Unaudited results for the six months ended 31 March 2013
Wednesday 8 May 2013

Focus and innovation delivering results

	STATUTORY			UNDERLYING*		
	H1 2013	H1 2012	Change	H1 2013	H1 2012	Change
Revenue	**£708.1m**	£673.1m	**+5%**	**£626.3m#**	£606.7m#	**+3%**
EBITA†	**n/a**	n/a	**n/a**	**£190.9m**	£179.1m	**+7%**
Pre-tax (loss)/profit	**(£7.7m)**	£167.1m	**(105%)**	**£184.9m**	£174.3m	**+6%**
Earnings per share	**(6.28p)‡**	9.06p	**(169%)**	**10.75p**	9.36p	**+15%**
Dividend per share	**3.69p**	3.48p	**+6%**	**n/a**	n/a	**n/a**

‡*Statutory loss due to £196.5m exceptional item in relation to the disposal of non-core products announced in February 2013*

Financial highlights

- Organic# revenue growth of 3% in the period (H1 2012: 2%), with 6% growth in recurring revenue (H1 2012: 5%) and 3% contraction in software and software-related services revenue ("SSRS") (H1 2012: 4% contraction)
- EBITA† margin maintained at 27% (H1 2012: 27%), despite continued investment in growth
- Underlying* pre-tax profit of £184.9m (H1 2012: £174.3m), an increase of 6%
- Underlying* earnings per share of 10.75p (H1 2012: 9.36p), an increase of 15%
- Strong operating cash flow of £208.9m (H1 2012: £207.7m), representing 112%^ of EBITA†
- Exceptional item of £196.5m relating to the disposals of non-core products
- Interim dividend of 3.69 pence per share (H1 2012: 3.48 pence per share), an increase of 6%
- Proposed special dividend of £200m, equivalent to approximately 17 pence per share, after which total cash returned to shareholders in the last eighteen months will approach £1 billion

Delivering on our strategy

Good progress made with our three cornerstones to drive accelerated growth:

- *Focusing our business*: disposal of non-core products and material re-allocation of R&D and Sales and Marketing expenditure to Invest products, which represent our high growth opportunities
- *Capturing the technology opportunity*: 11,500 paying subscriptionsβ (H1 2012: 2,450) for *Sage One*, our SaaS solution for start-up and small businesses, a four-fold increase in the last 12 months; accelerated roll-out of *Sage One* to new markets, with Germany launched in March 2013 and Spain and France launching in May and June 2013. For SMB businesses, Sage is on track for the commercial launch of cloud enabled versions of ERP products, *Sage 200* in the UK and *Sage Murano* in Spain. In the mid-market, *Sage ERP X3* continues to drive new customers to Sage, delivering stronger revenue growth
- *The benefits of subscription*: launch of subscription pricing for key products across major markets with evidence that subscription is an effective mechanism for winning new customers and re-activating off-plan customers
- New customer additions of 145,000 (H1 2012: 129,000) during the period and renewal rates on support contracts maintained at 81% (H1 2012: 81%)

Guy Berruyer, Chief Executive, said:
"We delivered good growth in recurring revenues, in line with our strategy. We continue to drive significant change through the business, which is delivering results in the face of continued macroeconomic headwinds. We are encouraged by our performance, which we expect to sustain for the remainder of the year, and we remain confident that we will deliver on our strategic and financial goals.

In 2011, we set out our intention to move to a minimum net debt level of 1x EBITDA. The Board is pleased to announce we will meet this target with a proposed special dividend of £200m. With over £500m returned through the

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†EBITA is defined as earnings before interest, tax, amortisation of acquired intangible assets, acquisition-related items and exceptional items. The impact of foreign exchange is neutralised in prior period figures.
^Cash conversion is cash flows from operating activities, adjusted for cash acquisition-related items and cash exceptional items of £4.0m, divided by EBITA.
βAt 30 September 2012, the number of paying subscriptions for *Sage One* was 6,190.

buyback programme and ordinary dividends paid or declared of £260m, we are delighted to have returned almost £1 billion to shareholders since October 2011, without compromising our ability to invest."

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An analyst presentation will be held at 8.45am today at the London Stock Exchange plc, 10 Paternoster Square, London, EC4M 7LS. A live webcast of the presentation will be hosted on **www.investors.sage.com***, dial-in number* +44 (0) 20 3139 4830, *pin code:* 33667031#. *A replay of the call will also be available for two weeks after the event: Tel:* +44 (0) 20 3426 2807, *pin code:* 638229#.

Chief Executive's Review

Overview of the period

We delivered 3% organic# revenue growth in the first half (H1 2012: 2%), with recurring revenue growth of 6% offset by a contraction in SSRS revenue of 3%. The good growth in organic# recurring revenue reflects the continued strength of our support offering to customers and encouraging growth in both subscription revenue and payment services. The contraction in SSRS revenue has lessened, reflecting good licence demand where market conditions are supportive, including the UK and AAMEA, and for *Sage ERP X3*. The majority of the contraction in SSRS revenue was attributable to weak market conditions in Continental Europe, particularly France and Spain, although our success in transitioning our business to recurring revenue was also a factor. We continue to see the strategic shift to recurring revenue as a core part of our strategy to accelerate growth because it reduces our exposure to cyclical revenue. Recurring revenue now represents 70% of Group revenues.

On a regional basis, trading by geography was robust in the context of variable market conditions. North America continued to show improvement in performance, reporting organic# revenue growth of 4% for the first half, compared with 1% in H1 2012. Europe achieved organic# revenue growth of 2% for the period, a positive performance given the challenging macroeconomic environment. Spain remained in contraction, albeit the rate of contraction lessened. The weakness in France evident in the second half of 2012 continued in the period, particularly in the mid-market, which offset growth across the rest of the French business. Germany showed a modest decline for the period, albeit against a tough comparator. The UK & Ireland delivered a strong performance, with legislative change supporting growth in payroll products. AAMEA delivered good growth, with double digit organic# revenue growth in South Africa. In Brazil, the core accounting, payroll and tax software business continued to deliver double digit growth, despite a slowdown in the economy. Approximately 14% of Group revenues are now generated from attractive growth markets in Brazil and AAMEA.

Strategy for growth

We have three cornerstones which underpin our strategy and we are making good progress on each of them. Measurement of our progress is important and our Key Performance Indicators ("KPIs") reflect how we are running the business to deliver on our strategy. Notable developments for the period in respect of these measures are covered in the commentary below, with the complete set of KPIs set out in Appendix I.

Focusing our business

This cornerstone is a critical part of accelerating growth in our core business whilst delivering improved margins. We have a clear assessment of our core business, which is the provision of accounting, ERP, payroll, accountancy and related products for customers ranging in size from start-ups to mid-market companies. We also have important adjacent businesses that support the core, typically involving technology which is highly integrated, such as payments and CRM solutions. This definition of our core business continues to drive our approach to portfolio management.

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In February 2013, we announced the disposal of seven products which had previously been highlighted as non-core as part of our strategy to focus on our core business and align our resources with our best opportunities. The completion of these disposals is an important milestone on the road to executing upon this strategy.

Aligning our resources and investment to products with the highest growth potential is a key enabler of our growth strategy. Our progress is measured by our resource optimisation KPIs, which are R&D spend and Sales and Marketing spend split by Invest, Harvest and Sunset categories. There is a marked transition in the allocation of resources in the current period, with the direct spend on Invest products increasing to 41% of total R&D expenditure (30 September 2012: 35%) and 47% of Sales & Marketing expenditure (30 September 2012: 42%). Major areas of investment include *Sage One,* hybrid cloud, *Sage ERP X3* and payment services.

Capturing the technology opportunity

Our approach to technology is guided by the evolving business needs of our customers and by the opportunity this presents to drive growth from our core portfolio. We recognise that business requirements differ by customer, by segment and by market; with the needs of a start-up differing to those of a small to medium sized business. This is why we are developing cloud-based solutions which address the specific needs of each segment.

Sage One is our global software as a service ("SaaS") solution for the start-up and small business segment. During the period, we continued to make good progress with adoption, and at the end of March 2013, we had 11,500 paying subscription contracts for *Sage One* products, a four-fold increase in the last 12 months. We have established traction in the UK & Ireland market, which was one of our primary objectives, with a record run-rate in March 2013. *Sage One* is now a significant part of our wider SaaS portfolio, where we have over 22,500 paying subscriptions across a range of payroll products targeted at smaller businesses, including *einfachLohn* in Germany and *VIP Liquid Payroll* in South Africa, and *Pastel MyBusiness*, an online accounting product in South Africa.

Another primary objective was to take *Sage One* to new markets and we have achieved this, launching in Germany in March 2013, followed by Spain this month and France in June 2013. In North America, we have added stronger core accounting capability and integrated payments. This international roll-out is important because it represents a new way of working for Sage, one that is more collaborative and which takes advantage of our global scale and local market expertise.

Looking ahead, the next important milestone is the release of a more advanced version of *Sage One* in the UK & Ireland. It will be launched towards the end of this calendar year following a soft launch in the summer and will bring more features, depth and sophistication. This will open up the 5 to 25 employee business space, leading to higher price points and user numbers per customer, whilst giving existing *Sage One* users a migration path as their businesses succeed and grow.

We are developing a different technology solution for our small to medium sized business ("SMB") customers. We know that SMB customers want us to bring them the benefits of the cloud whilst recognising that they have an existing infrastructure. Our approach allows customers to leverage the power of their data "anywhere, anytime" and gives users, both financial and non-financial, access to valuable intelligence for the benefit of all areas of the business.

Mobility plays a key role here, because we are creating smartphone and tablet-specific applications which offer those users a means of interacting with data that is intuitive to them. We have completed the development work that allows our products to run on Microsoft's Azure platform. Importantly, this approach is relatively product agnostic, meaning we can accelerate the roll-out of hybrid cloud versions of our major ERP products rapidly. *Sage 200* (to be launched in the UK in June 2013) and *Sage Murano* (to be launched in Spain in September 2013) are the first of our SMB ERP products to have hybrid cloud compatibility. We expect to see cloud compatible versions of *Sage 100* in France, *Office Line* in Germany and *Sage 300* in North America launch across the remainder of 2013 and into 2014.

Our solution for the mid-market is *Sage ERP X3*, which is a global product and offers a comprehensive feature set. The product is performing very well internationally, growing organically[#] 26% outside of France, supporting global organic[#] revenue growth in the period of 8%. We continue to invest in *Sage ERP X3* in order to secure our target of double-digit growth.

Integration of adjacent features and services into our products is also a key part of our growth strategy, and payment services integration in particular is one of the most significant opportunities for us. Our North American payments business demonstrated good momentum with integration once again during the period, delivering an 18% increase in organic[#] revenue derived from the sale of payments services to existing accounting customers. Sage Pay also continued to perform well in the UK & Ireland following price increases and the capture of new customers. We expanded into Germany and Spain during the period, which represents a significant milestone in bringing the service to the European market.

Our future success is becoming increasingly dependent on the quality of the technology decisions we make today. This has led to the formation of the Technology Advisory Group ("TAG"), which consists of independent, prominent industry leaders and internal Sage experts, and is tasked with providing challenge and counsel on our technology strategy to ensure we are investing with the future in mind.

The benefits of subscription

The third cornerstone of our growth strategy involves the migration of our customers to a subscription pricing relationship. Our dual-model approach offers customers a choice between subscription pricing and the existing perpetual licence and support offering. The pace of adoption has been measured, which reflects our careful management of the roll-out and the market demand for both licencing options. This is evidenced by the increase in the annualised value of our subscriber base on an organic[#] basis, which grew to £95m (30 September 2012: £84m).

We continued to roll-out subscription pricing across all major markets. We have seen how subscription pricing is an effective mechanism for attracting new and existing customers. New customers are attracted to it because it lowers the cost barrier to entry that a perpetual licence can sometimes represent, and we have seen evidence of this with *Sage 100* and *Sage 300* in North America. We also saw good take-up of subscription pricing in the UK where we made *Sage 50 Payroll* available to new customers on subscription. The legislative change that took place in the period has highlighted to our customers that their reporting environment is always changing, and that subscription is an effective way of remaining compliant and benefiting from the latest version of the software.

Subscription pricing can also benefit existing customers who would like to migrate to the next product level but are unable to afford the higher up-front costs. We have had good success migrating *Sage Murano* customers in Spain following the launch of new pricing options. Subscription also provides an important opportunity to reactivate existing customers who have chosen not to take a support plan, which is a particular feature for smaller businesses. We have seen evidence that giving customers access to premium features that we only make available via subscription creates a value proposition that drives adoption. In France, for example, we launched subscription pricing for *Ciel*, our small business accounting product, and 50% of new subscription contracts were with existing customers who were not previously on a support plan.

Summary and outlook

We delivered good growth in recurring revenues, in line with our strategy. We continue to drive significant change through the business, which is delivering results in the face of continued macroeconomic headwinds. We are encouraged by our performance, which we expect to sustain for the remainder of the year, and we remain confident that we will deliver on our strategic and financial goals.

Guy Berruyer
Chief Executive Officer

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Chief Finance Officer's Review

Revenue

Revenue for the first half was £708.1m, which increased 6% compared to the prior period (H1 2012: £665.7m*). Organic[#] revenue grew by 3% compared to the prior period.

Total recurring revenue was £495.2m (H1 2012: £446.2m*) which grew organically[#] by 6%, benefiting from growth in premium support contract upselling and renewals, software subscriptions and payment services. Recurring revenue includes stand-alone support, combined software and maintenance and support, software and support paid for on a subscription basis and payment services.

Total revenue for software and software-related services ("SSRS") was £212.9m (H1 2012: £219.5m*), which contracted organically[#] by 3%. Most of this contraction was attributable to weak market conditions in Continental Europe, particularly in France and Spain. The contraction also reflects the continued transition to recurring revenue, particularly in North America. We continue to see good growth in SSRS revenues where market conditions are supportive, as illustrated by the UK, with legislative change driving payroll and training revenue, and with *Sage ERP X3*. SSRS revenue includes stand-alone software licence sales (including new licences, upgrades and migrations) and professional services, training and business forms.

Organic revenue[#] growth was 3%, compared to 2% in the prior period. North America's stronger performance in the second half of 2012 was sustained into the first half of 2013, as was the continued strong performance in AAMEA. Europe continues to be impacted by a weak economic environment, although the UK delivered good growth which was supported by legislative change. Whilst our business in Brazil is not yet included in organic growth under Sage's well established reporting methodology, the business delivered good growth notwithstanding a slowdown in the Brazilian economy.

Profitability

EBITA[†] increased by 7% to £190.9m (H1 2012: £179.1m) with the Group's EBITA[†] margin maintained at 27% (H1 2012: 27%). We have maintained a disciplined approach to investing in our business during the period, and have benefited from the restructuring steps we took in Spain last year. We have directed additional resources into our best growth opportunities, which include *Sage One*, *Sage ERP X3* and payment services.

Net finance costs increased to £6.7m (H1 2012: £4.8m). The increase is primarily due to increased drawings on the revolving credit facility during the period which was used to fund the share buyback. The average interest rate on borrowings during the period was 3.46% (H1 2012: 4.58%). The income tax expense of £66.9m (H1 2012: £48.5m) represents an effective tax rate of 29% (H1 2012: 29%). Underlying* earnings per share increased by 15% to 10.75p (H1 2012: 9.36p) as a result of underlying growth in profitability and a reduction in the average number of shares in issue due to the share buyback programme.

As a consequence of completing, or committing to, non-core disposals in North America and Europe, we recorded a £196.5m exceptional charge, which includes both the losses on completed disposals and goodwill impairment charges relating to assets held for sale at the period end. As a result, statutory basic earnings per share declined by 169% to -6.28p (H1 2012: 9.06p).

Regional review

Throughout the regional review, growth trends are stated on a currency neutral basis with prior period results retranslated at current period exchange rates. This is done to facilitate the comparison of results. A reconciliation of underlying headline revenue to organic revenue is shown in the table in note 1 on page 18.

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[†]EBITA is defined as earnings before interest, tax, amortisation of acquired intangible assets, acquisition-related items and exceptional items. The impact of foreign exchange is neutralised in prior period figures.

		Europe	Americas	AAMEA	Group underlying*	Foreign exchange	Adjustments to EBITA†	Group statutory
Revenue from continuing operations								
H1 FY13	**£m**	**403.2**	**230.3**	**74.6**	**708.1**	**-**	**-**	**708.1**
H1 FY12	£m	396.5	200.0	69.2	665.7	7.4	-	673.1
Change	**%**	**+2%**	**+15%**	**+8%**	**+6%**			**+5%**
EBITA†/Operating profit								
H1 FY13	**£m**	**113.9**	**57.0**	**20.0**	**190.9**	**-**	**(191.9)**	**(1.0)**
H1 FY12	£m	111.7	49.6	17.8	179.1	1.8	(9.0)	171.9
Change	**%**	**+2%**	**+15%**	**+12%**	**+7%**			**-101%**

Europe

Total Europe revenue grew by 2% to £403.2m (H1 2012: 396.5m*). On an organic# basis, this growth was also 2% (H1 2012: 1%). Organic recurring revenue# grew by 5% (H1 2012: 5%), with organic# SSRS revenue contracting by 5% (H1 2012: 7% contraction).

Organic revenue# in our French business contracted by 1%, with weakness in SSRS reflecting difficult economic conditions, partly offset by good growth in recurring revenue. The weak macroeconomic environment made the execution of larger IT projects in the mid-market more difficult, affecting new licence sales and professional services. Performance across the rest of the business was more encouraging, with *Sage 100* in particular achieving good growth. The French business announced it had reached agreement to sell three non-core products during the period, namely *C&I*, *ATL* and *Automotive*.

Our UK & Ireland business grew organically# by 5%. The business capitalised on the opportunity offered by the implementation of Real Time Information ("RTI"), which relates to a change in the way businesses must file their payroll data with Her Majesty's Revenue and Customs, resulting in particularly strong growth in *Sage 50 Payroll* and training. Other areas performed well despite the weak economy, with good growth from *Sage ERP X3* and *Sage One*.

Our Spanish business continued to contract during the period, albeit the organic# rate of contraction lessened to 4%. New business remains particularly difficult due to the economic conditions, although recurring revenue grew modestly supported by a strong performance in upselling for our existing on-premise version of *Sage Murano*. The Spanish business also announced it had reached agreement to sell the non-core product *Aytos*.

Organic# revenue in Germany contracted by 1% during the period as a result of a very strong comparator in the prior period. In particular, our *Classic Line* product had an excellent H1 2012 following a one-time upgrade programme, which helped the German business deliver organic# growth of 7% in that period. We saw a strong performance from our SaaS payroll product *einfachLohn*, and it is now complemented by *Sage One,* which launched in March 2013 to positive reviews.

Our businesses in the rest of Europe all delivered growth organically#. Switzerland grew by 2% and Poland by 4%. Portugal delivered organic# growth of 19%, which was driven by new electronic tax filing requirements.

Sage Pay performed strongly, with organic# growth of 32% in the period, reflecting the price increases in the second half of last year and growth in customer numbers. Sage Pay has also recently launched in Germany and Spain.

The EBITA† margin for Europe was 28% (H1 2012: 28%), reflecting a balance of investment in key growth products whilst protecting margin in regions such as Spain, where challenging economic conditions remain.

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Americas

Total Americas revenue grew by 15% to £230.3m (H1 2012: £200.0m*), with organic[#] revenue growth of 4% (H1 2012: 1%). Organic[#] recurring revenue grew 7% (H1 2012: 2%), while organic[#] SSRS revenue contracted by 4% (H1 2012: 3% contraction).

The transition of the revenue base in North America to recurring revenue has continued in the period. *Sage Business Care*, our premium support offering, remains the primary driver behind this transition. We have seen strong momentum from *Sage 50*, particularly in Canada, and *Sage 100*, due to good renewal rates and success in moving customers to higher support tiers. *Sage ERP X3* also delivered strong revenue growth in North America.

Our payment services business continued to leverage cross-selling into the accounting base. The number of cross-sell customers integrating Sage's payment services into their core accounting grew to over 12,000 with an associated increase in cross-sell revenue growth of 18%.

Brazil contributed £24.6m of revenue in the period and EBITA of £5.9m. Despite a slowdown in the economy, the core accounting, payroll and tax software business continued to deliver double-digit revenue growth. We have established a significant foothold in Brazil and are in a strong position to benefit from the structural growth opportunities offered by this market.

The EBITA[†] margin for Americas was 25% (H1 2012: 25%), reflecting continuing investment in our businesses in line with revenue growth.

AAMEA

Total AAMEA revenue grew by 8% to £74.6m (H1 2012: 69.2m*), and organic[#] revenue grew by 9% (H1 2012: 12%). Organic[#] recurring revenue grew by 12% (H1 2012: 14%), with organic[#] SSRS revenue growing by 4% (H1 2012: 10%).

South Africa continued to deliver strong organic[#] revenue growth of 14% (H1 2012: 15%). Our core mid-market products such as *Sage ERP X3, Pastel Evolution* and *People Payroll* have performed well in the period with strong renewal rates on maintenance and support also supporting growth. Sales into the broader African continent grew by 20% during the period, led by *Sage ERP X3*, and remains a good future opportunity.

Australia grew organically[#] by 2% (H1 2012: 8%), led by continuing good growth in recurring revenue, particularly through high support contract renewal rates and price increases. Our Middle Eastern and Asian businesses grew organically[#] by 1% (H1 2012: 11%), led by a strong performance from HR and payroll products.

The EBITA[†] margin for AAMEA was 27% (H1 2012: 26%), with investment in core products, particularly in South Africa, offset by cost savings in Australia and Asia.

Cash flows

The Group remains highly cash generative with an operating cash flow of £208.9m (H1 2012: £207.7m), representing 112%[^] of EBITA[†] (H1 2012: 115%). After interest, tax, net capital expenditure, free cash flow was £158.7m. The net inflow from acquisitions and disposals completed in the period was £46.7m. After dividends paid of £79.3m, shares repurchased of £179.0m and other outflows of £16.4m, including exchange movements, net debt stood at £230.8m at 31 March 2013 (31 March 2012: net cash of £122.1m; 30 September 2012: net debt of £161.5m).

R&D and capex

The Group spent £77.0m in the period ended 31 March 2013 on research and development (H1 2012: £72.8m*).

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^Cash conversion is cash flows from operating activities, adjusted for cash acquisition-related items and cash exceptional items of £4.0m, divided by EBITA.

Capital expenditure in the period ended 31 March 2013 (including the purchase of third-party software systems for internal use) was £3.1m (H1 2012: £14.0m). The majority of this expenditure relates to IT infrastructure, both in new and replacement systems.

Foreign exchange

The financial results have been impacted by movements in exchange rates. The average Euro exchange rate used to translate the consolidated income statement showed movement of 1% to £1 = €1.20 from £1 = €1.19. The average US Dollar exchange rate showed movement of -1% to £1 = $1.58 from £1 = $1.59. The average South African Rand exchange rate moved significantly in the period to £1 = ZAR13.96 from £1 = ZAR12.42, representing a fluctuation of 12%. The average Brazilian real exchange rate used to translate the results of our Brazilian businesses was R$3.20. In order to assess like-for-like performance, Group growth trends are shown on a foreign currency neutral basis where indicated.

Balance sheet and capital structure

Capital structure and dividend

At the full-year results in 2011, we announced our aim of reaching a net debt level of a minimum of 1x EBITDA within eighteen months. We have made good progress against this target with a material increase in the ordinary dividend and the execution of a share buyback programme.

In line with delivering on this target, and consistent with the Board's focus on generating returns for shareholders, the Board is proposing a return of cash to shareholders of £200 million, in the form of a special dividend of approximately 17 pence per share. This is equivalent to approximately 5% of the market capitalisation of the Company and, as is common with a significant return of capital, the Board recommends that this is combined with a share consolidation to maintain, as far as possible, the comparability of the share price before and after the special dividend. Following the dividend, net debt will modestly exceed 1x EBITDA.

The share consolidation and certain related matters are subject to shareholder approval. A circular setting out full details of the proposed special dividend, associated share consolidation and calling of a General Meeting will be sent out shortly.

We have also increased the interim dividend to 3.69p (H1 2012: 3.48p), which is consistent with our policy of growing the ordinary dividend in line with underlying earnings.

With its consistent and strong cash flows, the Group retains considerable financial flexibility going forward. The Board's main strategic priority remains an acceleration of growth, both organically and through targeted acquisitions, and the business will invest in support of that aim. This will enable the business to support dividend growth, with any surplus capital being returned to shareholders from time to time.

Debt facilities

The Group had net debt of £230.8m at 31 March 2013 (31 March 2012: net cash of £122.1m; 30 September 2012: net debt of £161.5m). The Group continues to be able to borrow at competitive rates and currently deems this to be the most effective means of raising finance. The Group is funded through retained earnings and US private placement loan notes at 31 March 2013 of £197.6m ($US300.0m) (H1 2012: £187.8m, US$300.0m). In addition, the Group has multi-currency revolving credit facilities totalling £359.9m (H1 2012: £348.0m) (US$271.0m and €214.0m tranches), which expire in 2015. At 31 March 2013, £100.8m of these facilities were drawn (H1 2012: undrawn).

Treasury management

The Group's Treasury function seeks to ensure liquidity is available to meet the foreseeable needs of the Group, to invest cash assets safely, profitably and reduce exposure to interest rate, foreign exchange and other financial risks. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Audit Committee and are subject to regular Group Internal Audit review.

Acquisitions and disposals during the period

On 11 October 2012, the Group acquired EBS Empresa Brasileira de Sistemas Ltda. a provider of accounting, business management and tax software in Brazil for a cash consideration of up to £11.3 m, including a payment of £2.0m linked to the future financial performance. The provisional fair value of the assets acquired was nil, resulting in provisional goodwill of £11.3m.

On 21 March 2013, the Group announced the completion of the disposal of the trade and assets of *Sage ACT!* and *Sage SalesLogix* to Swiftpage, and *Sage Nonprofit Solutions* to Accel-KKR. Cash consideration of £59.2m was paid upon completion.

Post balance sheet events

On 30 April 2013, the Group completed the disposal of four European non-core products held for sale at the period end, namely *C&I*, *ATL*, *Automotive* and *Aytos*, to Argos Soditic for a consideration of £34.1m.

On 30 April 2013, the Group completed the disposal of the UK Construction business, which was held for sale at the period end, to Eque2 Limited for a consideration of £2.5m.

Going concern

Based on normal business planning and control procedures, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Archer Capital

On 14 November 2011, the Group reported a claim for damages made by Archer Capital ("Archer") following the termination of discussions between the Group and Archer relating to the potential purchase of MYOB. The Group strongly rejects the claim, which it calculates to be in the region of £94m (A$142m), and will defend itself vigorously. The claim is scheduled to be heard by the Court in late 2013.

Paul Harrison
Chief Financial Officer

Appendix I
Key performance indicators ("KPIs")

Strategic drivers		**H1 2013**	FY 2012	H1 2012
Focusing our business				
Resource optimisation	R&D spend split by Invest, Harvest and Sunset	**41:47:12**	35:53:12	n/a
	Sales and marketing spend split by Invest, Harvest and Sunset	**47:46:07**	42:49:09	n/a
Capturing the technology opportunity				
Adoption of cloud products	*Sage One* paying subscriptions[β]	**11,500**	6,190	2,450
	Hybrid cloud paying subscriptions[β]	**500**	115	n/a
Integration of payments	Cross-sell of integrated payments - number of customers	**12,000**	9,700	9,200
Mid-market	*Sage ERP X3* organic[#] revenue growth	**8%**	5%	3%
The benefits of subscription				
Customer adoption	Organic[#] annualised value of subscriber base	**£95m**	£84m	n/a

Financial drivers		**H1 2013**	FY 2012	H1 2012
Financial Performance				
Growth	Organic[#] revenue growth	**3%**	2%	2%
Margin	EBITA[†]/Revenue	**27%**	27%	27%
Profitability	Underlying* EPS growth	**15%**	-2%	2%
Cash generation	Net cash from operations/EBITA[†]	**112%[^]**	106%[^]	115%[^]
Financial strength				
Balance sheet	Net debt/EBITDA against stated target	**0.6:1**	0.4:1	n/a
	Interest cover	**29x**	33x	33x

Customers		**H1 2013**	FY 2012	H1 2012
Loyalty	Renewal rate	**81%**	81%	81%

[#]Organic revenue excludes the contributions of current and prior period acquisitions, disposals and assets held for sale. The impact of foreign exchange is neutralised in prior period figures.
*Underlying figures exclude amortisation of acquired intangible assets, acquisition-related items, imputed interest and exceptional items, with all adjustments net of tax. The impact of foreign exchange is neutralised in prior period figures.
[†]EBITA is defined as earnings before interest, tax, amortisation of acquired intangible assets, acquisition-related items and exceptional items. The impact of foreign exchange is neutralised in prior period figures.
^Cash conversion is cash flows from operating activities, adjusted for cash acquisition-related items and cash exceptional items of £4.0m, divided by EBITA.
[β]At 30 September 2012, the number of paying customers for *Sage One* and hybrid cloud was 6,100 and 115 respectively.

Consolidated income statement
For the six months ended 31 March 2013

	Note	**Six months ended 31 March 2013 (Unaudited) £m**	Six months ended 31 March 2012 (Unaudited) £m	Year ended 30 September 2012 (Audited) £m
Revenue	1	**708.1**	673.1	1,340.2
Cost of sales		**(41.8)**	(42.2)	(84.3)
Gross profit		**666.3**	630.9	1,255.9
Selling and administrative expenses		**(487.1)**	(459.0)	(911.0)
Loss on disposal of non-core products and impairment of non-current assets held for sale	2	**(180.2)**	-	-
Operating (loss)/profit	1	**(1.0)**	171.9	344.9
Finance income		**0.5**	1.4	2.6
Finance costs		**(7.2)**	(6.2)	(13.2)
Finance costs – net		**(6.7)**	(4.8)	(10.6)
(Loss)/profit before income tax		**(7.7)**	167.1	334.3
Income tax expense	4	**(66.9)**	(48.5)	(95.4)
(Loss)/profit for the period from continuing operations		**(74.6)**	118.6	238.9
Profit for the period from discontinued operations	10	**–**	57.6	57.8
(Loss)/profit for the period		**(74.6)**	176.2	296.7
(Loss)/profit attributable to:				
– Owners of the parent		**(75.9)**	176.2	296.6
– Non-controlling interest		**1.3**	–	0.1
		(74.6)	176.2	296.7
EBITA†	1	**190.9**	180.9	366.4
Earnings per share attributable to the owners of the parent (pence)				
From continuing operations:				
– Basic	6	**(6.28)p**	9.06p	18.63p
– Diluted	6	**(6.27)p**	9.04p	18.60p
From continuing and discontinued operations:				
– Basic	6	**(6.28)p**	13.46p	23.14p
– Diluted	6	**(6.27)p**	13.43p	23.10p

The notes on pages 16 to 31 form an integral part of this condensed consolidated half-yearly financial report.

† EBITA measure (Earnings before interest, tax and adjustments) excludes the effects of:

- amortisation of acquired intangible assets;
- acquisition-related items; and
- exceptional items.

Consolidated statement of comprehensive income
For the six months ended 31 March 2013

	Six months ended 31 March 2013 (Unaudited) £m	Six months ended 31 March 2012 (Unaudited) £m	Year ended 30 September 2012 (Audited) £m
(Loss)/profit for the period	**(74.6)**	176.2	296.7
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on post-employment benefit obligations	**0.6**	(0.5)	(2.6)
Deferred tax credit on actuarial gain/(loss) on post-employment benefit obligations	**1.0**	–	1.0
	1.6	(0.5)	(1.6)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	**63.5**	(35.9)	(66.6)
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	**(38.8)**	(55.7)	(55.7)
	24.7	(91.6)	(122.3)
Other comprehensive income/(expense) for the period, net of tax	**26.3**	(92.1)	(123.9)
Total comprehensive (expense)/income for the period	**(48.3)**	84.1	172.8
Total comprehensive (expense)/income for the period attributable to:			
– Owners of the parent	**(49.6)**	84.1	172.7
– Non-controlling interest	**1.3**	–	0.1
	(48.3)	84.1	172.8
Total comprehensive (expense)/income attributable to owners of the parent arising from:			
– Continuing operations	**(49.6)**	82.0	170.6
– Discontinued operations	**–**	2.1	2.1
	(49.6)	84.1	172.7

The notes on pages 16 to 31 form an integral part of this condensed consolidated half-yearly financial report.

Consolidated balance sheet
As at 31 March 2013

	Note	**31 March 2013 (Unaudited) £m**	31 March 2012 (Unaudited) £m	30 September 2012 (Audited) £m
Non-current assets				
Goodwill	7	**1,602.3**	1,715.8	1,814.4
Other intangible assets	7	**128.4**	114.0	139.8
Property, plant and equipment	7	**130.6**	142.4	142.2
Deferred income tax assets		**18.2**	13.3	10.0
		1,879.5	1,985.5	2,106.4
Current assets				
Inventories		**2.5**	2.6	2.5
Trade and other receivables		**345.4**	317.0	302.8
Cash and cash equivalents (excluding bank overdrafts)	9	**87.6**	326.0	61.6
		435.5	645.6	366.9
Non-current assets classified as held for sale	10	**39.3**	–	–
Total assets		**2,354.3**	2,631.1	2,473.3
Current liabilities				
Trade and other payables		**(260.7)**	(257.5)	(259.0)
Current income tax liabilities		**(60.8)**	(30.1)	(29.7)
Borrowings		**(3.4)**	(0.9)	(8.4)
Other financial liabilities		**(40.0)**	(50.0)	(60.0)
Deferred consideration		**(12.6)**	(9.5)	(10.0)
Deferred income		**(467.0)**	(453.3)	(420.3)
		(844.5)	(801.3)	(787.4)
Liabilities directly associated with non-current assets classified as held for sale	10	**(4.3)**	–	–
Non-current liabilities				
Borrowings		**(297.3)**	(187.7)	(200.8)
Other financial liabilities		**(73.7)**	–	(68.3)
Post-employment benefits		**(15.4)**	(12.4)	(14.3)
Deferred income tax liabilities		**(31.4)**	(19.5)	(29.5)
		(417.8)	(219.6)	(312.9)
Total liabilities		**(1,266.6)**	(1,020.9)	(1,100.3)
Net assets		**1,087.7**	1,610.2	1,373.0
Equity attributable to owners of the parent				
Ordinary shares	8	**12.1**	13.3	13.3
Share premium	8	**528.5**	520.9	524.5
Other reserves		**101.2**	175.2	76.5
Retained earnings		**446.7**	900.8	760.8
Total equity attributable to owners of the parent		**1,088.5**	1,610.2	1,375.1
Non-controlling interest		**(0.8)**	–	(2.1)
Total equity		**1,087.7**	1,610.2	1,373.0

The notes on pages 16 to 31 form an integral part of this condensed consolidated half-yearly financial report.

Consolidated statement of cash flows
For the six months ended 31 March 2013

	Note	**Six months ended 31 March 2013 (Unaudited) £m**	Six months ended 31 March 2012 (Unaudited) £m	Year ended 30 September 2012 (Audited) £m
Cash flows from operating activities				
Cash generated from continuing operations	9	**208.9**	207.7	383.8
Interest paid		**(5.8)**	(5.6)	(11.5)
Income tax paid		**(41.8)**	(50.1)	(95.2)
Operating cash flows used in discontinued operations		**–**	(0.5)	(2.3)
Net cash generated from operating activities		**161.3**	151.5	274.8
Cash flows from investing activities				
Acquisitions of subsidiaries, net of cash acquired	11	**(9.3)**	(16.2)	(162.8)
Disposal of subsidiaries, net of cash disposed	11	**56.0**	0.2	0.1
Purchases of intangible assets	7	**(2.7)**	(5.5)	(10.8)
Purchases of property, plant and equipment		**(0.4)**	(8.8)	(19.3)
Purchases of other assets		**(6.6)**	–	–
Proceeds from sale of property, plant and equipment		**–**	0.3	0.6
Interest received		**0.5**	1.4	2.6
Investing cash flows generated from discontinued operations		**–**	198.9	198.9
Net cash generated from investing activities		**37.5**	170.3	9.3
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	8	**4.0**	7.8	11.4
Purchase of treasury shares and related expenses	8	**(179.0)**	(93.8)	(297.5)
Finance lease principal payments		**(0.7)**	(0.4)	(0.7)
Proceeds from borrowings		**170.0**	–	15.3
Repayments of borrowings		**(84.8)**	(0.2)	(0.9)
Movement in cash collected from customers		**(0.4)**	1.7	0.2
Dividends paid to owners of the parent	5	**(79.3)**	(92.1)	(136.5)
Net cash used in financing activities		**(170.2)**	(177.0)	(408.7)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts (before exchange rate movement)	9	**28.6**	144.8	(124.6)
Effects of exchange rate movement	9	**2.4**	(0.8)	(3.0)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**31.0**	144.0	(127.6)
Cash, cash equivalents and bank overdrafts at 1 October	9	**54.4**	182.0	182.0
Cash, cash equivalents and bank overdrafts at period end	9	**85.4**	326.0	54.4

The notes on pages 16 to 31 form an integral part of this condensed consolidated half-yearly financial report.

Consolidated statement of changes in equity
For the six months ended 31 March 2013

	Attributable to owners of the parent						
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 October 2012 (Audited)	**13.3**	**524.5**	**76.5**	**760.8**	**1,375.1**	**(2.1)**	**1,373.0**
(Loss)/profit for the period	**–**	**–**	**–**	**(75.9)**	**(75.9)**	**1.3**	**(74.6)**
Other comprehensive (expense)/income:							
Exchange differences on translating foreign operations	**–**	**–**	**63.5**	**–**	**63.5**	**–**	**63.5**
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	**–**	**–**	**(38.8)**	**–**	**(38.8)**	**–**	**(38.8)**
Actuarial gain on post-employment benefit obligations	**–**	**–**	**–**	**0.6**	**0.6**	**–**	**0.6**
Deferred tax credit on actuarial loss on post-employment benefit obligations	**–**	**–**	**–**	**1.0**	**1.0**	**–**	**1.0**
Total comprehensive income/(expense) for the period ended 31 March 2013 (Unaudited)	**–**	**–**	**24.7**	**(74.3)**	**(49.6)**	**1.3**	**(48.3)**
Transactions with owners:							
Employee share option scheme:							
– Proceeds from shares issued	**–**	**4.0**	**–**	**–**	**4.0**	**–**	**4.0**
– Value of employee services	**–**	**–**	**–**	**2.8**	**2.8**	**–**	**2.8**
Purchase of treasury shares	**–**	**–**	**–**	**(182.0)**	**(182.0)**	**–**	**(182.0)**
Expenses related to purchase of treasury shares	**–**	**–**	**–**	**(1.3)**	**(1.3)**	**–**	**(1.3)**
Cancellation of treasury shares	**(1.2)**	**–**	**–**	**–**	**(1.2)**	**–**	**(1.2)**
Close period share buyback programme	**–**	**–**	**–**	**20.0**	**20.0**	**–**	**20.0**
Dividends paid to owners of the parent	**–**	**–**	**–**	**(79.3)**	**(79.3)**	**–**	**(79.3)**
Total transactions with owners for the period ended 31 March 2013 (Unaudited)	**(1.2)**	**4.0**	**–**	**(239.8)**	**(237.0)**	**–**	**(237.0)**
At 31 March 2013 (Unaudited)	**12.1**	**528.5**	**101.2**	**446.7**	**1,088.5**	**(0.8)**	**1,087.7**

	Attributable to owners of the parent				
	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2011 (Audited)	13.2	513.2	266.8	914.6	1,707.8
Profit for the period	–	–	–	176.2	176.2
Other comprehensive (expense)/income:					
Exchange differences on translating foreign operations	–	–	(35.9)	–	(35.9)
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	–	–	(55.7)	–	(55.7)
Actuarial loss on post-employment benefit obligations	–	–	–	(0.5)	(0.5)
Total comprehensive (expense)/income for the period ended 31 March 2012 (Unaudited)	–	–	(91.6)	175.7	84.1
Transactions with owners:					
Employee share option scheme:					
– Proceeds from shares issued	0.1	7.7	–	–	7.8
– Value of employee services	–	–	–	3.2	3.2
Purchase of treasury shares	–	–	–	(100.0)	(100.0)
Expenses related to purchase of treasury shares	–	–	–	(0.6)	(0.6)
Dividends paid to owners of the parent	–	–	–	(92.1)	(92.1)
Total transactions with owners for the period ended 31 March 2012 (Unaudited)	0.1	7.7	–	(189.5)	(181.7)
At 31 March 2012 (Unaudited)	13.3	520.9	175.2	900.8	1,610.2

The notes on pages 16 to 31 form an integral part of this condensed consolidated half-yearly financial report.

Notes to the financial information
For the six months ended 31 March 2013

Group accounting policies

General information

The Sage Group plc ("the Company") and its subsidiaries (together "the Group") is a leading global supplier of business management software to small and medium sized companies. The Group has over six million customers and more than 13,300 employees in 23 countries covering Europe, Americas, Africa, Australia, Middle East and Asia.

This condensed consolidated half-yearly financial report was approved for issue by the Board of directors on 8 May 2013.

This condensed consolidated half-yearly financial report does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2012 were approved by the Board of directors on 5 December 2012 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.

This condensed consolidated half-yearly financial report has been reviewed, not audited.

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.

Basis of preparation

This condensed consolidated half-yearly financial report for the six months ended 31 March 2013 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, ("EU"). The condensed consolidated half-yearly financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated half-yearly financial report.

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 2012, as described in those annual financial statements.

Exceptional items

Exceptional items are those items that in the directors' view are required to be separately disclosed by virtue of their size or nature to enable a full understanding of the Group's financial performance.

Income taxes

Taxes on income in interim periods are accrued using the tax rate that would be applicable to the full year.

Adoption of new and revised IFRSs

The following amendments to standards were effective during the period to 31 March 2013 and have been adopted in this condensed consolidated half-yearly financial report.

- Amendments to IFRS 7, "Financial instruments: Disclosures"
- Annual improvements to IFRSs. The standards impacted are:
  - IFRS 1, "First-time Adoption of IFRS"
  - IAS 1, "Presentation of Financial Statements"
  - IAS 16, "Property, Plant and Equipment"
  - IAS 32, "Financial Instruments; Presentation"
  - IAS 34, "Interim Financial Reporting"

There is no material impact of the adoption of these standards in this condensed consolidated half-yearly financial report.

Group accounting policies (continued)

New and amended standards not yet mandatory for the Group

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

International Accounting Standards ("IAS")

- IAS 27 (revised 2011), "Separate Financial Statements"
- IAS 28 (revised 2011), "Investments in Associates and Joint Ventures"

International Financial Reporting Standards ("IFRS")

- IFRS 9, "Financial Instruments: Disclosures"
- IFRS 10, "Consolidated Financial Statements"
- IFRS 11, "Joint Arrangements"
- IFRS 12, "Disclosure of Interests in Other Entities"
- IFRS 13, "Fair Value Measurement"

Amendments to existing standards

- Amendment to IAS 12, "Income Taxes"
- Amendment to IAS 19, "Employee Benefits"
- Amendment to IAS 1, "Presentation of Financial Statements"
- Amendments to IFRS 10, 11 and 12
- Amendment to IFRS 7, "Financial Instruments: Disclosures"
- Amendment to IAS 32, "Financial Instruments: Presentation"
- Amendment to IFRS 1, "First-time Adoption of IFRS"

Critical accounting estimates and judgements

In preparing this condensed consolidated half-yearly financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those of the annual financial statements for the year ended 30 September 2012.

Website

This condensed consolidated half-yearly financial report for the six months ended 31 March 2013 can also be found on our website:

www.investors.sage.com/reports_presentations

Notes to the financial information
For the six months ended 31 March 2013

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 adjustments ("EBITA") which excludes the effects of amortisation of acquired intangible assets, acquisition-related items and exceptional items 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 Group is organised into three operating segments. The UK is the home country of the parent. The main operations in the principal territories are as follows:

- Europe (France, UK & Ireland, Spain, Germany, Switzerland, Poland and Portugal)
- Americas (US, Brazil and Canada)
- AAMEA (Africa, Australia, Middle East and Asia)

The Africa operations are principally based in South Africa, the Middle East and Asia operations are principally based in Singapore, Malaysia, UAE and India. The revenue 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.

The tables below show a segmental analysis of the results for continuing operations. For information relating to discontinued operations refer to note 10.

Revenue by segment (Unaudited)

	Six months ended 31 March 2013			Six months ended 31 March 2012					Change		
	IFRS statutory £m	**Organic revenue adjustment[1] £m**	**Non-GAAP organic £m**	IFRS statutory £m	Currency impact [2] £m	Underlying at constant currency £m	Organic revenue adjustment[1] £m	Non-GAAP organic constant currency £m	IFRS statutory %	Underlying at constant currency %	Non-GAAP organic constant currency %
Recurring revenue by segment											
Europe	**271.4**	**(22.6)**	**248.8**	257.3	(1.0)	256.3	(19.4)	236.9	5%	6%	5%
Americas	**181.6**	**(34.4)**	**147.2**	154.1	(1.9)	152.2	(14.2)	138.0	18%	19%	7%
AAMEA	**42.2**	**(0.3)**	**41.9**	40.0	(2.3)	37.7	(0.4)	37.3	6%	12%	12%
Recurring revenue	**495.2**	**(57.3)**	**437.9**	451.4	(5.2)	446.2	(34.0)	412.2	10%	11%	6%
Software and software-related services ("SSRS") revenue by segment											
Europe	**131.8**	**(12.2)**	**119.6**	142.8	(2.6)	140.2	(14.8)	125.4	-8%	-6%	-5%
Americas	**48.7**	**(12.2)**	**36.5**	44.9	2.9	47.8	(9.7)	38.1	8%	2%	-4%
AAMEA	**32.4**	**(0.1)**	**32.3**	34.0	(2.5)	31.5	(0.5)	31.0	-5%	3%	4%
SSRS revenue	**212.9**	**(24.5)**	**188.4**	221.7	(2.2)	219.5	(25.0)	194.5	-4%	-3%	-3%
Total revenue by segment											
Europe	**403.2**	**(34.8)**	**368.4**	400.1	(3.6)	396.5	(34.2)	362.3	1%	2%	2%
Americas	**230.3**	**(46.6)**	**183.7**	199.0	1.0	200.0	(23.9)	176.1	16%	15%	4%
AAMEA	**74.6**	**(0.4)**	**74.2**	74.0	(4.8)	69.2	(0.9)	68.3	1%	8%	9%
Total revenue	**708.1**	**(81.8)**	**626.3**	673.1	(7.4)	665.7	(59.0)	606.7	5%	6%	3%

1 Organic revenue adjustment includes the contributions of current and prior period acquisitions, disposals and products held for sale.

2 Foreign currency results for the prior period ended 31 March 2012 have been retranslated based on the average exchange rates for the period ended 31 March 2013 of $1.58/£1, €1.20/£1 and ZAR13.96/£1 to facilitate the comparison of results.

Notes to the financial information
For the six months ended 31 March 2013

1 Segment information (continued)

Profit by segment (Unaudited)

	Six months ended 31 March 2013			Six months ended 31 March 2012					Change		
	IFRS statutory operating profit/(loss) £m	**Adj[1] £m**	**Non-GAAP EBITA £m**	IFRS statutory operating profit £m	Adj[1] £m	Non-GAAP EBITA reported £m	Currency impact[2] £m	Non-GAAP EBITA constant currency £m	IFRS statutory operating profit %	Non-GAAP EBITA reported %	Non-GAAP EBITA constant currency %
Profit by segment											
Europe	**100.2**	**13.7**	**113.9**	106.7	5.9	112.6	(0.9)	111.7	-6%	1%	2%
Americas	**(121.2)**	**178.2**	**57.0**	46.7	2.6	49.3	0.3	49.6	-360%	16%	15%
AAMEA	**20.0**	**–**	**20.0**	18.5	0.5	19.0	(1.2)	17.8	8%	5%	12%
Total (loss)/profit	**(1.0)**	**191.9**	**190.9**	171.9	9.0	180.9	(1.8)	179.1	-101%	6%	7%

1 Adjustment includes the effects of amortisation of acquired intangible assets, acquisition-related items and exceptional items.

2 Foreign currency results for the prior period ended 31 March 2012 have been retranslated based on the average exchange rates for the period ended 31 March 2013 of $1.58/£1 and €1.20/£1 to facilitate the comparison of results.

Reconciliation of Non-GAAP EBITA to IFRS statutory operating (loss)/profit

	Note	**Six months ended 31 March 2013 (Unaudited) £m**	Six months Ended 31 March 2012 (Unaudited) £m
Non-GAAP EBITA at constant exchange rates		**190.9**	179.1
Impact of movements in foreign currency exchange rates		**–**	1.8
Non-GAAP EBITA reported		**190.9**	180.9
Amortisation of acquired intangible assets		**(10.5)**	(8.5)
Acquisition-related items		**(0.1)**	(0.5)
Exceptional items	2	**(181.3)**	–
IFRS statutory operating (loss)/profit		**(1.0)**	171.9

Notes to the financial information
For the six months ended 31 March 2013

2 Exceptional items

During the period ended 31 March 2013, a £196.5m loss on disposal and impairment of non-current assets held for sale was incurred primarily as a result of the disposal of non-core products. This charge has been separately disclosed on the face of the Consolidated income statement. In addition, an exceptional tax charge of £16.3m in relation to the disposals has been recognised in the period in the income tax expense line in the Consolidated income statement.

An exceptional charge of £1.1m (31 March 2012: £nil) has been included in selling and administrative expenses. These costs were incurred in relation to the defence of the Archer litigation case.

The main components of the exceptional charge are as follows:

	Note	**Six months ended 31 March 2013 (Unaudited) £m**	Six months ended 31 March 2012 (Unaudited) £m
Loss on disposal	11	**(135.9)**	–
Deferred revenue unwind		**2.9**	–
Employee related costs		**(0.9)**	–
Other		**(0.1)**	–
Goodwill impairment on non-current assets held for sale	10	**(46.2)**	–
Disposal of non-core products and impairment of non-current assets held for sale		**(180.2)**	–
Tax charge on disposal of North American non-core products recognised in income tax expense		**(16.3)**	
Total disposal related exceptional		**(196.5)**	
Archer litigation costs recognised in selling and administrative expenses		**(1.1)**	–
Total exceptional items		**(197.6)**	–

3 Reconciliation of statutory revenue and profit before income tax

Reconciliation of revenue

	Six months ended 31 March 2013 (Unaudited) £m	Six months ended 31 March 2012 (Unaudited) £m	Growth %
Revenue at constant exchange rates	**708.1**	665.7	6%
Impact of movements in foreign currency exchange rates	**–**	7.4	
IFRS statutory revenue	**708.1**	673.1	5%

Reconciliation of profit before income tax

	Note	**Six months ended 31 March 2013 (Unaudited) £m**	Six months ended 31 March 2012 (Unaudited) £m	Growth %
Underlying pre-tax profit		**184.9**	174.3	6%
Impact of movements in foreign currency exchange rates		**–**	1.8	
		184.9	176.1	5%
Amortisation of acquired intangible assets		**(10.5)**	(8.5)	
Acquisition-related items		**(0.1)**	(0.5)	
Exceptional items	2	**(181.3)**	–	
Imputed interest on put arrangement to acquire non-controlling interest and deferred consideration		**(0.7)**	–	
IFRS statutory (loss)/profit before income tax		**(7.7)**	167.1	-105%

Notes to the financial information
For the six months ended 31 March 2013

4 Income tax expense

Income tax for the six months ended 31 March 2013 (Unaudited) is charged at 29% (six months ended 31 March 2012 (Unaudited): 29%; year ended 30 September 2012 (Audited): 29%), representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the profit before income tax for the six months ended 31 March 2013.

5 Dividends

	Six months ended 31 March 2013 (Unaudited) £m	Six months ended 31 March 2012 (Unaudited) £m	Year ended 30 September 2012 (Audited) £m
Final dividend paid for the year ended 30 September 2011 of 7.07p per share	**–**	92.1	92.1
Interim dividend paid for the year ended 30 September 2012 of 3.48p per share	**–**	–	44.4
Final dividend paid for the year ended 30 September 2012 of 6.67p per share	**79.3**	–	–
	79.3	92.1	136.5

The interim dividend of 3.69p per share will be paid on 7 June 2013 to shareholders on the register at the close of business on 17 May 2013.The Board has also proposed a special dividend of approximately 17p per share which is subject to shareholder approval and is expected to be paid in June 2013.

6 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period, excluding those held as treasury shares, 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. For performance-related share plans, a calculation is performed to determine the satisfaction, or otherwise, of the forecast performance conditions at the end of the reporting period, and the number of shares which would be issued based on the forecast status at the end of the reporting period.

	Underlying Six months ended 31 March 2013 (Unaudited)	Underlying Six months ended 31 March 2012 (Unaudited)	**Statutory Six months ended 31 March 2013 (Unaudited)**	Statutory Six months ended 31 March 2012 (Unaudited)
Earnings attributable to owners of the parent (£m)				
Profit/(loss) for the period from continuing operations	**130.0**	122.6	**(75.9)**	118.6
Profit for the period from discontinued operations	**–**	1.2	**–**	57.6
	130.0	123.8	**(75.9)**	176.2
Number of shares (millions)				
Weighted average number of shares	**1,208.3**	1,309.3	**1,208.3**	1,309.3
Dilutive effects of shares	**2.8**	2.4	**2.8**	2.4
	1,211.1	1,311.7	**1,211.1**	1,311.7
Earnings per share attributable to owners of the parent				
Basic earnings per share (pence)				
Continuing operations	**10.75**	9.36	**(6.28)**	9.06
Discontinued operations	**–**	0.09	**–**	4.40
	10.75	9.46	**(6.28)**	13.46
Diluted earnings per share (pence)				
Continuing operations	**10.73**	9.35	**(6.27)**	9.04
Discontinued operations	**–**	0.09	**–**	4.39
	10.73	9.44	**(6.27)**	13.43

Notes to the financial information
For the six months ended 31 March 2013

6 Earnings per share (continued)

Reconciliation between statutory and underlying earnings	**Six months ended 31 March 2013 (Unaudited) £m**	Six months ended 31 March 2012 (Unaudited) £m
IFRS statutory (loss)/profit for the period from continuing operations	**(75.9)**	118.6
Adjustments:		
Earnings – trading from discontinued operations	**–**	1.2
Intangible amortisation excluding amortisation of computer software	**10.5**	8.5
Acquisition-related items	**0.1**	0.5
Exceptional items	**197.6**	–
Imputed interest on put arrangement to acquire non-controlling interest and deferred consideration	**0.7**	–
Taxation on adjustments	**(3.0)**	(2.6)
Net adjustments	**205.9**	7.6
Earnings – underlying (before exchange movement)	**130.0**	126.2
Exchange movement	**–**	(2.4)
Earnings – underlying (after exchange movement)	**130.0**	123.8

7 Non-current assets

	Note	**Goodwill (Unaudited) £m**	**Other intangible assets (Unaudited) £m**	**Property, plant and equipment (Unaudited) £m**	**Total (Unaudited) £m**
Opening net book amount at 1 October 2012		**1,814.4**	**139.8**	**142.2**	**2,096.4**
Acquisitions of subsidiaries	11	**11.9**	**–**	**–**	**11.9**
Reclassification to non-current assets held for sale	10	**(72.2)**	**(7.3)**	**(0.1)**	**(79.6)**
Additions		**–**	**2.7**	**4.1**	**6.8**
Disposals	11	**(249.2)**	**–**	**(7.6)**	**(256.8)**
Depreciation, amortisation and other movements		**–**	**(14.6)**	**(10.5)**	**(25.1)**
Exchange movement		**97.4**	**7.8**	**2.5**	**107.7**
Closing net book amount at 31 March 2013		**1,602.3**	**128.4**	**130.6**	**1,861.3**

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 2013, there was no indication of impairment for non-financial assets with indefinite lives. Financial assets were reviewed for impairment as at 31 March 2013. There was no indication of impairment.

Other intangible assets additions include £0.4m (31 March 2012: £3.4m) of acquired customer relationships and £2.3m (31 March 2012: £2.1m) of computer software.	Goodwill (Unaudited) £m	Other intangible assets (Unaudited) £m	Property, plant and equipment (Unaudited) £m	Total (Unaudited) £m
Opening net book amount at 1 October 2011	1,736.3	118.1	146.4	2,000.8
Acquisitions of subsidiaries	17.7	5.5	0.1	23.3
Additions	–	5.5	8.8	14.3
Disposals	–	(0.3)	(0.9)	(1.2)
Depreciation, amortisation and other movements	–	(12.0)	(11.0)	(23.0)
Exchange movement	(38.2)	(2.8)	(1.0)	(42.0)
Closing net book amount at 31 March 2012	1,715.8	114.0	142.4	1,972.2

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For the six months ended 31 March 2013

8 Ordinary shares and share premium

	Number of shares (Unaudited)	Ordinary shares (Unaudited) £m	Share premium (Unaudited) £m	Total (Unaudited) £m
At 1 October 2012	**1,329,517,570**	**13.3**	**524.5**	**537.8**
Shares issued/proceeds	**1,868,125**	**–**	**4.0**	**4.0**
Shares cancelled	**(124,525,800)**	**(1.2)**	**–**	**(1.2)**
At 31 March 2013	**1,206,859,895**	**12.1**	**528.5**	**540.6**

	Number of shares (Unaudited)	Ordinary shares (Unaudited) £m	Share premium (Unaudited) £m	Total (Unaudited) £m
At 1 October 2011	1,323,837,836	13.2	513.2	526.4
Shares issued/proceeds	3,665,802	0.1	7.7	7.8
At 31 March 2012	1,327,503,638	13.3	520.9	534.2

During the period the Group purchased 57,612,625 ordinary shares (31 March 2012: 34,357,288) at a cost of £182.0m (31 March 2012: £100.0m) and a cash outflow of £179.0m (31 March 2012: £93.8m).

Shares purchased under the Group's buyback programme are initially retained in issue as treasury shares and represent a deduction from equity. Treasury shares are subsequently cancelled on a periodic basis. During the period, the Group cancelled 124,525,800 ordinary shares held in treasury.

9 Cash flow and net debt

	Six months ended 31 March 2013 (Unaudited) £m	Six months ended 31 March 2012 (Unaudited) £m
EBITA	**190.9**	180.9
Acquisition-related items	**(0.1)**	(0.5)
Depreciation/amortisation/profit on disposal of intangible assets and property, plant and equipment	**15.9**	14.9
Share-based payments	**2.8**	3.2
Changes in working capital	**(54.4)**	(43.7)
Increase in deferred income	**50.6**	54.2
Exchange movement	**3.2**	(1.3)
Cash flows from operating activities	**208.9**	207.7
Operating cash flows (used in)/generated from discontinued operations	**–**	(0.5)
Net interest paid	**(5.3)**	(4.2)
Income tax paid	**(41.8)**	(50.1)
Net capital expenditure	**(3.1)**	(14.0)
Free cash flow	**158.7**	138.9
Net debt at 1 October	**(161.5)**	(24.9)
Acquisitions and disposals of subsidiaries, net of cash	**46.7**	(16.0)
Investing cash flows generated from discontinued operations, net of cash	**–**	198.9
Dividends paid to owners of the parent	**(79.3)**	(92.1)
Purchase of treasury shares and related expenses	**(179.0)**	(93.8)
Exchange movement	**(14.1)**	4.0
Other	**(2.3)**	7.1
Net debt at 31 March	**(230.8)**	122.1

9 Cash flow and net debt (continued)

	At 1 October 2012 (Audited) £m	Cash flow £m	Acquisitions £m	Non-cash movements £m	Exchange movement £m	At 31 March 2013 (Unaudited) £m
Cash and cash equivalents	61.6	**23.6**	**–**	**–**	**2.4**	**87.6**
Bank overdrafts	(7.2)	**5.1**	**–**	**–**	**(0.1)**	**(2.2)**
Cash, cash equivalents and bank overdrafts	54.4	**28.7**	**–**	**–**	**2.3**	**85.4**
Finance leases due within one year	(1.2)	**0.7**	**(0.1)**	**(0.5)**	**–**	**(1.1)**
Loans due after more than one year	(199.2)	**(79.8)**	**–**	**(0.4)**	**(16.6)**	**(296.0)**
Finance leases due after more than one year	(1.6)	**(0.3)**	**–**	**0.5**	**–**	**(1.4)**
Cash collected from customers	(13.9)	**(4.0)**	**–**	**–**	**0.2**	**(17.7)**
Total	(161.5)	**(54.7)**	**(0.1)**	**(0.4)**	**(14.1)**	**(230.8)**

Included in cash above is £17.7m (31 March 2012: £15.3m, 30 September 2012: £13.9m) 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.

10 Discontinued operations and non-current assets and liabilities classified as held for sale

Discontinued operations – financial performance

There are no discontinued operations in the current period.

Sage Software Healthcare, LLC ("Sage Healthcare") is reported in the prior period financial statements as discontinued operations following its disposal on 10 November 2011. The financial performance for the prior period is below:

	Six months ended 31 March 2013 (Unaudited) £m	Six months ended 31 March 2012 (Unaudited) £m
Revenue	**–**	16.5
Selling and administrative expenses	**–**	(14.5)
Operating profit	**–**	2.0
Finance costs	**–**	(0.2)
Profit on disposal of Sage Healthcare	**–**	0.8
Cumulative exchange gain in respect of the net assets of the subsidiary, reclassified from equity on disposal	**–**	55.7
Profit before income tax	**–**	58.3
Income tax expense	**–**	(0.7)
Profit for the period from discontinued operations	**–**	57.6

Earnings per share information can be found in note 6.

The Consolidated cash flow statement shows amounts related to discontinued operations.

Non-current assets and liabilities classified as held for sale

On 15 February 2013 the Group announced that it had received a binding offer from Argos Soditic for the sale of four European non-core products including C&I, ATL and Automotive in France and Aytos in Spain. The sale required prior approval from the French Works Council in accordance with French law. The assets and liabilities relating to these product lines are presented as held for sale at 31 March 2013. The deal completed on 30 April 2013.

On 3 April 2013 the Group received a binding offer from Eque2 Limited for the sale of the UK Construction business. The assets and liabilities relating to these businesses are presented as held for sale at 31 March 2013. The deal completed on 30 April 2013.

The financial performance of these businesses have not been treated as discontinued operations in the period as the products being sold do not represent major lines of business or geographical areas

10 Discontinued operations and non-current assets and liabilities classified as held for sale (continued)

	European non-core products £m	UK Construction business £m	Total £m
Goodwill	**24.2**	**1.3**	**25.5**
Other intangible assets	**4.9**	**2.4**	**7.3**
Property, plant and equipment	**0.1**	**0.2**	**0.3**
Trade and other receivables	**5.9**	**0.3**	**6.2**
Non-current assets classified as held for sale	**35.1**	**4.2**	**39.3**
Trade and other payables	**(1.4)**	**–**	**(1.4)**
Deferred income	**(0.7)**	**(2.2)**	**(2.9)**
Liabilities directly associated with non-current assets classified as held for sale	**(2.1)**	**(2.2)**	**(4.3)**
Net assets classified as held for sale	**33.0**	**2.0**	**35.0**

The assets and liabilities for these products are carried at their fair value less costs to sell. The resulting impairments to goodwill are set out below. The impairment is reflected in the Loss on disposal of non-core products and impairment of non-current assets held for sale which is separately disclosed on the face of the Consolidated income statement.

Analysis of goodwill

The total impairment to goodwill is calculated as follows:	£m
European non-core products	**30.3**
UK Construction business	**16.4**
Impairment of disposal group to fair value less costs to sell	**46.7**

11 Acquisitions and disposals

Acquisitions made during the period

Acquisition of EBS Empresa Brasileira de Sistemas Ltda.

On 11 October 2012 the Group acquired EBS Empresa Brasileira de Sistemas Ltda. ("EBS"); a provider of accounting, business management and tax software in Brazil; for a cash consideration of up to £11.3m, including a payment of £2.0m linked to the future financial performance. The provisional fair value of the assets acquired was £nil, resulting in provisional goodwill of £11.3m.

Other

On 31 December 2012 the Group acquired 100% of the share capital of Tangane SAS in France for deferred consideration of £0.4m.

The net identifiable assets were recognised at their provisional fair values. The residual excess over the net assets acquired has been recognised as goodwill. Details of net assets acquired and goodwill are as follows:

Summary of acquisitions	£m
Purchase consideration:	
Cash	**3.2**
Deferred/contingent consideration	**8.7**
Total purchase consideration	**11.9**
Fair value of net identifiable assets	**–**
Goodwill	**11.9**

Goodwill represents the fair value of the assembled workforce at the time of acquisition along with potential synergies with the existing Sage business.

11 Acquisitions and disposals (continued)

Provisional fair value of acquisitions	EBS £m	Other £m	Total £m
Property, plant and equipment	0.2	–	0.2
Trade and other receivables	0.2	–	0.2
Cash and cash equivalents	0.2	–	0.2
Trade and other payables	(0.5)	–	(0.5)
Current borrowings	(0.1)	–	(0.1)
Total net identifiable assets acquired	–	–	–
Goodwill	11.3	0.6	11.9
Consideration satisfied by:			
Cash	3.2	–	3.2
Deferred/contingent consideration	8.1	0.6	8.7
Total purchase consideration	11.3	0.6	11.9

The outflow of cash and cash equivalents on the acquisitions is calculated as follows:

	EBS £m	Other £m	Total £m
Cash consideration	(3.2)	–	(3.2)
Cash and cash equivalents acquired	0.2	–	0.2
Deferred consideration paid in relation to prior period acquisitions	–	(6.3)	(6.3)
Net cash outflow in respect of acquisitions	(3.0)	(6.3)	(9.3)

Deferred/contingent consideration

Deferred consideration payable to the former owners of EBS of £8.1m has been recognised at fair value. £2.0m of this additional consideration is contingent on the EBITDA results for the years ending 31 September 2013 and 2014.

Contribution of acquisition

From the dates of the acquisition to 31 March 2013, the acquisition contributed £2.3m to revenue and £0.3m to profit before income tax. Had this acquisition occurred at the beginning of the financial period, there would have been no material change to these figures.

Acquisition-related items

Acquisition-related items of £0.1m (31 March 2012: £0.5m) have been included in selling and administrative expenses in the Consolidated income statement. These acquisition-related items (previously recognised in goodwill prior to IFRS3 (Revised), "Business Combinations") relate to completed transactions and include advisory, legal, accounting, valuation and other professional or consulting fees.

11 Acquisitions and disposals (continued)

Disposals made during the period

Disposal of North American non-core products

On 20 March 2013 the Group completed the sale of the trade and assets of Sage ACT! and Sage SalesLogix, the two international CRM products identified as non-core, to Swiftpage, and the trade and assets of Sage Nonprofit Solutions, Sage's vertical software solutions for not-for-profit organisations, to Accel-KKR. The financial performance of these businesses have not been treated as discontinued operations in the period as the products being sold do not represent major lines of business or geographical areas.

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

The loss on disposal is calculated as follows:	Sage ACT! and SalesLogix £m	Sage Nonprofit Solutions £m	Total £m
Disposal proceeds	**8.4**	**50.8**	**59.2**
Costs to sell recognised in period	**(1.8)**	**(2.5)**	**(4.3)**
Disposal proceeds, less costs to sell recognised in period	**6.6**	**48.3**	**54.9**
Net assets disposed	**(209.4)**	**(22.1)**	**(231.5)**
Loss on disposal	**(202.8)**	**26.2**	**(176.6)**
Cumulative exchange gain in respect of the net assets of the subsidiary, reclassified from equity on disposal	**34.6**	**4.2**	**38.8**
Loss on disposal	**(168.2)**	**30.4**	**(137.8)**

As part of the sale of Sage ACT! and SalesLogix there was non-cash consideration. The fair value of this consideration has been determined as nil.

The loss on disposal is reflected as a separate line item in the Consolidated income statement.

The inflow of cash and cash equivalents on disposal is calculated as follows:	Sage ACT! and SalesLogix £m	Sage Nonprofit Solutions £m	Total £m
Disposal proceeds, less costs to sell	**6.6**	**48.3**	**54.9**
Cash disposed	**–**	**–**	**–**
Net cash inflow from the disposals	**6.6**	**48.3**	**54.9**

Other disposals

On 9 November 2012 the Group disposed of TimeSheet a small product line in North America, for net cash consideration of £0.8m.
On 1 October 2012 the Group disposed of API Santé a small product line in France, for deferred consideration of £0.2m.
On 10 January 2013 the Group disposed of e-Report a small product line in France, for net cash consideration of £0.2m.
On 6 March 2013 the Group disposed of KDP a small product line in France, for net cash consideration of £0.1m.

Contribution of disposals

Had the disposals occurred at the beginning of the financial period, Group revenue from continuing operations would have been £678.4m.

Analysis of net inflow of cash in respect of disposals

The outflow of cash and cash equivalents on disposals is calculated as follows:	£m
Sage ACT! and SalesLogix	**6.6**
Sage Nonprofit Solutions	**48.3**
Disposal of North American non-core products	**54.9**
Other	**1.1**
Disposal of subsidiaries	**56.0**

11 Acquisitions and disposals (continued)

Analysis of goodwill

The total disposals to goodwill are calculated as follows:

	£m
Sage ACT! and SalesLogix	**214.7**
Sage Nonprofit Solutions	**28.1**
Other	**6.4**
Net movement in goodwill on disposals	**249.2**

12 Contingent liabilities

The Group had no contingent liabilities at 31 March 2013 (31 March 2012 and 30 September 2012: none).

13 Related party transactions

The Group's related parties are its subsidiary undertakings and Executive Committee members. 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.

Key management compensation	**Six months ended 31 March 2013 (Unaudited) £m**	Six months ended 31 March 2012 (Unaudited) £m
Salaries and short-term employee benefits	**3.2**	3.3
Post-employment benefits	**0.4**	0.4
Share-based payments	**0.5**	1.1
	4.1	4.8

The key management figures given above include directors. Key management personnel are deemed to be members of the Executive Committee and are defined in the Group's Annual Report & Accounts 2012.

Supplier transactions occurred during the period between Softline (Pty) Ltd, one of the Group's subsidiary companies, and Ivan Epstein Chief Executive Officer, AAMEA. These transactions relate to the lease of three properties in which Ivan Epstein has a minority and indirect shareholding. During the period £0.6m (31 March 2012: £0.4m) relating to these transactions was charged through selling and administrative expenses. There were no outstanding amounts payable for the period ended 31 March 2013 (31 March 2012: £nil).

Supplier transactions occurred during the period between Sage SP, S.L., one of the Group's subsidiary companies and Álvaro Ramírez, Chief Executive Officer, Europe. These transactions relate to the lease of a property in which Álvaro Ramírez has a minority shareholding. During the period £0.1m (31 March 2012: £0.1m) relating to these transactions was charged through selling and administrative expenses. There were no outstanding amounts payable for the period ended 31 March 2013 (31 March 2012: £nil).

These arrangements are subject to independent review using external advisers to ensure all transactions are at arm's length.

14 Group risk factors

Risks can materialise and impact on both the achievement of business strategy and the successful running of our business. A key element in achieving our strategy and maintaining services to our customers is the management of risks. Our risk management strategy is therefore to support the successful running of the business by identifying and managing risks to an acceptable level and delivering assurances on this.

In addition to the principal risks and uncertainties set out below, we have reviewed our plans in light of potential risks to achieving our strategic objectives. Principal risks and uncertainties have been updated to reflect high level strategic risks. Lower level strategic risks are analysed and mitigated via the normal embedded risk management process.

External business factors

Risk

As a technology company, operating in many different countries throughout the world, there is a risk that Sage does not appropriately respond to external business factors, such as changing business needs, changing technologies, competitor activities, compliance and regulatory requirements and the economic environment.

14 Group risk factors (continued)

Potential impact

There is a potential for an adverse impact on business performance if external business factors and changes thereto are not appropriately addressed. Such adverse impacts could affect Sage's competitive position, revenue and margin, make demands on employees and cause financial penalties to be incurred.

Mitigation process

We continue to build strong customer relationships, develop and expand our product and services offering and seek organic and acquisitive growth opportunities. We develop appropriate strategic direction and maintain knowledge of industry developments to ensure a proactive response to changing needs. Our business model and the significant percentage of our revenue which is recurring, give comfort and support against economic exposure. Our Group-wide compliance programme seeks to ensure that local, national and international regulatory requirements are identified and complied with. A detailed quarterly forecasting process helps to ensure robust and realistic challenge to financial performance.

Products and services

Risk

There is a risk to Sage's reputation and future ability to grow as a business if poor quality products and services are released to customers. This risk relates to both traditional on-premise products and services and online, customer facing products and services. In addition, for online customer facing products and services, Sage must ensure that it adequately protects and secures customers' data.

Potential impact

Sage's reputation and competitive advantage could be jeopardised if a poor quality product or service was released to customers. The impact of Sage's products and services on its customers' ability to do business increases the severity of the risk. The change in the product and services landscape in terms of online customer facing products and services and the need to ensure reliability and availability also increases the potential impact of the risk.

Mitigation process

Sage has detailed product and service release and quality control procedures which are adhered to in advance of a product or service release. Sage also has thorough quality assurance processes and initiatives relating to the level of service provided to customers. Sage has a detailed framework to control the risks associated with the provision of online services and the protection of customers' data.

Change management

Risk

Sage's strategy has sought to focus the business and appropriately prioritise resources. Given new business priorities, there are risks associated with the change management impact on employees, systems and the alignment of talent with prioritised business areas. In addition, while Sage operates in a decentralised culture, with many different operating companies across the globe, there is a risk, as with any other business, relating to key man dependencies and loss of key management.

Potential impact

If the change management implications of resource prioritisation are not identified and managed, talent and resources key to successful strategic delivery could be lost. Loss of key knowledge or personnel, or failure to update systems to respond to changing business priorities could result in an inability for Sage to operate effectively and maintain a competitive edge. Loss of key management could result in important, sensitive information leaving the Group.

Mitigation process

A change management programme, including a talent review and a systems requirements review, is in place to ensure change management implications are addressed. Sage has detailed key man dependency identification processes and detailed succession planning processes in place to mitigate against the risk of loss of key personnel.

Intellectual property

Risk

Sage relies on intellectual property laws, including laws on copyright, patents, trade secrets and trademarks, to protect its products. Despite laws and regulations being in place, unauthorised copies of software still exist. The internet provides new methods for illegal copying of the technology used in Sage's products and services.

Potential impact

Illegal or unauthorised copies of Sage's software could be sold without our knowledge, impacting financial results and Sage's reputation.

Mitigation process

While relying, as other companies do, on the laws and regulations in existence, Sage continually polices the unauthorised use of its products. Sage also ensures the secure storage of source code throughout the Group.

15 Events after the reporting period

Share buyback

On 28 March 2013 the Group appointed Citigroup Global Markets Limited to manage an irrevocable buyback programme during the close period which commenced on 2 April 2013 and will run up to 8 May 2013. From 2 April 2013 to 2 May 2013, the latest practical date prior to publication of the half-yearly financial report, 10,279,000 ordinary shares of 1p each were repurchased through Citigroup Global Markets Limited at a weighted average price of 338.9p per share. The highest and lowest prices paid for these shares were 348.1p per share and 328.9p per share respectively. The purchased shares have not been cancelled and are held as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) at 2 May 2013 is 1,167,508,388.

Disposal of European non-core products

On 15 February 2013 the Group announced that it had received a binding offer from Argos Soditic for the sale of four European non-core products including C&I, ATL and Automotive in France and Aytos in Spain. The sale required prior approval from the French Works Council in accordance with French law. The assets and liabilities relating to these product lines are presented as held for sale at 31 March 2013. The deal completed on 30 April 2013 for consideration of £34.1m, before costs to sell.

Disposal of UK Construction business

On 3 April 2013 the Group received a binding offer from Eque2 Limited for the sale of the UK Construction business. The sale completed on 30 April 2013 for consideration of £2.5m, before costs to sell. The assets and liabilities relating to these product lines are presented as held for sale at 31 March 2013.

Notes to the financial information
For the six months ended 31 March 2013

Statement of Directors' Responsibilities

The directors' confirm that this condensed consolidated half-yearly financial report has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report 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 first 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

G S Berruyer	**P S Harrison**
Chief Executive	Chief Financial Officer
8 May 2013	8 May 2013

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 2013, 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 Conduct 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 Conduct 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 2013 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 Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Newcastle upon Tyne
8 May 2013