-/media/files/investors/documents/pdf/overview/financial-statements-2020.pdf); and

(b) the audited consolidated financial statements of the Issuer for the financial year ended 30 September 2019, together with the auditor's report thereon (which can be found at pages 130 - 205 in the Annual Report of the Issuer for the financial year ended 30 September 2019) (which can be accessed from the following hyperlink: https://www.sage.com/investors/-/media/files/investors/documents/pdf/overview/fy19-financial-statements.pdf).

Any documents or information that are incorporated by reference into the documents listed above do not form part of this Prospectus. Any information contained in any of the documents specified above which is not expressly incorporated by reference in this Prospectus does not form part of this Prospectus and is either not relevant to investors or is covered elsewhere in this Prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements included in this Prospectus may constitute "forward-looking statements". Forward-looking statements are all statements in this Prospectus that do not relate to historical facts and events, and include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. The Issuer uses the words "may", "will", "could", "believes", "assumes", "intends", "estimates", "expects", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions, or the negative thereof, to generally identify forward looking statements.

Forward-looking statements may be set forth in a number of places in this Prospectus, including (without limitation) in the sections "*Risk Factors*" and "*Description of the Group*". The Issuer has based these forward-looking statements on the current view with respect to future events and financial performance. These views involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements contained in this Prospectus and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements are made only as at the date of this Prospectus. Except to the extent required by law, the Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

RISK FACTORS

*The purchase of any Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in such Notes. Before making an investment decision, prospective purchasers of any Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus. If any, or a combination of, these risks occurs, the Group could be materially adversely affected in the manner described in each individual risk. For the purposes of this section, the indication that a risk, uncertainty or problem may or will have a "**material adverse effect**" on the Group or that the Group may be "**materially adversely affected**" means that the risk, uncertainty or problem could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows, liquidity, reputation and/or prospects and/or on the Group's ability to make payments under any Notes and/or on the market price of any Notes, except as otherwise indicated or as the context may otherwise require.*

The Issuer believes that the factors described below represent all the material risks inherent in investing in the Notes, but the inability of the Issuer to pay amounts due under any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP

The Group's success depends upon its ability to develop new products and services, integrate acquired products and services and enhance its existing products and services

Rapid technological advances, changing delivery models and evolving standards in computer hardware and software development and communications infrastructure, changing and increasingly sophisticated customer needs and frequent new product introductions and enhancements characterise the industry in which the Group competes. If the Group:

- fails to anticipate, understand or deliver the products and services its current and future customers need in order to be successful in a timely manner; or

- fails to position and price its products and services to meet current and future customer demand,

customers may not purchase or subscribe to its software or cloud offerings or renew software support or cloud subscription contracts which could adversely affect its reputation, revenue and, potentially, profitability. Renewals of these contracts are critical to the growth of the Group's business.

The Group continues to refresh and release new offerings of cloud products and services, as demonstrated by the launch of Sage Intacct in all English speaking territories by the end of FY2020 and the launch of Sage Business Cloud Accounting in Northern Europe in FY2020. A key component of the Group's transition to a software as a service (**SaaS**) company is the delivery of cloud connected and cloud native products. To achieve this, the Group will need to execute on a prioritised product strategy that moves its product portfolio to cloud native solutions. If the Group is unable to develop new or sufficiently differentiated products and services, including both cloud connected and cloud native solutions, that are aligned with the Group's goals and deliver against its customers' needs, or if its products and services do not enhance and improve its existing product offerings and support services in a timely manner, there is a significant risk that customers will migrate to other providers that better meet their existing and future needs which could adversely affect the Group's reputation, revenue and, potentially, profitability.

The Group's business, including its reputation, revenue and profitability, may also be adversely affected if:

- it does not continue to develop and release new or enhanced cloud-based products and services within the anticipated time frames;
- there is a delay in market acceptance of new, enhanced or acquired product lines or services;
- there are changes in information technology (**IT**) trends that the Group does not adequately anticipate or address with its product development efforts; or
- the Group does not optimise complementary product lines and services on a timely basis.

The Group's cloud strategy, including its SaaS offering, may adversely affect its revenues and profitability if it is unable to sustain the required levels of innovation

The Group is increasingly providing services to customers worldwide through cloud-based SaaS offerings. As discussed above under "*The Group's success depends upon its ability to develop new products and services, integrate acquired products and services and enhance its existing products and services*", as this business model continues to evolve, the Group must be able to rapidly deploy new innovations, whether relating to new technologies or services, or new ways of working with the Group, to its customers and partners. In addition, as the Group continues to transition into a SaaS company, there is a greater focus on ensuring that it is able to continue to scale its services environment in a robust, agile, and speedy manner to ensure the delivery of a consistent and robust cloud experience. This delivery could relate to new technologies, operating practices and services.

If the Group is unable to deploy new innovations or appropriately scale its live services environment, it may not be able to compete effectively, generate significant recurring revenue or maintain the profitability of its cloud offering. Additionally, the increasing prevalence of cloud and SaaS delivery models offered by the Group and its competitors may unfavourably impact the pricing of the Group's on-premise licence offerings. If the Group does not successfully execute its cloud computing strategy or anticipate the cloud computing needs of its current and future customers, its reputation as a provider of cloud-based products and services could be harmed and its revenue and profitability could decline.

Customers generally purchase the Group's cloud offering on a subscription basis and revenue from this offering is generally recognised rateably over the term of each subscription. Consequently, any deterioration in sales activity associated with the Group's cloud offering may not be immediately observable in its consolidated income statement, notwithstanding that the Group reports both recurring revenue and annualised recurring revenue (ARR). This is in contrast to revenue associated with the Group's on-premise licence arrangements which are generally recognised in full at the time of delivery of each licence. In addition, the Group incurs certain expenses associated with the infrastructure and marketing of its cloud offering in advance of its ability to recognise the revenue associated with this offering.

If the Group's live services environment fails this could result in loss of revenue and additional cost

If the Group suffers an event that causes the live services environment to fail, for example due to the operating environment being changed internally through product or system changes, through external or internal cyber-attack or other malicious attack through or a key third party provider being impacted, this could result in reputational damage and loss of revenue and could materially increase the Group's costs thereby negatively impacting its profitability.

Sales and implementation of the Group's products and services, including through the cloud, are subject to a number of significant risks sometimes beyond the Group's direct control

A core element of the Group's business is the successful implementation of software and service solutions to enable its customers to run their businesses. The implementation of the Group's software and cloud-based service deliveries is led by the Group, its partners and customers. In implementing new products and services in the medium business segment in particular, the Group is exposed to a number of risks that may fall outside of its direct control, including implementations taking longer than planned, costing more than anticipated or failing to generate the profit expected.

Further, if the Group fails to encourage and sustain the innovation that is required to create disruptive technologies, processes and services, its ability to deliver on its commercial goals will be adversely affected. In addition, if the Group fails to identify, develop and maintain a blend of channels to market, including through offering appropriate internal support, market data and intelligence to its partners, its ability to sell and support the right products and services to the right customers at the right time will be impaired.

In addition, if the Group fails to maintain a sharp focus on the relationship it has with its customers, including through aligning its front and back office activities to deliver the products, services and proactive support which its customers need to be successful, it will not be able to achieve sustainable growth. This also includes ensuring that the Group's partners are similarly aligned, and able to deliver effectively against the Group's expectations.

If any of the above risks materialise, this could have a material adverse effect on the Group's reputation and revenue and could materially increase its costs thereby negatively impacting its profitability.

If the Group is unable to maintain and enhance an effective partner ecosystem, its revenue might not increase as expected

The Group believes that an open and vibrant partner ecosystem is a fundamental pillar of its success and growth strategy. The Group has entered into partnership agreements that drive co-innovation on its platforms, profitably expand all its routes to market to optimise market coverage, optimise cloud delivery and provide high-quality services capacity in all market segments. Partners play a key role in driving market adoption of the Group's solutions portfolio, by co-innovating on its platforms, embedding its technology and reselling and/or implementing its software.

However, if the Group is unable to develop, manage and maintain strong relationships with the partners who are critical to the delivery of its products and services, and are critical to its profile in the market, it could experience significant reputational and financial damage.

The Group's sales partnerships and delivery partnerships expose it to a range of risks primarily including, but not limited to:

- the Group's failure to maintain a network of qualified and fully committed delivery partners supporting its needs, which could result in the Group's products or services being less strategic and/or attractive than those of its competitors;
- partners not renewing agreements with the Group, or not entering into new agreements on terms acceptable to the Group or at all, or starting to compete with the Group;
- partners not developing a sufficient number of new solutions and content on the Group's platforms or not providing high-quality products to meet customer expectations;

- partners not embedding the Group's solutions sufficiently enough to profitably drive product adoption, especially with innovations such as the Group's cloud platform;

- partners failing to adhere to applicable legal and compliance regulations or failing to meet the quality requirements or other customer expectations of the Group's customers; and

- partners not transforming their business models in accordance with the transformation of the Group's business model in a timely manner.

If one or more of these risks materialise, this could have an adverse effect on the demand for the Group's products and services as well as the partner's loyalty and ability to deliver.

If the confidentiality, integrity or availability of data stored or processed by the Group's products and services is compromised for any reason, service delivery to customers could be impacted, the Group's reputation and brand could be damaged, and its customers could stop using its products and services, all of which could reduce the Group's revenue and profitability, increase its expenses and expose it to legal claims and regulatory action

The Group operates in the data-driven technology sector in conjunction with products and components across a broad ecosystem. Its products and services, including its cloud services, store, retrieve, manipulate and manage its and its customers' information and data as well as external data.

The Group has a reputation for secure and reliable product offerings and related services and has invested significant time and resource in protecting the integrity and security of its products, services and the internal and external data that it manages.

At times, the Group encounters attempts by third parties (which may include individuals or groups of hackers and sophisticated organisations, such as state-sponsored organisations, nation states and individuals sponsored by them) to identify and exploit product and service vulnerabilities, penetrate or bypass the Group's security measures, and gain unauthorised access to the Group's or its customers', partners' and suppliers' software, hardware and cloud offerings, networks and systems, as well as third party data, products or services incorporated into, or that are designed to interact with, the Group's portfolio of products. Data may also be accessed or modified improperly as a result of customer, partner, employee or supplier error or malfeasance, and third parties may attempt to fraudulently induce customers, partners, employees or suppliers into disclosing sensitive information, such as user names, passwords or other information, in order to gain access to the Group's data, its customers', suppliers' or partners' data or the IT systems of the Group and its customers, suppliers or partners.

If successful, any of these could lead to the compromise of personal data or the confidential information or data of the Group or its customers, create system disruptions and cause shutdowns or denials of service. This, in turn, could cause the Group to suffer significant damage to its brand and reputation. Customers could also lose confidence in the security and reliability of the Group's products and services, including its cloud offerings, and perceive them to be insecure. This could lead to fewer customers using the Group's products and services and result in reduced revenue and profitability. The costs the Group would incur to address and fix these security incidents would increase its expenses. These types of security incidents could also lead to loss or destruction of information, inappropriate use of proprietary and sensitive data, lawsuits, indemnity obligations, regulatory investigations and financial penalties, and claims and increased legal liability, including in some cases contractual costs related to customer notification and fraud monitoring. These costs can potentially be very significant, and may exceed amounts covered by the Group's insurance.

Because the techniques used to obtain unauthorised access to, or sabotage, IT systems change frequently, grow more complex over time and often are not recognised until launched against a target, the Group may be unable to anticipate or implement adequate measures to prevent against such techniques. The Group's internal IT systems continue to evolve and it is often an early adopter of new technologies. However, its business policies and internal security controls may not keep pace with these changes as new threats emerge. In addition, the Group may not discover any security breach and loss of information for a significant period of time after the security breach.

The Group's market share and profit could decline due to increased competition, market consolidation, technological innovation, and new business models in the software industry

The Group believes that the market for cloud computing is increasing and shows strong growth relative to the market for on-premise solutions. To maintain or improve its operating results in the cloud business, it is important that its customers renew their agreements with the Group when the initial contract term expires and continue to purchase additional modules or additional capacity.

Additionally, the Group intends to bring new solutions based on its cloud platform to the market in line with demand and ahead of its competitors. The Group believes that growth in the cloud computing market and any inability on its part to compete effectively in that market, see "*—If the Group is unable to compete effectively, its results of operations and prospects could be adversely affected*" below, could result in:

- potential loss of existing on-premise customers due to competing cloud market trends;
- customers and partners being reluctant or unwilling to migrate and adapt to the cloud or considering competitive cloud offerings or not extending renewals;
- existing customers cancelling or not renewing their maintenance contracts, or deciding not to buy additional products and services from the Group;
- the market for cloud business failing to develop further, or developing more slowly than currently anticipated by the Group; and
- strategic alliances among competitors and/or their growth-related efficiency gains in the cloud area leading to significantly increased competition in the market with regards to pricing and ability to integrate solutions.

Any one or more of these events materially adversely affect the Group's revenue.

If the Group is unable to compete effectively, its results of operations and prospects could be adversely affected

The Group faces intense competition in all aspects of its business. The nature of the IT industry creates a competitive landscape that is constantly evolving as firms emerge, expand or are acquired, as technology evolves, and as delivery models change. The Group believes that by offering its current and potential customers the right information on the right products and services at the right time, it can maximise the value that it can obtain from its marketing and customer engagement activities. This can shorten the Group's sales cycle and ensure that customer retention is improved. The Group can also use new products and services, such as payments and banking technologies, to attract new customers.

However, other vendors may spend greater amounts than the Group at different points in their product cycles to develop and market applications and technologies which compete with the Group's offerings. Existing use of a competitors' technology may influence a customer's purchasing decision or create an environment that makes it less efficient to utilise the Group's products and services.

The Group may fail to realise some or all of the benefits described in the first paragraph above and it could lose customers if its competitors introduce new competitive products, add new functionality, acquire competitive products, reduce prices, better execute on their sales and marketing strategies, offer more flexible business practices or form strategic alliances with other companies. The Group may also face increasing competition from open source software initiatives in which competitors may provide software and intellectual property for free. Existing or new competitors could gain sales opportunities or customers at the Group's expense.

Further, the collection and use of information is fundamental to the Group's business as it enables revenue creation, gives the Group the ability to improve its customers' experience and enables the Group to meet its obligations and commitments. Any failure to gather and use its information effectively may result in the Group failing to identify particular market opportunities which could result in lost revenue and a weakened competitive position if the Group's competitors are able to leverage these opportunities before the Group.

The Group might experience significant coding or other errors in its cloud and on-premise licence offerings

Despite testing prior to the release and throughout the lifecycle of a product or service, the Group's cloud and on-premise licence offerings sometimes contain coding or other errors that can impact their function, performance and security, and result in other negative consequences. The detection and correction of any errors in released offerings can be time consuming and costly. Errors in the Group's cloud and on-premise licence offerings could:

- affect their ability to properly function or operate with other cloud, licence or hardware offerings;
- delay the development or release of new products or services or new versions of products or services;
- potentially create security vulnerabilities in the Group's products or services; and
- adversely affect market acceptance of the Group's products or services.

This includes third-party software products or services incorporated into the Group's. If the Group experiences errors or delays in releasing its cloud or on-premise licence offerings or new versions of them, its sales could be affected and its revenue could decline.

In addition, the Group runs many of its business operations on its own networks, and using some of its own products. As a result, any flaws in its products could affect the Group's ability to conduct its own business operations. Customers rely on the Group's cloud and on-premise licence offerings and related services to run their businesses and errors in those offerings and related services could expose the Group to product liability, performance and warranty claims as well as significant damage to its brand and reputation, which could impact the Group's future sales.

Any failure to offer high-quality technical support services may adversely affect the Group's relationships with its customers and its financial results

The Group's customers depend on its support organisation to resolve technical issues relating to its offerings. The Group may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenue, could increase costs and adversely affect the Group's operating results. Any failure to maintain high-quality technical support, or a market perception that the Group does not maintain high-quality support, could adversely affect the Group's reputation, its ability to sell its products and services to existing and prospective customers and its business, operating results and financial position.

The knowledge and skills of its employees are critical to the Group's future success

As the Group transitions into a SaaS business, the capacity, knowledge and leadership skills that it needs are changing. As a result, the Group increasingly needs to attract specialist talent and experience to help it make this change and also needs to provide an environment where its employees can develop to meet new expectations. In the technology industry, there is substantial and continuous competition for highly skilled personnel. The Group may not therefore be successful in recruiting the new personnel that it requires or in retaining and motivating existing personnel, which could, over time, adversely affect its financial performance. The Group may also experience increased compensation costs that are not offset by either improved productivity or higher sales.

The Group believes that a shared value-based behavioural competency that encourages employees to always do the right thing, put customers at the heart of business and drive innovation will be critical in its successful transition to a SaaS business. In particular, the Group is focusing on devolution of decision making, and the acceptance of accountability for these decisions, as the Group develops and sustains its shared values and behaviours, and develops a SaaS culture. The Group also believes that it will need to create a culture of empowered leaders that support the development of ideas, and that provide employees with a safe environment that allows for honest disclosures and discussions. Any failure by the Group to develop these competencies and culture could materially adversely affect its future success as a SaaS business.

Governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection could significantly negatively impact the Group's business

The Group is subject to a number of laws and regulations relating to privacy and data protection, including the General Data Protection Regulation (Regulation (EU) 2016/679) (**GDPR**), which will be retained into UK domestic law following the UK's withdrawal from the EU on 31 December 2020, the UK Data Protection Act 2018, and US federal and applicable state privacy laws (including the California Consumer Privacy Act 2018). As the regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the handling of personal data expand and become more complex, the Group expects that potential risks related to data collection and use within its business will intensify. In addition, new laws or regulations governing privacy, security and data protection may be introduced which will apply to the Group in future. The nature and extent of such additions and changes in data protection laws or regulations, and the impact they may have on the Group, is uncertain.

Data protection laws applicable to the Group impact the ability of its customers, partners and data providers, to collect, augment, analyse, use, transfer and share personal and other information that is integral to certain services the Group provides. This is particularly true in jurisdictions where privacy laws or regulators take a broader view of how personal data is defined, or – in case of the EU – where member state regulators have different interpretations of GDPR or take different approaches to enforcement and the exercise of rights, therefore subjecting the processing of such data to certain restrictions that may be obstructive to the Group's operations and the operations of its customers, partners and data providers. The impact of such restrictions is acute in jurisdictions that have passed or are considering passing legislation that requires data to remain localised "in country", as this imposes financial costs on any service provider that is required to store data in certain jurisdictions where it does not otherwise store data and non-standard operational processes that are difficult and costly to integrate with global processes.

Regulators can impose significant monetary fines for violations of laws and regulations relating to privacy and data protection. For example, non-compliance with the GDPR may result in monetary penalties of up to 4 per cent. of the Group's worldwide turnover in the preceding financial year. The GDPR, and other changes in laws or regulations associated with the enhanced protection of personal data, mean that the size of potential fines related to data protection and the Group's cost of providing its products and services, could result in changes to its business practices, and could prevent the Group from offering certain services in jurisdictions in which it operates. Although the Group has implemented contracts, policies and procedures designed to ensure compliance with applicable laws and regulations, there can be no assurance that its employees, contractors, partners, data providers or agents will not violate such laws and regulations or the Group's contracts, policies and procedures. Additionally, public perception and standards related to the privacy of personal data can shift rapidly, in ways that may affect the Group's reputation or influence regulators to enact regulations and laws that may limit the Group's ability to provide certain products.

The Group is also subject to restrictions under data protection law in relation to the international transfer of personal data. For example, in order to transfer data outside of the EEA or UK to a non-adequate country, the GDPR requires the Group to enter into an appropriate transfer mechanism. In the event a regulator or court imposes additional restrictions on such transfers, there may be operational interruption in the performance of services for customers and internal processing of employee information and increased regulatory liabilities.

The UK became a third country for the purposes of GDPR following the end of the Brexit transition period on 31 December 2020. The European Commission has not adopted a data protection adequacy decision in relation to the UK. Transfers of data from the EEA to non-adequate third countries (countries or territories which are not subject to an adequacy decision) must be made pursuant to appropriate safeguards (i.e. an international transfer mechanism) outlined in the GDPR. The implementation of these appropriate safeguards can involve significant additional expense and potentially increased compliance risk.

However, the EU-UK Trade and Cooperation Agreement contains a four month grace period from 1 January 2020, during which time data transfers from the EEA to the UK will be conducted as if the UK did not become a third country under EU law. This means that an international transfer mechanism under GDPR is not required for EEA-UK transfers during this four month period. If the European Commission does not adopt an adequacy decision for the UK within the four month period, the grace period will be extended by an additional two months (unless either the UK or EU objects). In the event the European Commission does not adopt an adequacy decision for the UK during the grace period, an international transfer mechanism under GDPR is required for data transfers from the EEA to the UK.

The Group has been preparing for the possibility that the UK will not receive an adequacy decision and is implementing legal safeguards in place with respect to the transfer to, and processing by, the UK business of personal data relating to individuals located in the EU. This may result in significant additional expense and potentially increased compliance risk.

The decision by the Court of Justice of the European Union in *Data Protection Commissioner v Facebook Ireland and Maximillian Schrems* (Case C-311/18) (**Schrems II**) invalidated the EU-US Privacy Shield, which previously facilitated certain EU-US data transfers. The Group has, and continues to, identify reliance on the EU-US Privacy Shield and implement alternative legal safeguards to all for the continuance of transfers.

Schrems II also made compliant data transfers under standard contractual clauses (**SCCs**) - the most commonly used mechanism for data transfers - more onerous for data exporters and importers, particularly for transfers to countries where national laws provide for surveillance powers and insufficient judicial redress for individuals from the EU. As a concurrent compliance measure, organisations exporting data from the UK and EEA to the US and other non-adequate jurisdictions should conduct transfer adequacy assessments to assess on a case-by-case basis whether additional safeguards are required (to supplement existing SCCs) to ensure the transferred data is afforded a level of protection essentially equivalent to that guaranteed within the EEA and UK.

The situation in relation to international data transfers from the EEA and UK continues to evolve and there is significant uncertainty as to how organisations can rely on SCCs and other transfer mechanisms to transfer data outside the UK and EEA. In November 2020, the European Data Protection Board

(**EDPB**) published guidance on SCCs and international transfers, and the European Commission published new draft SCCs. The guidance and new draft SCCs are currently subject to public consultation. Once the new draft SCCs are approved, organisations will need to use the new SCCs immediately in new contracts and have a 12 month grace period to implement the new SCCs into legacy contracts from the date they enter into force. The implementation of new SCCs and compliance with new guidance on international transfers may result in additional expense and increased compliance risk. The Group has reviewed the EDPB's guidance and new draft SCCs and prepared a detailed plan and supporting guidance to action their implications on the Group's intra-Group and external arrangements.

The Group may make statements about its use and disclosure of personal data through its privacy policy, information provided on its website and press statements. Any failure, or perceived failure, by the Group to comply with these public statements or with applicable laws and regulations, including laws and regulations regulating privacy, data security or consumer protection, could result in lost or restricted business, proceedings, actions or fines brought against the Group or levied by governmental entities or others, or could adversely affect the Group's business and damage its reputation.

Economic, political and market conditions could have a material adverse effect on the Group

The Group's business is influenced by a range of factors that are beyond its control and that are difficult to forecast accurately. These include:

- general economic and business conditions;
- overall demand for cloud and licenced products and services;
- governmental budgetary constraints or shifts in government spending priorities; and
- general legal, regulatory and political developments.

Due to its wide geographic spread, the Group is generally protected from localised or regional economic downturns. However, macroeconomic developments that lead to significant global uncertainty or instability in economic, political or market conditions could negatively affect the Group's business, operating results, financial condition and outlook. Any general weakening of, and related declining corporate confidence in, the global economy or the curtailment of government or corporate spending across multiple markets could cause current or potential customers to reduce or eliminate their IT budgets and spending, which could cause customers to delay, decrease or cancel purchases of the Group's products and services or cause customers not to pay the Group or to delay paying the Group for previously purchased products and services. In this connection, the Group may be exposed to weakening economic conditions across its markets driven by the Covid-19 pandemic and the measures put in place around the world to try to stop it. For example, the IMF's World Economic Outlook October 2020 projects global growth, which was 4.6 per cent. in 2019, to be minus 4.4 per cent. in 2020 before recovering to 5.2 per cent. in 2021. These forecasts may prove to be optimistic as the report predates the resurgence of the virus and the imposition of further containment measures across large parts of Europe in the fourth quarter of 2020 and the first quarter of 2021. During 2020, Covid-19 has led to uncertainty among businesses globally. This caused the Group's growth to ease back in the second half of FY2020 and, in the short term, the Group expects its growth to continue to moderate.

The Group was affected by the impact of the Covid-19 pandemic in FY2020. In particular:

- the Group's revenue growth declined in the second half of FY2020, driving an ARR exit rate of 4.8 per cent., compared to recurring revenue growth of 8.5 per cent. in FY2020 which was in line with guidance. This was driven by deferral of purchase decisions by customers, leading to a slowdown in new customer acquisition and a lower level of cross-sell / up-sell resulting in a reduction in renewal by value to 99 per cent. in FY2020 from 101 per cent. in FY2019; and

- the Group's organic operating margin declined to 22.1 per cent. from 23.8 per cent. in Comparative FY2019, in part reflecting a £17 million expected credit loss allowance against trade receivables for FY2020 to address the Covid-19 situation, which represented an additional 6 per cent. loss rate above historical rates.

During FY2020, the Group extended by one year each of its syndicated term loan and revolving credit facilities and also announced the cancellation of its previously announced £250 million share buy-back programme, after £7 million of shares had been purchased. These actions were taken to support the Group's financial strength given the uncertain macroeconomic environment due to Covid-19 and the Group has also announced that it may adjust its level of investment dynamically during FY2021.

Whilst the impact of Covid-19 on the Group's FY2020 financial performance has been limited, the Group believes that it is subject to increased uncertainty in the near term, particularly from the potential impact on its small and medium-sized business customers of government support mechanisms coming to an end. If those customers are significantly impacted by the removal of government support, this could lead to increased churn in the Group's customers base, a reduction in new customers and/or an increase in the Group's expected credit loss levels, all of which could negatively impact its profitability.

The Group's international sales and operations subject it to additional risks that can adversely affect its operating results

The Group derives a substantial portion of its revenue from, and has significant operations, outside the United Kingdom. The Group's international operations include cloud operations, customer support, consulting and other services and shared administrative service centres. As a result, it is critical that the Group continuously applies sustainable and repeatable end-to-end business processes and controls, through a business control framework that prioritises processes, technology and ownership, and ensures that its control framework is simplified to enable improved focus on the outcomes that help drive customer success and therefore translate into enhanced subscription growth.

Compliance with the laws and regulations that apply to the Group's international operations increases its cost of doing business. These laws and regulations include data privacy requirements, labour relations laws, tax laws, foreign currency-related regulations, competition regulations, money laundering regulations, anti-corruption laws, sanctions legislation, market access, import, export and general trade regulations. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against the Group, its officers or employees, and prohibitions on the conduct of the Group's business, including the loss of trade privileges. Any such violations could also materially damage the Group's reputation, brand and ability to attract and retain employees.

Compliance with these laws requires a significant amount of management attention and effort, which may divert management's attention from running the Group's business operations and could harm the Group's ability to grow its business, or may increase the Group's expenses as it engages specialised or other additional resources to assist it with its compliance efforts. The Group's success depends, in part, on its ability to anticipate these risks and manage these difficulties. The Group monitors its operations and investigates allegations of improprieties relating to transactions and the way in which such transactions are recorded. Where circumstances warrant, the Group provides information and reports its findings to government authorities, but no assurance can be given that action will not be taken by such authorities.

The Group is also subject to a variety of other risks and challenges in managing an organisation operating globally, including those related to:

- general economic conditions in each country or region;

- fluctuations in currency exchange rates and related impacts to customer demand and the Group's operating results;

- regulatory changes, including government austerity measures in certain countries that the Group may not be able to sufficiently plan for or avoid that may unexpectedly impair bank deposits or other cash assets that the Group holds in these countries or that impose additional taxes that the Group may be required to pay in these countries;

- political unrest, terrorism and the potential for other hostilities;

- common or customary local business behaviours that are in direct conflict with the Group's business ethics, practices and conduct policies;

- longer payment cycles and difficulties in collecting accounts receivable;

- overlapping tax regimes;

- public health risks, social risks and supporting infrastructure stability risks, particularly in areas in which the Group has significant operations; and

- reduced protection for the Group's intellectual property rights in some countries.

The variety of risks and challenges listed above could also disrupt or otherwise negatively impact the sales of the Group's products and services in affected countries or regions.

The Group might not acquire and integrate companies effectively or successfully

As part of its growth strategy, the Group may acquire businesses, products and technologies. For example, in 2017 it acquired Intacct Corporation (**Sage Intacct**) and Fairsail (renamed **Sage People**) and in 2019 and 2020 it acquired Ocrex Limited (which traded as **AutoEntry**) and HR Bakery Limited (renamed **Sage HR**), respectively, which were both small but strategically important acquisitions. The negotiation of potential acquisitions and alliances, and the subsequent integration of acquired businesses, products and/or technologies demands time, focus and resources of both management and workforce, and may expose the Group to unpredictable operational difficulties.

Any acquisition entered into by the Group, including those described above, exposes the Group to a range of risks, including:

- disruption of the Group's ongoing business and diversion of its management's attention by acquisition, transition or integration activities;

- incorrect assumptions made during the due diligence process for the acquisition which could result in (i) an acquisition not furthering the Group's business strategy as expected, (ii) integration of an acquired company or technology not being as successful as expected or (iii) the acquired business otherwise being negatively impacted, any of which could mean that the Group overpays for, or otherwise fails to realise the expected return on, the investment;

- the failure to successfully integrate (i) acquired technologies or solutions into the Group's solution portfolio and strategy, (ii) acquired operations, cultures or languages, all within the constraints of applicable local laws and (iii) the Group's internal controls and other systems, procedures and policies within acquired companies, which could result in higher costs or lower revenue than anticipated and could cause customer confusion;

- the loss of the acquired company's key employees, customers and partners, which could reduce the anticipated revenue to be derived from the acquisition;

- the Group's operating results or financial condition being adversely impacted by (i) claims or liabilities that the Group assumes from an acquired company or technology or that are otherwise related to an acquisition, including, among others, claims from government agencies, terminated employees, current or former customers, former shareholders or other third parties; (ii) pre-existing contractual relationships of an acquired company that the Group would not have otherwise entered into, the termination or modification of which may be costly or disruptive to the Group's business; (iii) unfavourable revenue recognition or other accounting treatment as a result of an acquired company's practices; and (iv) intellectual property claims or disputes;

- the failure to coordinate the acquired company's research and development, sales and marketing activities with those of the Group thereby losing anticipated synergistic benefits from the acquisition;

- the incurrence of significant debt to make the acquisition or significant unexpected cash expenditures, which could give rise to a number of risks, see "—*There are risks associated with the Group's outstanding and future borrowings*" below; and

- the impairment of goodwill and other intangible assets acquired in business combinations which could reduce the Group's profitability.

Any one or more of these events could have a material adverse effect on the Group.

There are risks associated with the Group's outstanding and future borrowings

As at 30 September 2020, the Group had an aggregate of £990 million of outstanding borrowings, almost all of which mature between September 2022 and February 2025 and the Group may incur additional indebtedness in the future. The Group's ability to pay interest on, and repay the principal of, its indebtedness is dependent upon its ability to manage its business operations and generate sufficient cash flows to service that debt, which in turn are subject to a range of factors, many of which are outside the Group's control, including:

- general economic and market conditions;

- international and domestic interest rates;

- credit availability from banks or other financiers; and

- investor confidence in the Group.

At times in the past, global credit markets have experienced difficult conditions, including reduced liquidity, greater volatility, widening of credit spreads, bank liquidity and solvency concerns leading to significant government intervention and financial support, and decreased availability of funding generally. Any recurrence of these conditions could make it difficult or significantly more expensive for the Group to obtain additional financing, either on a short-term or long-term basis, to fund developments or to repay existing financing.

To the extent that the Group's debt increases significantly in the future, its leverage could:

- require a substantial portion of the Group's cash flow from operations to be dedicated to the payment of principal and interest on its indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditures and future business opportunities and to pay dividends;

- expose the Group to the risk of increased interest rates with respect to its borrowings at variable rates of interest;
- limit the Group's ability to react to changes in the international economy;
- limit the Group's ability to obtain additional financing for working capital, capital expenditures, debt service requirements and general corporate or other purposes;
- affect the Group's ability to access funding through the debt capital markets on terms that are favourable for Group;
- negatively impact the credit ratings of the Group; and
- increase the likelihood of failure to meet all of its debt obligations.

The Group may also need to refinance a portion of its outstanding debt as it matures. There is a risk that the Group may not be able to refinance existing debt or that the terms of any refinancing may not be as favourable as the terms of its existing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. In addition, changes by any rating agency to the Group's outlook or credit rating could negatively affect the value of its debt and increase the interest amounts it pays on certain outstanding or future debt.

The Issuer's credit ratings may change and any ratings downgrade could make it more expensive for the Issuer to obtain new financing and adversely affect the value of the Notes

The Issuer has a rating of BBB+ (with stable outlook) from S&P.

The Issuer cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Any future downgrade or withdrawal at any time of a credit rating assigned to the Issuer by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of the Notes and cause trading in the Notes to be volatile.

The Group may not be able to protect its intellectual property rights

The Group relies on copyright, trademark, patent and trade secrecy laws, confidentiality procedures, controls and contractual commitments to protect its intellectual property rights. Despite the Group's efforts, these protections may be limited. Unauthorised third parties may try to copy or reverse engineer all or parts of the Group's products or otherwise obtain and use its intellectual property. Any patents owned by the Group may be invalidated, circumvented or challenged. Any of the Group's pending or future patent applications, whether or not being currently challenged, may not be issued with the scope of the claims sought, if at all. In addition, the laws of some countries do not provide the same level of protection of the Group's intellectual property rights as do the laws and courts of the U K. If the Group cannot protect its intellectual property rights against unauthorised copying or use, or other misappropriation, it may not remain competitive.

Third parties have claimed, and in the future may claim, infringement or misuse of intellectual property rights and/or breach of licence agreement provisions

The Group periodically receives notices from, or has lawsuits filed against it by, others claiming infringement or other misuse of their intellectual property rights and/or breach of the Group's agreements with them. These third parties include entities that acquire intellectual property like patents for the sole purpose of monetising their acquired intellectual property through asserting claims of infringement and misuse. The Group expects to continue to receive such claims as:

- it acquires companies and expands into new businesses;
- the number of products and competitors in its industry segments grows;
- the use and support of third-party code (including open source code) becomes more prevalent in the industry;
- the volume of issued patents continues to increase; and
- non-practicing entities continue to assert intellectual property infringement in the Group's industry segments.

Responding to any such claim, regardless of its validity, could:

- be time consuming, costly and result in litigation;
- divert management's time and attention from developing the Group's business;
- require the Group to pay monetary damages or enter into royalty and licensing agreements that it would not normally find acceptable;
- require the Group to stop selling or to redesign certain of its products;
- require the Group to release source code to third parties, possibly under open source licence terms;
- require the Group to satisfy indemnification obligations to its customers; or
- otherwise materially adversely affect the Group.

Any legal action that the Group brings to enforce its proprietary rights could also involve enforcement against a partner or other third party, which might have an adverse effect on the Group's ability, and its customers' ability, to use that partner's or other third parties' products.

The outcome of litigation and other claims or lawsuits is intrinsically uncertain. Management's view of the litigation might also change in the future. Actual outcomes of litigation and other claims or lawsuits could differ from the assessments made by management in prior periods, which are the basis for the Group's accounting for these litigations and claims under IFRS.

The Group is exposed to a range of operational risks

Operational risk and losses can result from fraud and errors by the Group's employees, failure to comply with regulatory requirements and equipment failures. In particular the proper functioning of the Group's IT systems is critical to its business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of its IT systems or the IT systems of its key suppliers. Such failures can be caused by a variety of factors, some of which are wholly or partially outside the Group's control, including natural disasters, extended power outages, computer viruses and malicious third party intrusions, see "*—If the confidentiality, integrity or availability of data stored or processed by the Group's products and services is compromised for any reason, service delivery to customers could be impacted, the Group's reputation and brand could be damaged, and its customers could stop using its products and services, all of which could reduce the*

Group's revenue and profitability, increase its expenses and expose it to legal claims and regulatory action" above. Losses from any failure of the Group's system of internal controls could materially adversely affect it.

The Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It will not always be possible for the Group to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. Any such actions by the Group's employees could expose the Group to financial losses resulting from the need to reimburse clients who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group's reputation.

These risks are aggravated in an organisation, such as the Group, which operates across a wide range of businesses in a number of different geographies. Accordingly, if the Group fails to apply sustainable and repeatable end-to-end business processes and controls this could significantly increase the risks of operational losses.

The Group spends significant amounts on research and development efforts which not always prove successful

An important element of the Group's corporate strategy is to continue to dedicate a significant amount of resources to research and development and related product and service opportunities both through internal investments and the acquisition of intellectual property from companies that it may acquire. Accelerated product and service introductions and short life cycles require high levels of expenditure for research and development that could adversely affect the Group's operating results if not offset by revenue increases. The Group believes that it must continue to dedicate a significant amount of resources to its research and development efforts to maintain its competitive position. However, there is no assurance that all of the Group's research and development activities will prove successful and the Group's future profitability could be negatively impacted if significant amounts invested are written off in future periods or if products and services derived from its research and development activity do not generate revenue in the originally anticipated amounts.

Business disruptions could adversely affect the Group's operating results

A significant portion of the Group's critical business operations are concentrated in a few geographic areas. The Group is a highly automated business and a disruption or failure of its systems and processes could cause delays in completing sales, providing services, including some of its cloud offerings, and enabling a seamless customer experience with respect to its customer facing back office processes. A major earthquake or fire, political, social or other disruption to infrastructure that supports its operations or other catastrophic event or the effects of climate change (such as increased storm severity or drought) and pandemics that result in the destruction or disruption of any of the Group's critical business or IT systems could severely affect its ability to conduct normal business operations and, as a result, could materially adversely affect the Group.

The Group may not have adequate insurance

Although the Group seeks to ensure that its businesses and assets are appropriately insured, no assurance can be given that any existing insurance policies will be renewed on equivalent terms or at all. In addition, the Group's businesses and assets could suffer damage from fire or other causes, including from data-related incidents, resulting in losses that may not be fully compensated by insurance. Further, certain types of risks and losses, such as those resulting from acts of war, are generally excluded from coverage, and certain natural disasters are not economically insurable. If an uninsured, underinsured or uninsurable loss were to occur, or if insurance proceeds were insufficient to repair or replace a damaged or destroyed property, the Group's business could be materially adversely affected.

Where an insured against event occurs, there is no certainty that any proceeds of insurance received will fully cover the loss experienced by the Group. The Group's insurance policies may be subject to limits, deductibles or exclusions that could materially reduce the amount recoverable by the Group and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, the Group's insurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

RISKS RELATED TO THE NOTES GENERALLY

The Notes and the Guarantee are not protected by the Financial Services Compensation Scheme

Unlike a bank deposit, the Notes and the Guarantee are not protected by the Financial Services Compensation Scheme (the **FSCS**). As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer and/or the Guarantor. If the Issuer and/or the Guarantor go out of business or become insolvent, Noteholders may lose all or part of their investment in the Notes.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Conditions of the Notes (the **Conditions**) are governed by English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

The Notes have denominations consisting of a minimum of £100,000 plus integral multiples of £1,000 in excess thereof up to and including £199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of £100,000 such that its holding amounts to £100,000 or a higher integral multiple of £1,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 or a higher integral multiple of £1,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £100,000.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

Notes subject to optional redemption by the Issuer

Optional redemption features are likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period or if at least 80 per cent. of the Notes have previously been redeemed by the Issuer (thereby allowing the Issuer's Clean-up Call Option referred to in the Terms and Conditions).

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

With respect to the Clean-up Call Option by the Issuer in Condition 7.4, there is no obligation on the Issuer to inform investors if and when the 80 per cent. threshold of the principal amount of the Notes has been reached or is about to be reached, and the Issuer's right to redeem will exist notwithstanding that (a) immediately prior to the serving of a notice in respect of the exercise of the Clean-up Call Option, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested; or (b) the Issuer may have previously redeemed or purchased Notes early, at the Issuer's option, pursuant to Condition 7.3 or otherwise above par.

The Conditions will contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The Trust Deed contains provisions for calling meetings of Noteholders to consider any matter affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Conditions or any of the provisions of the Trust Deed or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another entity as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 14 (*Substitution*) of the Notes and as more particularly described in the Trust Deed.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Secondary market

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the

Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Notes bear interest at a fixed rate. Investors should note that if market interest rates start to rise then the income to be paid on the Notes might become less attractive and the price the investors get if they sell such Notes could fall (however, the market price of the Notes has no effect on the interest amounts due on the Notes or what investors will be due to be repaid on 25 February 2031 if the Notes are held by the investors until they expire).

A credit rating may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agency and rating of the Notes is set out on the cover of this Prospectus.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole.

Words and expressions defined in the "*Terms and Conditions of the Notes*" or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	The Sage Group plc
The Guarantor:	Sage Treasury Company Limited
The Joint Lead Managers:	J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc and Merrill Lynch International
Trustee:	HSBC Corporate Trustee Company (UK) Limited
Principal Paying Agent:	HSBC Bank plc
Paying Agent:	Banque lnternationale à Luxembourg
The Notes:	£350,000,000 1.625 per cent. Guaranteed Notes due 25 February 2031
Issue Price:	98.921 per cent. of the principal amount of the Notes
Issue Date:	25 February 2021
Use of Proceeds and Estimated Net Proceeds:	See "*Use of Proceeds*"
Interest:	1.625 per cent. per annum payable annually in arrear on 25 February of each year, commencing on 25 February 2022
Status:	The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding
Guarantee:	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding

Form and Denomination:	The Notes will be issued in bearer form in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 The Notes will be represented initially by the Temporary Global Note which will be deposited on or about 25 February 2021 with a common safekeeper for Clearstream, Luxembourg and Euroclear. Interests in the Temporary Global Note will be exchangeable for interests in the Permanent Global Note, in accordance with the provisions of the Permanent Global Note, upon certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for Notes in definitive form only in certain limited circumstances. See "*Summary of Provisions relating to the Notes while Represented by the Global Notes*" The Notes will be issued in new global note form and are not, at the date of this Prospectus, intended to be held in a manner which would allow Eurosystem eligibility. However, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Global Note by which the Notes are at such time represented, may then be deposited with one of Clearstream, Luxembourg or Euroclear. This does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met
Maturity Date:	25 February 2031
Redemption at the Option of the Issuer:	Subject as provided in Condition 7.3 (*Redemption at the Option of the Issuer*), the Notes may be redeemed at the option of the Issuer, in whole or in part, (i) at any time up to and including the date falling three months prior to the Maturity Date at the relevant make-whole redemption amount plus a margin of 0.150 per cent.; or (ii) at any time thereafter at par, in each case together with any accrued but unpaid interest to but excluding the date of redemption
Change of Control Put Option:	Upon the occurrence of certain events constituting a "Put Event" (as defined in Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*), Noteholders will have the right to require the Issuer to repurchase all or part of the Notes at their principal amount, together with accrued and unpaid interest to (but excluding) the date of redemption. See Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*)
Tax Redemption:	Subject as provided in Condition 7.2 (*Redemption for Taxation Reasons*), if the Issuer has or will become obliged to pay additional amounts as provided or referred to in

	Condition 8 (*Taxation*) or the Guarantor would be unable for reasons outside of its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the UK or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at par together with any accrued but unpaid interest to (but excluding) the date of redemption
Negative Pledge:	The Notes contain a negative pledge provision as further described in Condition 4 (*Negative Pledge*)
Cross Acceleration:	The Notes contain a cross acceleration provision as further described in Condition 10 (*Events of Default*)
Rating:	The Notes are expected to be rated BBB+ by S&P S&P: an obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. The modifier '+' indicates that the obligation ranks in the higher end of its generic rating category. (Source: https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352)
Withholding Tax:	All payments in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the UK or any political subdivision thereof or any authority thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances, pay additional amounts to cover the amounts so withheld or deducted, all as described in Condition 8 (*Taxation*)
Governing Law:	The Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement will be governed by English law
Listing and Trading:	Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Market

Clearing Systems:	Euroclear and Clearstream, Luxembourg
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material, including in the United States of America, the EEA and the UK, see "*Subscription and Sale*" Category 2 selling restrictions will apply to the Notes for the purposes of Regulation S under the Securities Act
Risk Factors:	Investing in the Notes involves risks. See "*Risk Factors*"
ISIN:	XS2305547064
Common Code:	230554706

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £350,000,000 1.625 per cent. Guaranteed Notes due 25 February 2031 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Notes) of The Sage Group plc (the **Issuer**) are constituted by a Trust Deed dated 25 February 2021 (the **Trust Deed**) made between the Issuer, Sage Treasury Company Limited (the **Guarantor**) as guarantor and HSBC Corporate Trustee Company (UK) Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 25 February 2021 (the **Agency Agreement**) made between the Issuer, the Guarantor, the initial Paying Agents, and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at, and copies may be sent by electronic mail upon written request to, the principal office for the time being of the Trustee, being at the date of issue of the Notes at 8 Canada Square, London, E14 5HQ and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (the **Conditions**) will have the meanings given to them in the Trust Deed.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 each with Coupons attached on issue.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, the Guarantor, any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. GUARANTEE

3.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the **Guarantee**) in the Trust Deed.

3.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. NEGATIVE PLEDGE

4.1 Restriction

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed) neither the Issuer nor the Guarantor will create or permit to subsist, and the Issuer will procure that no Material Subsidiary (as defined below) will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than any arising by operation of law) (**Security**) upon the whole or any part of its undertaking, assets or revenues (including uncalled capital), present or future, to secure any Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Notes, the Coupons and the Trust Deed or, as the case may be, the Guarantor's obligations under the Trust Deed, (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement (whether or not it includes the giving of Security) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders save that the Issuer may permit to subsist (without the obligation to provide to the Notes, Coupons and the Trust Deed any security, guarantee, indemnity or other arrangement as aforesaid) any Permitted Security.

4.2 Relevant Debt

For the purposes of this Condition, **Relevant Debt** means any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other recognised securities market, but excluding any such indebtedness which has a stated maturity of less than one year.

4.3 Permitted Security

For the purposes of this Condition, **Permitted Security** means:

(a) any Security in respect of any Relevant Debt (**Existing Relevant Debt**), or in respect of any guarantee of or indemnity in respect of any Existing Relevant Debt, given by any Material Subsidiary where such entity becomes a Subsidiary after the Issue Date and where such Security exists at the time such entity becomes a Subsidiary (provided that (i) such Security was not created in connection with or in contemplation of that entity becoming a Subsidiary; and (ii) the principal amount secured at the time of that company becoming a Subsidiary is not subsequently increased; and (iii) such Security does not extend to or cover any undertaking, assets or revenues (including any uncalled capital) of the Issuer, the Guarantor or any of their respective other Subsidiaries); or

(b) any Security given by any Material Subsidiary in respect of any Relevant Debt, or in respect of any guarantee of or indemnity in respect of any Relevant Debt where such Relevant Debt (**New Relevant Debt**) is incurred to refinance Existing Relevant Debt in circumstances where there is outstanding Security (**Existing Security**) given by that Material Subsidiary in respect of such Existing Relevant Debt or, as the case may be, in respect of any guarantee or indemnity in respect of such Existing Relevant Debt, provided that (i) the principal amount of the New Relevant Debt is not greater than the outstanding principal amount of the Existing Relevant Debt, (ii) the Security does not extend to any undertaking, assets or revenues (including any uncalled capital), present or future, of (A) that Material Subsidiary which were not subject to the Existing Security or (B) the Issuer, the Guarantor or any of their respective other Subsidiaries; and (iii) the final maturity date of the New Relevant Debt does not exceed the final maturity date of the Existing Relevant Debt.

4.4 Definitions

For the purposes of these Conditions:

Group means the Issuer, the Guarantor and the Issuer's Subsidiaries taken as a whole;

Material Subsidiary means any Subsidiary of the Issuer which (itself or together with its own Subsidiaries) by reference to the most recently published full or half year consolidated financial statements of the Issuer, accounts for at least 10 per cent. of consolidated turnover or gross assets of the Group for the period or as at the last day of the period, as the case may be, in respect of which such accounts have been prepared (provided that if a Subsidiary has been acquired since the date as at which the last full or half year consolidated financial statements of the Issuer have been prepared, the financial statements shall be deemed to be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by an Authorised Signatory as representing an accurate reflection of the consolidated turnover and/or gross assets of the Issuer); and

Subsidiary has the meaning ascribed thereto in Section 1159 of the Companies Act 2006.

A report by an Authorised Signatory (as defined in the Trust Deed) of the Issuer (whether or not addressed to the Trustee) that in their opinion a Subsidiary is or is not or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without liability to any person and without further enquiry or evidence and, if relied upon by the Trustee, shall be conclusive and binding on all parties.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 25 February 2021 (the **Issue Date**) at the rate of 1.625 per cent. per annum (the **Rate of Interest**), payable annually in arrear on 25 February in each year (each an **Interest Payment Date**). The first payment (representing a full year's interest) shall be made on 25 February 2022.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the Rate of Interest to each £1,000 principal amount of Notes (the **Calculation Amount**) and] on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure shall be rounded to the nearest penny, half a penny being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

6. PAYMENTS

6.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 Method of Payment

Payments will be made by credit or transfer to an account in Pounds Sterling maintained by the payee within London.

6.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) but not thereafter.

6.4 Payments subject to applicable laws

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto.

6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 9 (*Prescription*)):

(a) is or falls after the relevant due date;

(b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a Pounds Sterling account in London as referred to above), is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

6.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in the place (if any) required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and;

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 25 February 2031 (the **Maturity Date**).

7.2 Redemption for Taxation Reasons

If immediately before the giving of the notice referred to below:

(a) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, or any change in the application or official interpretation of the laws or regulations of the United Kingdom, which change or amendment becomes effective after 23 February 2021, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

(b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer or, as the case may be, an Authorised Signatory of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

7.3 Redemption at the Option of the Issuer

The Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (*Notices*); and

(b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption (the **Optional Redemption Date**)), redeem all of the Notes or, subject as provided in Condition 7.5 below, some only of the Notes at any time at the Relevant Optional Redemption Amount.

For the purposes of this Condition 7.3:

Relevant Optional Redemption Amount means:

(a) if the Optional Redemption Date falls in the period up to and including the date falling three months prior to the Maturity Date, such amount as is equal to the greater of the following together with interest accrued to but excluding the Optional Redemption Date:

(i) the principal amount of the Notes; and

(ii) the principal amount of the Notes multiplied by the price (as reported in writing to the Issuer and the Trustee by the Determination Agent), expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on a Note on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 p.m. (London time) on the Reference Date of the Reference Bond plus a margin of 0.150 per cent., all as determined by the Determination Agent; and

(b) if the Optional Redemption Date falls in the period from but excluding the date falling three months prior to the Maturity Date to but excluding the Maturity Date, such amount as is equal to the principal amount of the relevant Note together with interest accrued to but excluding the Optional Redemption Date.

For the purposes of the definition of Relevant Optional Redemption Amount:

Determination Agent means an investment bank or financial institution of international standing selected and appointed by the Issuer at its own expense;

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, as calculated by the Determination Agent on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places);

Reference Bond means the 0.250 per cent. Treasury Stock due 31 July 2031 (or, where the Determination Agent provides written advice to the Issuer and the Trustee (on which advice the Issuer and the Trustee shall be entitled to rely without further investigation or enquiry and without liability to the Noteholder or any other person) that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other United Kingdom government stock as the Determination Agent may, with the advice of the Reference Market Makers, recommend);

Reference Date means the date which is the third Business Day (as defined in Condition 6.5) in London prior to the Optional Redemption Date; and

Reference Market Makers means three brokers of gilts and/or gilt-edged market makers selected by the Determination Agent in consultation with the Issuer.

Any notice given pursuant to this Condition 7.3 shall be irrevocable and shall specify the Optional Redemption Date. Upon the expiry of any such notice, the Issuer (failing which, the Guarantor) shall be bound to redeem the Notes which have been called for redemption at the Relevant Optional Redemption Amount on the Optional Redemption Date together with accrued interest as aforesaid unless previously purchased or redeemed. The Trustee shall rely absolutely on the advice of any Determination Agent appointed as provided in this Condition 7.3 and shall not be liable for so doing.

7.4 Clean-Up Call Option

If 80 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to these Conditions, the Issuer may redeem, at its option, all but not some only of the Notes then outstanding, on giving not less than 15 days' nor more than 30 days' notice in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption) at the outstanding principal amount thereof, together with interest accrued to (but excluding) the date fixed for redemption.

7.5 Provisions relating to Partial Redemption

In the case of a partial redemption of Notes, Notes to be redeemed will be selected in accordance with the rules of the relevant clearing system not more than 30 days before the date fixed for redemption. Notice of any such selection will be given by the Issuer not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

7.6 Redemption at the Option of the Noteholders on a Change of Control

(a) A **Put Event** will be deemed to occur if:

(i) (A) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006, as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Issuer, shall become interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (x) more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or (y) shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, or (B) the Guarantor ceases to be a direct or indirect Subsidiary of the Issuer (each, a **Change of Control**); and

(ii) at the time of the occurrence of a Change of Control, the Notes carry, on a solicited basis, an investment grade credit rating (Baa3/BBB-, or equivalent, or better) (an **Investment Grade Rating**), from any Rating Agency and such rating from any Rating Agency is, within the Change of Control Period, either downgraded to a non-investment grade credit rating (Ba1/BB+, or equivalent, or worse) or withdrawn and such rating is not within the Change of Control Period (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an Investment Grade Rating by such Rating Agency or replaced by an Investment Grade Rating of another Rating Agency on a solicited basis; and

(iii) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

Further, (aa) if at the time of the occurrence of the Change of Control the Notes carry either a non-investment grade credit rating from each Rating Agency then assigning a credit rating to the Notes on a solicited basis or no credit rating from any Rating Agency on a solicited basis, a Put Event will be deemed to occur upon the occurrence of a Change of Control alone; and (bb) if at the time of the occurrence of the Change of Control the Notes carry an Investment Grade Rating from more than one Rating Agency on a solicited basis, then a Put Event will be deemed to occur upon the first of such Rating Agencies, within the Change of Control Period, downgrading its rating to a non-investment grade credit rating or withdrawing its rating, and such Rating Agency's assigned rating is not, within the Change of Control Period, (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an Investment Grade Rating by such Rating Agency or replaced by an Investment Grade Rating of another Rating Agency on a solicited basis.

(b) If a Put Event occurs, each Noteholder shall have the option to require the Issuer to redeem or repay that Note on the Put Date (as defined below) at its principal amount together with interest accrued to but excluding the date of redemption or purchase. Such option shall operate as set out below.

(c) Promptly upon the Issuer or the Guarantor becoming aware that a Put Event has occurred the Issuer or the Guarantor shall notify the Trustee in writing and the Issuer or the Guarantor shall, and at any time upon the Trustee receiving such express notice the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7.6.

(d) To exercise the option to require the redemption or repayment of a Note under this Condition 7.6 the holder of the Note must deliver a Change of Control Put Notice (as defined below), on any day on which commercial banks and foreign exchange markets are open in the city of the relevant Paying Agent falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Change of Control Put Notice**). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Put Period (the **Put Date**), failing which the Paying Agent will require payment of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6.4 against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 12 (*Replacement of Notes and Coupons*)) at any time after such payment, but before the expiry of the period of 10 years from the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of that Coupon. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control

Put Notice, once given, shall be irrevocable. The Issuer shall redeem or repay the relevant Notes on the Put Date unless previously redeemed and cancelled.

If 80 per cent. or more in nominal amount of the Notes then outstanding have been redeemed pursuant to this Condition 7.6, the Issuer may, on not less than 15 or more than 30 days' notice to the Noteholders given within 30 days after the Put Date, redeem, at its option, the remaining Notes as a whole at their principal amount plus interest accrued to but excluding the date of such redemption.

(e) If the rating designations employed by any of Moody's, S&P or Fitch are changed from those which are described in paragraph (a)(ii) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of Moody's or S&P or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P or Fitch and paragraph (a)(ii) shall be read accordingly.

(f) The Trustee is under no obligation to monitor or ascertain whether a Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Put Event or Change of Control has occurred and, until it shall have express notice in writing pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or Change of Control or other such event has occurred.

(g) In these Conditions:

Change of Control Period means the period commencing on the date of the announcement of the Change of Control having occurred and ending 120 days after such date (or such longer period as the Notes are under consideration, announced publicly within such 120 day period, for rating review);

Rating Agency means Moody's Investors Service Ltd. (**Moody's**) or Standard & Poor's Credit Market Services Europe Limited (**S&P**) or Fitch Ratings Ltd (**Fitch**), or their respective successors or any rating agency (a **Substitute Rating Agency**) substituted for any of them by the Issuer from time to time with the prior written approval of the Trustee.

7.7 Purchases

The Issuer, the Guarantor or any of their respective Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price and at the option of the Issuer, the Guarantor or any of their respective Subsidiaries, such Notes may be surrendered for cancellation, held or resold.

7.8 Cancellations

All Notes which are purchased and surrendered for cancellation pursuant to Condition 7.7 or which are to be redeemed will be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

7.9 Notices Final

Upon the expiry of any notice as is referred to in Condition 7.2, 7.3 or 7.6 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

(a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the United Kingdom other than a mere holding of the Notes or Coupons; or

(b) presented for payment in the United Kingdom; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 6 (*Payments*)); or

(d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by complying with any statutory requirements (including, but not limited to, obtaining and/or presenting any form of certificate) or by making a declaration or any other statement or claim for exemption (including, but not limited to, a declaration of non-residence), but fails to do so.

8.2 Interpretation

In these Conditions, **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*).

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Payments*).

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) to (d) (other than the winding up or dissolution of the Issuer or the Guarantor), and (e) to (h) inclusive below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantor that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal or 14 days in the case of interest; or

(b) if the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy, when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any Material Subsidiary becomes due and payable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and steps are taken to enforce the same; or (iv) default is made by the Issuer, the Guarantor or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above which have occurred and are continuing, exceeds the greater of 1 per cent. of the value of the net assets of the Group as shown in the most recent annual or interim, as the case may be, consolidated financial statements of the Issuer or £20,000,000 (or its equivalent in any other currency); or

(d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Subsidiary, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders; or

(e) if the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business, save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders or where such cessation is in connection with the transfer of all or substantially all of the business of the Issuer, Guarantor or Material Subsidiary to a Subsidiary of the Issuer or a sale of assets of the Issuer, Guarantor or Material Subsidiary at fair market value where the proceeds of such sale are reinvested in the business of the Group; or

(f) if the Issuer, the Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(g) if (i) proceedings are initiated against the Issuer, the Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer, the Guarantor or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of any of them or an encumbrancer takes possession of all or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) is not discharged within l4 days; or

(h) if the Issuer, the Guarantor or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(i) if the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

10.2 Interpretation

For the purposes of this Condition:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts but excluding any intra-Group indebtedness) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

11.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would be illegal or contrary to any applicable law of any jurisdiction or any applicable directive or regulation of any agency of any state (including, without limitation, section 619 of the Dodd-Frank Wall Street Report and Consumer Protection Act) or which would or might otherwise render it liable to any person and may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

11.3 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices to the Noteholders

All notices required to be given to the Noteholders pursuant to these Conditions and the Trust Deed will be valid if published in a leading English language daily newspaper published in London. It is expected that publication in a newspaper will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

13.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of the Guarantor or any other company being a Subsidiary of the Issuer, subject to:

(a) the Notes being unconditionally and irrevocably guaranteed by the Issuer;

(b) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders; and

(c) certain other conditions set out in the Trust Deed being complied with.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

15.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

15.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders or Couponholders (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the

Noteholders), or (ii) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

15.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

15.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 8 (*Notices*).

16. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

16.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor, the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

16.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and

(c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Trust Deed (including the Guarantee), the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed (including the Guarantee), the Notes and the Coupons are governed by, and construed in accordance with, English law.

18.2 Submission to Jurisdiction

(a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes or the Coupons), including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes or the Coupons (a **Dispute**) and each of the Issuer, the Guarantor, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition, each of the Issuer and the Guarantor waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

18.3 Other Documents and the Guarantor

Each of the Issuer and, where applicable, the Guarantor has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.

1. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

2. Payments

On and after 6 April 2021, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 13 (*Notices*), provided that, so long as the Notes are admitted to the official list of the Financial Conduct Authority (the **FCA**) and admitted to trading on the London Stock Exchange plc's market for listed securities, notices shall also be published in accordance with all requirements of the FCA and the London Stock Exchange. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

4. Interest Calculation

For so long as Notes are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note will be calculated by applying the Rate of Interest to the principal amount of the Global Note and on the basis of (a) the actual number of days in the period from and including the Accrual Date to but excluding the date on which interest falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date. The resultant figure is rounded to the nearest penny (half a penny being rounded upwards).

5. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

(a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";

(b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available; or

(c) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to such effect signed by an Authorised Signatory of the Issuer is given to the Trustee.

Thereupon (in the case of (a) to (c) above the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and the Principal Paying Agent and (in the case of (c)) the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon presentation of the Permanent Global Note to or to the order of the Principal Paying Agent on any day on which banks are open for general business in London. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

6. Prescription

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 (*Taxation*)).

7. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by instruction to Euroclear and Clearstream, Luxembourg to make appropriate entries in their records in respect of all Notes which are cancelled.

8. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.6 (*Redemption at the Option of the Noteholders on a Change of Control*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common safekeeper for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and the Issuer shall procure that the portion of the principal amount of the relevant Global Note so redeemed shall be entered in the records of Euroclear and/or Clearstream, Luxembourg.

9. Redemption at the Option of the Issuer

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no selection of Notes to be redeemed will be required under Condition 7.5 (*Provisions relating to Partial Redemption*) in the event that the Issuer exercises its call option pursuant to Condition 7.3 (*Redemption at the Option of the Issuer*) in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the partial redemption will be effected in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion).

10. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

USE OF PROCEEDS

The net proceeds from the issue of the Notes are expected to be approximately £344,998,500 and will be applied by the Issuer to repay its existing indebtedness and for its general corporate purposes.

DESCRIPTION OF THE GROUP

INTRODUCTION

The Group is a 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, the Group is trusted by millions of customers worldwide to deliver the best cloud technology and support. The Group's years of experience mean that its colleagues and partners understand how to serve its customers and communities through the good, and more challenging times.

The Issuer, which is the UK's largest software company, is listed on the London Stock Exchange (ticker: SGE.L) and is a member of the FTSE 100 Index with a market capitalisation of approximately £6.5 billion as at 1 February 2021.

The Group's purpose is to transform the way people think and work so that their organisations can thrive and its vision is to become a great SaaS company for customers and colleagues alike. The Group's focus on its strategic lenses of customer success, colleague success and innovation, as well as on simplifying the product portfolio, has enabled delivery against this vision since it refreshed its strategy in FY2018.

The Group supports millions of small and medium customers around the world, focusing primarily on professional users, typically an accountant or bookkeeper who understands compliance and wants rich functionality to help drive efficiencies and gain more insight into their business. The Group delivers this through what it considers to be best in class cloud-based technology and support across accounting, people and payroll solutions.

The Group's largest markets are North America (United States and Canada) which accounted for 39 per cent. of its organic revenue in FY2020, Northern Europe (the United Kingdom and Ireland), which accounted for 22 per cent. of its organic revenue in FY2020, and Central and Southern Europe (including France, Spain, Portugal, Germany and Austria) which accounted for 31 per cent. of its organic revenue in FY2020.

Since its formation, the Group has grown by expanding globally and broadening the range of products and services that it provides, both through organic growth and acquisitions, including the acquisition of Sage Intacct in July 2017, Sage People in March 2017, AutoEntry in 2019 and Sage HR in 2020.

In FY2020, the Group had total organic revenue of £1,768 million, organic recurring revenue of £1,592 million, and an organic operating margin of 22.1 per cent. In addition, the Group achieved a cash conversion of 123 per cent. (the second consecutive year in excess of 100 per cent.) and maintains a resilient balance sheet with around £1.2 billion of available cash and liquidity as at 30 September 2020.

HISTORY

The Issuer was founded in 1981 by three entrepreneurs from Newcastle in order to automate accounting processes. The Issuer is a public limited company with an unlimited duration registered in England and Wales under company registration number 2231246 and incorporated under the Companies Act 1985. Its registered office is at North Park, Newcastle upon Tyne, NE13 9AA and its telephone number is +44 203 810 7200.

In 1989, the Issuer was listed on the London Stock Exchange and it became a FTSE 100 company in 1999. From 1991, the Group began to expand internationally, entering 11 new markets by 2003. In 1998, the Group acquired Peachtree, a leading desktop accounting software company in North America, and in 2005, it acquired Adonix, a French company which developed the original enterprise resource planning software that is now known as Sage X3.

In 2011, the Group launched Sage Business Cloud Accounting. In 2017, it acquired Sage People and Sage Intacct, in 2019 it acquired AutoEntry and in 2020 it acquired Sage HR. The launch of Sage Business Cloud in 2017 marked the commencement of the Group's transition from an on-premise licence software business to a SaaS business with an increased focus on cloud native solutions.

In FY2019, the Group restructured its model for providing professional services implementations which is now primarily delivered by partners, while it maintained a scaled back centre of excellence to support partners with their implementation work.

The Guarantor was incorporated in 2012 and is a wholly-owned subsidiary of the Issuer. The Guarantor is a private limited company with an unlimited duration registered in England and Wales under company registration number 8319044 and incorporated under the Companies Act 2006. Its registered office is at North Park, Newcastle upon Tyne, NE13 9AA and its telephone number is +44 203 810 7200.

STRATEGY

The Group's purpose is to transform the way people think and work so their organisations can thrive.

The Group's vision is to become a great SaaS company for customers and colleagues alike.

Business software has traditionally been sold through perpetual licences, where customers pay for their product once to be able to use it forever. Conversely, on subscription, customers pay an on-going fee which entitles customers to the use of the Group's products and access to support services as long as they continue to pay, and they receive all future updates to the product as soon as the upgrades become available. The subscription and SaaS model drives higher quality recurring revenue with greater predictability of cash flows. The Group's SaaS transition is increasingly focused on cloud-native solutions rather than on-premise software, with significant progress made in readiness of the Group's portfolio in the accounting, people and payroll businesses over the course of FY2018 to FY2020.

The Group believes that a SaaS model will transform the relationship it has with its customers. The model will result in increased interaction with customers, allowing the Group to continuously refine its understanding of customers' needs, thereby enabling it to add greater value to its customers over time. The Group believes that focus on continuous improvements to the lifetime value of customers, as well as optimising the cost to acquire and serve each customer, will help drive a rapid growth in value creation and provide benefits to the Group through higher quality revenue with improved forward visibility and predictability. The Group believes that the acquisitions of Sage Intacct, Sage People, AutoEntry and Sage HR and its own internally-developed cloud native products, Sage Accounting and Sage Payroll, have provided the Group with best-in-class models to emulate in the transition of its business, as well as key talented employees with experience of doing so.

The Group's strategy to achieve its vision is a direct response to the increased market opportunity it is targeting. The Group's strategy is tailored to meet the needs of small and medium customers, with Sage Business Cloud providing a suite of products in the key areas of accounting, people and payroll which the Group expects to scale in line with its customer growth. The Group's strategy is designed to implement its vision of becoming a great SaaS company. The following three strategic lenses are the way that the Group focuses and prioritises its activities to achieve this vision:

- **Customer Success**, a customer-centric approach to everything the Group does to create enduring subscription relationships and deliver better business outcomes for customers and partners;

- **Colleague Success**, which is underpinned by creating an environment that values the individual and fosters collaboration to enable colleagues to reach their full potential; and

- **Innovation**, which is underpinned by accelerating the availability and adoption of the Group's Sage Business Cloud offering and solving customer problems by integrating emerging technology.

Customer success

Customer success is strongly linked to Sage's purpose; to transform how people think and work so their organisations can thrive. The Group believes that the key to customer success is creating enduring subscription relationships and having a customer-centric approach in everything it does. The Group endeavours to put its customers first, help them become more successful and provide them with solutions to make their lives easier.

To deliver on this strategy, the Group is investing in tools and systems that create an enhanced experience for its customers. For example, during FY2020 the Group continued to develop its organisational design and to invest in systems, tools and processes in order to address more effectively the needs of its small and medium customers. The Group continues to focus on systematically improving the experience it offers its customers at every stage of their journey. For smaller businesses, the Group redesigned the customer journey for Sage Business Cloud solutions with an initial focus on Northern Europe, aiming to build a stronger relationship with customers at the early stages of their journey. For medium sized businesses, the Group has combined its cloud native and cloud connected organisations in order to better support the needs of its customers and drive a more rapid adoption of cloud native solutions. The Group also created a single customer sales and support organisation in North America, ensuring a consistent go-to-market approach between Sage Intacct and the Group's Sage 200 and Sage X3 franchises in the region.

The Group views customer service as a priority and considers it to be a material competitive differentiator. As the Group moves towards a SaaS model, its priority is to ensure that the delivery of customer service becomes increasingly viewed as an enhancement to its relationship with customers rather than merely a transaction.

For example, in FY2019 and FY2020 a single customer relationship management system was rolled out across Northern Europe and North America, respectively. This has improved the level of customer insight, while cloud telephony rollouts in both regions have enabled more effective call handling especially during busy periods. The Group has also reviewed and improved its customer service processes in Northern Europe by focusing on first contact resolution, resulting in a 50 per cent. reduction in transfers of customer enquiries. The Group's Trust Pilot score in the UK is 4.8 out of 5.

From the onset of the Covid-19 pandemic in March, the Group found new ways to serve and support its customers and other small businesses in its largest markets. This included working closely with HMRC in Northern Europe to build a module for the Group's payroll products that helped customers process their Job Retention Scheme payments and access grants for furloughed employees. In addition, the Group established online coronavirus advice hubs, providing webinars and other interactive sessions, and developing special-purpose software to support customers when applying for government funds. Following their success in Northern Europe, the Group's regular "Q&A Live" sessions were also introduced in North America, connecting customers with experts to provide guidance and support.

Colleague Success

Sage's colleague success vison is founded on the belief that the best way to make sure its customers are successful is to have engaged colleagues and an invigorating culture. The Group believes that colleagues do their very best work when they are passionate about their role; are inspired by their leaders; are connected to a common vision and purpose; are recognised for their contribution; and feel like they belong.

In FY2020, the Group focused on putting people at the heart of its business, demonstrating its care for customers and colleagues alike, particularly evident in how the Group managed its response to the global coronavirus pandemic by focusing first and foremost on the health and wellbeing of its colleagues.

The Group understands that to fulfil its vison of becoming a great SaaS company, it needs great leaders. Therefore, in FY2020, the Group completed its Executive Team Development Programme to help build the individual and collective capability of its 40 most senior leaders. The Group has extended its development efforts in FY2021 to include its top 200 leaders through its Emerging Talent and Senior Leadership Programmes.

As part of its strategic planning process, the Group completed a comprehensive review of the capability and compensation strategy across the business in FY2020 to help drive the high performance and growth needed to embed a SaaS culture. This will inform its long-term People strategy over the next three years.

Colleague experience and engagement is a key component of the Group's colleague success strategic lens. This is measured by eNPS (employee net promoter score, which measures colleague sentiment) and voluntary attrition. Both measures significantly improved in FY2020, with eNPS increasing to +32. In addition, the Group's rating on Glass Door in FY2020 was at 4.4, up from 2.9 in 2018.

Sage Foundation is a core part of how the Group delivers against its values, supporting the communities it operates in, and serving to attract and retain talent. All colleagues are encouraged to take up to five days each year, on a fully paid basis, to support charitable initiatives under Sage Foundation. As a result, colleagues contributed more than 24,300 volunteering days in FY2020, including under "virtual volunteering" initiatives.

Innovation

The Group believes that innovation empowers decision making, improves efficiency and solves customers' pain points by integrating emerging technology such as artificial intelligence (**AI**) and machine learning (**ML**) and accelerating the availability and adoption of Sage Business Cloud solutions.

The Group's vision for Sage Business Cloud is a digital environment for finance and operations, comprising platforms, applications and services where it is easy to connect, collaborate and do business. This environment creates a seamless digital experience for customers across the Group's products and platforms, enables a digital network of connections between individuals and organisations, adds new capabilities and experiences, and creates an end-to-end digital journey with the Group.

In FY2020, the Group launched the Sage Accounting Plus tier in the UK. It also integrated AutoEntry, the Group's data ingestion automation solution, with key products, including Sage 50 and Sage Accounting. The Group also acquired Sage HR, an HR management solution which enables small businesses to manage workforces with tools such as reporting, organisation charts, payslips and absence requests. These and other existing solutions create a differentiated end-to-end proposition for smaller businesses that spans accounting, automation, payroll and HR and allow customers to scale from an entry-level accounting package to a full suite of integrated back-office software that enables them to manage their finances, operations and people.

The Group is also focused on rolling out its cloud native solutions to medium businesses in more geographies, as well as enhancing overall functionality. For example, in FY2020, it progressed the internationalisation of Sage Intacct, launching in South Africa in August, and making strong progress in the UK; it launched Sage Intacct Construction in the US to meet the unique needs of construction and real estate companies; and it developed new technology platforms that enable customers to upgrade their existing desktop or cloud connected solution to Sage Partner Cloud, Sage's managed cloud environment.

Progress in this area is demonstrated by Sage Business Cloud penetration, which in FY2020 was at 61 per cent. compared to 31 per cent.[3] in FY2018 when the Group refreshed its strategy.

Simplifying the product portfolio and driving the migration strategy

Increasing the Group's focus on Sage Business Cloud is a key priority. Since FY2018, the Group has driven the rapid migration of desktop customers to cloud connected solutions across the Group, with particular success in the UK and North America, and accelerating progress in Central and Southern Europe. This has resulted in cloud connected revenues increasing from 14 per cent. of Group total organic revenue in FY2018 to 37 per cent. in FY2020. The Group has also grown cloud native revenues, mainly through new customer acquisition, from 8 per cent. of total organic revenue in FY2018 to 13 per cent. in FY2020.

At the same time, the Group has pursued divestment or other value creation paths for non-core products which have no route to Sage Business Cloud, resulting in the reduction of revenue from non-Sage Business Cloud products so far by more than a third since FY2018. For example, in March 2020 the Group completed the disposals of Sage Pay and its Brazilian business, reducing the Group's exposure to non-core business lines and geographies. In addition, as at 30 September 2020 the Group's assets held for sale included:

- within the Central and Southern Europe segment, the Group's business in Poland and Switzerland; and
- within the International segment, the Group's businesses in Asia and Australia (excluding global products that are core to the Group's strategy such as Sage Intacct, Sage People and Sage X3) and the Group's South African payroll outsourcing business.

In December 2020, the Group announced that it had entered into agreements for (i) the sale of its Polish business and that the transaction is expected to complete in early 2021 and (ii) the sale of its businesses in Asia and Australia within the International segment and that the transaction is expected to complete by the end of June 2021.

The assets held for sale comprise mainly local products which are not part of Sage Business Cloud, with the Group retaining strategic global products including Sage X3 and Sage Intacct. In FY2020, the assets held for sale delivered total revenue of £98 million (compared to £100 million in Comparative FY2019) and operating profit of £15 million (compared to £18 million in Comparative FY2019).

Strategic priorities for FY2021

Sage Business Cloud adoption and growth remains the key strategic objective of the Group in FY2021 and beyond. However, with the pace of digital transformation among small and medium businesses now growing, the Group intends to increase its focus on accelerating cloud native solutions across the Group, initially in its largest markets of Northern Europe and North America. At the same time, cloud connected is expected to remain an important driver of growth, particularly in Central and Southern Europe. The Group also intends to focus on further embedding SaaS capability and culture.

To support these strategic priorities, the Group intends to allocate further resource to Sage Business Cloud, in particular to cloud native solutions, and to increase its investment in sales and marketing and product research and development, although given the uncertain economic environment due to Covid-19, the Group may adjust the level of sales and marketing investment dynamically during FY2021 in response to market conditions. This is expected to be part-funded by cost savings from the restructuring of its professional services business, and other efficiencies across the Group.

[3] Calculated on an FY2020 organic basis.

The Group expects that its increased investment will result in a planned reduction in organic operating margin of up to three percentage points. Delivery of these strategic priorities is expected to drive recurring revenue growth and new customer acquisition, generate efficiencies and, over time, lead to significant value creation through sustainable profit and cash generation. The Group expects that the organic operating margin should however trend upwards over time from FY2022 onwards.

LATEST FINANCIAL RESULTS

The Group's progress in strategic execution in FY2020 has resulted in:

- growth in ARR of 4.8 per cent. from £1,538 million in Comparative FY2019 to £1,611 million in FY2020 reflecting continued revenue growth despite Covid-19, which particularly impacted the third quarter. Growth in ARR in Comparative FY2019 was 12.8 per cent.;

- software subscription penetration of 65 per cent.[4] (Comparative FY2019: 56 per cent.) as the Group continues to transition existing customers and attract new customers to subscription and Sage Business Cloud;

- Sage Business Cloud penetration of 61 per cent.[5] (Comparative FY2019: 51 per cent.) reflecting continued progress in the shift towards cloud native and cloud connected solutions; and

- renewal by value of 99 per cent., compared to 101 per cent. in FY2019, reflecting lower levels of upsell to existing customers during the second half of FY2020.

The Group's total organic revenue growth in FY2020 was 3.7 per cent. at £1,768 million (Comparative FY2019: £1,705 million), reflecting growth in recurring revenue of 8.5 per cent. to £1,592 million, underpinned by a 21 per cent. rise in software subscription revenue to £1,141 million, which was driven by growth from existing and new customers, principally in North America and Northern Europe. Other revenue (Software and Software-Related Services (SSRS) and processing) declined by 26.0 per cent., in line with the Group's strategy to transition to subscription revenue and away from licence sales and professional services implementations.

In FY2020 the Group's organic operating profit was £391 million, a decline of 3.7 per cent. from Comparative FY2019. The Group's organic operating margin was 22.1 per cent. in FY2020 compared to 23.8 per cent. in Comparative FY2019. The FY2020 margin reflects continued investment to drive strategic execution, and includes a £17 million additional charge to provide for potential bad debts in connection with Covid-19.

The Group generated £505 million of cash from operations in FY2020, representing cash conversion of 123 per cent., the second consecutive year that the Group delivered cash conversion in excess of 100 per cent. The strong performance in FY2020 reflects the continued growth in software subscription and sustained improvements in working capital, with particular success in the collection of receivables during the year. Underlying cash conversion is expected to trend down in FY2021.

Trading update

On 21 January 2021, the Group published its trading update for the three months ended 31 December 2020. The Group's recurring revenue increased by 4.7 per cent. to £408 million, supported by software subscription growth of 11.3 per cent. to £303 million (compared to £272 million in the corresponding period of FY2020). As a result, subscription penetration increased to 68 per cent., up from 65 per cent. in FY2020.

[4] This number has subsequently further increased, as noted under "*Trading update*" below.
[5] This number has subsequently further increased, as noted under "*Trading update*" below.

In terms of the portfolio view of recurring revenue, the Future Sage Business Cloud Opportunity (products within, or to be migrated to, Sage Business Cloud) grew by 6.2 per cent. to £366 million. This was underpinned by strong growth in cloud native revenue of 26.7 per cent. to £63 million (compared to £50 million in the corresponding period of FY2020), primarily through new customer acquisition, and further growth in cloud connected. Sage Business Cloud penetration increased to 64 per cent., up from 61 per cent. in FY2020.

In line with the Group's plans to drive further growth in recurring revenue, it is progressively increasing investment in product development and sales and marketing during FY2021, with a particular focus on cloud native solutions. The Group may vary the level of this investment during the course of the year, in response to trading conditions.

Other revenue (SSRS and processing) decreased by 24.0 per cent. to £39 million, a similar rate of decline to that seen in FY2020. This reduction is in line with the Group's strategy to transition away from licence sales and professional services revenue, and to increase the Group's focus on subscription revenue.

The Group's total revenue increased by 1.4 per cent. to £447 million in the first three months of FY2021. The Group's balance sheet as at 31 December 2020 remains strong, with cash and available liquidity of £1.2 billion, and net debt of £129 million (compared to £151 million as at 30 September 2020).

STRENGTHS

The Group believes that its key strengths are:

A large and growing total addressable market with fragmented competition

Operating across small, medium and large businesses gives the Group access to a total addressable market (**TAM**) that the Group estimates is set to be worth approximately U.S.$31.9 billion in 2021 and to comprise 67 million small and medium businesses. By 2021, the Group expects the market for cloud software to exceed that of on-premise software for the first time. The Group's TAM includes a portion of the accounting / financials category, which the Group believes is the largest individual business applications software category in the world. While the Group's TAM is expected to remain broadly stable in 2021 compared to 2020, owing to a decline in the on-premise market, the Group expects cloud growth to be 6 per cent. in 2021, accelerating to 11 per cent. in 2022. The Group also believes that cloud adoption rates globally may reach 51 per cent. in 2021 and 54 per cent. in 2022. The US is the most cloud adoptive region and the Group believes that its cloud adoption rate may reach 58 per cent. in 2021, with the UK&I's rate expected to be at 46 per cent. and France's at 34 per cent.

Competition within this market is highly fragmented and the Group is active across multiple geographies, customer types and software categories. The Group aims to solve multiple core back-office issues for its customers and thereby establish a deeper relationship with its customers.

The heightened pressure on businesses globally to be more efficient and agile, coupled with increasing regulatory and compliance requirements, is increasing the pace of software adoption. Moreover, constant technological advances in cloud deployment models, enhanced process automation, AI and ML are also increasing the pace of software adoption, saving users time and money, and making back-office software more and more fundamental to a business's long-term success. The Group uses these latest advances in technology to provide a suite of solutions that allow its customers to run their entire back office through the Group.

A strong customer proposition

Sage Business Cloud delivers a suite of cloud software solutions for the accounting, financial management, ERP, people and payroll categories, supported by a number of high value third party market-place applications that can be used to create bespoke offerings for customers, tailored to their individual needs. These cloud services comprise both cloud connected versions of the Group's traditionally on-premise solutions, and fully-hosted cloud native solutions.

The Group's cloud connected solutions - Sage 50cloud and Sage 200cloud - combine the power and productivity of the desktop, with the freedom and security of the cloud. The Group's cloud native solutions - Sage Accounting, Sage Intacct, Sage People and Sage Payroll - provide the operational advantages of a fully hosted solution, including anytime, anywhere access and automatic upgrades. Both cloud connected and cloud native solutions offer open application programming interfaces, giving them access to a wide ecosystem of partners and ISVs.

Sage X3, which is sold to the Group's larger business customers, can be deployed on-premise or in the cloud, providing a functional solution for end-to-end business processes.

Sage Business Cloud was introduced in FY2017 and in each of FY2018, FY2019 and FY2020 it generated £355 million, £652 million and £858 million of organic recurring revenue, increases of 83 per cent. in FY2019 and 32 per cent. in FY2020. For FY2020 Sage Business Cloud penetration was 61 per cent., up from 51 per cent. in Comparative FY2019, 48 per cent. in Original FY2019 and 29 per cent. in FY2018.

Globally diversified with significant market opportunity

A deep knowledge of local legislation has allowed the Group to scale globally, with a geographically diverse customer base, and a reputation for compliance, trust and excellent customer service.

The Group's largest markets are North America (the United States and Canada), which accounted for 39 per cent. of its organic revenue in FY2020, Northern Europe (the United Kingdom and Ireland), which accounted for 22 per cent. of its organic revenue in FY2020 Central and Southern Europe (including France, Spain, Portugal, Germany and Austria) which accounted for 31 per cent. of its organic revenue in FY2020.

Cloud adoption rates vary by geography. The United States, which the Group estimates represents 59 per cent. of the Group's TAM, is one of the most cloud adoptive regions globally. Adoption in other geographies is slower but all are trending towards the cloud, with the Group estimating that approximately 54 per cent. of market spend is set to be on cloud financial software by 2022.

The Group believes that transitioning to a high performing SaaS business will enable it to develop a closer relationship with its customers. As a result, the Group expects to be able to service customer needs better, increasing retention rates and driving greater value. With 65 per cent. of the Group's organic revenue in FY2020, 56 per cent. in Comparative FY2019 and 55 per cent. in Original FY2019, driven by software subscription, the Group believes that there is still significant opportunity for growth.

Across the Group's global network, its customers move significant funds through the Group's accounting and payroll software each year, making the Group an attractive proposition for independent software vendors (**ISVs**) and strategic alliances. Continuing to innovate and partner with technology partners, as well as further internal investment in research and development (**R&D**), means the Group can target further growth through new customer acquisition.

High quality recurring and cloud revenue with strong customer retention and a resilient business model

The Group's revenue comprises both recurring revenue, including software subscription and maintenance and support revenue, and non-recurring revenue, principally one-off licences and services revenue. In FY2020, 90 per cent. of the Group's total organic revenue was organic recurring revenue and 65 per cent. of the Group's total organic revenue was software subscription revenue. Over time, the Group's target is to achieve software subscription revenue aggregating between 85 to 90 per cent. of its total revenue.

During FY2020, the Group's cloud native revenue grew by 29.1 per cent. (from £172 million in FY2019 to £222 million in 2020), and the Group's cloud connected revenue grew by 32.5 per cent. (from £480 million in FY2019 to £636 million in FY2020). Consistent with the Group's strategy to transition to subscription revenue and away from licence sales and professional services implementations, revenue from business still to be migrated to the cloud fell by 12.1 per cent. in FY2020 (from £634 million in FY2019 to £557 million in FY2020), and revenue from non-Sage business cloud business fell from £182 million in FY2019 to £177 million in FY2020.

In FY2020, the Group's organic recurring revenue grew by 8.5 per cent. compared to 11 per cent. in FY2019 and 7 per cent. in FY2018. The increase in organic recurring revenue for FY2020 was driven by growth from existing and new customers, principally in North America and Northern Europe.

The Group has strong customer retention, with a renewal rate by value of 99 per cent. in FY2020. This, when combined with new customer acquisition, resulted in ARR growth during FY2020 of 4.8 per cent. (increasing from £1,538 million as at 30 September 2019 to £1,611 million as at 30 September 2020). The table below illustrates the components of the Group's FY2020 ARR in more detail:

1.	Opening ARR as at 30 September 2019	£1,538 million
2.	ARR as at 30 September 2019 taking into account customer churn, migrations, cross-sell and up sell (but excluding reactivations and new customer acquisition)	£1,523 million (equating to a renewal rate by value of 99 per cent.)
3.	Closing ARR as at 30 September 2020 taking into account item 2 above plus reactivations and new customer acquisition	£1,611 million

The Group believes that its high quality recurring and cloud revenue, combined with strong customer retention, significantly contribute to a resilient business model. This resilience is illustrated by the relative performance of the Group's business in the first six months of FY2020 (which was mainly in the pre-COVID 19 period) and the second six months of FY2020 as shown in the table below, which contains unaudited financial information. Although growth declined during the second half of FY2020 as a result of COVID 19, the Group's business nonetheless continued to grow during this challenging period.

	Six months to 31 March 2020[6]	**Six months to 30 September 2020**
	£ million, except for percentages	

[6]As restated for the purposes of the Group's Full Year 2020 Results presentation.

Recurring revenue	787	805
Year on year growth	10%	7%
Sequential growth	5%	2%
ARR	1,590	1,611
Year on year growth	10%	5%
Sequential growth	4%	1%
Organic operating profit	206	185

Attractive profitability and strong cash flow

The Group's organic operating profit margin was 22.1 per cent. in FY2020, 23.8 per cent. in FY2019 and 28.8 per cent. in FY2018. The change in the Group's organic operating profit margin in FY2019 compared to FY2018 reflected increased investment to accelerate strategic execution, combined with increased colleague variable compensation in line with the improved business performance and the Group's commitment to colleague success. The change in the Group's organic operating profit margin in FY2020 compared to FY2019 reflected continued investment to drive strategic execution, and includes a £17 million additional charge to provide for potential bad debts in connection with Covid-19.

The Group benefits from strong cash flow, with its underlying cash flow from operating activities comprising 123 per cent. of its underlying operating profit in FY2020 compared to 129 per cent. in FY2019 and 96 per cent. in FY2018. The Group's free cash flow was 20 per cent. of its underlying revenue in FY2020 compared to 23 per cent. in FY2019 and 19 per cent. in FY2018.

Low leverage and conservative financial policy

The Group's strong cash generation allows it to maintain low a net debt/EBITDA leverage ratio. In FY2020 the Group's net debt/EBITDA leverage ratio was 0.3 times compared to 0.8 times in FY2019 and 1.2 times in FY2018. The Group's leverage increased significantly in FY2017 because of its acquisition of Sage Intacct. However, strong free cash flow has driven the reduction in the Group's leverage since then. The majority of the Group's debt matures in 2025 with only small amounts of debt maturing in 2022 and 2023.

Cash and liquidity are closely monitored by the Group, and cash resources required to meet business objectives are reviewed monthly with any surplus cash being repatriated to the Group as soon as possible.

Strong management team

The Group's management team has a broad range of experience in both FTSE100 operations and technology. The Group is led by Steve Hare, Chief Executive Officer. Steve joined the Group in 2014 as Chief Financial Officer and became Chief Executive Officer in 2018. Prior to joining the Group, Steve served as Operating Partner and Co-Head of the Portfolio Support Group at the private equity firm Apax Partners, which he joined in 2009.

The Group's management team was strengthened by the appointment of a new Chief Financial Officer, Jonathan Howell, in December 2018. Jonathan previously served as Group Finance Director of Close Brothers Group plc for ten years. In addition, he was a non-executive director and Chairman of the Audit and Risk Committee at Sage from 2013 to 2018.

Since FY2018, the Group has also made appointments to its management team to help the Group to execute on its technology strategy and reinforce its focus on innovation and SaaS. In FY2018, the Group appointed Rob Reid, managing director of Sage Intacct, to the Executive Committee and appointed Keith Robinson, Chief Strategy Officer, as advisor to the Executive Committee. In FY2019, the Group appointed Aaron Harris, Chief Technology Officer, to the Executive Committee. In FY2020, the Group appointed Lee Perkins, Chief Operating Officer, Derk Bleeker, Chief Corporate Development Officer, Sue Goble, Chief Customer Success Officer and Cath Keers, Chief Marketing Officer. The Group also promoted Keith Robinson as a full member of the Executive Committee.

BUSINESS

The Group's business model is centred around attracting new customers and retaining existing customers. The Group seeks to attract new customers through:

- its reputation as a trusted adviser based on its strong brand of trust and market leading customer services;
- its extensive local knowledge which helps its customers achieve compliance and allows the Group to plan for new legislation before it is introduced;
- its innovation through continual investment in technology to ensure its products remain among the market leaders;
- its caring and committed staff invested in driving success for its customers; and
- its multi-sales channel sales approach described below.

The Group aims to retain existing customers by:

- adding value through offering the latest features and functionality and providing solutions tailored to customers' evolving needs;
- enabling customers to move seamlessly to a new Sage product as their needs evolve; and
- providing exceptional customer service.

Markets and customers

The Group helps businesses face the day-to-day challenges of running a business by simplifying complexity, providing greater control and assisting with legislative compliance.

The Group provides accounting, financial management, ERP, people and payroll software to businesses of all sizes. These products are offered on a subscription basis for both its cloud native and cloud connected solutions.

The Group has a global presence with its largest markets of North America (comprising the United States and Canada) and Northern Europe (comprising the United Kingdom and Ireland) accounting for 61 per cent. of its organic revenue in FY2020. The Group had top 2 market share positions in Enterprise Resource Management Applications in 2019 in France, Ireland, Portugal, South Africa, Spain and the United Kingdom according to IDC[7]. This provides the Group with a strong platform, giving it opportunities to sell new products and services to both new and existing customers.

[7] Source: IDC's Worldwide Semiannual Software Tracker, October 2020.

The Group's customers comprise businesses from all sectors, including advertising, aerospace, chemicals, construction, credit, distribution, food and drink, financial services, human resources, logistics, marketing, professional services, trade and wholesale. The Group's customer base comprises four categories:

- subscription customers with a cloud native or cloud-connected subscription;
- subscription customers with an on-premise product who the Group believes present an opportunity for revenue growth if they migrate to cloud-based subscription contracts which would provide them with superior functionality and access to Sage Business Cloud;
- on-plan customers with both a perpetual licence and a support contract. Again, the Group sees an opportunity to migrate these customers to a subscription contract which would generate additional revenue compared to the revenue derived from a maintenance contract; and
- off-plan customers with a perpetual licence but no support contract. The Group believes that many of these customers, who currently generate no revenue to the Group, will still be using an older version of the Group's product, which presents the Group with an opportunity to migrate them to the latest versions of its subscription-based cloud-connected products.

The Group has three main routes to market: inbound digital sales, inbound and outbound direct sales and partners. Direct sales include both desk-based inside sales teams and field sales teams for the Group's solutions targeting larger customers such as Sage Intacct, Sage People and Sage X3. The Group's partners operate in four channels: strategic alliances, accountants, value added resellers (**VARs**) and ISVs. These partners are incentivised to drive new customers to the Group both financially and through their access to the other benefits offered by the Group's partner programme.

The Group believes that its partners are at the heart of everything it does and are core to its strategy. As such, the Group is committed to continuous investment in its partners to drive their success and growth and has a partner code of conduct which defines the minimum standards of behaviour expected from all of its partners.

The Group has a network of approximately 80,000 accountants who buy and use its software while simultaneously recommending the Group's products to other customer segments. The Group believes that accountants are a critical partner as they continue to be a top trusted adviser to businesses - the technology recommendations that they make to their clients drive business decisions, and their consulting services are in high demand.

In addition, the Group has approximately 40,000 active VARs who promote and sell the Group's products to new customers, often bundling the products with their own software modules built on Sage technology (which are typically highly vertical specific), as well as value added services, such as integration, customisation, consulting, training and implementation, to meet customer needs.

The Group has approximately 500 ISVs who develop solutions that integrate with the Group's Sage Business Cloud solutions, enhancing their functionality and often allowing the Group to target a new vertical in the market because of the specialisation the ISVs bring.

The Group's strategic alliance partners, which include Microsoft, Salesforce and Amazon, enable the Group to differentiate its own Sage Business Cloud offering by supporting new product innovation and joint go-to-market opportunities. They are central to empowering and growing the Sage Business Cloud and other leading business solutions and innovative technologies.

Products

The Sage Business Cloud vision is at the heart of the Group's overall product strategy. The Group believes that this vision has enabled an alignment of purpose and execution and a prioritisation of investment. As digital working has increased throughout the economies served, this clarity of vision has ensured that the Group has responded appropriately. It involves a portfolio of attractive products and a set of cloud capabilities, equipping customers to thrive in this era of digital transformation. The Group believes that innovation is, and will continue to be, a clear driver of success.

Sage Business Cloud is a suite of unified solutions that add high value with common services, so customers can integrate and migrate across solutions. This is supported by a marketplace with around 500 ISV apps and emerging technology across artificial intelligence, machine learning and automation. Products in Sage Business Cloud include:

Sage Intacct

Sage Intacct is a cloud-native, award-winning financial management solution enabling organisations from start-ups to public companies to improve performance and make finance more productive. The Sage Intacct accounting software offers broad functionality that automates, accelerates and streamlines complex processes and delivers financial and operational insights through its multi-dimensional general ledger. The software handles basic needs – for example, inventory, accounts payable, accounts receivable, general ledger, and purchasing – as well as sophisticated challenges such as contract and subscription billing, revenue management and project billing. Sage Intacct allows the customer to configure a solution to its requirements, integrate with other solutions, and build its own applications on the Sage Intacct platform.

Sage People

Sage People streamlines core human resource processes by automating key tasks and workflows, all in a single system across a customer's entire organisation. It enables instant and complete visibility of a customer's global workforce, with smart analytics and actionable insights. Sage People has a wide range of features covering talent acquisition, attendance and leave management, payroll, compensation and benefit management and performance and talent management.

Sage People is targeted at medium and large businesses and is a cloud-native solution.

Sage Accounting

Sage Accounting is an award-winning proposition that ensures small businesses, accountants and bookkeepers can remotely manage their customer data, accounts, and people all in one native cloud destination. This includes online invoicing and expense and stock management to compliance and tax. The invoicing software facilitates the creation and sending of an invoice online and also tracks which invoices have been sent, paid and are overdue, resulting in reduced time between sending an invoice and getting paid. Using the expense management tool, customers can log expenses simply by taking a smartphone photo of the invoice. The software also enables stock notifications and can be linked to the business bank account to allow bank transactions to be automatically matched to invoices.

Sage Payroll

Sage Payroll is a payroll and HR software that provides small businesses with the ability to pay their employees accurately and on time, while ensuring they remain compliant with the latest legislation. It delivers a simple and guided payroll process from start to finish, removing the need to outsource payroll or hire a dedicated payroll expert. The solution automates and streamlines payroll tasks, including data collection, payments and deductions, pension contributions, and submissions such as real time information and auto enrolment. Integration with Sage Accounting means that salary journals are automatically posted into accounts, to provide a complete view of the business. Each time a pay run is completed, the information is posted directly into Sage Accounting, thus removing duplication of effort. Sage Payroll is targeted at small businesses and is a cloud native solution.

Sage 50cloud

The Group's Sage 50cloud solution provides small businesses with an advanced, cloud connected accounting solution, enabling their businesses to benefit from the power of desktop software while giving the freedom of smart secure cloud through connected apps.

Sage 50cloud offers advanced features to enable businesses to streamline tasks including customer and supplier management, invoicing, banking with the ability to connect directly to bank accounts and securely import transactions, income and expense management, stock control, sales and purchase order processing, project management and VAT automation and submission.

Sage 50cloud is designed to support businesses in reducing unnecessary administration, improving cashflow and enabling access to insight to support better decision making and support business growth.

Sage 200cloud

Sage 200cloud is a cloud connected business management solution, which helps small to medium-sized businesses grow revenue, reduce costs and increase profitability. It helps them manage their sales funnel, cash flow, compliance, inventory, manufacturing and payments processes. It also reveals insight into how their business is performing, and areas where it can be further improved to reduce risk and increase profitability. Sage 200cloud combines the power and productivity of desktop software, with the freedom and control of smart, secure cloud and mobile access.

Sage X3

Sage X3 provides support across a customer's business, from procurement to production, warehousing, sales, customer service and financial management, and delivers insight into costs and performance at every step. It also adapts to users' unique roles, preferences and workflow and delivers secure cloud and mobile access to the data they need, while simplifying the management of their business software infrastructure with one cohesive suite of applications. The Group's enterprise management software offers flexible configuration options and applications to support industry-specific processes.

Sage X3 is targeted at medium and large businesses and has a number of deployment options including on-premise, privately hosted and cloud native.

RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management activities. These activities reflect strategic, financial, operational and compliance considerations, and are designed to support the business to successfully achieve its operational and strategic objectives. The Group's risk management strategy provides parameters for the successful management of risk and provides the executive management team with the scope to successfully deliver the business strategy in the most efficient way possible.

The Group's risk identification process follows both a top down approach which seeks to identify strategic and emerging risks and a bottom up approach which seeks to identify operational risks. The Group's risk appetite reflects its ability or desire to accept a certain level of risk in order to achieve its strategy. Principal risks impacting the Group are measured and monitored against the risk appetite statements and supporting metrics which are defined by the Groups' Enterprise Risk Management framework. Risks are owned and managed within the business, and formally reviewed on a quarterly basis through appropriate risk committees.

Since January 2020, the Covid-19 pandemic has brought and will continue to bring significant change to the global economic, social, political and business landscape. In response, the Group continues to review the actual, emerging and potential impacts of the pandemic on its principal risks to identify any new risks or changes to existing risks and opportunities that may have arisen, with a specific focus on what could change the risk profile materially. Whilst the pandemic has not created any additional principal risks, the Group has amended, as appropriate, some of its mitigating actions and also reflected the risk of global pandemic within its assessment of viability.

As the pandemic became increasingly known, the Group initiated its response to the crisis drawing on existing business continuity plans. The objective was to prioritise the health, safety and wellbeing of colleagues and the immediate needs of the Group's customers in the light of government guidance and legislation. During the early stages of the crisis the Group ensured that its critical infrastructure, resources and activities were organised to provide continuity of its operations and to enable it to implement its response approach to Covid-19. This rapid response has enabled uninterrupted support for the Group's customers and colleagues throughout the pandemic.

There remains uncertainty as to the impact of the implementation of the trade agreement made in December 2020 between the UK and the EU and other arrangements remain under discussion with the EU which may also impact the Group. The Group recognises that Brexit may have an adverse impact on the broader UK economy, which in turn may impact a portion of its UK customer base. However, it is also recognised that due to the manner in which the Group operates, and the industry in which it operates, there are also implications in how the Group can, and will, utilise data to innovate, so that it can continue to grow its product proposition as this is primarily conducted out of the UK and the US.

The Group has adopted an approach that it believes will allow it to manage the risks that Brexit may bring, including:

- focusing on changes which may be required to its products;
- the impact for colleagues both in the UK and the EU; and
- other legal, financial or tax implications which could arise.

The Group does not currently foresee any adverse material impact on its day-to-day operations due to the domestic nature of its UK business and its customer needs. Additionally, the Group has low numbers of UK and EU colleagues based outside their home countries. Where this is the case, the risk has been mitigated due to protections put in place by the UK and certain EU governments to enable such citizens to continue to reside and work outside their home countries.

RESEARCH AND DEVELOPMENT

The Group develops the substantial majority of its product offerings internally. In addition, it has extended its product offerings and intellectual property through acquisitions of businesses and technologies. The Group also purchases or licences intellectual property rights in certain circumstances. The Group believes that internal development allows it to maintain technical control over the design and development of its products.

The Group has a number of patents and pending applications that relate to various aspects of its products and technology. While the Group believes that its patents have value, no single patent is essential to the Group or its business.

The Group's R&D expenditure was £252 million, £220 million and £192 million in FY2020, FY2019 and FY2018, respectively, or 15.8 per cent. of its organic recurring revenue in FY2020, 15 per cent. in Comparative FY2019 and 13.7 per cent. in FY2018. Rapid technological advances in software development, evolving standards in software technology, changing customer needs and frequent new product introductions, offerings and enhancements characterise the markets in which the Group operates. The Group intends to continue to dedicate a significant amount of resources to R&D efforts to maintain and improve its current product and services offerings.

FINANCIAL POLICY

Sage's leverage policy is to operate in a broad range of 1-2 times net debt to EBITDA in the medium term, with flexibility to move slightly outside this range as the business needs require.

Within the confines of that policy, the Group has a clear capital allocation approach with the primary focus on organic investment in order to accelerate the execution of the strategy as outlined above. The Group intends to build on this investment by continuing to rationalise and simplify the product portfolio by both (i) bolt-on acquisitions of complementary technology and partnerships that will further accelerate the strategy and enhance Sage Business Cloud and (ii) in line with focusing on core competences within the business, the disposals of non-core assets. Examples of such acquisitions include AutoEntry in September 2019 and Sage HR in November 2019. Examples of such disposals include Sage Payroll Solutions, the US-based payroll outsourcing services business, in February 2019, Sage Pay, the Group's European payments processing business, and the Group's Brazilian business, both in March 2020. The Group has also entered into agreements for the sale[8] of its Polish business (expected to complete by the end of March 2021) and its Australia and Asia businesses (expected to complete by the end of June 2021), and its business in Switzerland is currently for sale. Acquisitions and disposals are always subject to stringent financial criteria.

Further to these two capital allocation objectives, the Group expects to continue to maintain the dividend in real terms going forward and may consider additional returns to shareholders if considered appropriate. In FY2020, the approved total dividend amounted to 17.25 pence per share compared to 16.91 pence per share in FY2019 and 16.5 pence per share in FY2018. The Group commenced a share buyback in March 2020, following the disposal of Sage Pay but this was suspended and then cancelled in light of the uncertainty generated by the Covid-19 pandemic.

The Group is committed to maintaining good financial discipline whilst continuing to invest in the business and delivering strong shareholder returns.

[8] These disposals exclude global products that are core to the Group's strategy such as Sage Intacct, Sage People and Sage X3.

MANAGEMENT AND EMPLOYEES

OVERVIEW

The Group's governance framework comprises the Board of Directors (the **Board**), three Board committees[9], the Chief Executive Officer (the **CEO**) and the Executive Committee, which is chaired by the CEO who in turn reports to the Board.

Beneath the Executive Committee there exists a clearly defined organisational management structure and a governance framework consisting of sub-committees, each of which reports directly or indirectly into one of the Committees referred to above. These sub-committees operate within defined terms of reference and in accordance with the Group's suite of global governance policies, which include Finance, IT, Procurement, Legal and HR policies as well as the Group's Code of Conduct.

BOARD OF DIRECTORS

The Board provides leadership to the business as a whole to drive it forward for the benefit, and having regard to the views, of its shareholders and other stakeholders. The Board:

- sets the Group's long-term strategy and associated risk appetite;
- has overall responsibility for risk management and systems of internal control; and
- ensures processes are in place to identify and manage the Group's principal risks.

The Board meets not less than six times per year. During FY2020, the Board held six scheduled meetings. An additional three unscheduled meetings were also held and written Board resolutions were passed as and when required, for example in response to the Covid-19 pandemic.

The table below provides information on the members of the Board.

Name and title	Date of Appointment to the Board	Principal activities performed outside of the Group
Sir Donald Brydon Chairman(1)	Appointed to the Board 6 July 2012 and as Chairman on 1 September 2012	None
Steve Hare CEO	Appointed to the Board 3 January 2014 and as CEO on 2 November 2018	None
Jonathan Howell Chief Financial Officer (**CFO**)	Appointed to the Board 15 May 2013 and as CFO on 10 December 2018	None
Drummond Hall Senior independent director	1 January 2014	None
Jonathan Bewes Independent non-executive director	1 April 2019	Next plc - Non-executive Director Corporate and Institutional Banking at Standard Chartered Bank - Vice Chairman

[9] In addition to the three main board committees, the Group also has a Disclosure Committee.

Annette Court Independent non-executive director	1 April 2019	Admiral Group plc - Chairman
John Bates Independent non-executive director	31 May 2019	Eggplant Group (now part of Keysight Technologies Inc.) – Chief Executive Officer
Sangeeta Anand Independent non-executive director	1 May 2020	None
Irana Wasti Independent non-executive director	1 May 2020	GoDaddy EMEA - President

Note:

(1) Sir Donald Brydon has indicated his intention to retire in September 2021, following completion of his maximum term under the Corporate Governance Code. The Group is currently seeking a successor.

The address of each member of the Board is North Park, Newcastle upon Tyne, NE13 9AA. There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Group.

BOARD COMMITTEES

Audit and Risk Committee

This committee oversees and assesses the integrity of the Group's financial reporting, risk management and internal control procedures and the work of its internal and external auditors. The members of the Audit and Risk Committee are Jonathan Bewes (Chairman), Annette Court and Drummond Hall. The committee held four meetings in FY2020.

Nomination Committee

This committee reviews the composition of the Board and its committees; plans for progressive refreshing of their membership; and considers succession plans for the Board and senior management, in view of the Group's global diversity and inclusion strategy. The members of the Nomination Committee are Sir Donald Brydon (Chairman), Drummond Hall and John Bates. The committee held three meetings in FY2020.

Remuneration Committee

This committee determines Executive Director remuneration policy; sets remuneration for the Chairman, Executive Directors, the Company Secretary, other Executive Committee members and senior management; and reviews workforce remuneration and policies. The members of the Remuneration Committee are Annette Court (Chairman), Drummond Hall and John Bates. The committee held six meetings in FY2020.

Disclosure Committee

This committee assesses when the Group has inside information and advises the Board to ensure that the Group complies with all obligations under the EU Market Abuse Regulation, including the obligation to make accurate and timely disclosure of inside information. The Disclosure Committee members include the Chairman, the CEO, the CFO, the Chairman of the Audit and Risk Committee and the General Counsel and Company Secretary.

EXECUTIVE MANAGEMENT

The Group's CEO is responsible for management of the Group as a whole and the delivery of strategic objectives within the Board's stated risk appetite. The CEO chairs the Executive Committee which:

- implements strategy, operational plans, budgets, policies and procedures;
- is responsible for monitoring operating and financial performance;
- is responsible for assessing and controlling risks;
- is responsible for prioritising and allocating resources; and
- is responsible for monitoring competitive forces in each area of operation under the direction of the CEO.

The members of the Executive Committee are:

Name	Title
Steve Hare	CEO
Jonathan Howell	CFO
Derk Bleeker	Chief Corporate Development Officer
Vicki Bradin	General Counsel and Company Secretary
Amanda Cusdin	Chief People Officer
Sue Goble	Chief Customer Success Officer
Aaron Harris	Chief Technology Officer
Cath Keers	Chief Marketing Officer
Lee Perkins	Chief Operating Officer
Rob Reid	Chairman Mid-Market Solutions
Keith Robinson	Chief Strategy Officer

The address of each member of the executive management team is North Park, Newcastle upon Tyne, NE13 9AA. There are no potential conflicts of interest between the private interests or other duties of the executive managers listed above and their duties to the Group.

EMPLOYEES

During FY2020, the Group employed on an average monthly basis, 12,506 employees (including Directors), including 4,407 in Central and Southern Europe, 3,279 in Northern Europe, 2,592 in North America and 2,228 in the International segment.

TAXATION

UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of current UK law and published HM Revenue and Customs' practice relating only to the UK withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) in respect of Notes. It does not deal with any other UK taxation implications of acquiring, holding or disposing of Notes. It relates only to the position of persons who are the absolute beneficial owners of their Notes and all payments made thereon. UK tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes may be made without deduction of or withholding on account of UK income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of UK tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a UK source on account of UK income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HM Revenue & Customs can, provided that any necessary conditions are satisfied, issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The UK withholding tax treatment of payments by the Guarantor under the terms of the Guarantee which have a UK source is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the Guarantor makes any such payments, these may be subject to UK withholding tax at the basic rate.

FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under Condition 17 (*Further Issues*) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc and Merrill Lynch International (the **Joint Lead Managers**) have, pursuant to a subscription agreement dated 23 February 2021 (the **Subscription Agreement**), jointly and severally agreed to subscribe for the Notes at the issue price of 98.921 per cent. of the principal amount of the Notes less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain standard circumstances prior to payment being made to the Issuer.

General

Neither the Issuer nor the Guarantor nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws.

Each Joint Lead Manager has agreed that it will not offer, sell or deliver the Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the date of issue of the Notes (the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. persons, and, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed, that it has not offered, sold or otherwise made available any Notes to any retail investor in the UK. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of FSMA and any rules or regulations made under FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor.

Prohibition of sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive**,** where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

GENERAL INFORMATION

(1) Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by a resolution of the Board of the Issuer passed on 20 December 2020 and a resolution of a Sub-Committee of the Board of the Issuer passed on 11 February 2021. The giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor passed on 11 February 2021.

(2) Application has been made to the FCA for the Notes to be admitted to the Official List. Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the Market. Such listing and admission to trading is expected to occur on or about 26 February 2021, subject only to the issue of the Notes.

(3) The Issuer estimates that the total expenses related to the admission to trading of the Notes will be approximately £5,515.

(4) There has been no significant change in the financial performance or financial position of the Issuer, the Guarantor or the Group, in each case since 30 September 2020 and there has been no material adverse change in the prospects of the Issuer, the Guarantor or the Group, in each case since 30 September 2020.

(5) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) in the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Group or the Guarantor.

(6) The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The ISIN for the Notes is XS2305547064 and the Common Code is 230554706. The CFI Code and the FISN are available from the website of the Association of National Numbering Agencies (ANNA). The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

(7) The Notes (other than the Temporary Global Note) and the Coupons will contain the following legend:

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended.

(8) The auditors of the Issuer and the Guarantor are Ernst & Young LLP, who are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. Ernst & Young LLP have audited the consolidated financial statements of the Issuer and the unconsolidated financial statements of the Guarantor for the financial years ended 30 September 2020 and 30 September 2019, as stated in their respective reports (which are incorporated by reference into, or appended to, this Prospectus).

(9) For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available for inspection from www.sage.com:

(a) this Prospectus (together with any supplements to this Prospectus);

(b) the constitutional documents of the Issuer and the Guarantor; and

(c) the Trust Deed (which includes the form of the Global Notes, the definitive Notes and the Coupons) and the Agency Agreement.

(10) For investors in the Notes, the Issue Price is 98.921 per cent. and the yield is 1.744 per cent., calculated on an annual basis. The yield is calculated at the Issue Date. It is not an indication of future yield.

(11) The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Joint Lead Managers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. In addition, certain of the Joint Lead Managers and/or their respective affiliates hedge their credit exposure to the Issuer pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. The Joint Lead Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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SAGE TREASURY COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

CONTENTS

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Directors' Report

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

Principal activity

The principal activity of Sage Treasury Company Limited (the "Company") throughout the year has been that of a finance company and will remain as such for the foreseeable future.

Dividends

The profit for the year, after taxation, amounted to £48,867,000 (2019 - £10,260,000).

No dividends were declared and paid during the year (2019: nil).

Directors

The Directors who served during the year were:

Victoria Louise Bradin
Sarah Jane Rolls (resigned 30 September 2020) Julia McDonough (resigned 1 March 2020)
James Thomas (appointed 12 March 2020)
Jacqui Cartin (appointed 6 August 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.

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.

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 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.

Strategic Report

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

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:

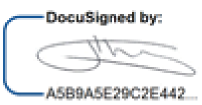
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors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

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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



James Thomas

Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Directors' Responsibilities Statement

The Directors are responsible for preparing 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;
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGE TREASURY COMPANY LIMITED

Independent Auditors' Report

Opinion

We have audited the financial statements of Sage Treasury Company 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 16, 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 profit 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, 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:

the information given in the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

– the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 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; or

– the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAGE TREASURY COMPANY LIMITED

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 TREASURY COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Statement of Comprehensive Income

	Note	2020 £000	*2019 £000*
Income from participating interests	4	**87,355**	*22,797*
Finance income	6	**39,559**	*56,147*
Finance costs	7	**(67,782)**	*(56,277)*
Profit before income tax		**59,132**	*22,667*
Income tax expense	8	**(10,265)**	*(12,407)*
Profit for the financial year		**48,867**	*10,260*
Total comprehensive income for the year		**48,867**	*10,260*

The notes on pages 11 to 21 form part of these financial statements.

SAGE TREASURY COMPANY LIMITED

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

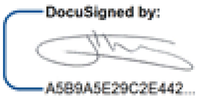
Balance Sheet

	Note	2020	*2019*
		£000	*£000*
Non-current assets			
Investments	9	**953,800**	*1,037,659*
Trade and other receivables	10	**-**	*196,008*
Deferred tax assets		**-**	*5,589*
Other financial assets		**1,000**	*1,000*
		954,800	*1,240,256*
Current assets			
Trade and other receivables	10	**1,583,349**	*2,212,028*
Cash and cash equivalents		**610,759**	*24,859*
		2,194,108	*2,236,887*
Total assets		**3,148,908**	*3,477,143*
Current liabilities			
Trade and other payables	11	**(2,104,993)**	*(2,175,237)*
Borrowings	13	**-**	*(122,050)*
		(2,104,993)	*(2,297,287)*
Non current liabilites			
Trade and other payables	12	**-**	*(418,343)*
Borrowings	13	**(876,711)**	*(643,176)*
		(876,711)	*(1,061,519)*
Total liabilities		**(2,981,704)**	*(3,358,806)*
Net assets		**167,204**	*118,337*
Equity attributable to the owners of the parent			
Ordinary shares	14	**5,000**	*5,000*
Retained earnings	14	**162,204**	*113,337*
		167,204	*118,337*

BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2020

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

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



James Thomas

Director

Date: 17 December 2020

The notes on pages 11 to 21 form part of these financial statements.

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

Statement of Changes in Equity

	Ordinary shares	Retained earnings	Total equity
	£000	£000	£000
At 1 October 2018	5,000	103,077	108,077
Profit for the year	-	10,260	10,260
Total comprehensive income for the year	-	10,260	10,260
At 1 October 2019	5,000	113,337	118,337
Profit for the year	-	48,867	48,867
Total comprehensive income for the year	-	48,867	48,867
At 30 September 2020	5,000	162,204	167,204

The notes on pages 11 to 21 form part of these financial statements.

Notes to the Financial Statements

1. General information

Sage Treasury Company 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 16.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these 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) and are round to the nearest £'000.

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

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

The Directors have 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 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.

2.2 Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes, as required by IAS 7 Statement of cash flows;
- Disclosures in respect of transactions with wholly owned subsidiaries, as required by IAS 24 Related party disclosures;
- Disclosures in respect of capital management, as required by paragraphs 134 to 136 of IAS 1 Presentation of financial statements;
- The effects of new but not yet effective IFRSs, as required by paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors;
- Disclosures in respect of the compensation of Key Management Personnel, as required by paragraph 17 of IAS 24 Related party disclosures; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company, as required by paragraph 17 of IAS 24 Related party disclosures.

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

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

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

2.3 Foreign currency translation

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

2.4 Finance income

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

2.5 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 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.

2.7 Investments

Fixed asset investments are stated at cost less provision for any diminution in value. Any impairment is charged to the profit and loss account as it arises.

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

2.9 Trade and other payables

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

2.10 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.

2.11 Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowing on an effective interest basis.

2.12 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.

2.13 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.

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 investments

Determining whether investments are impaired requires an estimate of the value-in-use or assessment of the assets and liabilities in the investment group. Where an estimate of the value-in-use is used, the key assumptions applied in the calculation relate to the future performance expectations of the business – average medium-term revenue growth, long term operating margin and long-term growth rate – as well as the discount rate to be applied in the calculation.

The carrying value of investments at 30 September 2020 was £961,592,000 (2019: £1,045,451,000) and no impairment loss has been recognised in the year (2019: £nil).

Recoverability of amounts owed by group undertakings

Determining whether amounts owed by group undertakings are recoverable requires a determination of whether the other party is able to repay. This is performed by assessing the assets and liabilities of the other party.

The carrying value of amounts owed by group undertakings at 30 September 2020 was £1,583,195,000 (2019: £2,408,017,000) and no impairment loss has been recognised in the year (2019: £nil).

4. Income from participating interests

Income from participating interests relates to the Company's share of profits from its limited partnership interest in Sage US LLP.

5. Operating profit

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

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its parent The Sage Group plc.

The Directors did not receive any emoluments during the year in respect of their services to the Company. No other persons were employed during the year.

6. Finance income

	2020	*2019*
	£000	*£000*
Bank interest receivable	**388**	*122*
Interest receivable from group companies	**39,171**	*46,501*
Net foreign exchange gains	**-**	*9,524*
	39,559	*56,147*

7. Finance costs

	2020	*2019*
	£000	*£000*
Finance costs on bank borrowings	**21,723**	*25,878*
Amortisation of issue costs	**1,360**	*1,022*
Bank interest payable	**14**	*9*
Net foreign exchange losses	**11,466**	-
Interest payable to group undertakings	**33,138**	*28,833*
Fair value loss on derivative assets	**-**	*490*
Other costs	**81**	*45*
	67,782	*56,277*

8. Taxation

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	**4,378**	*15,345*
Adjustments in respect of previous periods	**298**	*2,651*
Total current tax	**4,676**	*17,996*
Deferred tax		
Origination and reversal of timing differences	**5,589**	*(5,589)*
Total deferred tax	**5,589**	*(5,589)*
Taxation on profit on ordinary activities	**10,265**	*12,407*

Factors affecting tax charge for the year

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

	2020	2019
	£000	£000
Profit on ordinary activities before tax	**59,132**	*22,667*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**11,235**	*4,307*
Effects of:		
Non-deductible tax expenses and permanent items	**959**	*10,618*
Adjustments to tax charge in respect of prior periods	**298**	*2,651*
Effect of imputed interest	**(2,244)**	*(1,208)*
Other income	**401**	*310*
Other timing differences	**(384)**	*657*
Group relief	**-**	*(4,928)*
Total tax charge for the year	**10,265**	*12,407*

EU State Aid

The Company continues to monitor developments following the EU Commission's decision published on 25 April 2019 in respect of its State Aid investigation into the UK's Controlled Foreign Company regime. The EU Commission concluded that the UK law did not comply with EU State Aid rules in certain circumstances. The UK Government has appealed to the European Court seeking annulment of the EU Commission's decision. The Company, in line with a number of UK corporates, has made a similar appeal. HMRC issued guidance on this issue in December 2019 and provided some key factors that should be considered in the quantification of the State Aid amount. The Company has made an assessment of the potential State Aid amount in accordance with HMRC's guidance. The Company has submitted its analysis to HMRC but remains of the view that State Aid is not applicable. Based on current advice, we consider that no provision is required at this time. However, the Company has estimated its maximum potential liability to be approximately £12m. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on current interpretation of legislation, management experience and professional advice.

9. Investments

	£000
Cost	
At 1 October 2019	**1,045,451**
Disposals	**(83,859)**
At 30 September 2020	**961,592**
Impairment	
At 1 October 2019	**7,792**
At 30 September 2020	**7,792**
Net book value	
At 30 September 2020	**953,800**
At 30 September 2019	***1,037,659***

Disposals relate to the partial redemption of shares in the Company's subsidiaries. The value was settled through settlement of payables with these subsidiaries.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Sage Euro Hedgeco 1 *	North Park, Newcastle upon Tyne, NE13 9AA	Ordinary	100%
Sage Euro Hedgeco 2	North Park, Newcastle upon Tyne, NE13 9AA	Ordinary	100%
Sage USD Hedgeco 1 *	North Park, Newcastle upon Tyne, NE13 9AA	Ordinary	100%
Sage USD Hedgeco 2	North Park, Newcastle upon Tyne, NE13 9AA	Ordinary	100%
Sage US LLP ^	North Park, Newcastle upon Tyne, NE13 9AA	Member's interest	99.99%
Sage Treasury Ireland Unlimited Company	Number One Central Park, Leopardstown, Dublin 18	Ordinary	100%

* Direct subsidiary

^ The investment is that of a limited partnership in which the Company only has rights to the share in profit

10. Trade and other receivables

	2020	*2019*
	£000	*£000*
Non-current		
Amounts owed by group undertakings	-	*196,008*
	-	*196,008*

	2020	*2019*
	£000	*£000*
Current		
Amounts owed by group undertakings	**1,583,195**	*2,212,009*
Prepayments and accrued income	**154**	*19*
	1,583,349	*2,212,028*

Non-current amounts owed by group undertakings are unsecured and attract a rate of interest of between LIBOR and 5.19% (2019: between LIBOR and 5.19%).

11. Trade and other payables

	2020	*2019*
	£000	*£000*
Amounts owed to group undertakings	**2,088,835**	*2,155,692*
Corporation tax	**11,569**	*14,250*
Accruals	**4,589**	*5,295*
	2,104,993	*2,175,237*

12. Trade and other payables - non-current

	2020	*2019*
	£000	*£000*
Amounts owed to group undertakings	-	*418,343*
	-	*418,343*

13. Borrowings

Analysis of the maturity of loans is given below:

	2020	*2019*
	£000	*£000*
Current		
US senior loan notes - unsecured	-	*122,050*
	-	*122,050*
Non-current		
Bank loans - unsecured	**489,932**	*242,639*
US senior loan notes - unsecured	**386,779**	*400,537*
	876,711	*643,176*
Total borrowings	**876,711**	*765,226*

Included in loans above is £876,711,000 (2019: £765,226,000) of unsecured loans and US senior loan notes after unamortised issue costs of £3,910,000 (2019: £2,699,000).

Borrowings	Year issued	Interest coupon	Maturity	2020 £000	2019 £000
USD 150M loan note	2013	3.08%	20-May-20	-	*122,050*
USD 150m loan note	2013	3.71%	20-May-23	**116,180**	*122,050*
USD 50m loan note	2013	3.86%	20-May-25	**38,727**	*40,683*
EUR 55m loan note	2015	1.89%	26-Jan-22	**49,936**	*48,793*
EUR 30m loan note	2015	2.07%	26-Jan-23	**27,238**	*26,615*
USD 200m loan note	2015	3.73%	26-Jan-25	**154,907**	*162,734*
Total loan notes				**386,988**	*522,925*
Bank loans - unsecured				**493,633**	*245,000*
Less unamortised issue costs				**(3,910)**	*(2,699)*
				876,711	*765,226*

Unsecured bank loans comprises a fixed term loan of £200,000,000 (2019: £200,000,000) expiring in September 2022 and £293,633,000 drawings (2019: £45,000,000) under the multi-currency revolving credit facility of £691,889,000 (2019: £720,028,000) expiring in February 2025, which consists both of US$719,000,000/£556,889,000 (2019: US$719,000,000/£585,028,000) and of £135,000,000 (2019: £135,000,000) tranches.

14. Equity

	2020 £000	2019 £000
Allotted, called up and fully paid		
5,000,001 *(2019 - 5,000,001)* Ordinary shares of £1.00 each	**5,000**	*5,000*

Retained earnings represent cumulative comprehensive income less dividends paid.

15. 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.

16. Immediate and ultimate parent Company

The immediate and 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.

Financial Statements of Sage Treasury Company Limited for the year ended 30 September 2019

Registration number 08319044

Sage Treasury Company Limited

Report and Financial Statements

Year ended 30 September 2019

Contents

Directors' Report

The directors present their report and the audited financial statements of Sage Treasury Company Limited ("the Company") for the year ended 30 September 2019.

Principal activity

The principal activity of the Company throughout the year has been that of a finance company and will remain as such for the foreseeable future.

Results and dividends

The profit for the year amounted to £10,260,000 *(2018:* £59,555,000*)* and is reflective of the activity during the period. The directors do not recommend the payment of a dividend.

Directors

The directors who served during the period and up to the date of signing the financial statements are set out below:

V L Bradin
S J Rolls
L A Flowerdew (resigned on 30 August 2019)
J McDonough (appointed on 30 August 2019 and resigned on 1 March 2020)
J Thomas (appointed on 12 March 2020)

Indemnity provisions

The ultimate parent company, The Sage Group plc ("the Group"), 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.

Subsequent event

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

As the outbreak of COVID-19 occurred after 30 September 2019 and to date the impact has been limited, it is considered to be a non-adjusting event under IAS 10 – Events after the reporting period. Therefore, no adjustments to the financial statements as at 30 September 2019 have been made. Given the high level of uncertainty it is not possible to estimate the financial effect of the COVID-19 disruption on the Company.

Directors' Report *(continued)*

Going concern

The directors have robustly tested the going concern assumption in preparing the financial statements. Given the non-trading nature of this entity there has been no impact from COVID-19 on Company performance, nor do we expect any impact moving forward. The directors are therefore satisfied that the going concern basis of preparation is appropriate.

Strategic report

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

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DocuSigned by:
Sarah Rolls
1695604EC00849A...

On behalf of the Board
S J Rolls
Director
23 June 2020

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the shareholders of Sage Treasury Company Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAGE TREASURY COMPANY LIMITED

Opinion

We have audited the financial statements of Sage Treasury Company Limited for the year ended 30 September 2019 which comprise the Income statement and other comprehensive income, Balance sheet, Statement of changes in equity and the related notes 1 to 16, 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2019 and of its profit 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

Independent auditor's report to the shareholders of Sage Treasury Company Limited *(continued)*

The other information comprises the information included in the Directors' report set out on pages 3 to 4, 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:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

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 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 5, 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.

Independent auditor’s report to the shareholders of Sage Treasury Company Limited *(continued)*

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

Mark Morritt (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds, United Kingdom
25 June 2020

Income statement and other comprehensive income

	Note	2019 £'000	2018 £'000
Income from participating interests	3	**22,797**	-
Operating profit	4	**22,797**	-
Finance income	5	**56,147**	113,944
Finance costs	6	**(56,277)**	(54,389)
Profit before income tax		**22,667**	59,555
Income tax expense	7	**(12,407)**	-
Profit for the year		**10,260**	59,555
Total comprehensive income		**10,260**	59,555

All the activities of the Company are classified as continuing.

The notes on pages 12 to 23 form part of these financial statements.

Balance Sheet

	Note	2019	2018
		£'000	**£'000**
Non-current assets			
Investments	8	**1,037,659**	77,984
Deferred income tax asset	9	**5,589**	-
Other financial assets		**1,000**	1,490
		1,044,248	79,474
Current assets			
Trade and other receivables	10		
- Due within 1 year		**2,212,028**	2,261,965
- Due after 1 year		**196,008**	1,221,703
Cash and cash equivalents		**24,859**	3,890
		2,432,895	3,487,558
Total assets		**3,477,143**	3,567,032
Current liabilities			
Trade and other payables	11	**(2,175,237)**	(2,159,649)
Borrowings	12	**(122,050)**	(8,430)
		(2,297,287)	(2,168,079)
Non-current liabilities			
Trade and other payables	11	**(418,343)**	(377,922)
Borrowings	12	**(643,176)**	(912,954)
		(1,061,519)	(1,290,876)
Total liabilities		**(3,358,806)**	(3,458,955)
Net assets		**118,337**	108,077
Equity attributable to owners of the parent			
Ordinary shares	13	**5,000**	5,000
Retained earnings	13	**113,337**	103,077
Total equity		**118,337**	108,077

These accounts were approved by the directors and authorised for issue on 23 June 2020, and are signed on their behalf by:

S J Rolls
Director
Company registration number: 08319044

The notes on pages 12 to 23 form part of these financial statements.

Statement of changes in equity

	Note	**Ordinary shares £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 October 2017		5,000	43,522	48,522
Profit for the year		-	59,555	59,555
Total comprehensive expense for the year ended 30 September 2018		-	59,555	59,555
Balance at 30 September 2018		5,000	103,077	108,077
Balance at 1 October 2018		**5,000**	**103,077**	**108,077**
Profit for the year		**-**	**10,260**	**10,260**
Total comprehensive Income for the year ended 30 September 2019		**-**	**10,260**	**10,260**
Balance at 30 September 2019		**5,000**	**113,337**	**118,337**

The notes on pages 12 to 23 form part of these financial statements.

Notes

1. Accounting policies

Sage Treasury Company 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.

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 15.

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*;
- Comparative period reconciliations as required by paragraph 38 of IAS 1 *Presentation of financial statements* for share capital (paragraph 79(a)(iv) of IAS 1 *Presentation of financial statements*)
- Disclosures in respect of transactions with wholly owned subsidiaries, as required by IAS 24 *Related party disclosures*;
- Disclosures in respect of capital management, as required by paragraphs 134 to 136 of IAS 1 *Presentation of financial statements*;
- The effects of new but not yet effective IFRSs, as required by paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors*;
- Disclosures in respect of the compensation of Key Management Personnel, as required by paragraph 17 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*.

Notes *(continued)*

1. Accounting policies *(continued)*

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

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening balance sheet at 1 October 2014 for the purposes of the transition to FRS 101.

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 2.

Basis of preparation

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

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

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

The directors have robustly tested the going concern assumption in preparing the financial statements. Given the non-trading nature of this entity there has been no impact from COVID-19 on Company performance, nor do we expect any impact moving forward. The directors are therefore satisfied 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.

Foreign currencies

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

Finance income and costs

Finance income and costs are recognised using the effective interest method. Finance costs are recognised in the income statement simultaneously with the recognition of an increase in a liability or the reduction in an asset.

Notes *(continue)*

1. **Accounting policies** *(continued)*

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.

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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

Trade and other payables

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

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.

Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowing on an effective interest basis.

Notes *(continued)*

1. Accounting policies *(continued)*

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.

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Accounting estimates and judgements

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 investments

Determining whether investments are impaired required an estimate of the value-in-use or assessment of the assets and liabilities in the investment group. Where an estimate of the value-in-use is used, the key assumptions applied in the calculation relate to the future performance expectations of the business – average medium-term revenue growth, long term operating margin and long-term growth rate – as well as the discount rate to be applied in the calculation.

The carrying value of investments at 30 September 2019 was £1,037,659,000 *(2018: £77,984,000)* and no impairment loss has been recognised in the year *(2018: £nil)*.

Recoverability of amounts owed by group undertakings

Determining whether amounts owed by group undertakings are recoverable requires a determination of whether the other party is able to repay. This is performed by assessing the assets and liabilities of the other party.

The carrying value of amounts owed by group undertakings at 30 September 2019 was £2,408,017,000 *(2018: £3,483,648,000)* and no impairment loss has been recognised in the year *(2018: £nil)*.

Notes *(continued)*

3. Income from participating interests

	2019	2018
	£'000	£'000
Share of profit of participating interest	**22,797**	-

Income from participating interests relates to the Company's share of profits from its limited partnership interest in Sage US LLP. In 2018, the Company's ownership was classified as a preferred partnership interest, resulting in the investment being recognised as a debt instrument with income being recognised in Finance Income.

4. Operating profit

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

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its parent The Sage Group plc.

The directors did not receive any emoluments during the year in respect of their services to the Company. No other persons were employed during the year.

5. Finance income

	2019	2018
	£'000	£'000
Bank interest receivable	**122**	18
Interest receivable from group undertakings	**46,501**	39,297
Preferred partnership interest from group undertakings	**-**	52,848
Net foreign exchange gains	**9,524**	21,781
	56,147	113,944

6. Finance costs

	2019	2018
	£'000	£'000
Finance costs on bank borrowings	**25,878**	28,465
Amortisation of issue costs	**1,022**	1,889
Bank interest payable	**9**	59
Interest payable to group undertakings	**28,833**	23,321
Fair value loss on derivative assets	**490**	610
Other costs	**45**	45
	56,277	54,389

Notes *(continued)*

7. Income tax expense

	2019	2018
	£'000	£'000
Current tax expense		
Current year	**15,345**	-
Correction to prior year's expense	**2,651**	-
	17,996	-
Deferred tax (credit)	**(5,589)**	-
Total income tax expense	**12,407**	-

Reconciliation of effective tax rate

The tax charge for the year is lower than *(2018: lower)* the standard rate of corporation tax in the UK of 19.0% *(2018: 19.0%)*. The differences are explained below:

	2019	2018
	£'000	£'000
Profit before income tax	**22,667**	59,555
Tax calculated at UK standard rate of corporation tax of 19.0% (2018: 19.0%)	**4,307**	11,315
Non-taxable foreign exchange gain	**-**	(4,816)
Non-deductible expenses and permanent items*	**10,618**	**-**
Adjustments in respect of prior period	**2,651**	**-**
Effect of imputed interest	**(1,208)**	(11,186)
Other income	**310**	2,796
Other timing differences	**657**	
Group relief surrendered for no payment	**(4,928)**	1,891
Total income tax credit recognised	**12,407**	**-**

***** The Company has recognised certain provisions 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 authority. This approach resulted in providing £11m as at 30 September 2019 (2018: nil)

EU State Aid

The Company continues to monitor developments following the EU Commission’s decision published on 25 April 2019 in respect of its State Aid investigation into the UK’s Controlled Foreign Company regime. The EU Commission concluded that the UK law did not comply with EU State Aid rules in certain circumstances. The UK Government has appealed to the European Court seeking annulment of the EC Commission’s decision. The Company, in line with a number of UK corporates, is making a similar appeal. The Company has calculated its maximum potential liability, to be approximately £11m. Based on current advice, we consider that no provision is required at this time. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on current interpretation of legislation, management experience and professional advice.

Notes *(continued)*

8. Investments

	£'000
Cost	
At 1 October 2018	**85,776**
Investment in subsidiary undertaking	**1,001,035**
Share redemption from subsidiary undertaking	**(41,360)**
At 30 September 2019	**1,045,451**
Provision for diminution in value	
At 1 October 2018 and 30 September 2019	**7,792**
Net book value	
At 30 September 2019	**1,037,659**

	£'000
Cost	
At 1 October 2017	87,584
Investment in subsidiary undertaking	30,321
Share redemption from subsidiary undertaking	(32,129)
At 30 September 2018	85,776
Provision for diminution in value	
At 1 October 2017 and 30 September 2018	7,792
Net book value	
At 30 September 2018	77,984

Investments represent shares / memberships in subsidiary undertakings.

The increase in investment represents a change in the Company's investment in Sage US LLP from a preferred partnership interest to a limited partnership interest on 1 October 2018. In the year-ending 2018, the investment was classified as Trade and other receivables due to the nature of the investment having attributes of debt. Upon the change in investment type, the investment took on the attributes of equity and thus has been reclassified to Investments.

Notes *(continued)*

8. Investments *(continued)*

The following table lists the Company's subsidiary undertakings.

			Interest	
	Country of incorporation	**Indirect/Direct holding**	**2019**	2018
Sage Euro Hedgeco 1[1]	UK	Direct	100%	100%
Sage USD Hedgeco 1[1]	UK	Direct	100%	100%
Sage Euro Hedgeco 2[1]	UK	Indirect	100%	100%
Sage USD Hedgeco 2[1]	UK	Indirect	100%	100%
Sage US LLP[1 *]	UK	Direct	99.99 %	99.99 %
Sage Treasury Ireland Unlimited Company[2]	Ireland	Direct	100%	100%

[1] Subsidiary registered address is North Park, Newcastle upon Tyne, NE13 9AA.

[2] Subsidiary registered address is Number One Central Park, Leopardstown, Dublin 18

*The investment is that of a limited partnership in which the Company only has rights to the share in profit. In 2018, the Company's investment was a preferred partnership which only gave exclusive rights to interest earned by Sage US LLP.

Notes *(continued)*

9. Deferred income tax asset

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2019	2018
	£'000	£'000
Other	5,589	-
	5,589	-

The movements in deferred tax assets during the year are shown below.

	Total
	£'000
At 1 October 2018	-
Income statement credit	5,589
At 30 September 2019	**5,589**

10. Trade and other receivables

	2019	2018
	£'000	£'000
Current		
Amounts owed by group undertakings	**2,212,009**	2,261,945
Prepayments and accrued income	**19**	20
	2,212,028	2,261,965
Non-current		
Amounts owed by group undertakings	**196,008**	1,221,703
	2,408,036	3,483,668

Non-current amounts owed by Group undertakings are unsecured and attract a rate of interest of between LIBOR and 5.19% *(2018: between LIBOR and 5.19%)*.

Notes *(continued)*

11. Trade and other payables

	2019	2018
	£'000	£'000
Current		
Amounts owed to group undertakings	**2,155,692**	2,154,572
Corporate tax payable	**14,250**	-
Accruals	**5,295**	5,077
	2,175,237	2,159,649
Non-current		
Amounts owed to group undertakings	**418,343**	377,922
	2,593,580	2,537,571

Non-current amounts owed to Group undertakings are unsecured and attract a rate of interest of 4.23% *(2018: 4.23%)*.

12. Borrowings

	2019	2018
	£'000	£'000
Current		
Overdrafts -unsecured	-	8,430
US senior loan notes - unsecured	**122,050**	-
	122,050	8,430
Non-current		
Bank loans - unsecured	**242,639**	416,054
US senior loans notes - unsecured	**400,537**	496,900
	643,176	912,954
Total borrowings	**765,226**	921,384

Included in loans above is £765,226,000 *(2018: £915,622,000)* of unsecured loans and US senior loan notes, after unamortised issue costs of £2,699,000 *(2018: £2,668,000)*.

Unsecured bank loans attracted an average interest rate of 2.6% during the year.

Notes *(continued)*

12. Borrowings *(continued)*

Borrowings	Year issued	Interest coupon	Maturity	2019 £'000	2018 £'000
USD 150m loan note	2013	3.08%	20-May-20	**122,050**	115,013
USD 150m loan note	2013	3.71%	20-May-23	**122,050**	115,013
USD 50m loan note	2013	3.86%	20-May-25	**40,683**	38,338
EUR 55m loan note	2015	1.89%	26-Jan-22	**48,793**	48,980
EUR 30m loan note	2015	2.07%	26-Jan-23	**26,615**	26,717
USD 200m loan note	2015	3.73%	26-Jan-25	**162,734**	153,350
Total Loan Notes				**522,925**	497,411
Bank loans - unsecured				**245,000**	418,211
Less unamortised issue costs				**(2,699)**	(2,668)
Overdrawn cash balances				**-**	8,430
				765,226	921,384

13. Equity

	2019 shares	2019 £'000	2018 shares	2018 £'000
Issued and fully paid				
Ordinary shares of £1 each	**5,000,001**	**5,000**	5,000,001	5,000

Retained earnings represent cumulative comprehensive income less dividends paid.

Notes *(continued)*

14. Financial instruments

As the consolidated financial statements of The Sage Group plc include the equivalent disclosures, the Company has taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures. The disclosures below cover statutory balances in relation to Amounts owed by / to group undertakings that are not covered in The Sage Group plc consolidated financial statements.

Fair value measurement of financial assets and financial liabilities

Amounts owed by group undertakings and amounts owed to group undertakings are initially measured at fair value and are subsequently measured at amortised cost. The directors of the Company consider that the carry amounts of the financial assets and financial liabilities recognised in the financial statements approximate their fair values.

15. Ultimate parent company

The immediate and 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.

16. Post balance sheet event

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

As the outbreak of COVID-19 occurred after 30 September 2019 and to date the impact has been limited, it is considered to be a non-adjusting event under IAS 10 – Events after the reporting period. Therefore, no adjustments to the financial statements as at 30 September 2019 have been made. Given the high level of uncertainty it is not possible to estimate the financial effect of the COVID-19 disruption on the Company.

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