

Wednesday 5 May 2010  
 Unaudited results for the half-year ended 31 March 2010

## MAKING IT EASIER FOR SMEs TO MANAGE THEIR BUSINESSES

Results at a glance	STATUTORY			UNDERLYING <sup>#</sup>		
	H1 2010	H1 2009	Change	H1 2010	H1 2009	Change
<b>Revenue</b>	<b>£718.9m</b>	£748.4m	<b>-4%</b>	<b>£705.3m<sup>∞</sup></b>	£721.1m <sup>∞</sup>	<b>-2%<sup>∞</sup></b>
<b>EBITA<sup>†</sup></b>						
- Including restructuring costs	n/a	n/a		<b>£181.9m</b>	£169.0m	<b>+8%</b>
- Excluding restructuring costs	n/a	n/a		<b>£181.9m</b>	£178.5m	<b>+2%</b>
<b>Pre-tax profit</b>						
- Including restructuring costs	<b>£159.6m</b>	£139.2m	<b>+15%</b>	<b>£177.5m</b>	£159.9m	<b>+11%</b>
- Excluding restructuring costs	n/a	n/a		<b>£177.5m</b>	£169.4m	<b>+5%</b>
<b>Earnings per share</b>						
- Including restructuring costs	<b>8.62p</b>	7.44p	<b>+16%</b>	<b>9.59p</b>	8.55p	<b>+12%</b>

<sup>#</sup> Underlying figures neutralise the impact of foreign exchange movements and exclude amortisation of intangible fixed assets

<sup>∞</sup> Underlying revenue is stated on an organic basis (excludes contributions of current and prior year disposals and non-core products)

### Highlights

- **Strong increase in profitability**, reflecting prudent cost control
- **Organic revenue stabilising**, with contraction of 2%\* against 6%\* contraction for the half-year ended 30 September 2009
- **Continued growth in subscription revenue and improving trends in software and software-related services revenue**
- Support contract **renewal rates maintained at 81%**
- **127,000 customers added in the period** (H1 2009: 120,000)
- **EBITA<sup>†</sup> margin 25%** (H1 2009: 24%\* excluding restructuring costs), reflecting efficiency drive and tight cost control, particularly in North America
- **Strong operating cash flow** of £236.6m (H1 2009: £187.0m) representing 130% of EBITA<sup>†</sup> and net debt reduced to £305.3m (30 September 2009: £439.4m)
- **Interim dividend increased by 3%** to 2.58p per share (H1 2009: 2.50p per share) maintaining our progressive dividend policy

Chief Executive Paul Walker commented: "We are pleased to report a good performance for the half with our organic revenue stabilising and a strong increase in profitability following cost reductions made in 2009. Our customers remain cautious, but the relevance of our products and the compelling nature of our customer support has driven our business in the period.

Following a period where SMEs have delayed upgrading and investing in software solutions, we believe there is pent up demand which will be realised as markets recover. In the longer term, we have a significant opportunity to provide connected business solutions to our customers. In the short term, while the recovery remains tentative, we will continue to manage our cost base prudently whilst investing and preparing for future profitable growth. The operational and financial strength of our business supports our progressive dividend policy and the 3% increase in the interim dividend."

### Enquiries:

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An analyst presentation will be held at 8.45am today at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. A live webcast of the presentation will be hosted on [www.investors.sage.com](http://www.investors.sage.com), dial-in number +44 (0) 1452 568 051, pin code: 70874284. A replay of the call will also be available for two weeks after the event: Tel: +44 (0) 1452 550 000, pin code: 70874284#.

\*Foreign currency results for the prior half-year ended 31 March 2009 have been retranslated based on the average exchange rates for the half-year ended 31 March 2010 of \$1.59/£1 and €1.12/£1 to facilitate the comparison of results.

<sup>†</sup>EBITA is defined as earnings before interest, tax and amortisation of intangible fixed assets.

## Overview of the half

Although our customers remained cautious in the period, we have seen an improvement in our organic revenue trend and a strong increase in profitability. Organic revenue declined 2%\* against H1 2009, compared to a contraction of 6%\* for the half-year ended 30 September 2009.

We were pleased to report that our customers continued to renew support contracts at normal rates and that we attracted a large number of first time customers to Sage. We continue to expect a gradual recovery across our business in the year. However, as we have seen in the first half, the pace of recovery will vary by market.

The benefit of cost reduction activity undertaken in 2009 was realised in the period, with an increase in the EBITA<sup>†</sup> margin to 25% from 24%\* (excluding restructuring costs) in H1 2009. In 2009 we indicated that we would be reinvesting £20.0m of the £53.9m cost savings in 2010. In light of economic uncertainty we plan to phase the majority of that investment in the second half of the year seeking further evidence of revenue stabilisation before incurring the costs. This has resulted in a significant increase in profitability in the period. At the same time as increasing margins, we have continued to invest in key areas of the business, for example better integrating our products, and building an international team to support the sale of Sage ERP X3 across Sage.

## Key metrics

Organic subscription revenues grew by 1%\* (half-year ended 30 September 2009: 1%\*) with good demand for customer support. We saw an improving market for software and software-related services over the period with revenue contracting by 8%\* organically compared to an 18%\* contraction for the half-year ended 30 September 2009. 127,000 new customers purchased software solutions in the period demonstrating the value that our solutions offer to SMEs.

Cash generated from operations represented 130% of EBITA<sup>†</sup> reflecting the continued strong cash generation in the business, and underlying EPS<sup>^</sup> grew by 12% to 9.59p.

Support contract renewals, a key measure of the underlying performance of our business model, remained at 81% in line with the long-term average renewal rates.

## Our customers

Our SME customers remain cautious given the tentative economic recovery, and are also conservative about adopting new technology. However, SMEs are prepared to spend on business management products and services where they see real business benefits. In addition, customers have legislative and compliance reasons for utilising latest versions of our software. Therefore, following a period where SMEs have delayed upgrading and investing in software solutions, we believe there is pent up demand which will be realised as markets recover.

We continue to be a trusted partner to SMEs and are committed to delivering the very best to customers in all areas of the business. This is relevant to how we design and deliver our products, how we utilise appropriate technologies to solve customers' problems, and how we support our customers. Helping our customers with legislative change is a key element of our service, recent examples being the assistance we have offered our US physician practice customers to benefit from US government stimulus funding, and support we have given customers to comply with changes in payment regulations in Mainland Europe.

\*Foreign currency results for the prior half-year ended 31 March 2009 have been retranslated based on the average exchange rates for the half-year ended 31 March 2010 of \$1.59/£1 and €1.12/£1 to facilitate the comparison of results.

<sup>†</sup>EBITA is defined as earnings before interest, tax and amortisation of intangible fixed assets.

<sup>^</sup>Underlying pre-tax profit and earnings per share figures stated prior to amortisation of intangible fixed assets and after neutralisation of foreign exchange movements.

## Evolving market needs

Business software applications are increasingly connected to the outside world, whether that is collaborating with third parties (such as an accountant), being accessed remotely, or using an integrated web service (such as payments). We call such applications utilising the web “connected business solutions”. These offer real business benefits to customers, and over the longer term provide a significant opportunity for Sage.

For the majority of SMEs, we believe connected desktop products will be preferred to purely online solutions – such products being complemented by web-enabled services such as online delivery and updates, mobile access, embedded support services and payments functionality. These products are highly secure, functionally rich and offer a high degree of flexibility and control for the user. To meet this market need, our applications are increasingly web-enabled and a number of online services have been launched including payments, payroll, e-marketing, and e-philanthropy for non-profit organisations.

For some SMEs we believe that purely online solutions will be attractive, with benefits such as seamless updates, ubiquitous access and platform independence. These will particularly be relevant to businesses which are intrinsically web-centric, and to small and micro businesses which have relatively simple needs and which do not require, for example, the ability to customise a product. We have online accounting and invoicing services in certain territories (for example *Billing Boss* in North America and *My Business Online* in South Africa), with a number of launches planned for the second half of the year.

The ability to open up access to data, and give different users different views of data, is an example of the benefit of web-enabling applications. For example, in France we estimate that only 12% of our customers’ employees have exposure to data within their *Sage 100* ERP application. By hosting that data, our customers can offer access to more users, offering productivity benefits to our customers and a revenue opportunity to Sage by charging for additional seats.

The trend of SMEs conducting business internationally is increasing demand for the products we sell in multiple countries. *Sage Accpac ERP*, *Sage ERP X3* and our CRM solutions are particularly focussed on meeting this demand. In the period we set up an international team to support the development of *Sage ERP X3* across Sage. The launch in January of *Sage ERP X3 v6* and the announcement of our mid-market portfolio positioning was well received by industry analysts and customers.

The decentralised structure of Sage enables us to be agile in responding to market needs, both in the products and services we offer customers and also in adjusting our business and cost base to market conditions. Whilst we are locally focussed, we leverage a global brand and certain products, technologies and standards across the Group. We have continued to invest in the business in the period, for example in building payments functionality into certain of our accounting products, whilst realising the benefit of the cost savings that we made in 2009. With this investment in the business, Sage is well positioned for future profitable growth.

## Acquisitions and disposals

Whilst we are pursuing organic growth opportunities, we continue to evaluate potential acquisitions. During the period we did not complete any acquisitions. In April 2010, after the period end, we completed the acquisition of Netcash (Pty) Ltd, a business providing payment processing services in South Africa, for £8.4m consideration. With our substantial and growing customer base in South Africa, the acquisition offers Sage an attractive opportunity to extend integrated and secure transaction processing services to those customers.

In October 2009 we disposed of Sage Pro-Concept S.A., a Swiss subsidiary, for £6.7m, following a product rationalisation in Switzerland.

## Regional review

Throughout the regional review, growth trends are stated on a currency neutral basis with prior half-year results retranslated at current half-year exchange rates. This is done to facilitate the comparison of results.

### Regional analysis

		UK	Mainland Europe	North America	Rest of World	Group adjusted	Foreign exchange*	Adjustment <sup>#</sup>	Group Statutory
<b>Revenue</b>									
H1 2010	£m	122.0	270.0	269.6	57.3	718.9			718.9
H1 2009	£m	122.0	280.7	287.0	55.3	745.0	3.4		748.4
Change	%	0%	-4%	-6%	4%	-3%			-4%
<b>EBITA<sup>†</sup>/Operating profit</b>									
H1 2010	£m	44.9	63.7	60.2	13.1	181.9		(17.9)	164.0
H1 2009	£m	43.6	63.5	50.5	11.4	169.0	(0.6)	(20.1)	148.3
Change	%	+3%	0%	+19%	+15%	+8%			+11%

### UK

Total and organic UK revenues were flat\* against H1 2009 at £122.0m. This compares to a contraction of 4%\* for the half-year ended 30 September 2009. Organic subscription revenues grew at 5%\* (half-year ended 30 September 2009: 3%\*), while organic software and software-related services revenues contracted by 11%\* (half-year ended 30 September 2009: -19%\*).

*Sage 50* revenue was comparable to H1 2009 with a product that is strong in the market place, and which now includes credit card payments functionality (users can add a “pay now” button to their invoices for instant online payment). *Sage Pay* delivered continued strong growth and *Practice Solutions* for accountants grew by 7%\* with continued good demand for the premium *Priority Link* service. Our HR, payroll, and construction vertical businesses continued to experience subdued customer demand, and *Sage Ireland* (reported within the UK region) continued to be severely impacted by the Irish economic downturn.

The EBITA<sup>†</sup> margin was 37% (H1 2009: 36%\*). The prior half-year margin excluding restructuring charges was also 36%\*.

### Mainland Europe

Total revenues in Mainland Europe declined by 4%\* to £270.0m (H1 2009: £280.7m\*). Organic revenue contracted 2%\*, against an organic contraction of 5%\* for the half-year ended 30 September 2009. Subscription revenues continued to grow organically at 2%\* (half-year ended 30 September 2009: 3%\*), while software and software-related services revenues contracted organically by 6%\* (half-year ended 30 September 2009: -15%\*).

Revenues in our French business grew 1%\* organically in the half-year with a good performances in our accountants and core ERP markets offset by challenging markets for our entry-level product and our auto dealer vertical business. German revenues were flat\* organically, with growth in support and payroll, offsetting a continued soft market for mid-market ERP products. Spanish revenues declined 9%\* in the period with the economy in Spain being the weakest of our Mainland European markets. Our business in Spain nevertheless remains healthy with a strong market share, and is well positioned to benefit from a future economic recovery. Our smaller businesses in Mainland Europe, including Switzerland, Portugal and Poland grew by 1%\* organically, with both Switzerland and Portugal benefitting from legislative change.

The EBITA<sup>†</sup> margin was 24% (H1 2009: 23%\*). The prior half-year margin excluding restructuring charges was 23%\*.

\*Foreign currency results for the prior half-year ended 31 March 2009 have been retranslated based on the average exchange rates for the half-year ended 31 March 2010 of \$1.59/£1 and €1.12/£1 to facilitate the comparison of results.

<sup>†</sup>EBITA is defined as earnings before interest, tax and amortisation of intangible fixed assets.

<sup>#</sup>Adjustment includes the effects of amortisation of acquired intangible assets and the net amortisation of software development expenditure.

## North America

Market conditions for SMEs in North America remain challenging. However, our revenue decline has slowed and indeed trends improved over the period. Total revenues in North America contracted 6%\* to £269.6m (H1 2009: £287.0m\*). Organic revenue contracted 5%\* compared to a reduction of 8%\* for the half-year ended 30 September 2009. Organic subscription revenues declined 2%\* (half-year ended 30 September 2009: -2%\*), while organic software and software-related services revenues fell 13%\* (half-year ended 30 September 2009: -24%\*).

Within our North American business we are seeing positive signs across a range of initiatives such as an increase in the take up of *Peachtree Business Care* premium contracts, an increase in renewal rates in our mid-market ERP products, growth in our Canadian business, a continued increase in our customer satisfaction and brand awareness scores, and the recruitment of additional channel partners.

Sage Business Solutions, our largest US division, declined organically 6%\* with continued customer caution impacting sales of new licences. We have focussed on our support offerings and renewal rates, product positioning and functionality, and providing a high standard of service to our channel following the changes to our tiers and remuneration last year. In particular, we have had success re-invigorating our brand with the accountants' community. Our CRM and vertical businesses (including construction) continued to experience relatively weaker demand for new software, but we have a number of product initiatives, including e-marketing and e-philanthropy for non-profit organisations, which have shown early positive signs.

Sage Payment Solutions Division saw continued growth in the number of merchants and flat volumes, but with a competitive pricing environment, revenues contracted 2%\*. Our reputation for high quality service and support has helped reduce merchant attrition, and positions us well to benefit from higher merchant volumes as the economy recovers. In addition, revenue generated from cross-sell into the Sage Business Solutions customer base continued to grow strongly from a small base, and represents a substantial future opportunity for Sage.

Sage Healthcare Division has continued to see growth in the *Intergy* product, and a contraction of the *Medical Manager* product giving an overall contraction of 4%\* for the business. We have made significant progress on our customer service – evidenced by *Intergy's* rating from KLAS (an influential healthcare IT research body) increasing in the period. In addition, we have launched a new version of *Medical Manager* which has been very well received by our customers. Our focus remains on serving our *Medical Manager* customers better, building our brand in the market and positioning *Intergy* to benefit from the American Recovery and Reinvestment Act ("ARRA"). An example of this is a programme we have launched to help our customers achieve "Meaningful Use" of Electronic Health Records (which is required to benefit from the ARRA funding). Sage Healthcare Division's EBITA<sup>†</sup> margin showed continued improvement to 19% (H1 2009: 15%\*).

Sage North America's EBITA<sup>†</sup> margin was 22% (H1 2009: 18%\*). The prior half-year margin excluding restructuring charges was 20%\*.

## Rest of World

Total and organic revenue in Rest of World grew by 4%\* to £57.3m (H1 2009: £55.3m\*). Organic subscription revenues showed strong growth of 13%\* (half-year ended 30 September 2009: 13%\*), while organic software and software-related services revenues contracted by 4%\* (half-year ended 30 September 2009: -12%\*).

South Africa showed organic revenue growth of 5%\*, with both accounting and payroll solutions performing well although the mid-market remains slow given the slowing economy. Australia grew 4%\* organically, with a strong performance by Handisoft, our business providing tax and practice management software to accountants. Our smaller Asian businesses declined 3%\*.

The EBITA<sup>†</sup> margin was 23% (H1 2009: 21%\*). There were no restructuring charges in the region in H1 2009.

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<sup>†</sup>EBITA is defined as earnings before interest, tax and amortisation of intangible fixed assets.

## Financial review

### Revenues

Revenues contracted 4% to £718.9m (H1 2009: £748.4m). Organic revenue, on a constant currency basis, contracted 2%\*. Organic revenue excludes contributions of current and prior year disposals (0% of current half-year revenues) and non-core products (2% of current half-year revenues).

On a constant currency basis, subscription revenue was flat at £471.1m (H1 2009: £471.0m\*). Total software and software-related services revenues contracted 10%\* to £247.8m (H1 2009: £274.0m\*).

### Profitability

The Group's EBITA<sup>†</sup> margin was 25% reflecting our efficiency drive and tight cost control, particularly in North America (H1 2009: 23%\*). Excluding restructuring charges of £9.5m\* the prior year EBITA<sup>†</sup> margin was 24%\*.

The Group's net finance expenses decreased significantly to £4.4m (H1 2009: £9.1m) with a reduction in the level of net debt and interest rates compared to 2009.

Statutory profit before taxation increased 15% to £159.6m (H1 2009: £139.2m). Statutory earnings per share increased 16% to 8.62p (H1 2009: 7.44p). On a constant currency basis, underlying pre-tax profit<sup>^</sup> increased 11% to £177.5m (H1 2009: £159.9m), and underlying earnings per share<sup>^</sup> increased 12% to 9.59p (H1 2009: 8.55p). A reconciliation of underlying pre-tax profit<sup>^</sup> to statutory profit before tax is shown in the table in note 2 on page 16.

The Group's effective tax rate for the period is 29% (H1 2009: 30%).

### Cash flow

The Group remains highly cash generative with operating cash flow of £236.6m, representing 130% of EBITA<sup>†</sup>.

At 31 March 2010, net debt was £305.3m (30 September 2009: £439.4m or £441.9m at constant exchange rates). Over the period, strong cash generation reduced net debt by £136.6m on a currency neutral basis.

The Group has a £650.0m syndicated bank facility expiring in August 2011, and, at 30 September 2009, had a bilateral facility of \$264.0m also expiring in 2011. As a first step of refinancing these facilities, Sage raised \$300.0m of private placement loan notes during the period. The notes mature \$200.0m in 2015, \$50.0m in 2016 and \$50.0m in 2017 and carry interest coupons of 4.39%, 4.78% and 5.15% respectively. Following completion of the private placement, we cancelled our \$264.0m bilateral bank facility. Our intention is to complete the remainder of our refinancing during 2010.

### Foreign exchange

Since 1 October 2009, rates for the Euro to Sterling strengthened 3% to €1.12 from €1.09 with an average rate of €1.12 for the period. Rates for the US Dollar showed a movement of 5% to US\$1.52 from US\$1.60, with an average rate of US\$1.59 for the period. It is Sage's policy to align the currency denominations of our debt with the cash flows arising from our trading activities in those same currencies to hedge our currency exposure. We do not hedge pure translational exposure resulting from conversion for accounting purposes of overseas companies' results into Sterling.

### Dividend

We believe that our consistently strong cash flows, robust balance sheet and recurring revenue streams provide a sustainable basis for a progressive dividend policy, whilst ensuring that the Group can continue to maintain appropriate levels of organic and acquisition-led investment.

As a result, we are increasing the interim dividend by 3% to 2.58p per share (H1 2009: 2.50p per share). The interim dividend will be payable on 18 June 2010 to shareholders on the register at close of business on 14 May 2010.

\*Foreign currency results for the prior half-year ended 31 March 2009 have been retranslated based on the average exchange rates for the half-year ended 31 March 2010 of \$1.59/£1 and €1.12/£1 to facilitate the comparison of results.

<sup>†</sup>EBITA is defined as earnings before interest, tax and amortisation of intangible fixed assets.

<sup>^</sup>Underlying pre-tax profit and earnings per share figures stated prior to amortisation of intangible fixed assets and after neutralisation of foreign exchange movements.

## **Board**

After sixteen years as Chief Executive and twenty-six years with Sage, Paul Walker has advised the Board that he intends to stand down as Chief Executive in due course. Paul and the Board are working to ensure a seamless transition to a successor, and the Board will make a further announcement at the appropriate time.

## **Outlook**

Following a period where SMEs have delayed upgrading and investing in software solutions, we believe there is pent up demand which will be realised as markets recover. In the longer term, we have a significant opportunity to provide connected business solutions to our customers. In the short term, while the recovery remains tentative, we will continue to manage our cost base prudently whilst investing and preparing for future profitable growth. The operational and financial strength of our business supports our progressive dividend policy and the 3% increase in the interim dividend.

## Consolidated income statement

For the six months ended 31 March 2010

	Note	Six months ended 31 March 2010 (Unaudited) £m	Six months ended 31 March 2009 (Unaudited) £m	Year ended 30 September 2009 (Audited) £m
<b>Revenue</b>	1	<b>718.9</b>	748.4	1,439.3
Cost of sales		<b>(52.9)</b>	(57.2)	(108.8)
<b>Gross profit</b>		<b>666.0</b>	691.2	1,330.5
Selling and administrative expenses		<b>(502.0)</b>	(542.9)	(1,049.9)
<b>Operating profit</b>	1	<b>164.0</b>	148.3	280.6
Finance income		<b>1.7</b>	2.6	4.0
Finance expenses		<b>(6.1)</b>	(11.7)	(17.2)
Net finance expenses		<b>(4.4)</b>	(9.1)	(13.2)
<b>Profit before taxation</b>		<b>159.6</b>	139.2	267.4
Taxation	3	<b>(46.3)</b>	(41.7)	(77.9)
<b>Profit for the period – attributable to equity shareholders of the parent</b>		<b>113.3</b>	97.5	189.5
<b>EBITA*</b>	1	<b>181.9</b>	168.4	320.7
<b>Earnings per share (pence)</b>				
– Basic	5	<b>8.62p</b>	7.44p	14.46p
– Diluted	5	<b>8.60p</b>	7.43p	14.42p

## Consolidated statement of comprehensive income

For the six months ended 31 March 2010

		Six months ended 31 March 2010 (Unaudited) £m	Six months ended 31 March 2009 (Unaudited) £m	Year ended 30 September 2009 (Audited) £m
<b>Profit for the period</b>		<b>113.3</b>	97.5	189.5
<b>Other comprehensive income</b>				
Net exchange adjustments offset in reserves		<b>51.2</b>	246.1	140.6
Equity movement of deferred tax		<b>–</b>	–	4.0
Actuarial gain/(loss) on employment benefits		<b>0.1</b>	–	(0.3)
Cash flow hedges		<b>(0.3)</b>	–	(0.3)
<b>Other comprehensive income for the period, net of tax</b>		<b>51.0</b>	246.1	144.0
<b>Total comprehensive income</b>				
<b>– attributable to equity shareholders of the parent</b>		<b>164.3</b>	343.6	333.5

The notes on pages 12 to 21 form an integral part of this condensed consolidated half-yearly financial information.

\*EBITA measure (Earnings before interest, tax and amortisation) excludes the effects of:  
• Amortisation of acquired intangible assets; and  
• Net amortisation or capitalisation of software development expenditure.

## Consolidated balance sheet

As at 31 March 2010

	Note	31 March 2010 (Unaudited) £m	31 March 2009 (Unaudited) £m	30 September 2009 (Audited) £m
<b>Non-current assets</b>				
Goodwill	6	2,084.3	2,174.2	2,030.8
Other intangible assets	6	200.6	249.9	216.0
Property, plant and equipment	6	141.2	148.2	144.5
Deferred tax assets		10.5	7.5	7.5
		<b>2,436.6</b>	2,579.8	2,398.8
<b>Current assets</b>				
Inventories		4.8	6.5	5.2
Trade and other receivables		292.5	327.6	275.1
Cash and cash equivalents	8	80.2	76.5	59.4
		<b>377.5</b>	410.6	339.7
<b>Total assets</b>	1	<b>2,814.1</b>	2,990.4	2,738.5
<b>Current liabilities</b>				
Trade and other payables		(255.5)	(255.9)	(252.8)
Current tax liabilities		(87.0)	(95.0)	(62.1)
Financial liabilities				
– Borrowings		(19.0)	(10.4)	(18.8)
Deferred consideration		(1.6)	(2.7)	(2.3)
Deferred income		(452.7)	(453.1)	(391.1)
		<b>(815.8)</b>	(817.1)	(727.1)
<b>Non-current liabilities</b>				
Financial liabilities				
– Borrowings		(345.7)	(610.0)	(460.6)
Derivative financial instruments		(0.6)	–	(0.3)
Retirement benefit obligations		(10.8)	(4.8)	(11.8)
Deferred tax liabilities		(35.3)	(26.9)	(41.2)
		<b>(392.4)</b>	(641.7)	(513.9)
<b>Total liabilities</b>		<b>(1,208.2)</b>	(1,458.8)	(1,241.0)
<b>Net assets</b>		<b>1,605.9</b>	1,531.6	1,497.5
<b>Equity</b>				
Share capital	7	13.2	13.1	13.1
Share premium account	7	496.1	487.8	492.0
Other reserves		300.4	355.3	249.5
Retained earnings		796.2	675.4	742.9
<b>Total equity</b>		<b>1,605.9</b>	1,531.6	1,497.5

The notes on pages 12 to 21 form an integral part of this condensed consolidated half-yearly financial information.

## Consolidated statement of cash flows

For the six months ended 31 March 2010

	Note	Six months ended 31 March 2010 (Unaudited) £m	Six months ended 31 March 2009 (Unaudited) £m	Year ended 30 September 2009 (Audited) £m
<b>Cash flows from operating activities</b>				
Cash generated from continuing operations		236.6	187.0	357.6
Interest received		1.7	2.6	4.0
Interest paid		(5.4)	(11.2)	(16.2)
Tax paid		(28.6)	(17.5)	(55.9)
<b>Net cash generated from operating activities</b>		<b>204.3</b>	160.9	289.5
<b>Cash flows from investing activities</b>				
Acquisitions of subsidiaries (net of cash acquired)		(0.9)	(13.0)	(13.8)
Disposal of subsidiary	9	4.8	13.9	12.0
Purchase of intangible assets		(3.6)	(5.8)	(10.3)
Purchase of property, plant and equipment		(6.9)	(10.2)	(19.5)
Proceeds from sale of property, plant and equipment		–	–	0.2
<b>Net cash used in investing activities</b>		<b>(6.6)</b>	(15.1)	(31.4)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital		4.2	1.2	5.4
Finance lease principal payments		–	–	(0.1)
Issue costs on loans		(1.4)	(0.2)	(0.7)
Repayment of borrowings		(216.4)	(197.8)	(323.9)
New borrowings		104.2	97.0	129.5
Dividends paid to shareholders	4	(64.7)	(62.5)	(95.1)
<b>Net cash used in financing activities</b>		<b>(174.1)</b>	(162.3)	(284.9)
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts (before exchange rate changes)</b>				
	8	23.6	(16.5)	(26.8)
Effects of exchange rate changes	8	3.3	13.5	8.9
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>		<b>26.9</b>	(3.0)	(17.9)
Cash, cash equivalents and bank overdrafts at 1 October	8	52.2	70.1	70.1
<b>Cash, cash equivalents and bank overdrafts at period end</b>	8	<b>79.1</b>	67.1	52.2

The notes on pages 12 to 21 form an integral part of this condensed consolidated half-yearly financial information.

## Consolidated statement of changes in equity

For the six months ended 31 March 2010

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
<b>At 1 October 2009 (Audited)</b>	<b>13.1</b>	<b>492.0</b>	<b>742.9</b>	<b>249.5</b>	<b>1,497.5</b>
<b>Profit for the period</b>	–	–	<b>113.3</b>	–	<b>113.3</b>
<b>Other comprehensive income:</b>					
– exchange adjustments	–	–	–	<b>51.2</b>	<b>51.2</b>
– actuarial loss on employee benefits	–	–	<b>0.1</b>	–	<b>0.1</b>
Cash flow hedge	–	–	–	<b>(0.3)</b>	<b>(0.3)</b>
<b>Total comprehensive income for the period ended 31 March 2010 (Unaudited)</b>	<b>13.1</b>	<b>492.0</b>	<b>856.3</b>	<b>300.4</b>	<b>1,661.8</b>
<b>Transactions with owners:</b>					
Share options					
– proceeds from shares issued	<b>0.1</b>	<b>4.1</b>	–	–	<b>4.2</b>
– value of employee services	–	–	<b>3.9</b>	–	<b>3.9</b>
– equity movement of deferred tax	–	–	<b>0.7</b>	–	<b>0.7</b>
Dividends	–	–	<b>(64.7)</b>	–	<b>(64.7)</b>
<b>At 31 March 2010 (Unaudited)</b>	<b>13.2</b>	<b>496.1</b>	<b>796.2</b>	<b>300.4</b>	<b>1,605.9</b>

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
<b>At 1 October 2008 (Audited)</b>	<b>13.1</b>	<b>486.6</b>	<b>638.1</b>	<b>109.2</b>	<b>1,247.0</b>
<b>Profit for the period</b>	–	–	<b>97.5</b>	–	<b>97.5</b>
<b>Other comprehensive income:</b>					
– exchange adjustments	–	–	–	<b>246.1</b>	<b>246.1</b>
– actuarial loss on employee benefits	–	–	–	–	–
<b>Total comprehensive income for the period ended 31 March 2009 (Unaudited)</b>	<b>13.1</b>	<b>486.6</b>	<b>735.6</b>	<b>355.3</b>	<b>1,590.6</b>
<b>Transactions with owners:</b>					
Share options					
– proceeds from shares issued	–	<b>1.2</b>	–	–	<b>1.2</b>
– value of employee services	–	–	<b>2.3</b>	–	<b>2.3</b>
Dividends	–	–	<b>(62.5)</b>	–	<b>(62.5)</b>
<b>At 31 March 2009 (Unaudited)</b>	<b>13.1</b>	<b>487.8</b>	<b>675.4</b>	<b>355.3</b>	<b>1,531.6</b>

The notes on pages 12 to 21 form an integral part of this condensed consolidated half-yearly financial information.

## Notes to financial information

For the six months ended 31 March 2010

### Group accounting policies

#### a General information

The Sage Group plc (“the Company”) and its subsidiaries (together “the Group”) is one of the leading global suppliers of business management software and services to small and medium-sized enterprises. The Group operates in 24 countries worldwide in the UK & Ireland, Mainland Europe, North America, Southern Hemisphere and Asia.

These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2009 were approved by the Board of directors on 17 December 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The Company is a limited liability Company incorporated and domiciled in the UK. The address of its registered office is North Park, Newcastle upon Tyne, NE13 9AA.

The Company is listed on the London Stock Exchange.

The Group consolidated half-yearly financial information was approved for issue by the Board of directors on 5 May 2010.

#### b Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 March 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, “Interim Financial Reporting” as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

#### c Accounting policies

Other than as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2009, as described in those annual financial statements.

#### Adoption of new and revised International Financial Reporting Standards

The following standards, interpretations, and amendments to standards were effective during the period to 31 March 2010 and have been adopted in this interim financial information.

- IFRS 8, “Operating Segments” – The standard replaced IAS 14 “Segment Reporting”, and aligns operating segments reported to those segments reported internally to senior management. The basis for the segments under IFRS 8 is set out in note 1 below. The standard does not change the recognition, measurement, or disclosure of transactions in the consolidated financial statements.
- IAS 1 (Revised), “Presentation of Financial Statements” – The amendment requires “non-owner” changes in equity to

be presented separately from “owner” changes in a statement of comprehensive income. It also requires that if there is retrospective restatement or reclassification of items in the financial statements that the opening balance sheet is also disclosed. This will mean that in such circumstances three balance sheets rather than two will be reported. Entities can also choose whether to present one performance statement (the statement of comprehensive income) or two performance statements (the income statement and statement of comprehensive income). The Group has chosen to present two performance statements. A further impact of the amendment is that certain primary statements have been renamed.

- IFRS 2 (Amendment), “Share-based payment”, effective for accounting periods beginning on or after 1 January 2009. The amendment to the standard limits vesting conditions to service conditions and performance conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, i.e. acceleration of the expense based on the grant date fair value. This amendment had no material impact on the Group’s consolidated interim financial statements.
- IFRS 3 (Revised), “Business Combinations” and consequential amendments to IAS 27, “Consolidated and Separate Financial Statements”. The revisions require that all acquisition related costs are to be expensed to the income statement in the period incurred. There are a number of other implications:
  - Where the acquirer has a pre-existing equity interest in the entity acquired and increases its equity interest such that it achieves control, it must re-measure its previously-held equity interest to fair value as at the date of obtaining control and recognise any resulting gain or loss in the income statement.
  - Once control is achieved all other increases and decreases in ownership interest are treated as transactions among equity holders and reported directly within equity. Goodwill is not re-measured or adjusted.

There is no material impact of the adoption of this standard in this half-yearly financial information. The future financial effect of the adoption of this standard will be dependent on the circumstances surrounding the future transactions to which they will apply, that are at present unknown.

At the date of approval of this consolidated half-yearly financial information, the following standards, interpretations and amendments were issued but not yet mandatory for the Group and early adoption has not been applied.

## Notes to financial information

For the six months ended 31 March 2010

### Group accounting policies (continued)

#### *International Financial Reporting Standards ("IFRS")*

- IFRS 9, "Financial Instruments"

#### *International Financial Reporting Interpretations Committee ("IFRIC") interpretations*

- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

#### *Amendments to existing standards*

- Amendments to IFRS 1, "First-time Adoption"
- Amendment to IFRS 1 for additional exemptions
- Amendment to IAS 24, "Related Party Disclosures"
- Amendment to IAS 32, "Presentation and Classification of Rights Issues"
- Annual Improvements to IFRSs 2009

All the IFRSs, IFRIC interpretations and amendments to existing standards are endorsed by the EU at the date of approval of this consolidated half-yearly financial information with the exception of IFRS 9, the amendment to IAS 24, the amendment to IFRS 1, "First-time Adoption" and the amendment to IFRS 1 for additional exemptions.

#### **Website**

This condensed consolidated half-yearly financial information for the half-year ended 31 March 2010 can also be found on our website: [www.investors.sage.com/reports\\_presentations](http://www.investors.sage.com/reports_presentations).

## Notes to financial information

For the six months ended 31 March 2010

### 1 Segment information

In accordance with IFRS 8 “Operating Segments”, information for the Group’s operating segments has been derived using the information used by the Chief Operating Decision Maker. The Group’s Executive Committee has been identified as the Chief Operating Decision Maker as the committee is responsible for the allocation of resources to operating segments and assessing their performance. The profit measure used by the Executive Committee is Earnings before interest, tax and amortisation (“EBITA”) which excludes the effects of amortisation of acquired intangible assets and the net amortisation of software development expenditure on a constant currency basis. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting. The operating segments have not changed as a result of implementing IFRS 8.

The Group is organised into four operating segments. The UK is the home country of the parent. The main operations in the principal territories are as follows:

- UK & Ireland
- Mainland Europe
- North America
- Rest of World

The Rest of World segment operations are principally based in South Africa, Australia, Singapore, Malaysia, UAE, China and India. The sales analysis in the table below is based on the location of the customer which is not materially different from the location where the order is received and where the assets are located.

#### Revenue by region

	Six months ended 31 March (Unaudited)										
	2010			2009					Change %		
	IFRS Statutory	Organic revenue adjustment <sup>1</sup>	Non-GAAP Organic	IFRS Statutory	Currency impact <sup>2</sup>	Constant currency	Organic revenue adjustment <sup>1</sup>	Non-GAAP Organic constant currency	IFRS Statutory	Constant currency	Non-GAAP Organic constant currency
<b>Subscription revenue by region</b>											
UK & Ireland	89.3	–	89.3	85.3	–	85.3	–	85.3	5%	5%	5%
Mainland Europe	149.6	(0.5)	149.1	146.0	2.7	148.7	(2.3)	146.4	2%	1%	2%
North America	204.3	(8.4)	195.9	225.4	(13.1)	212.3	(12.7)	199.6	-9%	-4%	-2%
Rest of World	27.9	–	27.9	20.5	4.2	24.7	–	24.7	36%	13%	13%
<b>Subscription revenue</b>	<b>471.1</b>	<b>(8.9)</b>	<b>462.2</b>	<b>477.2</b>	<b>(6.2)</b>	<b>471.0</b>	<b>(15.0)</b>	<b>456.0</b>	<b>-1%</b>	<b>0%</b>	<b>1%</b>
<b>Software and software-related services revenue by region</b>											
UK & Ireland	32.7	–	32.7	36.6	0.1	36.7	–	36.7	-11%	-11%	-11%
Mainland Europe	120.4	(0.7)	119.7	129.4	2.6	132.0	(5.0)	127.0	-7%	-9%	-6%
North America	65.3	(4.0)	61.3	79.0	(4.3)	74.7	(4.0)	70.7	-17%	-13%	-13%
Rest of World	29.4	–	29.4	26.2	4.4	30.6	–	30.6	12%	-4%	-4%
<b>Software and software-related services revenue</b>	<b>247.8</b>	<b>(4.7)</b>	<b>243.1</b>	<b>271.2</b>	<b>2.8</b>	<b>274.0</b>	<b>(9.0)</b>	<b>265.0</b>	<b>-9%</b>	<b>-10%</b>	<b>-8%</b>
<b>Total revenue by region</b>											
UK & Ireland	122.0	–	122.0	121.9	0.1	122.0	–	122.0	0%	0%	0%
Mainland Europe	270.0	(1.2)	268.8	275.4	5.3	280.7	(7.3)	273.4	-2%	-4%	-2%
North America	269.6	(12.4)	257.2	304.4	(17.4)	287.0	(16.7)	270.3	-11%	-6%	-5%
Rest of World	57.3	–	57.3	46.7	8.6	55.3	–	55.3	23%	4%	4%
<b>Total revenue</b>	<b>718.9</b>	<b>(13.6)</b>	<b>705.3</b>	<b>748.4</b>	<b>(3.4)</b>	<b>745.0</b>	<b>(24.0)</b>	<b>721.0</b>	<b>-4%</b>	<b>-3%</b>	<b>-2%</b>

1 Organic revenue adjustment excludes the contributions of current period and prior year acquisitions and disposals, and non-core products.

2 Foreign currency results for the prior half-year ended 31 March 2009 have been retranslated based on the average exchange rates for the half-year ended 31 March 2010 of \$1.59/£1 and €1.12/£1 to facilitate the comparison of results.

## Notes to financial information

For the six months ended 31 March 2010

### 1 Segment information (continued)

#### Profit by region

	Six months ended 31 March (Unaudited)										
	2010			2009					Change %		
	IFRS Statutory operating profit	Adj <sup>1</sup>	Non-GAAP EBITA	IFRS Statutory operating profit	Currency impact <sup>2</sup>	Constant currency operating profit	Adj <sup>1</sup>	Non-GAAP EBITA constant currency	IFRS Statutory operating profit	Constant currency	Non- GAAP EBITA constant currency
<b>Profit by region</b>											
UK & Ireland	42.7	2.2	44.9	41.0	0.3	41.3	2.3	43.6	4%	3%	3%
Mainland Europe	56.8	6.9	63.7	54.7	1.4	56.1	7.4	63.5	4%	1%	0%
North America	51.5	8.7	60.2	43.1	(2.9)	40.2	10.3	50.5	19%	28%	19%
Rest of World	13.0	0.1	13.1	9.5	1.8	11.3	0.1	11.4	37%	15%	15%
<b>Total profit</b>	<b>164.0</b>	<b>17.9</b>	<b>181.9</b>	<b>148.3</b>	<b>0.6</b>	<b>148.9</b>	<b>20.1</b>	<b>169.0</b>	<b>11%</b>	<b>10%</b>	<b>8%</b>

1 Adjustment includes the effects of amortisation of acquired intangible assets and the net amortisation of software development expenditure.

2 Foreign currency results for the prior half-year ended 31 March 2009 have been retranslated based on the average exchange rates for the half-year ended 31 March 2010 of \$1.59/£1 and €1.12/£1 to facilitate the comparison of results.

#### Reconciliation of Non-GAAP EBITA to IFRS Statutory operating profit

	Six months ended 31 March 2010 (Unaudited) £m	Six months ended 31 March 2009 (Unaudited) £m
Non-GAAP EBITA at constant exchange rates	181.9	169.0
Impact of movements in foreign currency exchange rates	–	(0.6)
Non-GAAP EBITA reported	181.9	168.4
Net amortisation of software development expenditure	(0.2)	(0.3)
Amortisation of acquired intangible assets	(17.7)	(19.8)
IFRS Statutory operating profit	164.0	148.3

#### Total assets by region

	31 March 2010 (Unaudited) £m	31 March 2009 (Unaudited) £m	30 September 2009 (Audited) £m
<b>Segment assets</b>			
UK & Ireland	410.2	448.6	407.8
Mainland Europe	733.2	807.4	741.5
North America	1,515.5	1,584.9	1,459.5
Rest of World	155.2	149.5	129.7
<b>Consolidated total assets</b>	<b>2,814.1</b>	<b>2,990.4</b>	<b>2,738.5</b>

#### Exceptional items

There were no exceptional restructuring costs in the six months ended 31 March 2010 (six months ended 31 March 2009: £10.1m included in selling and administrative expenses).

## Notes to financial information

For the six months ended 31 March 2010

### 2 Reconciliation to Statutory revenue and profit before taxation

#### Reconciliation of revenue

	Six months ended 31 March 2010 (Unaudited) £m	Six months ended 31 March 2009 (Unaudited) £m	Growth (Unaudited) %
Revenue on foreign currency exchange rate neutral basis	718.9	745.0	-3%
Impact of movements in foreign currency exchange rates	–	3.4	
IFRS Statutory revenue	718.9	748.4	-4%

#### Reconciliation of profit before taxation

	Six months ended 31 March 2010 (Unaudited) £m	Six months ended 31 March 2009 (Unaudited) £m	Growth (Unaudited) %
Underlying pre-tax profit	177.5	159.9	+11%
Impact of movements in foreign currency exchange rates	–	(0.6)	
	177.5	159.3	+11%
Net amortisation of software development expenditure	(0.2)	(0.3)	
Amortisation of acquired intangible assets	(17.7)	(19.8)	
Statutory profit before taxation	159.6	139.2	+15%

### 3 Taxation

Income tax for the six months ended 31 March 2010 (Unaudited) is charged at 29% (six months ended 31 March 2009 (Unaudited): 30%; year ended 30 September 2009 (Audited): 29%), representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income for the six months ended 31 March 2010.

### 4 Dividends

	Six months ended 31 March 2010 (Unaudited) £m	Six months ended 31 March 2009 (Unaudited) £m	Year ended 30 September 2009 (Audited) £m
Final dividend paid for the year ended 30 September 2008 of 4.78p per share	–	62.5	62.5
Interim dividend paid for the year ended 30 September 2009 of 2.50p per share	–	–	32.6
Final dividend paid for the year ended 30 September 2009 of 4.93p per share	64.7	–	–
	64.7	62.5	95.1

The interim dividend of 2.58p per share will be paid on 18 June 2010 to shareholders on the register at the close of business on 14 May 2010.

## Notes to financial information

For the six months ended 31 March 2010

### 5 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding those held in the employee share trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period and the contingently issuable shares under the Group's long-term incentive plan.

At 31 March 2010, the performance criteria for the vesting of the awards under the incentive scheme had not been met and consequently the shares in question are excluded from the diluted EPS calculation.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

#### Basic EPS

	Six months ended 31 March 2010 (Unaudited)			Six months ended 31 March 2009 (Unaudited)		
	Earnings £m	Weighted average number of shares millions	Per share amount pence	Earnings £m	Weighted average number of shares millions	Per share amount pence
<b>Basic EPS</b>						
Earnings attributable to ordinary shareholders	113.3	1,313.7	8.62	97.5	1,310.0	7.44
<b>Effect of dilutive potential ordinary shares</b>						
Options		3.3	(0.02)		1.4	(0.01)
<b>Diluted EPS</b>	<b>113.3</b>	<b>1,317.0</b>	<b>8.60</b>	<b>97.5</b>	<b>1,311.4</b>	<b>7.43</b>

#### Underlying EPS – Non GAAP measure

	Six months ended 31 March 2010 (Unaudited)			Six months ended 31 March 2009 (Unaudited)		
	Earnings £m	Weighted average number of shares millions	Per share amount pence	Earnings £m	Weighted average number of shares millions	Per share amount pence
<b>Basic EPS</b>						
Earnings attributable to ordinary shareholders	113.3	1,313.7	8.62	97.5	1,310.0	7.44
<b>Non GAAP items:</b>						
Intangible asset amortisation excluding amortisation of computer software	17.9			20.1		
Taxation	(5.2)			(6.0)		
<b>Net adjustments</b>	<b>12.7</b>		<b>0.97</b>	<b>14.1</b>		<b>1.08</b>
<b>Underlying basic EPS</b>	<b>126.0</b>	<b>1,313.7</b>	<b>9.59</b>	<b>111.6</b>	<b>1,310.0</b>	<b>8.52</b>
<b>Exchange adjustments</b>						
Exchange adjustments				0.6		
Taxation				(0.2)		
<b>Net exchange adjustments</b>				<b>0.4</b>		<b>0.03</b>
<b>Underlying basic EPS (after exchange adjustments)</b>	<b>126.0</b>	<b>1,313.7</b>	<b>9.59</b>	<b>112.0</b>	<b>1,310.0</b>	<b>8.55</b>
<b>Effect of dilutive potential ordinary shares</b>						
Options		3.3	(0.02)		1.4	(0.01)
<b>Underlying diluted EPS (after exchange adjustments)</b>	<b>126.0</b>	<b>1,317.0</b>	<b>9.57</b>	<b>112.0</b>	<b>1,311.4</b>	<b>8.54</b>

## Notes to financial information

For the six months ended 31 March 2010

### 6 Non-current assets

	Goodwill (Unaudited) £m	Other intangible assets (Unaudited) £m	Property, plant and equipment (Unaudited) £m	Total (Unaudited) £m
Opening net book amount at 1 October 2009	2,030.8	216.0	144.5	2,391.3
Additions	0.5	3.6	6.9	11.0
Disposals	(8.3)	(1.6)	(1.0)	(10.9)
Depreciation, amortisation and other movements	–	(21.2)	(11.0)	(32.2)
Exchange adjustments	61.3	3.8	1.8	66.9
<b>Closing net book amount at 31 March 2010</b>	<b>2,084.3</b>	<b>200.6</b>	<b>141.2</b>	<b>2,426.1</b>

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment annually at the year-end (30 September) or whenever there is any indication of impairment. At 31 March 2010, there was no indication of impairment for non-financial assets with indefinite lives. Financial assets were reviewed for impairment as at 31 March 2010. There was no indication of impairment.

	Goodwill (Unaudited) £m	Other intangible assets (Unaudited) £m	Property, plant and equipment (Unaudited) £m	Total (Unaudited) £m
Opening net book amount at 1 October 2008	1,825.5	223.7	140.5	2,189.7
Additions	7.9	8.7	10.4	27.0
Disposals	(11.3)	(0.6)	(0.4)	(12.3)
Depreciation, amortisation and other movements	–	(22.8)	(11.2)	(34.0)
Exchange adjustments	352.1	40.9	8.9	401.9
<b>Closing net book amount at 31 March 2009</b>	<b>2,174.2</b>	<b>249.9</b>	<b>148.2</b>	<b>2,572.3</b>

### 7 Share capital

	Number of shares (Unaudited)	Ordinary shares (Unaudited) £m	Share premium (Unaudited) £m	Total (Unaudited) £m
Opening balance at 1 October 2009	1,312,966,956	13.1	492.0	505.1
Allotted under share option schemes	2,468,954	0.1	4.1	4.2
<b>Closing net book amount at 31 March 2010</b>	<b>1,315,435,910</b>	<b>13.2</b>	<b>496.1</b>	<b>509.3</b>

	Number of shares (Unaudited)	Ordinary shares (Unaudited) £m	Share premium (Unaudited) £m	Total (Unaudited) £m
Opening balance at 1 October 2008	1,309,557,557	13.1	486.6	499.7
Allotted under share option schemes	914,695	–	1.2	1.2
<b>Closing net book amount at 31 March 2009</b>	<b>1,310,472,252</b>	<b>13.1</b>	<b>487.8</b>	<b>500.9</b>

## Notes to financial information

For the six months ended 31 March 2010

### 8 Net debt

	At 1 October 2009 (Audited) £m	Cash flow (Unaudited) £m	Acquisitions (Unaudited) £m	Other (Unaudited) £m	Exchange movements (Unaudited) £m	At 31 March 2010 (Unaudited) £m
<b>Analysis of change in net debt (inclusive of finance leases)</b>						
Cash and cash equivalents	59.4	17.7	–	–	3.1	80.2
Bank overdrafts	(7.2)	5.9	–	–	0.2	(1.1)
Cash, cash equivalents and bank overdrafts	52.2	23.6	–	–	3.3	79.1
Loans due within one year	(11.4)	(6.3)	–	–	–	(17.7)
Finance leases due within one year	(0.2)	–	–	–	–	(0.2)
Loans due after more than one year	(460.5)	121.3	–	(0.6)	(5.8)	(345.6)
Finance leases due after more than one year	(0.1)	–	–	–	–	(0.1)
Cash collected from customers	(19.4)	(1.4)	–	–	–	(20.8)
<b>Total</b>	<b>(439.4)</b>	<b>137.2</b>	<b>–</b>	<b>(0.6)</b>	<b>(2.5)</b>	<b>(305.3)</b>

Included in cash above is £20.8m (31 March 2009: £13.9m, 1 October 2009: £19.4m) relating to cash collected from customers, which the Group is contracted to pay onto another party. A liability for the same amount is included in trade and other payables on the balance sheet and is classified within net debt above.

	At 1 October 2008 (Audited) £m	Cash flow (Unaudited) £m	Acquisitions (Unaudited) £m	Other (Unaudited) £m	Exchange movements (Unaudited) £m	At 31 March 2009 (Unaudited) £m
<b>Analysis of change in net debt (inclusive of finance leases)</b>						
Cash and cash equivalents	70.1	(7.1)	–	–	13.5	76.5
Bank overdrafts	–	(9.4)	–	–	–	(9.4)
Cash, cash equivalents and bank overdrafts	70.1	(16.5)	–	–	13.5	67.1
Loans due within one year	(13.6)	13.8	–	–	(1.0)	(0.8)
Finance leases due within one year	(0.3)	0.1	–	–	–	(0.2)
Loans due after more than one year	(574.3)	72.8	–	(0.3)	(108.0)	(609.8)
Finance leases due after more than one year	(0.2)	–	–	–	–	(0.2)
Cash collected from customers	(22.7)	14.3	–	–	(5.5)	(13.9)
<b>Total</b>	<b>(541.0)</b>	<b>84.5</b>	<b>–</b>	<b>(0.3)</b>	<b>(101.0)</b>	<b>(557.8)</b>

### 9 Business combinations (Unaudited)

#### Disposal of Sage Pro-Concept S.A.

On 30 October 2009 the Group disposed of the entire share capital of Sage Pro-Concept S.A. for £6.7m in cash.

Details of net assets disposed of and the loss on disposal are as follows:

	Carrying value pre-disposal £m
<b>Sage Pro-Concept S.A.</b>	
Goodwill	8.3
Intangible fixed assets	1.6
Property, plant and equipment	1.0
Trade and other receivables	1.7
Trade and other payables	(2.4)
Cash and cash equivalents	1.9
Deferred income	(0.8)
<b>Net assets disposed</b>	<b>11.3</b>

## Notes to financial information

For the six months ended 31 March 2010

### 9 Business combinations (Unaudited) (continued)

<b>The loss on disposal is calculated as follows:</b>	<b>£m</b>
Disposal proceeds	6.7
Net assets disposed	(11.3)
Cumulative translation differences	3.5
<b>Loss on disposal</b>	<b>(1.1)</b>

<b>The inflow of cash and cash equivalents on disposal is calculated as follows:</b>	<b>£m</b>
Disposal proceeds	6.7
Cash and cash equivalents disposed	(1.9)
<b>Net cash inflow</b>	<b>4.8</b>

#### Other

During the six months ended 31 March 2010 adjustments were made in respect of goodwill on other current and prior year acquisitions of £0.5m, due to additional consideration of £0.1m and an increase in net assets of £0.4m.

During the six months ended 31 March 2010 £0.8m payments were made in relation to deferred consideration on previous years acquisitions.

### 10 Contingent liabilities

The Group had no contingent liabilities at 31 March 2010 (31 March 2009 and 30 September 2009: none).

### 11 Related party transactions

The Group has taken advantage of the exemption available under IAS 24, "Related Party Disclosures", not to disclose details of transactions with its subsidiary undertakings. There are no other external related parties.

	<b>Six months ended 31 March 2010 (Unaudited) £m</b>	Six months ended 31 March 2009 (Unaudited) £m
<b>Key management compensation</b>		
Salaries and short-term employee benefits	3.2	3.1
Post-employment benefits	0.3	0.3
Share-based payments	1.8	1.2
	<b>5.3</b>	<b>4.6</b>

The key management figures given above include directors. Key management personnel are deemed to be members of the Executive Committee. The members of the Executive Committee are defined in the Group's Annual Report and Accounts 2009. There have been no changes in the Executive Committee in the six months ended 31 March 2010.

## Notes to financial information

For the six months ended 31 March 2010

### 12 Group risk factors

As with all businesses, Sage is affected by certain risks and uncertainties, not wholly within our control, which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from forecast and historic results. Despite the current uncertainty in the global economy, the principal risks and uncertainties facing the Group, and the mitigating factors to address these risks and uncertainties, have not changed from those set out in the Annual Report and Accounts 2009, except for the risk below associated with a forthcoming change in Group CEO. These risks and uncertainties are not expected to change materially in the remainder of the year and can be summarised as follows:

- Sage is a worldwide company facing a number of wide ranging regulatory, economic and market risks
- Sage faces significant competitive risk
- Sage is heavily dependent on information systems and networks
- Sage must ensure it is able to react to ongoing technology changes
- Sage must ensure its intellectual property is appropriately secure
- Sage must ensure it manages its exposure to fluctuations in foreign exchange rates
- Sage must ensure it is able to manage a seamless transition to a new CEO (see Board note on page 7)

Sage has defined risk management responsibilities and processes, which were also summarised in the Annual Report and Accounts 2009. These responsibilities and processes have continued to be in operation throughout the Group in the first half of the 2010 financial year. For a full discussion of the risks to our future business performance and the risk management responsibilities and processes within Sage, please refer to pages 18 and 19 of the Annual Report and Accounts 2009, or go to [www.ar2009.sage.com](http://www.ar2009.sage.com).

### 13 Events after the reporting period

#### Acquisition of Netcash (Pty) Limited

On 29 April 2010, the Group completed the acquisition of the entire share capital of Netcash (Pty) Limited ("Netcash"), for a consideration of £8.4m. Netcash provides payment processing services in South Africa. The acquisition offers Sage an attractive opportunity to extend payment processing services to our existing customer base in this territory.

The values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities, including the valuation of intangible assets acquired with the business. The fair values of net assets acquired will be finalised in the 2010 accounts.

Details of net assets acquired and goodwill are as follows:

	Carrying values pre-acquisition £m
<b>Netcash acquisition</b>	
Trade and other payables	(3.2)
Cash and cash equivalents	0.8
<b>Net liabilities acquired</b>	<b>(2.4)</b>
Goodwill	10.8
<b>Consideration</b>	<b>8.4</b>
<b>Consideration satisfied by:</b>	
Cash	7.1
Deferred consideration	1.3
<b>Consideration</b>	<b>8.4</b>

## Statement of Directors' Responsibilities

We confirm that to the best of our knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

On behalf of the Board

**P A Walker**  
Chief Executive  
5 May 2010

**P S Harrison**  
Group Finance Director  
5 May 2010

## Independent review report to The Sage Group plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of cash flows, the Consolidated statement of changes in equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in the Group accounting policies, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

### PricewaterhouseCoopers LLP

Chartered Accountants  
Newcastle upon Tyne  
5 May 2010

### Notes:

- The maintenance and integrity of The Sage Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.