Giving small and medium sized companies the confidence and freedom to be successful

The Sage Group plc
Annual Report & Accounts 2013

Contents

There is more information about Sage online at www.sage.com

Through a deep understanding of our markets, we're helping over six million customers to build successful businesses.

We're helping our customers achieve their ambitions with innovative business software that is sophisticated yet easy to use, and by being there to support them when they need us most.

We're doing this by creating a new generation of products and services that combine what customers love about Sage with the benefits of new technology.

We have a clearly defined strategy to take advantage of the changes taking place in our markets, which is helping us to leverage our strengths and accelerate our growth.

Our vision is to be recognised as the most valuable supporter of small and medium sized companies by creating greater freedom for them to succeed.

We provide accounting, enterprise resource planning ("ERP"), payroll, accountancy and related software to start-up and small businesses through to mid-market companies that is backed by market-leading business support.

We also offer adjacent products and services typically involving technology which is highly integrated, such as payments and customer relationship management ("CRM").

In this year's Annual Report & Accounts, we highlight why customers around the world, both existing and new, trust Sage to support their business needs in a changing world.

Further content is available where you see these symbols:

Further related content is available in the report.

Content is linked to KPIs.

A video is available on our website for more information.

More information is available online.

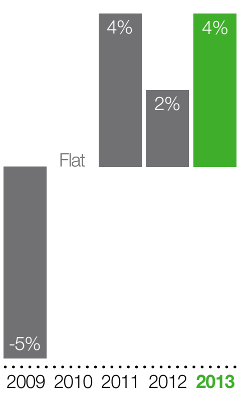
These codes will enable video content through smart phones or tablets.

Delivering on our strategy for accelerated growth

- Organic revenue growth of 4% (2012: 2%), and 5% in the second half of the year, demonstrating good acceleration in growth;
- Underlying basic earnings per share ("EPS") of 22.27p, an increase of 12%;
- Strong acceleration in adoption of Sage One, our cloud solution targeting smaller businesses, with 22,400 paying subscriptions (2012: 6,190*), an increase of more than three-fold in 12 months;
- Sage ERP X3 underlying revenue growth of 12% (2012: 5%), our global ERP solution for mid-market customers, delivering on our double-digit growth target; and
- Organic new customer additions of 256,000 (2012: 229,000) during the year, and renewal rate on contracts increasing to 82% (2012: 81%).

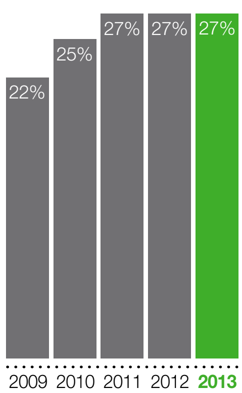
Organic revenue growth

4%



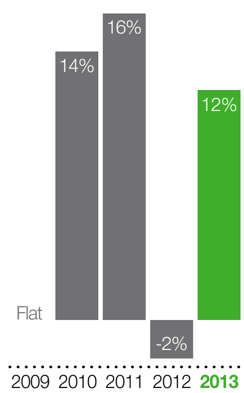
EBITA margin

27%



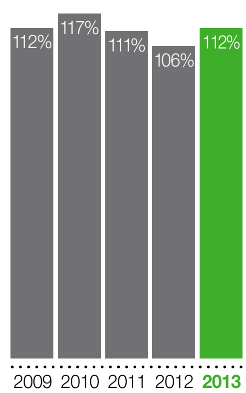
Underlying basic EPS growth

12%



Underlying cash conversion

112%



View all of our KPIs on pages 44 and 45

Note:

* The 2012 Annual Report & Accounts disclosed Sage One paying customers of 6,100. This year we are reporting the number of paying subscriptions.

Definitions of underlying measures:

- Organic revenue neutralises the impact of foreign exchange in prior year figures and excludes the contribution of current and prior year acquisitions and disposals.
- Underlying revenue neutralises the impact of foreign exchange in prior year figures.
- Underlying operating profit ("EBITA") excludes amortisation of acquired intangible assets, acquisition-related items, goodwill impairment, fair value adjustments and exceptional items that include a £188.2m exceptional charge primarily relating to non-core disposals. The impact of foreign exchange is neutralised in prior year figures. EBITA is divided into underlying revenue to derive EBITA margin.
- Underlying basic earnings per share is defined as underlying profit divided by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares. Underlying profit is defined as profit attributable to owners of the parent excluding amortisation of intangible assets, acquisition-related items, goodwill impairment, fair value adjustments, exceptional items and imputed interests. All of these adjustments are net of tax. The impact of foreign exchange is neutralised in prior year figures.
- Underlying cash conversion is calculated as cash flows from operating activities, adjusted for cash acquisition-related items and cash exceptional items of £1.9m (2012: £nil), divided by EBITA.

Chairman's statement

Sage's performance in 2013 has reinforced our confidence in our strategic direction. We are realising the benefits of a settled strategy on which management is delivering.

Last year, in my first report as Chairman, I set out how this is an exciting time in the corporate evolution of Sage, with the leadership team focused on delivering a step-change in both the level and sustainability of growth.

One year on, I am pleased to report that Sage's performance in 2013 has reinforced our confidence in our strategic direction. We are realising the benefits of a settled strategy on which management is delivering.

It has been a year of tangible progress, with the Group delivering organic revenue growth of 4%, an improvement on the 2% reported in 2012. There is clear evidence that the strategy is working, with the key strategic initiatives progressing well. I am particularly pleased by the progress made on our technology initiatives, with Sage One now available in eight countries and the model scaling well in the UK. We are launching cloud versions of our leading ERP solutions in Europe and North America and are rolling out the next phase of connected services, with a particular focus on mobility and integration. Sage ERP X3 has also performed well, delivering on our target of double-digit revenue growth.

Our strategy is focused on delivering value to our customers, both existing and new, which will drive sustainable growth from our core business. Our installed base gives us great insight into the requirements and needs of our customers. The software industry is changing, and customer requirements are changing, particularly around mobility, integration and on-demand functionality. Yet the basic demand drivers for our customers remain: peace of mind; software that is appealing, reliable and easy to use; access to knowledgeable support; and control of data with efficiency.

Innovation is at the heart of our strategy to accelerate growth, particularly with respect to our technology and subscription pricing initiatives. Technology is a catalyst for adding more value to customers. Integrating a connected service such as payments, CRM or business intelligence, is a powerful lever for creating a more valuable relationship with the customer. The value is apparent in higher customer satisfaction scores, lower churn rates, expanding the number of users, higher revenue per active customer and higher customer lifetime revenue.

Subscription pricing requires Sage to change the substance of engagement with customers and partners, focusing on the value of the relationship. Whilst subscription is an emerging opportunity, 2013 has seen encouraging further proof that the business can drive this change, whether it's through successfully migrating existing customers to the "next level up" accounting software, reactivating customers who have stopped taking support, or attracting new users to Sage who previously would have found the up-front costs prohibitive.

We remain alert to opportunities to drive growth through the use of innovation and pricing to strengthen the experience we offer customers.

The importance to our customers of being able to embrace technology on their own terms and at their own pace should not be underestimated. In offering customers choice in how they deploy their software, combined with market-leading customer support, Sage is differentiated in the market.

It was important to deliver on our commitment to shareholders of achieving a minimum net debt to EBITDA ratio of 1x. The payment of a special dividend of almost £200m in the summer of 2013 helped to achieve this objective and resulted in overall returns to shareholders of approximately £1bn in a period of 18 months. What is also important is confidence that management is investing appropriately in the business to maintain Sage's market-leading positions. The categorisation of Sage's core product portfolio as Invest, Harvest and Sunset products means that significant investment is being redirected from legacy products to support our most significant growth opportunities. In effect, the portfolio is self-funding the investment in growth.

The disposal of several products identified as non-core was an important feature of the year. The process was intensive and required significant management time across the business. It also meant that a number of Sage employees left the business. The successful completion of these disposals was important in streamlining the portfolio and removing the distraction of non-core activities.

We are concluding the reconstruction of the Board to ensure that it contains skills pertinent to the business of Sage. I am delighted that Jonathan Howell has joined as Chair of the Audit Committee; in addition to his experience as a CFO he brings good risk management knowledge relevant to the payments businesses. Neil Berkett brings particular strengths from his previous executive experience in turning around companies with disruptive technology challenges. Sadly we lost Jo Harlow due to conflicts of interest after the acquisition of Nokia by Microsoft; we are actively seeking an appropriate replacement. Finally we welcome Steve Hare as the new Group CFO with major experience in his career both in quoted and private equity backed companies.

During the year, Tamara Ingram, Mark Rolfe and Ian Mason indicated their intentions to retire from the Board, having made a significant contribution to Sage over many years. Paul Harrison, formerly CFO for 13 years, departed Sage for a new executive challenge. Paul made a considerable contribution to Sage over this period, not least in recent years in supporting Guy and establishing the strategy in the business. They leave with our gratitude and good wishes for the future.

It has been a year of tangible progress – strategically, operationally and financially. This could not have been achieved without the dedication, focus and commitment of all our people and, on behalf of the Board, I would like to thank all employees for their considerable efforts and I look forward to another year of continued progress in delivering on our plans.

D H Brydon

Donald Brydon, Chairman

Creating greater freedom to succeed

In this Strategic report, you will see how we are delivering on our commitments to our key stakeholders.

We're using innovation to deliver an extraordinary customer experience, and providing flexibility and choice to our customers so they can embrace technology on their terms.

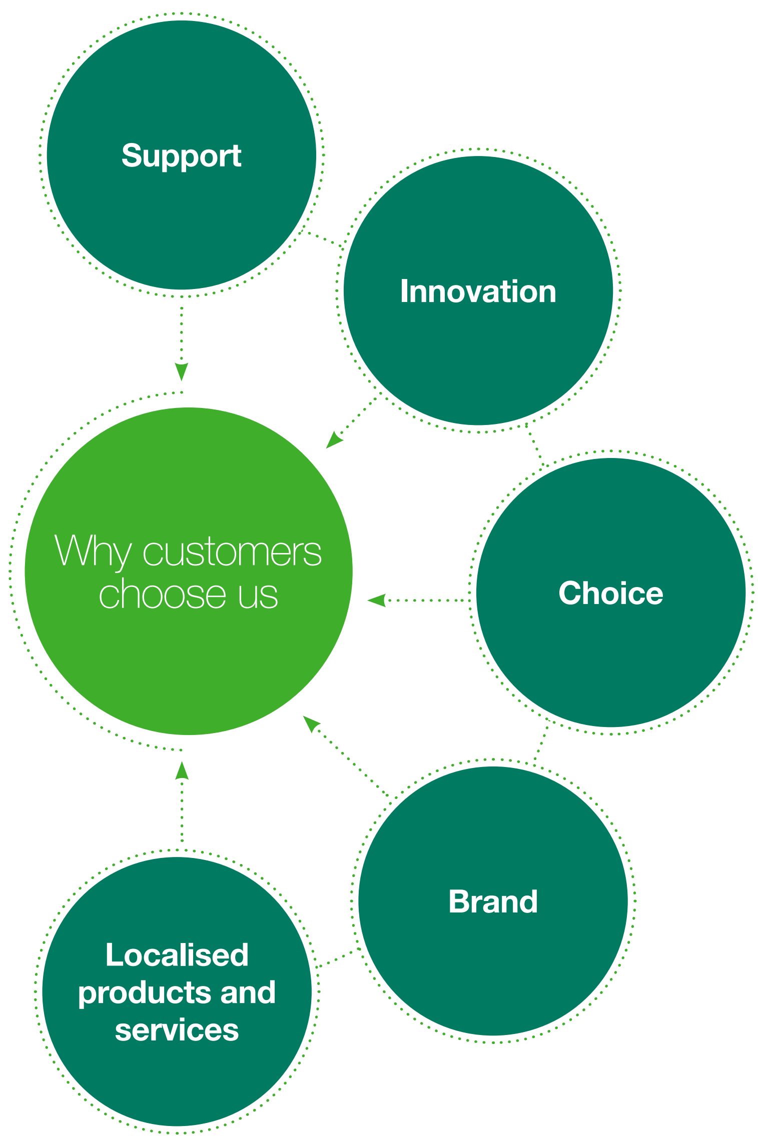
We're helping our people to develop the skills and inner confidence they need to be successful and support our customers and partners effectively.

And we're delivering on our strategic and financial commitments to our shareholders through a disciplined approach to managing our resources.

Why customers choose us

Sage is a business guided by the diverse needs of a customer base that spans the globe. Through our products and services, we want to give our customers the confidence to be successful

The fundamentals of our business are geared towards providing an extraordinary customer experience. We're delivering this through harnessing new technology, providing market-leading support, utilising our local expertise, offering flexibility through choice and meeting the challenges that really matter to our customers.



Support

We are in regular contact with our customers over the telephone or online.

We have over 35,000 conversations with them each day on topics ranging from accounting questions and advice on new legislation, to technical aspects of our software.

We also expand our support services during periods of peak activity, such as during the tax filing season or when new legislation comes into effect, to help our customers when they need us most.

Innovation

We're bringing our customers the latest technology innovations to help them run their businesses more effectively.

We're harnessing the benefits of cloud computing, mobile applications and connected services to bring our customers new experiences that offer greater flexibility, are more cost-effective and fundamentally change the way they interact with their core accounting system.

Choice

We understand that each of our customers is unique.

This is why we provide business software that can accommodate a range of needs, circumstances and preferences. Our product offering includes solutions for accounting, ERP, payroll, tax, practice management, accounts production, integrated CRM, business intelligence ("BI") and payments. They are available under a range of different pricing options and an increasing number incorporate connected features and services, or are hosted entirely in the cloud.

In an era of technological change, we believe our customers value the flexibility we give them to embrace new features, services and relationships with us whenever they decide they are ready to do so.

Brand

Sage has been providing businesses with accounting, payroll and tax software for more than 30 years.

The Sage brand is synonymous with supporting small and medium sized businesses. Together with our business and accountant partners, we work to identify the real businesses challenges that affect our customers by seeing things from their perspective. We use this insight to bring them clarity and confidence through the products and services we offer. By striving to be our customers' greatest supporter, we remain their trusted partner.

Localised products and services

Business legislation differs from one country to another, is often complex, and is always evolving.

We tailor our products and services so that our customers can manage the local business and reporting challenges that are relevant to them.

Our skill at localising our solutions has allowed us to contend with the range of legislative differences that exist across the world.

Measuring our success

Delivering an extraordinary customer experience is very important to us.

Our customers choose us because we meet their fundamental needs successfully. It is important that we continue to do this, which is why we measure how satisfied our customers are with what we do using the Net Promoter Score ("NPS") system. We have made significant improvements to both our product and service scores this year, some of which are best-in-class, which proves to us that we're still focusing on the right things.

Our market segments

The relationship we have with over six million customers, either directly or through our business partners, gives us valuable insight into their needs

We understand that these needs typically change as businesses grow, which is why we divide our market into three segments.

Each segment has different characteristics and requirements, which provides us with a range of opportunities to bring great products and services to our customers.

To help us identify, measure and understand the challenges faced by small and medium sized businesses, we carry out an annual survey called The Sage Business Index.

This year we spoke to over 11,700 business decision makers in 17 countries and asked them for their views on a range of issues, including their attitude to risk, the availability of bank finance, the global economy and their confidence in the future of their own businesses.

It was encouraging to see the results of this survey indicating business confidence is at a three-year high.

To read more about The Sage Business Index 2014, go to businessindex.sage.com

Scan this code to hear Guy Berruyer talk about the Sage Business Index 2014

The markets we serve

Our routes to market

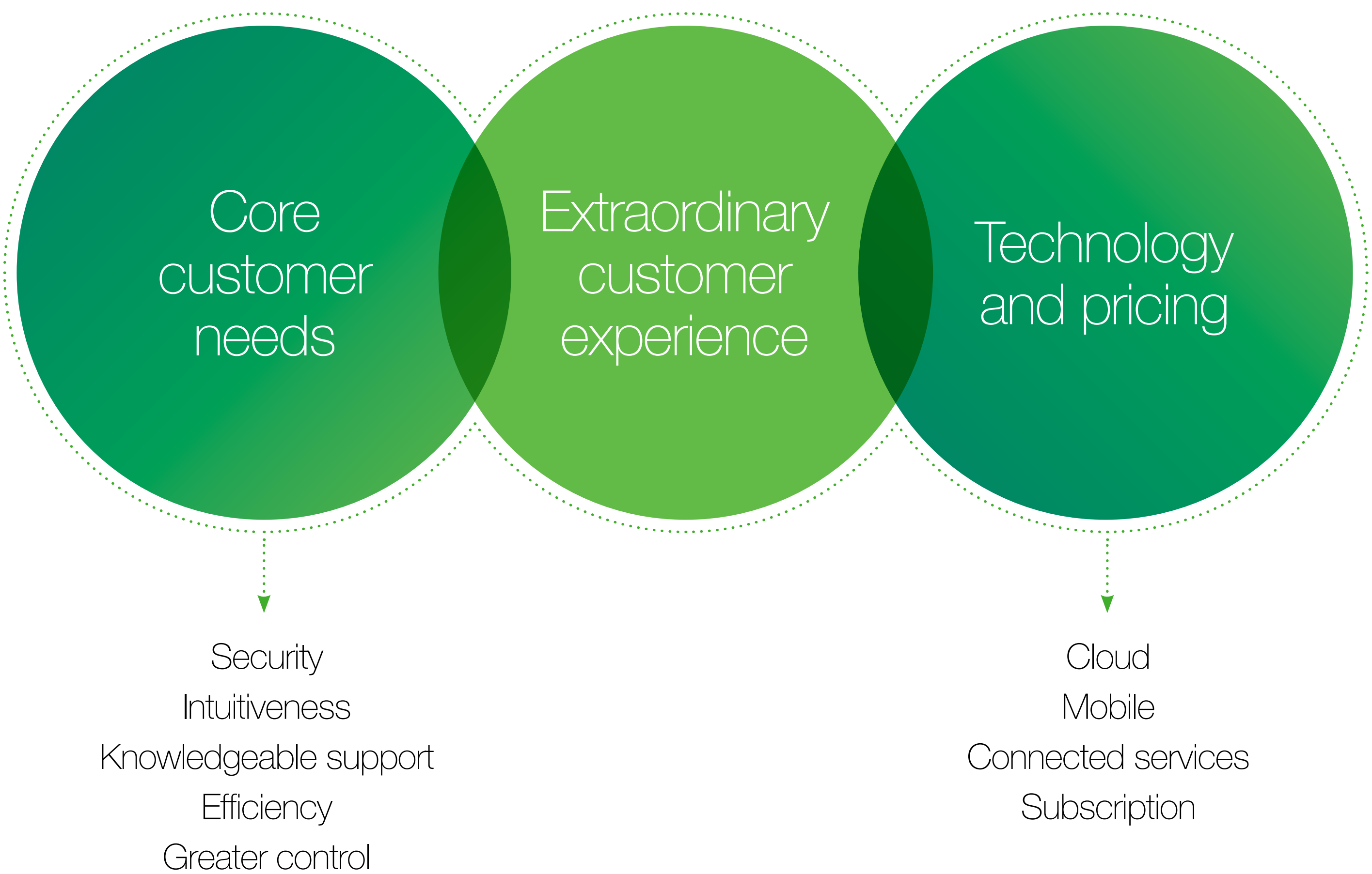
*Small to medium sized businesses

The market is changing, but much remains the same

Exciting technological advances are changing our industry. By combining cloud technology, mobility and connected services with new pricing models, we can offer our customers more freedom, flexibility and efficiency than ever before.

However, while customers are keen to embrace new technology and its benefits, they tell us they still value the trust they have in Sage that their data is secure, their software just works and a real person is available to them whenever they need help and support.

It is important to strike the right balance between embracing new products and services and preserving what our customers like most about what we already provide.



Combining the benefits of technology with the hallmarks of Sage to deliver an extraordinary customer experience.

The pace of change

The pace at which new technologies are being adopted differs across our customer segments and varies by business application.

For example, the industry is seeing faster take-up of online CRM tools, whilst the move to cloud accounting, tax and payroll is more measured.

Start-ups typically don't have an existing infrastructure, so they're happy to go straight for a fully online solution. Conversely, SMB and mid-market customers already have systems that work and on which their people are trained, which are factors they take into consideration when they think about moving to the cloud.

It's about choice

To ensure we're meeting our customers' established needs, as well as bringing them new innovations, we offer choice.

We're doing this by introducing new products that harness cloud technology, whilst also maintaining our existing on-premise offerings so that our customers can make their own decisions and move when they're ready.

As our technology solutions are designed with the prevailing needs and characteristics of our customer segments in mind, we're making it possible for them to move to the cloud at a rate that is comfortable for them.

We believe success lies in delivering the right choices, at the right pace, and at the right time.

To read about our technology solutions and what this means for our customers, turn to Capturing the technology opportunity on pages 22 and 23

Core customer needs

We've been meeting our customers' core needs for many years. The evolution of our product and service offering reflects the insight we have into what our customers want.

Our software gives our customers greater control over their business processes and is designed to be efficient and secure but also familiar and intuitive. Our support offering has developed from an appreciation that small and medium sized businesses often need somewhere to turn when faced with reporting and legislative challenges. Our connected services comprise a range of other complementary features, including integrated payments, CRM and BI, so that we are delivering a rounded and more complete user experience to our customers.

Technology and pricing

Our technology strategy involves building cloud products that address the specific needs of our customer segments by incorporating the benefits of connectivity, integration and mobility.

For start-up and small businesses we've built Sage One, which is our low cost, easy to use accounting and payroll solution that runs entirely in the cloud.

For our SMB customers we're bringing our flagship products to the cloud as part of our hybrid cloud strategy. These solutions are designed to make the transition from the on-premise world easier and take advantage of the power of mobile applications and connected services by providing access to business data in the cloud. Sage 200 Online in the UK and Sage Murano ERP Online in Spain were the first products to go live this year, and several more are due to follow in 2014.

We've also launched new subscription pricing models for many of our products, which gives our customers even greater flexibility and choice.

Technology and pricing are hugely important opportunities for Sage because they offer us the chance to do more for our customers and have much more active relationships with them.

We deliver value through a model based on our core strengths

We have a strong business model that offers significant growth potential, together with high levels of profitability and cash generation.

Our partners

We are supported by a network of over 40,000 accountants and 22,600 business partners who promote our products and provide advice and support to our customers.

As well as being key advocates of our products to their customers, many accountants are also direct Sage customers themselves, and use our products and services to build successful practices.

Our business partners are important because they provide local expertise to our customers and work with them to tailor our products to specific business needs.

Our customers and markets

Our markets span the globe and our customers range from start-up entrepreneurs to finance directors of mid-market companies, as well as accountants.

We want to be our customers' greatest supporter, and working so closely with them gives us great insight into the challenges they face. We use this insight to guide us when we are designing and building new products and services for them.

Our people

We have over 12,700 people at Sage who are committed to delivering on our vision and strategy. They are our greatest asset, our most important resource and are critical to our future success.

Their talent, dedication and experience mean they are the essential component of our ability to support our customers.

Our software and support

We strive to offer our customers products and services that solve real business problems, harness the benefits of new technology, are simple and efficient, and a pleasure to use.

However, we're much more than just a software company. We light the way for our customers by taking the lead in foreseeing the implications new legislative and business changes will have on them, and use this insight to deliver training and support services that help our customers to run their businesses with confidence.

Sustainable growth, financial discipline and strong cash generation

The four elements of our business model combine to provide an opportunity for us to deliver higher and more sustainable revenue growth, high levels of profitability through disciplined resource allocation, and strong cash generation.

Our business model is highly cash generative. Turn to page 25 to read about our approach to capital management. To see how we track our growth, profitability and commercial success, turn to pages 44 and 45 to view our financial and strategic KPIs

Leading positions in established and emerging markets

Sage has a presence in 24 countries and sells software all over the world. In our larger markets, which include the UK & Ireland, France, Spain, South Africa, Canada and Brazil, we have market-leading positions. We are also the second largest provider of ERP to small and medium sized businesses in the US. Our expertise in delivering solutions that are tailored to the legislative, tax and accounting requirements of specific countries is one of the many things that differentiates us.

Our established market positions provide us with a strong platform, giving us opportunities to sell new products and services to new and existing customers. We have access to both mature and high-growth markets, which diversifies our exposure to regional macroeconomic trends, and our global infrastructure means we can release centrally developed products across multiple world markets quickly.

Our global products

A key part of our strategy is taking a more centralised approach to developing global products so that we are more efficient, take advantage of our scale, share best practice across our business and utilise our global talent more effectively. This development work is combined with local deployment to ensure we continue to meet the needs of local markets.

Two of our most important global products are Sage One and Sage ERP X3.

Sage One

Sage One is our cloud solution for start-ups and small businesses. Following its launch in the UK & Ireland in 2011, Sage One is also available in North America, Canada, Germany, France, Spain and Portugal. The main Sage One development team is based in the UK at our headquarters in Newcastle upon Tyne. The architecture of Sage One is modular so that regional development teams can build functionality addressing local legislation that seamlessly plugs in to the core product. Examples of these modules include quotations in France and debit notes in Spain.

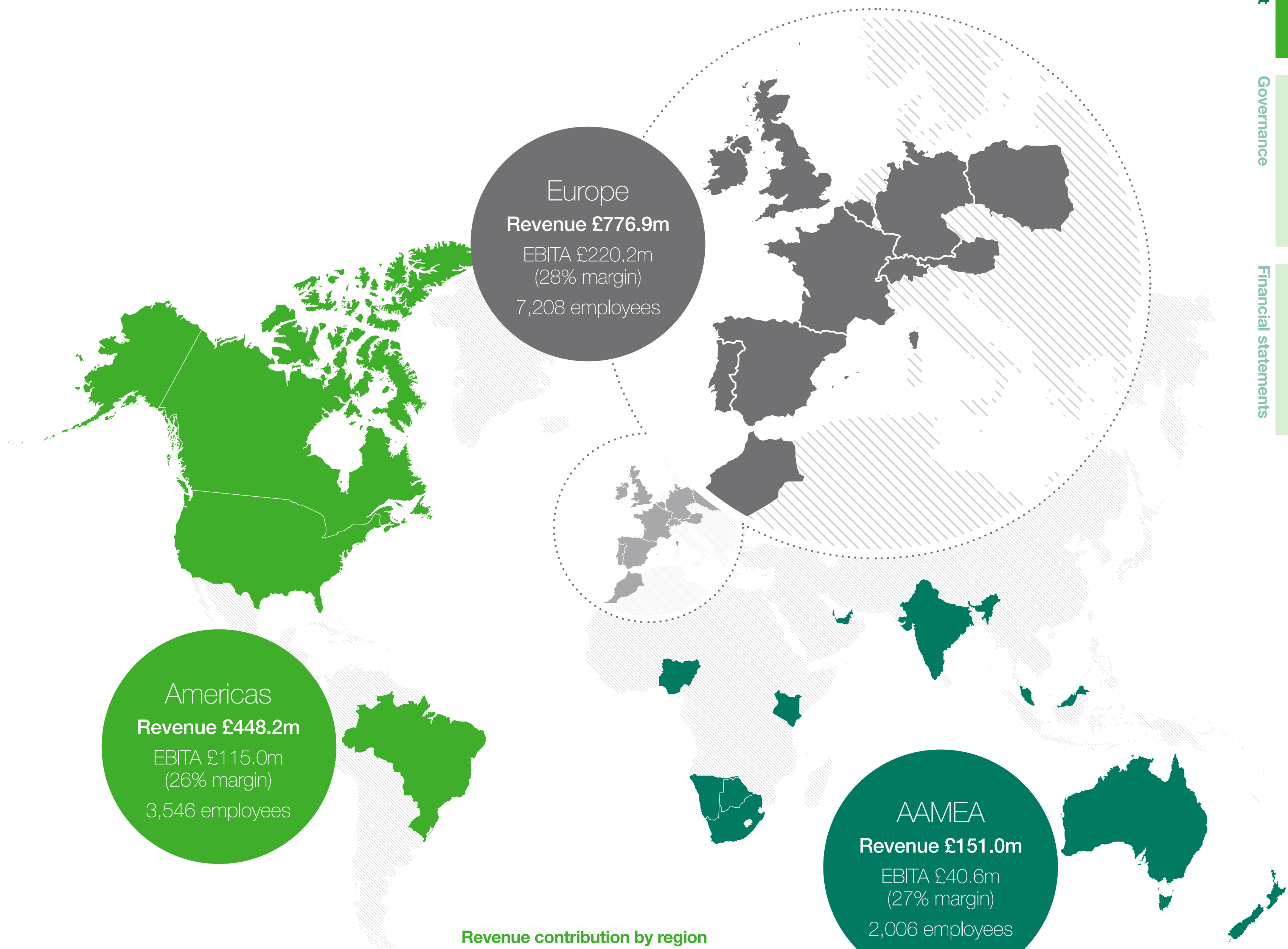
For more information on Sage One, see Capturing the technology opportunity on pages 22 and 23

Sage ERP X3

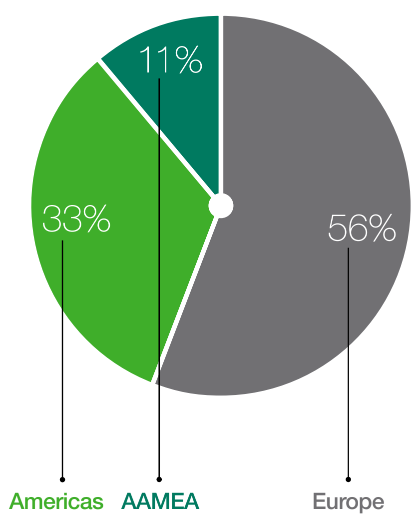
Sage ERP X3 is our global ERP solution for the mid-market, with 50% of revenue generated outside of the product's home market of France. The main development team is based in France and they are supported by teams across the business who work on tailoring the product to local legislative requirements. We also look to leverage expertise where it exists in the business. For example, our North American development teams have contributed to much of the work we've done to address the needs of manufacturing companies because there is a concentration of industry knowledge based in that region.

For more information on Sage ERP X3, see Capturing the technology opportunity on pages 22 and 23

Read our regional operating reviews, starting on page 34



Revenue contribution by region



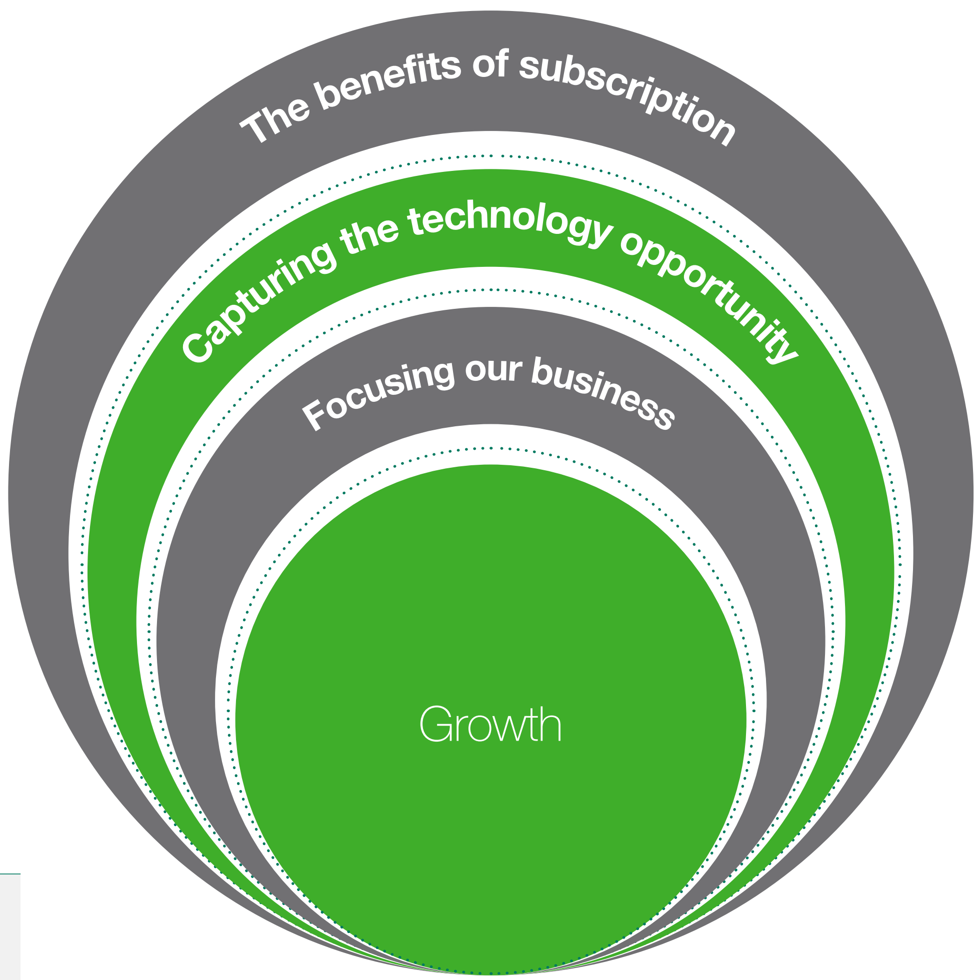
We are delivering on our strategy to accelerate growth

Our strategy for growth

We're committed to doubling our long-term historic average organic revenue growth rate from 3% to 6% by the end of our 2015 financial year. We also intend to deliver a targeted EBITA margin increase of one to two percentage points over the same period.

We will achieve this through a focus on our three growth cornerstones; Focusing our business, Capturing the technology opportunity and The benefits of subscription.

Measuring and monitoring our success is important, and we have developed a number of financial and strategic KPIs to chart our progress.



To go directly to our strategic KPIs, turn to page 45

Our Executive Committee has individually and collectively set growth as their primary objective, and they are mobilising their teams throughout Sage to deliver this

The Committee is committed to the sound running of Sage and comprises eight senior leaders from across the business who benefit from a diverse range of backgrounds and experiences.


Guy Berruyer, Chief Executive


Richard Drury, Group Human Resources Director


Amanda Jobbins, Group Chief Marketing Officer


Klaus-Michael Vogelberg, Group Chief Technology Officer


Pascal Houillon, Chief Executive Officer, North America and Brazil


Ivan Epstein, Chief Executive Officer, AAMEA


Álvaro Ramírez, Chief Executive Officer, Europe


Michael Robinson, Company Secretary and Group Legal Director

Read the Executive Committee's biographies on page 61

Note:
– Steve Hare was appointed Chief Financial Officer after the year end with effect from 3 January 2014.

1 Focusing our business

Focusing our business captures a number of initiatives that we've undertaken:

- Changing the way we work;
- Streamlining our product portfolio and reallocating investment to our best growth opportunities;
- Disposing of non-core businesses; and
- Transforming our brand.

Working with greater focus has led to a transformation in how we define success and in the way we collaborate with each other across the globe.

Changing the way we work

Although we're executing on our strategic priorities locally, we have defined them globally. This is a new way of working for Sage, but we believe it is the only way to create the right conditions for success:

- It ensures all of our people are pursuing the same goals in a consistent way;
- It means we make products that can be deployed globally whilst maintaining our focus on meeting the local needs of our customers; and
- It encourages closer working practices and knowledge sharing across the organisation.

Streamlining our portfolio and reallocating investment

To help us identify which products and services represent our best growth opportunities we conducted a review of our product portfolio last year to identify:

- The closeness of products to our core business; and
- The potential for products to create value.

The review led us to categorise our core products as Invest, Harvest and Sunset. We use this categorisation to determine our investment priorities. Invest products represent our best current and future growth opportunities and receive significantly more research and development ("R&D") and sales and marketing ("S&M") investment.

Harvest products are mature, high-margin products, and we will continue to invest in them appropriately to maintain their market positions.

Sunset products have lower growth potential and, in most cases, the needs they serve are better met by another product within our portfolio. These products have begun a sunset process and associated investment will be redirected towards our Invest product portfolio.

This rigorous framework for managing the portfolio gives us clearer focus on the strategic drivers that will influence growth in both the near and medium term.

We see Sage ERP X3, our payments businesses, Sage One and our exposure to high-growth international markets as some of our best opportunities for growth in the near term.

Looking further ahead, we're excited about being able to further accelerate our growth with our hybrid cloud products and mobile applications.

Disposing of non-core businesses

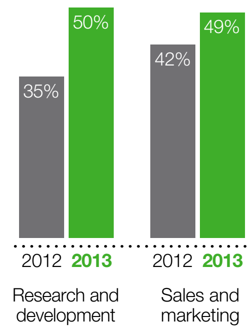
A number of our products did not meet with the definition of our core business and were categorised as non-core. These products were either not integrated with the core or were addressing the very specific needs of particular industries.

During the year, we disposed of several non-core products, including:

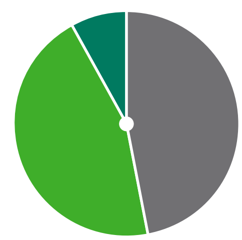
- Sage Saleslogix
- Sage ACT!
- Sage Nonprofit Solutions
- ATL
- Automotive
- C&I
- Aytos
- UK Construction

The disposals are an important strategic milestone and are evidence of our progress. Their successful completion allows us to sharpen our focus on opportunities that offer better future growth potential.

Total spend on Invest products (%)



Organic revenue by category



Invest	47%
Harvest	45%
Sunset	8%

Turn to our strategic KPIs on page 45 to see how we're doing in reallocating our resources

See note 16 in the Financial statements starting on page 134 for details on the disposals

Transforming our brand to capture the essence of who Sage is and what we provide for our customers.

Amanda Jobbins, Group Chief Marketing Officer

Our brand transformation journey began in 2011. As we revised our business strategy and refocused Sage it became clear that brand had to be at the heart of our transformation. A global brand vision was needed that captured the essence of who Sage is and what we provide for our customers.

Our global brand is now interconnected with the heart of our business strategy and informs every decision we make. A key initiative is around the relationship between our product brands and the Sage masterbrand and we have introduced a new naming model in order to provide a more consistent experience for our customers.

In the last 12 months our Group businesses have been moving under the Sage brand umbrella. Products in Sage North America have been renamed and in February 2013 our South Africa business Softline rebranded to Sage.

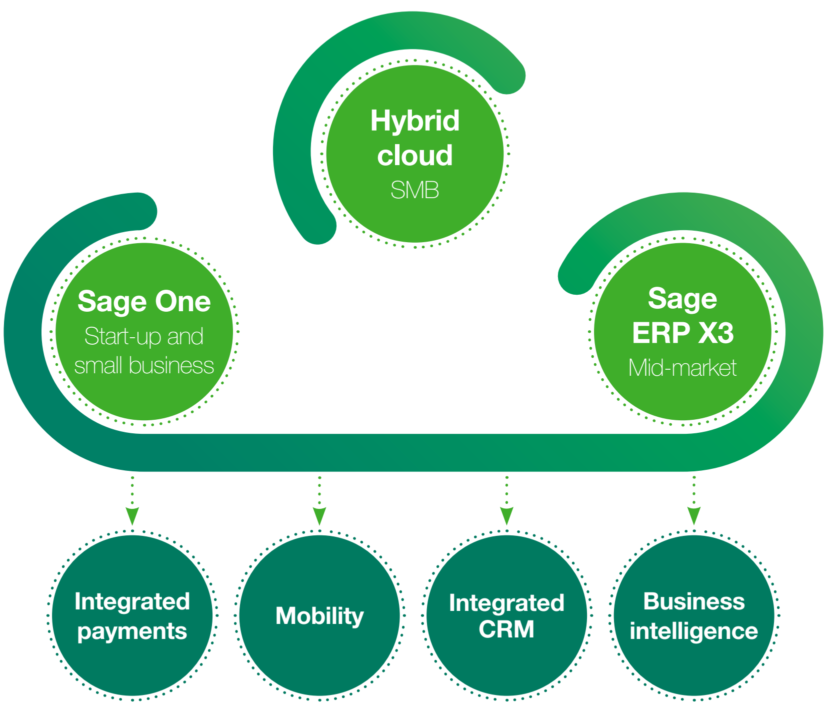
The global partnerships we have formed with Microsoft and Google have strengthened our position as a trusted brand. They have elevated our technology strategy by enriching our products with new capability and third-party integration, such as with the incorporation of Google Drive into Sage One.

In 2014 we'll continue this journey with the roll-out of the first ever global brand campaign. We will also be streamlining and simplifying our digital presence online with a new user experience and consistent visual identity across our websites. Since joining the Group last year, I am delighted with the progress we have made. I am very confident that our transformation journey will continue to execute at pace and with continued focus.

2 Capturing the technology opportunity

We don't just make software products and provide support; we use technology to support the success of small and medium sized businesses around the world, aiming to deliver an extraordinary customer experience.

Cloud solutions for each of our segments



Leveraging connected services, connected features and connected applications

The advent of cloud computing, smartphones and tablets, and faster mobile connectivity are leading to changes in the way businesses use and access their data. They are increasingly looking to take advantage of the cost, infrastructure and efficiency benefits offered by cloud technology.

These changing technology trends offer us an incredibly important opportunity to accelerate our growth. In the start-up and small business segment, we are attracting a new generation of customers to Sage with Sage One. In the SMB segment we are looking to ease the transition to the cloud for our existing customers with connected services, features and applications that can complement existing systems and provide a wider range of users with access to business information. In the mid-market, Sage ERP X3 is attracting new customers in many markets around the globe because it addresses the particular needs of larger businesses that have limited resources.

Our approach to technology is guided by the insight we have into the specific needs of each of our market segments. This is why we're developing a different solution for each segment.

Cloud solutions for each of our segments

Sage One

Sage One is our simple and efficient cloud bookkeeping, accounting and payroll product that is designed to address the needs of start-ups and small businesses.

These customers are typically choosing their first accounting solution and are very conscious about cost. As a result, they tend to be comfortable with products that operate entirely in the cloud and prefer to pay with a low monthly subscription.

Customers access Sage One through an internet browser, which means they have the freedom to run their business from any connected location and on any device. We also store their data securely so they don't have to worry about backups or data loss.

Sage One currently comes in four versions: Cashbook, Accounts, Payroll and Accountant Edition. Cashbook and Accounts offer bookkeeping and accounting capability, Payroll lets customers manage payroll for up to 15 employees, and Accountant Edition allows our accountant partners to access and edit their clients' Sage One data in the cloud. Since the start of the new financial year we have introduced Sage One Accounts Extra, which has a broader range of features to address the needs of businesses with up to 25 employees.

Hybrid cloud

Our SMB customers have existing systems that work, so not all of them want to move their accounting system to the cloud immediately. This is why our hybrid cloud solutions are bringing them the benefits of the cloud in a seamless way that doesn't disrupt what they already have.

Hybrid cloud is combining all of the great features of our existing leading ERP products with the power of the cloud, and means we can develop both the on-premise and cloud versions of these solutions under a single code base.

Hybrid cloud also offers our customers a range of benefits; they don't need to maintain their own IT systems, they don't need to worry about backups or data loss, and any applications they use that are interoperable with their on-premise system will automatically work with the cloud version. They can also take advantage of the convenience of mobile applications and connected services because their data is accessible in the cloud. Typically, our hybrid cloud offerings are paid for on a subscription basis, so the cost of ownership is also much more manageable for smaller businesses.

We have a number of highly successful on-premise products, including Sage 200 in the UK, Sage Murano in Spain, Sage 100 in France, Sage 300 in North America and Office Line in Germany, which we're making available in the cloud on Microsoft's Azure cloud computing platform. Earlier this year, we completed the work we have done on Azure that allows our on-premise products to run in the cloud with the launch of Sage ERP Online.

Sage ERP X3

Sage ERP X3 is a global product designed to address the needs of mid-market customers, who typically require the sophistication of large corporate systems but have the more limited resources of an SMB.

Sage ERP X3 offers us opportunities to attract new customers to Sage who want a sophisticated ERP solution that can be tailored to their needs, but without the licence costs and the protracted installation time associated with enterprise level systems. We also have the opportunity to migrate our existing customers onto Sage ERP X3 and away from other legacy products.

We currently have 4,200 customers in more than 60 countries and 275 business partners who bring Sage ERP X3 to our markets.

Connected services, connected features and connected applications

Connectivity is the backbone of our new generation of technology solutions. We believe that tightly integrated connected services, features and applications that are smart, useful and well designed can add value to our customers. Providing integrated solutions also increases customer loyalty. For example, our research tells us our customers are much less likely to consider changing their ERP provider when they use both our accounting software and our integrated payments service.

Integrated payments

Our international payments businesses allow our customers to take payment via their website, over the telephone, through a card terminal and even directly from invoices that they can issue electronically.

Through payments integration, we can automatically record these transactions in our customers' accounting systems for them, which saves them time and reduces the risk of error.

Mobility

Our mobile applications give our customers access to their data anywhere and anytime, helping them stay in touch with every aspect of their business and make faster, more informed decisions.

We're building mobile applications which have a universal architecture enabling them to work with all of our leading products. We're also building mobile applications that are tailored to the needs of users such as salespeople and engineers, who find having access to up-to-date business information particularly valuable when they are travelling.

Integrated CRM and business intelligence

CRM helps our customers monitor and record the contact they have with their customers, which helps with progress tracking, securing repeat business and improving cash collection.

BI allows our customers to smartly and efficiently interrogate the data contained within their systems, leading to greater insight into business performance and better decision making.

To read about our technology progress during the year, turn to the CEO's review starting on page 26

Commercial success from our technology initiatives is an important indication of our progress. Turn to page 45 to view our strategic KPIs and see how we're doing

3 The benefits of subscription

The way our customers want to pay for our products and services has been changing over time. We've designed new pricing models that reflect and capitalise on this evolution.

We're already well progressed in our transition from a perpetual licence model, where customers pay a one-off fee to use the core application, to a recurring revenue model offering annual premium support contracts and connected services. We've now entered a new phase where subscription pricing gives access to all of our features and services for a single monthly fee.

Not everyone wants to embrace subscription pricing immediately, so we are transitioning to subscription in a measured way. Typically, this involves a dual model approach where we provide our customers with a choice around how they pay for our products and services. This also allows us to manage the financial impact on Sage of moving from a model where customers prepay us, to a model where we receive payment on a monthly basis. Over time, subscription will become the default option on our leading products and, in the longer term, we will likely phase out perpetual licensing altogether.

We recognise that subscription pricing represents a significant change for some of our business partners, so we have worked with them to design commission structures that are compatible with these new relationships. Ultimately, subscription will lead to higher, more resilient and sustainable revenues for both our partners and Sage.

Turn to our strategic KPIs on page 45 to see how we measure our transition to subscription

More active relationships with new and existing customers through subscription

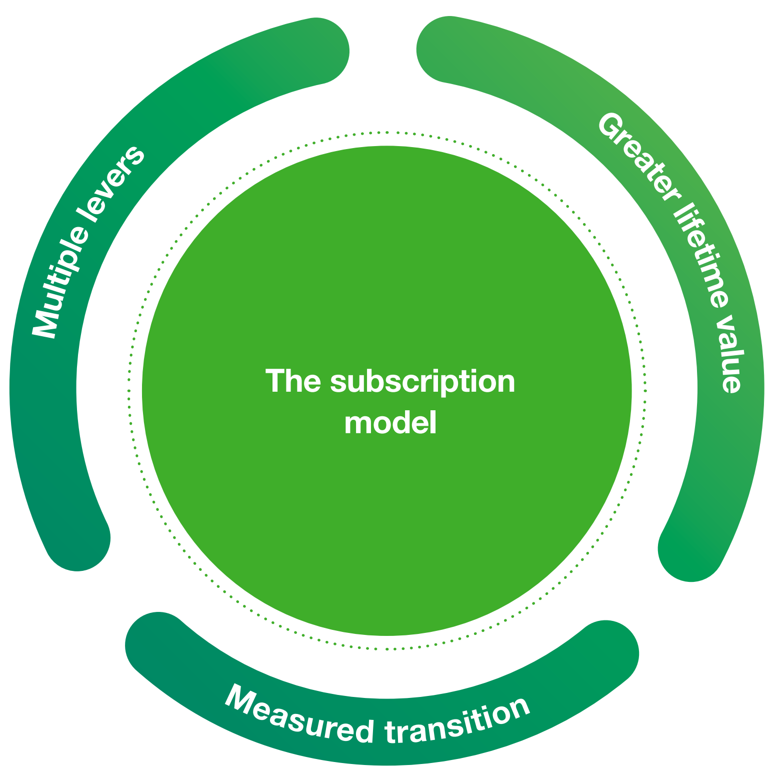
Subscription pricing offers us multiple levers to forge a much broader and more active relationship with our customers. It is attractive to them because it makes our products more affordable and gives them the flexibility of only paying for what they use, which can mean lower-risk IT investment decisions.

Traditionally, under the perpetual licence model, some customers would have been unable to buy a Sage product because of the high initial cost. Subscription removes this barrier because customers pay a much lower amount each month.

Subscription also offers us opportunities with our existing customers because it provides access to products with richer functionality by removing high initial upgrade costs.

In addition, subscription bundles the full package of Sage features and services together; the core application, premium support, connected services, new technology and all future product updates. This proposition is compelling, and we're seeing customers who have previously chosen not to maintain a support contract relationship with us moving to subscription because they can see the value in what we're offering.

The ongoing and more active nature of subscription relationships mean they have a much greater lifetime value and offer us much more opportunity to bring new experiences to our customers.



Financial strength supporting growth

With our consistent, strong cash flows, we retain considerable financial flexibility. Our main strategic priority remains an acceleration of growth, both organically and through targeted acquisitions, and we will invest in support of that aim. This will enable us to support growth of the ordinary dividend, with any surplus capital being returned to shareholders from time to time.

Delivering on our leverage target commitment

In December 2011, we committed to reaching a net debt level equivalent to 1x our EBITDA within an 18-month period. In June 2013, we delivered on this objective, which represents the culmination of a capital allocation programme involving acquisitions ("M&A"), share buybacks, a re-based ordinary dividend and a £198.7m special dividend. In meeting this target we have returned almost £1bn to shareholders.

Going forward, we are committed to maintaining our net debt leverage at a minimum of 1x our EBITDA. This leaves us with the flexibility to react to the right M&A opportunities should they present themselves and make further returns of capital to our shareholders.

Our M&A strategy

Our approach to M&A is disciplined, and acquisition opportunities are judged against strict criteria. They must:

- Demonstrate earnings accretion in year one; and
- Deliver a return in excess of our risk-adjusted cost of capital.

We are focused on acquisition opportunities which fall into three broad areas:

- Technology bolt-ons that offer us opportunities to cross-sell into our installed base;
- Businesses in existing geographies that yield immediate synergies and offer short payback periods; and
- Businesses in new geographies where we are prepared to wait longer to achieve target returns in exchange for access to higher-growth markets.

This year, we acquired EBS Empresa Brasileira de Sistemas Ltda. which is the third acquisition we have made in Brazil following the Folhamatic and Cenize acquisitions we made last year.

Turn to our financial KPIs on page 44 to see how we monitor our financial strength

It's been a year of delivery

We've achieved a great deal this year, and have made good progress on all of our key initiatives. We remain on course to deliver on our strategic and financial goals.

October 2012
Acquisition of EBS Empresa Brasileira de Sistemas Ltda. in Brazil.

October 2012
Launch of Sage Pay in Germany.

December 2012
Launch of Sage Pay in Spain.

March 2013
Completion of disposal of North American non-core products.

March 2013
Launch of Sage One in Germany.

April 2013
Sage ERP X3 global convention in Berlin.

April 2013
Completion of disposal of European non-core products.

May 2013
Launch of Sage One in Spain.

June 2013
Launch of Sage One in France.

June 2013
Achieved net debt leverage target of 1x EBITDA with payment of special dividend and share consolidation.

July 2013
Launch of Sage ERP Online for hybrid cloud products.

July 2013
Launch of Sage Data Cloud at the North America Sage Summit.

I am pleased to report a strong set of results, with good growth across all regions and our strategic initiatives progressing well. These results highlight the strong appeal of our offering to SMEs, great execution in delivering on our plans and the benefit of a clear strategy, which focuses on our most significant growth opportunities. The strategy is working and growth is accelerating. We remain confident of achieving our target of 6% organic revenue growth in 2015 and anticipate further progress during the year ahead.

Overview of the year

We delivered a strong trading performance in 2013, with organic revenue growth of 4%, representing acceleration on the 2% organic revenue growth achieved in the prior year. Organic recurring revenue grew by 6% (2012: 6%), reflecting the continued strength of our premium support offering and encouraging growth in both software subscription revenue and payment services. SSRS revenue was flat organically against the prior year (2012: 5% contraction). North America and AAMEA delivered good SSRS growth, led by a particularly encouraging performance from Sage ERP X3. Organic SSRS revenue in Europe contracted modestly, reflecting new licence weakness, particularly in the French mid-market and in Spain. SSRS revenue is variable and we continue to see the shift to recurring revenue as a core part of our strategy to deliver accelerated growth on a sustainable basis. Recurring revenue now represents 71% of Group revenues (2012: 69%).

A feature of the year has been successful execution driving good results across all regions. North America reported organic revenue growth of 6% for the year, a significant acceleration from the 2% reported in 2012. Highlights included good growth from premium support and the success of Sage ERP X3. Europe achieved organic revenue growth of 2% for the year, a positive performance given the macroeconomic environment and an improvement on growth of 1% in 2012. The highlight was the UK & Ireland, with organic revenue growth of 5% for the year, although it was encouraging to see France and Germany return to growth in H2 and for Spain to exit the year with modest growth. AAMEA delivered good organic revenue growth of 9% (2012: 12%), with a very strong performance in South Africa offset by a weaker Australian performance. Highlights for South Africa included a strong mid-market performance and strong growth in the rest of Africa. Whilst Brazil is not included in organic growth until 2014, the business delivered good growth notwithstanding the slowdown in the economy. Approximately 15% of Group revenues are now generated from attractive growth markets in AAMEA and Brazil.

Strategy for growth

Our aim is to achieve organic revenue growth of 6% in 2015, with an associated increase in EBITA margin of 100 to 200 basis points, and to sustain higher-growth over the longer term. Our success will be determined by execution on our most important initiatives and these are captured by our three strategic cornerstones – Focusing our business, Capturing the technology opportunity and The benefits of subscription. The acceleration in growth we are reporting shows the strategy is working, with greater focus on our most important opportunities delivering results. It is encouraging to see these results reflected in our key performance indicators ("KPIs"), which track our progress in delivering on our key strategic and financial initiatives. Notable developments for the year in respect of these initiatives are covered in the commentary below, with the complete set of KPIs set out on pages 44 and 45.

Focusing our business

Aligning our resources and investment to products with the highest growth potential is a key enabler of our growth strategy. Our approach to managing our portfolio, which categorises core products as Invest, Harvest and Sunset, is driving a marked increase in the allocation of resources to Invest products. During the year, the direct spend on Invest products increased to 50% of total research and development ("R&D") expenditure (2012: 35%) and 49% of sales and marketing ("S&M") expenditure (2012: 42%). This reflects a combined increase in investment in Invest products of 32%. The existing portfolio is self-funding this investment in our most significant growth opportunities, whilst supporting our margin commitment.

We can see the results of greater focus with good progress during the year on our major areas of investment including Sage One, Sage ERP X3 and payment services. The disposal of non-core products announced earlier in the year has streamlined the portfolio, allowing greater focus on the core.

Capturing the technology opportunity

Technology is a catalyst for growth because it helps us attract new customers and allows us to offer more features and services to existing customers. The pace of adoption varies across the SME space, which is why we focus on offering choice, allowing businesses to adopt new technology on their own terms. By providing SME customers with a well-rounded offering that includes leading on-premise and cloud products, connected services and support, Sage is differentiated and is in a strong position to drive growth.

Sage One

We continue to drive innovation to capture this significant growth opportunity. Sage One, our global software as a service ("SaaS") solution for smaller businesses, is intuitive and easy to use, complemented by first-class support and is built on a modern technology platform. This platform supports extension into new products and the accelerated launch into new markets, whilst crucially satisfying localisation requirements effectively.

The model is scaling well, with 22,400 paying subscriptions for Sage One products at the end of September 2013 (2012: 6,190). We have seen strong acceleration in adoption in the UK & Ireland market, where we have over 21,000 subscriptions at the end of September 2013, which is an increase of more than three-fold in 12 months. This progress has been based on Sage One Accounts Standard Edition, a solution targeting very small businesses with relatively straightforward accounting needs. October 2013 saw the commercial launch of Sage One Accounts Extra in the UK & Ireland, which targets businesses in the 5 to 25 employee space. Commercially, Sage One Accounts Extra is important as it expands our addressable market, has a higher price point and offers a natural migration path for Sage One Accounts Standard Edition users. In tandem with our marketing around the launch of Sage One Accounts Extra, we have seen an increase in adoption of Sage One Accountant Edition, with accountants recognising the opportunity this product offers them to expand their practices. As at the end of September 2013, over 5,000 accountants had registered to use Sage One Accountant Edition in the UK & Ireland.

We have also made progress in taking Sage One to new geographies and it is now available in eight markets across Europe and North America. It is early days in continental Europe the number of users remains low in the US. This is consistent with our experience in the UK & Ireland market and we would expect to see the adoption rates in these countries improve over time, as the product becomes more established in the marketplace. We have reorganised in the US to strengthen our product marketing and we will expand the product portfolio with launches of Sage One Accounts Extra and Sage One Accountant Edition. We also launched Sage One in Canada in October 2013. Sage One is part of our wider SaaS portfolio of payroll and accounting products for smaller businesses, with over 35,000 paying subscriptions across a range of products including, in addition to Sage One, einfachLohn in Germany, and Sage Pastel My Payroll Online and Sage Pastel My Business Online in South Africa.

Hybrid cloud

Expanding our cloud product portfolio for SMBs is also an important part of our strategy. As with Sage One, we have developed a robust technology platform, called Sage ERP Online, which allows us to bring our leading ERP solutions to the cloud quickly. For the customer, Sage ERP Online offers the benefits of outsourced infrastructure, mobility, more flexible pricing models and a measured transition to the cloud, alongside market-leading support. Sage 200 Online in the UK & Ireland market and Sage Murano ERP Online in Spain are the first of our SMB products to launch on Sage ERP Online, with Sage 100 in France, Office Line in Germany and Sage 300 in North America becoming commercially available in 2014.

Sage ERP X3

Sage ERP X3, our global solution for the mid-market, delivered organic revenue growth of 12% (2012: 5%), which meets our double-digit growth target. The product is performing very well internationally, growing organically by 34% outside of its home market of France. Non-French revenue now accounts for 50% of global Sage ERP X3 revenue. North America performed particularly well, with new customer acquisition, migration and support from the channel helping to drive a step-change in growth. The strong performance of Sage ERP X3 globally demonstrates our strategy is working, with greater investment and focus delivering results.

Connected services

Delivering further value through integrated connected services is a key part of our growth strategy. The value of integration is apparent in higher customer satisfaction scores, lower churn rates and higher revenue per customer. The cross-sell of an integrated payments solution to existing accounting customers is a particularly significant opportunity for us. North America continues to demonstrate good momentum, with over 12,400 accounting customers adopting integrated payments, which has driven cross-sell integrated payments revenue growth of 20%. Innovation is a key factor in this success, with our Sage Exchange platform differentiating our offering in North America. Sage Exchange is a market-leading payments platform that can manage a customer's entire payments ecosystem. All our North American accounting-based solutions are integrated with this platform, which gives us a competitive advantage and a significant cross-sell opportunity with our installed base.

Mobility

We see mobility as an attractive future growth opportunity because it makes the core accounting and ERP data accessible to both financial and non-financial users on smartphones and tablets.

The goal of our mobile strategy is to offer customers value-adding, integrated and connected cloud and mobile services that will increase our revenue per customer and drive subscription adoption. North America has led the development of Sage Data Cloud, a common infrastructure and framework that connects mobile applications with our accounting and ERP products. At the North America Sage Summit in July 2013, we launched three mobile applications built on this platform; Sage Mobile Sales, Sage Mobile Service, and Sage Billing and Payments.

Customer satisfaction

Our approach to technology is guided by understanding the requirements of our customers and recognising the trust they have in Sage to support their move to the cloud. Whilst technology is a great opportunity for Sage, we will only be successful if we continue to provide an extraordinary customer experience. We track customer satisfaction using the Net Promoter Score ("NPS") metric, which measures customers' willingness to promote the Sage products and services they use. NPS is an important indicator of long-term success and we will maintain our focus on ensuring we meet our customers' needs.

The benefits of subscription

The third cornerstone of our growth strategy involves the migration of customers to a subscription pricing relationship. Whilst software subscription is a relatively small proportion of our revenue today, it is important strategically in delivering sustainable growth over the longer term. Subscription pricing has been rolled out across all our major markets, where we typically adopt a dual model approach by offering customers a choice between a subscription relationship and a perpetual licence. We are encouraged by the early progress we are making, which is evidenced by the 27% increase in the annualised value of our subscriber base on an organic basis, which grew to £108m (2012: £85m). We will continue to drive the adoption of subscription pricing across our business on a measured basis.

We have seen how subscription can be an attractive option for new and existing customers. In North America, for example, we have attracted a new type of customer to Sage 100 and Sage 300, with subscription making the up-front cost of a more sophisticated ERP solution more affordable to smaller businesses by removing the initial perpetual licence cost. We have seen the same principle apply to existing customers who are looking to migrate; in France, the successful Sage 100 i7 upgrade programme secured 14,000 subscription contracts. We also use subscription to reactivate existing customers who have chosen not to maintain a support contract, a particular opportunity with smaller businesses where support attachment rates are lower. By offering premium features on subscription, we are encouraging these customers to move to subscription. Our French small business product Ciel Flex has connected services functionality that is only available on subscription, and of the 4,700 subscription contracts we secured this year, around 40% of them were with previously inactive existing customers.

Financial discipline

The Group remains highly cash generative and we retain considerable financial flexibility going forward. We remain disciplined in our capital allocation approach, whether using cash within the business or returning it to shareholders. Our financial discipline is evident in our performance this year, where we maintained EBITA margin through managing costs whilst increasing investment in our growth initiatives. We are also disciplined in our approach to M&A, focusing on opportunities which support growth in our core business and meet our established returns criteria. Consistent with our focus on shareholder value, we returned £571.8m this year to shareholders through our ordinary dividend, the payment of a special dividend and our share buyback programme. We remain committed to the disciplined allocation of capital to support our strategy and drive shareholder returns.

People

During the year, we announced a number of changes to the Board. Tamara Ingram, Mark Rolfe and Ian Mason retired from the Board, each having made a significant contribution to Sage over many years. Paul Harrison, formerly CFO for 13 years, departed Sage for a new executive challenge. Paul made a considerable contribution to Sage during his time with the business, not least in establishing the strategy in recent years, and in supporting me as CEO. They leave with our gratitude and best wishes for the future.

Jonathan Howell and Neil Berkett joined the Board in July 2013, alongside Jo Harlow. Unfortunately, Jo stood down from the Board in September 2013 due to a conflict arising with her executive role following the announcement by Microsoft of the acquisition of Nokia's Devices and Services division. On 11 November 2013, we announced the appointment of Steve Hare as the new CFO, effective from 3 January 2014.

Summary and outlook

I am pleased to report a strong set of results, with good growth across all regions and our strategic initiatives progressing well. These results highlight the strong appeal of our offering to SMEs, great execution in delivering on our plans and the benefit of a clear strategy, which focuses on our most significant growth opportunities. The strategy is working and growth is accelerating. We remain confident of achieving our target of 6% organic revenue growth in 2015 and anticipate further progress during the year ahead.

Guy Berruyer, Chief Executive

Financial and operating review

Continuing operations	Statutory 2013	2012	Change	Underlying* 2013	2012	Change
Revenue	**£1,376.1m**	£1,340.2m	+3%	**£1,261.3mβ**	£1,209.7mβ	+4%
Operating profit/EBITA*	**£180.5m‡**	£344.9m	(48%)	**£375.8m**	£367.0m†	+2%
Profit before income tax	**£164.1m‡**	£334.3m	(51%)	**£360.5m**	£356.9m†	+1%
Basic earnings per share	**3.97p‡**	18.63p	(79%)	**22.27p**	19.87p	+12%
Ordinary dividend per share	**11.32p#**	10.68p#	+6%	**n/a**	n/a	n/a
Cash conversion	**n/a**	n/a	n/a	**112%**	106%	+6%

Notes:

* Refer to notes on definitions below.
β Underlying revenue figures above are presented on an organic basis. Refer to notes on definitions below.
‡ Statutory profit impacted by £188.2m exceptional charge primarily relating to non-core disposals.
† Prior year contains a full year of profit contribution from non-core products disposed during the current year.
\# Current and prior year dividend per share is rebased and is shown on a post-share consolidation basis to reflect the share consolidation that took place in June 2013. Refer to dividend commentary on page 33 for dividend per share on a pre and post-share consolidation basis.

Definitions of underlying measures:

- Underlying revenue neutralises the impact of foreign exchange in prior year figures.
- Organic revenue is underlying revenue excluding the contribution of current and prior year acquisitions and disposals.
- Underlying operating profit ("EBITA") excludes amortisation of acquired intangible assets, acquisition-related items, goodwill impairment, fair value adjustments and exceptional items. The impact of foreign exchange is neutralised in prior year figures.
- Underlying cash conversion is calculated as cash flows from operating activities, adjusted for cash acquisition-related items and cash exceptional items of £1.9m (2012; £nil), divided by EBITA.
- Underlying profit before income tax excludes amortisation of acquired intangible assets, acquisition-related items, goodwill impairment, fair value adjustments, exceptional items and imputed interest. The impact of foreign exchange is neutralised in prior year figures.
- Underlying basic earnings per share is defined as underlying profit divided by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares. Underlying profit is defined as profit attributable to owners of the parent excluding amortisation of intangible assets, acquisition-related items, goodwill impairment, fair value adjustments, exceptional items and imputed interests. All of these adjustments are net of tax. The impact of foreign exchange is neutralised in prior year figures.

Highlights

Organic revenue growth
4%
2012: 2%

Underlying EPS growth
12%
2012: -2%

EBITA margin maintained at
27%
2012: 27%

Full year dividend of 11.32p per share up
6%
2012: 10.68p per share#

Group performance

In the year ended 30 September 2013, the Group delivered acceleration in organic revenue growth and increased EBITA in line with underlying revenue growth.

Throughout the Acting CFO Review, revenue, profitability and growth trends are stated on an underlying basis. This is done to facilitate the comparison of results. A reconciliation of underlying revenue to organic revenue is shown in the table on page 104.

Revenue

Underlying revenue grew by 2% to £1,376.1m (2012: £1,344.7m).

Organic revenue

Organic revenue grew 4% (2012: 2%) to £1,261.3m (2012: £1,209.7m) in the year. North America delivered a good performance for the year with a strong acceleration in organic revenue growth to 6%. AAMEA's performance was led by South Africa, which delivered double-digit organic revenue growth, although our Australian business was impacted by a weakening economy. Difficult economic conditions also affected our performance in Europe, particularly in France and Spain. The UK & Ireland delivered sustained good revenue growth throughout the year, which was supported by legislative change.

Revenue mix

Total underlying recurring revenue was £976.1m (2012: £925.8m) and 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, combined support and software packages paid for on a subscription basis, and payment services. The proportion of our total revenue that is recurring has increased to 71% (2012: 69%).

Total underlying software and software-related services ("SSRS") revenue was £400.0m (2012: £418.9m), which was flat organically compared to the prior year. North America returned to growth and AAMEA, led by South Africa, delivered good growth. The success of Sage ERP X3 supported SSRS growth in these regions. Europe organic SSRS revenue contracted modestly. Weakness in new licence revenue, particularly in France and Spain, was offset by a stronger SSRS performance in the UK & Ireland, where legislative change drove demand. SSRS revenue includes stand-alone software licence sales (including new licences, upgrades and migrations), training, business forms and other services.

	Europe	Americas	AAMEA	Group Underlying	Foreign exchange	Adjustments to EBITA	Group statutory
Revenue from continuing operations							
FY13 (£m)	**776.9**	**448.2**	**151.0**	**1,376.1**	**–**	**–**	**1,376.1**
FY12 (£m)	788.4	416.5	139.8	1,344.7	(4.5)	–	1,340.2
Change (%)	**(1%)**	**+8%**	**+8%**	**+2%**			**+3%**
EBITA/Operating profit							
FY13 (£m)	**220.2**	**115.0**	**40.6**	**375.8**	**–**	**(195.3)**	**180.5**
FY12 (£m)	222.0	107.3	37.7	367.0	(0.6)	(21.5)	344.9
Change (%)	(1%)	+7%	+8%	+2%			(48%)

Underlying operating profit ("EBITA")

Reconciliation of EBITA to operating profit	2013 £m	2012 £m
EBITA	**375.8**	366.4
Impact of movements in foreign currency exchange rates	**–**	0.6
	375.8	367.0
Exceptional items	**(188.2)**	–
Other non-GAAP adjustments	**(7.1)**	(21.5)
Statutory operating profit	**180.5**	345.5

EBITA increased by 2%, in line with underlying revenue growth, to £375.8m (2012: £367.0m) with the Group's EBITA margin maintained at 27% (2012: 27%). This growth in EBITA was achieved despite the disposal of a number of non-core products during the year and continued investment in our best growth opportunities, which include Sage One, Sage ERP X3 and our payments businesses.

Statutory operating profit decreased to £180.5m (2012: £344.9m). Statutory operating profit includes amortisation of acquired intangible assets, acquisition-related items, goodwill impairment, fair value adjustments and exceptional items.

Net exceptional items of £188.2m are included in statutory operating profit, primarily as a consequence of completing the disposal of certain non-core products during the year.

Net finance costs

Net finance costs increased to £16.4m (2012: £10.6m). This was due to an increase in gross debt as the Group moved towards meeting its leverage target. The increase in debt during the year was due to drawdowns on the revolving credit facility and the USD$400m US private placement refinancing which completed in May 2013. The additional drawdowns funded returns of cash to shareholders through the share buyback programme and the payment of a special dividend in June 2013. The lower coupon rate on the US private placement loan notes reduced the average interest rate on borrowings during the year to 3.78% (2012: 4.59%).

Taxation

The income tax expense of £116.6m (2012: £95.4m), which includes an exceptional tax charge of £17.4m on the disposal of the non-core products, represents an effective tax rate of 71% (2012: 29%). Adjusting for this exceptional charge, the effective tax rate is 28% (2012: 29%). This is in excess of the standard rate of UK tax due to the higher tax rates applicable in the other jurisdictions in which we operate.

The income tax charge and the total tax paid in the year are underpinned by Sage's tax policy, which is aligned with the overall goals of the business including Sage's vision, strategy, code of ethics and guiding principles. We seek to manage our tax affairs in a responsible and transparent manner, to comply with relevant legislation and with due regard to our reputation. Our approach is in line with the principles issued by the Confederation of British Industry ("CBI") in May 2013. Sage's tax policy has been agreed by the Board, with progress being monitored by the Group Audit Committee. The policy has been shared with the UK tax authorities.

Basic earnings per share

Reconciliation of underlying to statutory basic earnings per share	2013 £m	2012 £m
Underlying basic EPS (continuing operations)	**22.27**	19.86
Impact of movements in foreign currency exchange rates	**–**	0.01
	22.27	19.87
Exceptional items (net of tax)	**(17.59)**	–
Other non-GAAP adjustments (net of tax)	**(0.71)**	(1.24)
Statutory basic EPS (continuing operations)	**3.97**	18.63

Underlying basic earnings per share increased by 12% to 22.27p (2012: 19.87p) as a result of profit growth and a reduction in the average number of shares in issue to 1,168.8m (2012: 1,282.2m) due to the share buyback programme and the share consolidation effected in June 2013.

Statutory basic earnings per share declined by 79% to 3.97p (2012: 18.63p) primarily due to losses on completed non-core disposals in North America and Europe.

Cash flow and net debt

The Group remains highly cash generative with cash flows from operating activities increasing 9% to £417.4m (2012: £383.8m), representing strong underlying cash conversion of 112% (2012: 106%). Underlying cash conversion excludes cash add backs and exceptional items of £1.9m (2012: £nil). After interest, tax and net capital expenditure, free cash flow was £268.6m (2012: £247.9m).

The net inflow from acquisitions and disposals completed in the year was £60.7m. Proceeds of £81.4m were received through the sale of the non-core products in North America and Europe, and cash consideration of £20.7m was paid in respect of acquisitions.

A total of £571.8m (2012: £434.0m) was returned to shareholders through ordinary dividends paid of £122.1m (2012: £136.5m), a special dividend of £198.7m (2012: £nil) and shares repurchased of £251.0m (2012: £297.5m). Net debt stood at £384.3m at 30 September 2013 (30 September 2012: £161.5m) which is equivalent to 1x EBITDA.

R&D and capital expenditure

Total R&D spend was £144.6m and grew organically by 4%. During the year R&D expenditure on Invest products increased 47% as resources have been successfully reallocated from Sunset and Harvest products. R&D expenditure is expensed as it is incurred.

Capital expenditure in the year ended 30 September 2013 (including the purchase of third-party software systems for internal use) was £23.7m (2012: £26.2m). The majority of this expenditure relates to IT infrastructure, both in new and replacement systems.

Acquisitions and disposals during the year

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 £11.3m, 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.

During the year, the Group completed the sale of a number of products that were identified as non-core. The sale of these products represented a key strategic milestone in focusing our business. 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 £58.3m was paid upon completion. On 30 April 2013, the Group completed the disposal of European non-core products C&I, ATL, Automotive and Aytos, to Argos Soditic, for a consideration of £34.9m. In addition, on 30 April 2013, the Group completed the disposal of other non-core products for a consideration of £4.5m.

Treasury management

The Group's Treasury function seeks to ensure liquidity is available to meet the forecast needs of the Group, to invest cash assets safely at market rates, and reduce exposure to interest rate fluctuations, foreign exchange movements 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.

The Group continues to be able to borrow at competitive rates and currently deems this to be the most effective means of raising finance. During the year the Group successfully completed a USD$400m issue of US private placement loan notes increasing total notes issued into the US private placement market at 30 September 2013 to £432.3m ($USD700m) (2012: £185.8m, USD$300.0m). This transaction further diversifies sources of funding underpinning the Group's capital structure targets, and extends maturities at fixed rates.

In addition the Group has multi-currency revolving credit facilities totalling £346.2m (2012: £338.3m) (USD$271.0m and €214.0m tranches), provided by a syndicate of banks, which expire in 2015. At 30 September 2013, £9.6m of these facilities were drawn (2012: £15.0m).

Foreign exchange

We do not hedge foreign currency profit and loss translation exposures and our results therefore have been impacted by movements in exchange rates. The average Euro exchange rate used to translate the Consolidated income statement showed movement of 2.5% to £1 = €1.19 from £1 = €1.22. The average US Dollar exchange rate showed movement of 1.3% to £1 = $1.56 from £1 = $1.58. The average South African Rand exchange rate moved significantly in the year to £1 = ZAR14.60 from £1 = ZAR12.72, representing a fluctuation of 14.8%. The average Brazilian Real exchange rate used to translate the results of our Brazilian businesses was R$3.30.

	Post-share consolidation			Pre-share consolidation		
	2013	2012	Growth (%)	**2013**	2012	Growth (%)
Interim	**3.88p**	3.66p	6%	**3.69p**	3.48p	6%
Final	**7.44p**	7.02p	6%	**7.07p**	6.67p	6%
Total	**11.32p**	10.68p	6%	**10.76p**	10.15p	6%
Special	**17.99p**	–	n/a	**17.10p**	–	n/a
Total (incl. special)	**29.31p**	10.68p	174%	**27.86p**	10.15p	174%

Capital structure and dividend

At our interim results in May 2013, we announced the return of approximately £200m to shareholders through a special dividend, which was paid in June 2013. This ensured that the company achieved its leverage commitment of 1x EBITDA having returned almost £1bn to shareholders in the preceding 18 months.

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

Consistent with this policy, the Board is proposing a 6% increase in total dividend per share for the year to 11.32p per share (2012: 10.68p per share), which is in excess of our rate of profit growth for the year. The ordinary dividend for the year is covered 2x by underlying earnings per share.

Dividends per share for the current and prior year have been adjusted to take account of the 77 for 81 share consolidation that accompanied the special dividend, as set out in the table above.

Archer Capital

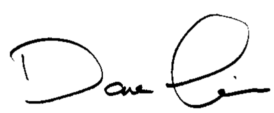
On 14 November 2011, the Group reported a claim for damages made by Archer Capital ("Archer") following the termination of discussions between the Group and Archer relating to the potential purchase of MYOB. The Group strongly rejects the claim, which it calculates to be in the region of £82.9m (A$143.5m), and will defend itself vigorously. The claim is currently being heard by the Court.

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.

Events after the reporting period

On 11 November 2013, the Group announced the appointment of Steve Hare as Chief Financial Officer, who will join the Sage Board with effect from 3 January 2014.



Darren Fisher, Acting Chief Financial Officer

Good performance driven by strong execution

Regional performance continued – Europe

Álvaro Ramírez
Chief Executive Officer, Europe

Highlights

- Increase in organic growth from 1% to 2%;
- Stand-out performance by the UK & Ireland, driven by legislative change;
- Over 21,000 Sage One paying subscriptions in the UK;
- Sage One launched in Germany, France and Spain;
- Launch of Sage 200 Online in the UK, and Sage Murano ERP Online in Spain;
- Launch of Sage Pay in Germany and Spain; and
- Disposal of European non-core products.

Key data

£m	2013	2012
Underlying revenue	**£776.9m**	£788.4m
EBITA	**£220.2m**	£222.0m
EBITA margin	**28%**	28%

Total European underlying revenue contracted by 1% to £776.9m (2012: £788.4m). On an organic basis, revenue grew by 2% (2012: 1%). Organic recurring revenue grew by 5% (2012: 5%), and organic SSRS revenue contracted by 2% (2012: 7% contraction).

Organic revenue in our French business was flat, with weakness in SSRS offset by growth in recurring revenue, albeit it was encouraging to see a stronger performance in the second half. The weak macroeconomic environment made the execution of larger IT projects in the mid-market more difficult. Performance across the rest of the business was more encouraging, with Sage 100, in particular, achieving good growth. The French business completed the disposals of three non-core products in April 2013, 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"). Despite RTI going live during the first half of the year, we continued to see strong demand for Sage 50 Payroll and our training programmes in the second half. The UK also delivered a very strong performance with Sage One, with over 21,000 paying subscriptions at the year end, an increase of more than three-fold in 12 months. The UK & Ireland business also completed the disposal of the UK Construction business in April 2013.

Our Spanish business contracted organically by 2%, which is an improvement compared to last year, and we are encouraged that by the year end the Spanish business was exhibiting modest growth. New business still remains particularly difficult due to the prevailing economic conditions. However, we were successful in upgrading customers using the Logic Control family of products to Sage Murano ERP. The Spanish business also completed the sale of the non-core product Aytos in April 2013.

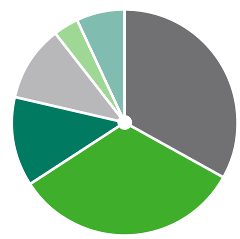
Organic revenue in Germany grew by 1% during the year, with the contraction in the first half offset by a stronger second half performance. Our German business faced a challenging grow-over comparator, due to a successful one-time upgrade programme for Classic Line customers during the 2012 financial year. Our HR products continue to perform well, providing some notable growth in SSRS revenue.

Our businesses in the rest of Europe all delivered growth organically. Switzerland grew by 3% and Poland by 7%. Portugal delivered organic revenue growth of 17%, which was driven by new electronic tax filing requirements.

Sage Pay performed strongly, with organic revenue growth of 25% in the year, reflecting a price increase in the second half of last year and growth in customer numbers. Sage Pay also launched in Germany and Spain during the year.

The EBITA margin for Europe was 28% (2012: 28%).

Underlying revenue (£m)



UK & Ireland	258.2
France	255.1
Spain	98.0
Germany	85.0
Sage Pay	27.6
Others	53.0

Regional performance continued – Americas

Pascal Houillon
Chief Executive Officer, North America and Brazil

Highlights

- Significant acceleration in organic growth from 2% to 6%;
- Continued progress in upselling premium support contracts;
- Strong performance from Sage ERP X3;
- 20% organic growth in integrated payments revenue;
- Sage Data Cloud announced at the North America Sage Summit, heralding the launch of new mobile applications; and
- Disposal of North American non-core products.

Key data

£m	2013	2012
Underlying revenue	**£448.2m**	£416.5m
EBITA	**£115.0m**	£107.3m
EBITA margin	**26%**	26%

Total Americas underlying revenue grew by 8% to £448.2m (2012: £416.5m), with organic revenue growth of 6% (2012: 2%). Organic recurring revenue grew 7% (2012: 4%), and organic SSRS revenue grew 2% (2012: 6% contraction).

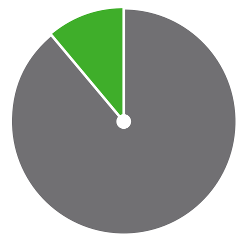
Our North America business was successful in delivering on a number of initiatives during the year. Sage Business Care, our premium support offering, remains a primary driver of growth in North America and the continuing shift towards recurring revenue, which accounts for 80% of revenue. Our strategy of upselling premium support gained traction with Sage 100 and Sage 300 customers, and we were also particularly successful in migrating Sage 50 customers in the US and Canada to premium support. The mid-market team executed well in migrating existing customers to newer ERP products. This helped to support a stand-out performance by Sage ERP X3, with revenue increasing by 48%, which was also driven by new customer acquisition.

Our payments business grew by 4%, reflecting solid growth. We continued to focus on cross-selling integrated payment services into the accounting base. The number of customers who use integrated payments grew to over 12,400, with an associated increase in cross-sell revenue growth of 20%.

Brazil contributed £49.0m of revenue in the year and EBITA of £12.2m. The accounting, payroll and tax software business continued to deliver double-digit growth whilst the slowdown in the economy continued to impact the content business. Our significant foothold in Brazil means we are in a strong position to benefit from the structural growth opportunities offered by this market.

The EBITA margin for Americas was 26% (2012: 26%).

Underlying revenue (£m)



North America	399.2
Brazil	49.0

Regional performance continued – AAMEA

Ivan Epstein
Chief Executive Officer, AAMEA

Highlights

- Strong double-digit organic growth from South Africa of 14%, led by the performance of mid-market products;
- Africa delivered 22% organic revenue growth in the year; and
- Continued strong performance from Sage ERP X3.

Key data

£m	2013	2012
Underlying revenue	**£151.0m**	£139.8m
EBITA	**£40.6m**	£37.7m
EBITA margin	**27%**	27%

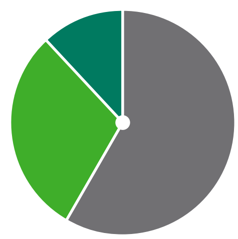
Total AAMEA underlying revenue grew by 8% to £151.0m (2012: £139.8m), and organic revenue grew by 9% (2012: 12%). Organic recurring revenue grew by 11% (2012: 15%), and organic SSRS revenue grew by 7% (2012: 8%).

South Africa delivered organic revenue growth of 14% (2012: 16%), which reflects the success of our core mid-market products, particularly Sage ERP X3, Sage Evolution and People Payroll. The wider African continent delivered 22% revenue growth in the year and continues to represent an important opportunity for our South African business, particularly as a source of SSRS revenue.

Australia grew organically by 1% (2012: 7%), which was due to good growth in recurring revenue driven by support contract renewals and price increases. This growth was offset by a contraction in SSRS revenue, which was affected by a slowdown in the Australian economy. Our Middle Eastern and Asian businesses grew organically by 11% (2012: 4%), led by a strong performance from HR and payroll products in Malaysia and Singapore, and Sage ERP X3 across the region.

The EBITA margin for AAMEA was 27% (2012: 27%).

Underlying revenue (£m)



South Africa	88.1
Australia	45.1
Middle East and Asia	17.8

Sage One

Easy to use small business accounting software that saves time and is available anytime, anywhere with Sage One.

Lorna Syson – London, United Kingdom

Lorna Syson is an interior accessories design and manufacturing business that draws inspiration from the British countryside.

"I'm a sole trader, and although it's a business it is very much me, it's got my heart and soul in it," Lorna explains, "When things go wrong I take it to heart. I want to make things right. They go hand in hand; when the business is going well, everything's going well. When something is wrong, I take it home with me."

Lorna built the business herself, and moved to London after a year of trading. After a further 18 months, she moved into her own premises where she now designs and makes all of her products.

"The business is expanding, and my biggest challenge is working out the best way to facilitate that expansion, the best places to invest, the best places to save money, and how to organise everything."

Lorna uses Sage One Accounts to manage her business finances and also uses Sage Pay to take payments from her customers.

"It's amazing that I can manage everything online with Sage One. When I go places, I can do work on the go. When I arrive and work with the client, I can look back at all their past orders, when they've paid, and get a complete history."

"Sage have 24-hour, seven days a week support, so I can ring them up if things go wrong and they're friendly, they're nice. They understand small businesses and they don't speak down to you. They treat you how you would treat your own customers."

Scan this code to watch a video about this case study on our YouTube channel

Sage One

Sage One is our cloud accounting and payroll product for start-up and small businesses. It makes bookkeeping and payroll simple and easy, allowing our customers to concentrate on building successful businesses. We also have an edition for accountants, which lets them access and edit their clients' books and records in the cloud.

22,400

Sage One paying subscriptions globally at 30 September 2013

Sage Payment Solutions

Reducing processing times and the risk of error, and providing greater control with integrated payments.

Electronics Inc. – Mishawaka, Indiana, USA

Electronics Inc. is a global industrial electronic equipment manufacturing company that primarily serves automotive, medical and aerospace businesses. They have used Sage 100 Standard ERP since 2004.

Electronics Inc. realised that their system of entering credit card orders into a standalone point of sale terminal wasn't working. "There wasn't a system of good checks and balances in the process," explains Kara Schmucker, Treasurer, "Too many people were using the system, and I had concerns that money was falling through the cracks. I saw evidence of this in the bank reconciliations, which weren't balancing, because some transactions weren't being entered into Sage 100."

Integrating Sage Virtual Terminal with Sage 100 helped Electronics Inc. to reduce errors, gain better visibility over receipts, exercise greater control of the payments process and improve security.

"Once we had the system up and running, it worked really well and satisfied all my goals. I would highly recommend Sage's integrated payments solution to businesses using Sage 100."

Sage Payment Solutions

- Sage Payment Solutions is our North American payments business, which provides e-commerce, card-holder present and merchant acquirer services;
- Sage Virtual Terminal is just one of the ways our customers can take payments electronically and seamlessly integrate transaction data into their accounting system;
- All of our payments solutions are robust, secure, reliable and are accessible 24/7; and
- Our online Sage Exchange platform consolidates all payment activity into one place, giving our customers a complete picture of the cash they're collecting in real time.

13,800

Integrated payments customers globally at 30 September 2013

20%

Increase in global integrated payments underlying revenue this year

Sage ERP X3

Combining cloud-based connected applications with the power of Sage ERP X3 to make smarter, more informed business decisions.

Universal Paper and Plastics, Johannesburg, South Africa

Universal Paper and Plastics is a nationwide supplier of printed napkins, bathroom tissue, kitchen towels and related products. They turned to Sage ERP X3 for their core ERP needs, but wanted greater inventory management capability to help improve forecasting.

"We supply over 400 stock keeping units to chain stores around the country," explains David Sher, GM of Universal Paper and Plastics, "We maintain a 48 to 72-hour lead time for orders, so it is critical that we have stock where we need it, when we need it. Before Sage ERP X3, everything was done manually. We had Excel spreadsheets and sales reports pulled from old systems which we would manually analyse and forecast three to six months ahead."

Universal Paper and Plastics was recommended Sage Inventory Advisor, which is a cloud-based service available via an internet browser and mobile application, by their business partner.

"The module gathers historic data from Sage ERP X3 and uses it to model expected inventory behaviour, identifying potential shortfalls ahead of time and reducing overstocking and waste."

"On its own it is more of a visual tool. We do all our work in Sage ERP X3, and if we need to know how much stock we'll need for the next three months, Sage ERP X3 projects that based on figures from Sage Inventory Advisor. Planning production on Sage ERP X3 has saved us a lot of time, and we're much more accurate."

Sage ERP X3

- Sage ERP X3 is our global ERP solution for the mid-market and is a key part of our technology strategy. It is a sophisticated solution for businesses that need to manage a range of functions, including manufacturing, purchasing, inventory, sales, warehousing, CRM and finance.

12%

Growth in global Sage ERP X3 underlying revenue this year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Financial drivers

We monitor our financial performance against a number of different benchmarks. These are set in agreement with the Board and used to evaluate progress against our strategy.

Read the Financial and operating review starting on page 30 for more information on our financial performance.

Financial performance

Our financial performance KPIs help us to monitor our progress towards our 2015 growth target of 6% organic revenue growth and a 1% to 2% improvement in EBITA margin.

Link to strategy	KPI description	2013	2012	Change
	Organic revenue growth Organic revenue neutralises the impact of foreign exchange in prior year figures and excludes the contribution of current and prior year acquisitions and disposals.	4%	2%	2%
	Underlying basic EPS growth Underlying basic EPS is defined as underlying profit divided by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares. Underlying profit is defined as profit attributable to owners of the parent excluding amortisation of acquired intangible assets, acquisition-related items, goodwill impairment, fair value adjustments, exceptional items and imputed interest. All of these adjustments are net of tax. The impact of foreign exchange is neutralised in prior year figures.	12%	(2%)	14%
	EBITA margin Underlying operating profit ("EBITA") excludes amortisation of acquired intangible assets, acquisition-related items, goodwill impairment, fair value adjustments and exceptional items. The impact of foreign exchange is neutralised in prior year figures. EBITA is divided into underlying revenue to derive EBITA margin.	27%	27%	–
	Underlying cash conversion Underlying cash conversion is calculated as cash flows from operating activities, adjusted for cash acquisition in related items and cash exceptional items of £1.9m (2012: £nil), divided by underlying operating profit ("EBITA").	112%	106%	6%

Financial strength and capital discipline

Our financial strength and capital discipline KPIs are used to monitor our gearing and interest cover levels. In December 2011, we set ourselves a gearing target of a net debt level equal to 1x our EBITDA. In June 2013, we achieved this objective following a capital allocation plan that comprised a share buyback programme, a re-basing of our ordinary dividend, a number of completed acquisitions and a £198.7m special dividend.

Link to strategy	KPI description	2013	2012	Change
	Net debt leverage The net value of cash less borrowings expressed as a multiple of EBITDA. EBITDA is defined as earnings before interest, tax, depreciation, amortisation of acquired intangible assets, acquisition-related items, goodwill impairment, fair value adjustments and exceptional items.	1.0:1	0.4:1	0.6
	Interest cover Operating profit for the year excluding exceptional items, expressed as a multiple of finance costs excluding imputed interest for the same year.	24.1x	32.5x	(9.1x)

Strategic drivers

The measurement of progress in delivering our strategy is important and we have developed a number of KPIs to measure performance.

Turn to the CEO's review starting on page 26 to read about our strategic progress this year.

Growth cornerstones

Our strategy for accelerating growth comprises three cornerstones: Focusing our business; Capturing the technology opportunity; and The benefits of subscription. Under Focusing our business, we track how much of our investment we have redirected towards products with the highest potential. Under Capturing the technology opportunity, we monitor the pace of adoption of our key technology products through customer numbers and revenue growth. Under The benefits of subscription, we track the progress of our move to subscription through the annualised value of revenue we receive from customers with whom we have a subscription relationship.

Link to strategy	KPI description	**2013**	2012	Change
1	**Research and development ("R&D") and sales and marketing ("S&M") spend by category** Resource optimisation is captured by reporting on the resource allocation in our business. R&D and S&M spend in the year is divided into three categories of product – Invest:Harvest:Sunset. Our strategy is to focus our investment towards the Invest products in our portfolio.	**R&D reallocation** 50:43:07	35:53:12	15:(10):(5)
		S&M reallocation 49:46:05	42:49:09	7:(3):(4)
2	**Adoption of Sage One** The number of paying subscriptions at the end of the year for Sage One Cashbook, Sage One Accounts, Sage One Payroll and Sage One Accountant Edition.	22,400	6,190*	16,210
2	**Adoption of hybrid cloud** The number of paying subscriptions at the end of the year for hybrid cloud products.	750	115	635
2	**Sage ERP X3 underlying revenue growth** The percentage increase in underlying revenue derived from Sage ERP X3 in the year compared to the prior year. The impact of foreign exchange is neutralised in prior year figures.	12%	5%	7%
2	**Integration of payments** The number of customers at the end of the year who are using a Sage core accounting system, a Sage payments solution, and the integration of the two is provided or owned by Sage.	13,800	9,700	4,100
3	**Organic annualised value of the subscriber base** The amount of organic software subscription revenue recorded in the last month of the year multiplied by 12.	£108m	£85m	27%

Customers

Satisfied customers are incredibly important, and measuring how many of them choose to maintain their support, payments or subscription relationship with us each year is an effective way of determining whether we are meeting their needs.

	Contract renewal rate The number of contracts successfully renewed in the year as a percentage of those that were due for renewal.	82%	81%	1%

Note:

* The 2012 Annual Report & Accounts disclosed Sage One paying customers of 6,100. This year we are reporting the number of paying subscriptions.

Managing risk sensibly is a key element of achieving our strategic objectives and maintaining high-quality services to our customers

Our risk management strategy is designed to support the successful running of the business and provide assurance to the Board by identifying and managing risks to an acceptable level.

We have reviewed our strategic plans to identify potential high-level risks that may impact our ability to achieve our strategic objectives. Principal risks and uncertainties have been updated to reflect the current status of our strategic delivery, with previously reported risks being split into component parts to give greater visibility on our mitigation plans and provide a clearer link to our strategy. Other lower-level risks are analysed and mitigated via risk management processes that are embedded in the day-to-day running of the business.

To read more about internal control and risk management, turn to page 67

Risk	Potential impact	Principal mitigations
Technology transformation There is a risk that we do not successfully transform our business in relation to technology initiatives by failing to achieve targets and milestones, and meet our strategic timetable.	– We do not meet market expectations or compete effectively with rival providers; – Negative impact on future revenue and damage to future growth potential; – Loss of existing customers and inability to attract new customers; and – Negative reputational impact.	– Individual initiatives are monitored by the Group Executive Committee and Group Project Management Office ("PMO"). Targets, milestones and timelines are tracked and progress is regularly reported and reviewed; – Strategic opportunities are regularly reviewed by the Group Board; and – The Technology Advisory Group reviews specific key technology initiatives on a regular basis.
Online solutions There is a risk that we do not provide highly-available and secure online solutions.	– Negative reputational impact; – Data breach, corruption, or loss, leading to potential regulatory penalties or financial loss; – Negative impact on current and future revenue and damage to future growth potential; and – Loss of existing customers and inability to attract new customers.	– Detailed product and services release and quality control procedures; – Thorough quality assurance processes and initiatives relating to the level of service provided to customers; – Detailed framework to control the risks associated with the provision of online services and the protection of data; and – Ongoing monitoring of availability and security incidents for online solutions.
Resource allocation There is a risk that we do not appropriately allocate resources to key priorities and do not balance short-term delivery needs with long-term business objectives.	– Short-term financial results, including budgets and KPIs, are not achieved; and – Strategic initiatives are not completed and our potential is not realised.	– Detailed business planning and budget processes to allocate resource and review results on a regular basis.
Pricing initiatives There is a risk that we do not complete the pricing initiatives to deliver expected benefits within the agreed timescales.	– Negative impact on future growth potential; and – Strategic initiatives are not completed and our potential is not realised.	– Individual initiatives are monitored by the Group Executive Committee and Group PMO. Targets, milestones and timelines are tracked and progress is regularly reported and reviewed; and – Recruitment of pricing strategists throughout the Group.
Regulatory and compliance failure There is a risk that we suffer a significant compliance or regulatory failure, or that we do not have appropriate governance, decision making, or delegation of authorities in place.	– Negative reputational impact; – Data breach, corruption, or loss leading to potential regulatory penalties or financial loss; – Impact on current and future revenues and damage to future growth potential; – Loss of existing customers and inability to attract new customers; and – Loss of shareholder confidence.	– Group-wide compliance programme which seeks to ensure that all local, national and international regulatory and compliance requirements are identified and complied with.
Traditional products There is a risk that we suffer a major quality issue with a significant traditional, on-premise product.	– Negative reputational impact; – Impact on current and future revenues and damage to future growth potential; and – Loss of existing customers and inability to attract new customers.	– Detailed product and services release and quality control procedures; and – Thorough quality assurance processes and initiatives relating to the level of service provided to customers.
Source code and intellectual property There is a risk that we do not appropriately protect our source code and intellectual property.	– Unauthorised copies of our software, leading to loss of revenue and/or customers; – Negative reputational impact; and – Impact on current and future revenues and damage to future growth potential.	– Continual policing of unauthorised use of our products; – Secure storage and protection of source code and intellectual property throughout the Group; and – Reliance on laws and regulations.
Change management With new business priorities, there are risks associated with the change management impact on employees, systems and the alignment of talent with prioritised business areas.	– Loss of talent and resources key to successful strategic delivery; – Inability to operate effectively and maintain a competitive edge; and – Loss of sensitive information and knowledge.	– Change management programme, including talent review and systems requirements review; and – Key man dependency and succession planning processes.

It's our people who drive our results. It's our people who show, time and time again, their incredible dedication to delivering an extraordinary customer experience. As we continue to execute our global strategy our focus is to leverage and develop talent across our whole organisation

Our guiding principles drive our culture – they shape how we think, plan, behave and make decisions. Staying true to them enables us to serve our customers and continue our success.

Simplicity
Maintaining simplicity in a complex world is challenging, but we believe it is vital to work in an organisation where things are clear, easy to understand and direct. We believe it creates an environment that is more relaxed and which frees people to perform to their potential.

Trust
By using Sage products our customers are committing to us, so they must be able to trust us to deliver. Our customers need to know we are on their side, providing tailored products and services that meet their needs and offering expert advice and support to help them run their businesses.

Integrity
Whether we are providing software products to our customers or giving them business advice and support, integrity is central to maintaining our credibility. It is about delivering on our promises, being reliable and maintaining the highest of standards. That is how we build trust and loyalty with our customers.

Innovation
We're always looking at new ways to improve the customer experience. From product innovation to how we work together, creativity can make all the difference. That's why we encourage our teams to explore innovative ideas, because our future success depends on it.

Agility
Business is fast-paced and ever changing, so when customers need us we have to respond quickly and efficiently. However, being reactive isn't enough. We believe in a more proactive approach, which requires us to anticipate and interpret our customers' needs so that we're ready to meet them. Having the agility to find relevant, effective solutions and deliver them at the right time is what sets us apart.

Transforming the way we work

Our global strategy is exciting and we want our people to feel truly inspired by the important part they have to play in bringing it to life.

We also recognise the importance of supporting them through the organisational changes that our strategy demands. Each region has introduced a phased and targeted change programme including coaching and skill-building programmes, global brand immersion workshops, change champions and business-wide road shows. Regional CEOs and their leadership teams have relished the opportunity to personally share our vision and progress with their people and to hear their responses first-hand.

A particular highlight has been the North American Sage Confidence Tour, which visited seven Sage offices across North America during July and August 2013. The purpose was to further engage employees with our global strategy and help them understand the skills and behaviours we need to deliver on our plans. Activities included personalised talks from local leaders, "shop local" contests to promote our customers, and team games designed to push our people out of their comfort zones.

In addition, we have continued to build on some of the processes already in place. We have refreshed our induction programmes and redesigned intranet systems to facilitate greater global collaboration. In many business areas we have launched improved performance management frameworks to ensure our people's personal objectives are clearly aligned to our business strategy. This also allows us to more closely align our performance measures to the way we reward our people. We'll continue to listen to them so that we can improve and embed these processes during 2014.

Equipping our people for change

Our people are at the centre of our ability to continuously deliver an extraordinary customer experience. Ensuring our people are equipped with the relevant skills and training is a key focus for us.

In many regions we've invested heavily in bespoke learning and development support for our people: we've established a Development Academy in Switzerland to highlight career paths for potential future leaders; introduced extensive online training resources in Spain and North America; developed youth training programmes in France, Spain, and the UK & Ireland; and helped people in our European mid-market business develop their English language skills. In South Africa we have introduced a regional on-boarding programme to engage employees in the re-branding from Softline to Sage.

We have continued to invest in global mobility with over 30 key moves in 2013 to deploy talent around the globe. We've seen a number of notable success stories, including the secondment to Europe and North America of two of our research and development leaders working on hybrid cloud solutions.

To enable stronger tracking and delivery of projects, we've established clear project management frameworks, including a Europe-wide project governance model and customised training programme.

Employees	Europe	Americas	AAMEA	Group and central operations	**Total**
2013	6,909	3,546	2,006	299	**12,760**
2012	7,593	3,695	1,929	292	**13,509**

Leading the way with confidence

In 2013 we continued on our journey to create a more common culture across Sage that has inner confidence at its heart. We believe this work will help our people support our customers with conviction and also help us attract new talent.

Our RV visited seven Sage offices in North America to talk to our customers as part of our Confidence Tour.

Our leaders are a major influence on the confidence of everyone at Sage. To help our leaders become more effective we have defined a clear and unique framework for leadership behaviours, known as The Confident Leader, against which each leader is measured with respect to their long-term capability and their short-term performance and reward. This was launched through a series of global and regional workshops and events. We have also established a single consistent performance management process for our leaders, and invested in global training and technical support.

To facilitate truly global succession planning, we have implemented a rigorous talent review process for our leadership population. This led to meaningful career and development planning discussions with over 270 leaders and 15% of our top leadership taking on wider international responsibilities.

Recognising our people

We continue to gain recognition for the great work our people do:

- Our South African business won Best Helpdesk at the 2013 World Contact Centre Best Practices Conference and Awards, and they came first for the second year running in Deloitte's Best Company to Work For survey in the Business and Professional Services category;
- In Spain, we won Ruban d'Honneur: Employer of the year at the European Business Awards 2012/13, and were awarded the Madrid Excelente Award for Customer Confidence by the Madrid Regional Government;
- We won European Call Centre and Customer Service Large Contact Centre of the Year; and
- In North America, Sage Advisor won a Customer Experience Innovation Award at the Customer Experience Professional Association 2013.

Diversity

We're committed to treating everyone at Sage with dignity and respect. Our policies and practices emphasise the importance of treating individuals in a non-discriminatory manner across the full employment life cycle, including hiring, reward, development, promotions, mobility and departure. Training is provided to those making decisions on these factors so that no individual is disadvantaged and to prevent discrimination on the grounds of gender, religion, belief, race, creed, age, disability, sexual orientation, ethnic origin, or marital status. In many of our operating companies we have guidelines to help our businesses meet Group requirements and to manage diversity within the context of different national legislation and cultures. At Sage we are proud of the various initiatives taking place globally relating to gender, age, disadvantaged backgrounds, disabilities, ill health and ethnic minorities. These include internships, apprenticeships, disability awards and targets, training events and schemes to support ethnic minorities and those with disadvantaged backgrounds.

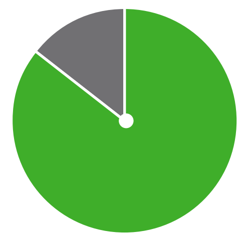
Gender

At Sage we value the aims and objectives of The Davies Report on Women on Boards. In considering appointments to the Board and to senior executive positions, it is our policy to evaluate the skills, experience and knowledge required by a particular role with due regard for the benefit of diversity on the Board and at senior management level and make an appointment accordingly. Until Jo Harlow stepped down we had 25% female representation at Board level. Our top leadership population is 24% female, and this proportion is higher within the majority of our core operating companies. 46% of our total workforce profile is female.

Examples of some local gender-specific initiatives include Spain's Equality Plan and the UKI's Enterprise for Women network aimed at supporting and encouraging career development of women through networking events and workshops.

Sage Day is an annual event where our people support local communities and charities.

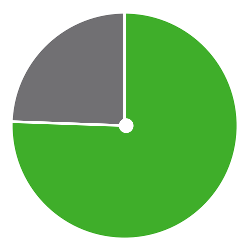
Board diversity



	2013	2012
Men	6	5
Women	1	2
% men	86%	71%
% women	14%	29%

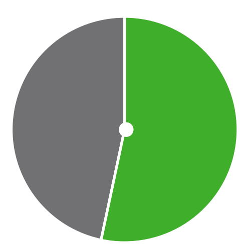
Turn to page 60 to read about changes to the Board during the year

Top leadership diversity



	2013	2012
Men	84	75
Women	27	24
% men	76%	76%
% women	24%	24%

Total workforce diversity



	2013	2012
Men	6,830	7,295
Women	5,930	6,214
% men	54%	54%
% women	46%	46%

Our Corporate responsibility ("CR") activities offer Sage the opportunity to be a good corporate citizen and also to support our global vision

Our CR policy

Our global CR policy focuses on four key areas where we believe we can make the most difference. For three of these – Industry, Environment and People – we have established a global framework for our operating companies to work within, allowing them flexibility over which area to invest in according to what will have the most meaning and impact locally. Whilst local legal standards apply as an absolute minimum, we aim to achieve good practice in our local markets and share this across the Group. The fourth area – Community – is entirely locally driven, allowing our people to support causes close to them and to become involved in their communities.

Sage has been independently assessed against the FTSE4Good criteria and satisfied the requirements to become a constituent of the FTSE4Good Index Series, which is an equity index designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

Industry

We aim to leverage the unique relationships that we have with our customers across the globe to continue to understand and support the issues and challenges that they face.

Environment

We continue to analyse our impact on our environment. We remain committed to reducing our energy consumption and related emissions where possible, as well as reducing our wider impacts such as resource use and waste to landfill.

People

Given the nature of our business and our geographical spread we have not included information specifically about human rights issues in this report. We have a Code of Ethics available at www.sage.com which recognises the importance of treating all of our employees fairly, covering issues such as responsible employment, diversity and equal opportunities. This is an effective way of communicating, at a high level, the principles which should be applied in the conduct of our business. Further information regarding our people is available in this report on pages 48 to 51.

Community

Our local communities are important to us. We support a number of charities and community organisations worldwide in order to make a positive impact on the communities where we have a presence.

Board reporting

Our CR policy has been endorsed by our Board who are updated on CR risks and opportunities by the Company Secretary.

Ethics

We are committed to conducting business in an honest and ethical manner. We act according to our Code of Ethics, which is integral to us and sets out a range of principles we adhere to. In particular, we do not tolerate bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. We enforce effective systems and processes to counter bribery and corruption and we continue to forge new ways employees can anonymously report any concerns about these.

As a UK company, The Sage Group plc is bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct both at home and abroad. In addition, we will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate.

As well as ensuring our own conduct is appropriate, we have also put in place procedures to prevent bribery being committed on our behalf by any associated persons, i.e. anyone that performs services for us on our behalf, such as subsidiaries and third parties we work with. Our leaders sign a declaration relating to the Code of Ethics to make sure any additional business commitments or client and supplier relationships they may have are clear and transparent.

Data protection

Data security and privacy are taken extremely seriously at Sage. Customer data is handled sensitively, with respect, and in a way that complies, as a minimum, with the requirements of Data Protection laws in the countries in which we operate and, where appropriate, regional legislation. We also work with local legislative bodies and data protection agencies and continuously look to strengthen our systems and procedures.

Cycling 750 miles to Paris and Alpe d'Huez raises thousands for charity.

We pride ourselves on really understanding our customers, both their common needs as well as their unique requirements, and we look to deploy that empathy and insight in our CR activities

Understanding the issues small and medium sized businesses face

Having a clear understanding of the challenges and opportunities our customers face is a vital part of ensuring we deliver software and services that meet these needs and ambitions. Beyond the over 35,000 customer conversations we have each day, we conduct regular research surveys, locally and globally, to ensure we have as much insight and information as we can.

Our global Sage Business Index is one of the largest surveys of small and medium sized businesses in the world. It polls over 11,700 businesses across 17 countries and provides a comprehensive study of business confidence and the pressures faced by decision makers within companies around the world.

For more information on The Sage Business Index go to businessindex.sage.com.

We also replicate this kind of effort face to face in local markets. For instance, during the Sage Listens 2013 RV Relay Tour in North America, Sage executives travelled more than 6,300 miles over 50 days, visiting 17 cities. They personally met and spoke in detail with more than 75 customers to listen and gain insights into the issues and opportunities they face with a view to improving how we can support them in future.

Supporting local businesses and organisations

Helping non-profit organisations with business software is an important part of what we do in the CR agenda. In North America, Sage has continued a partnership with TechSoup, an organisation that provides free business software to non-profit organisations. Since 2008 Sage North America has supported nearly 2,000 organisations with software valued at US$1.3m. This year we donated software to over 250 non-profit organisations.

Our vision of being the most valuable supporter of small and medium sized companies by creating greater freedom for them to succeed extends further than giving our customers the right technology. It also means helping them understand and navigate through the business challenges they face. In the UK, Sage launched a "Love your accountant" campaign and teamed up with Yahoo! Finance to launch a small business hub. Both are focused on providing original content on news, advice and practical tips that will help small businesses understand the issues they face every day – from navigating the complexities of VAT, to working with mentors and their accountants.

Developing the entrepreneurs of tomorrow

We believe passionately in the value of developing future talent, both within Sage and in the wider business community.

We work with a number of organisations to help nurture the entrepreneurs of tomorrow, such as Young Enterprise in the UK, its affiliate Junior Achievement in North America, and Ashoka in Germany and France. All of these organisations are involved in social entrepreneurship. They equip the workforce of the future with the skills they will need to succeed through, for example, the provision of entrepreneurship education programmes.

Our support includes sponsorship of the Financial Management in Business Award at the Junior Achievement Young Enterprise Europe, Company of the Year Competition, and donations as a result of a global Sage Day competition in which our employees selected Ashoka and Junior Achievement as recipients of the money raised. Through our Sage Cares programme, employees from all of our North American offices partnered with Junior Achievement in a variety of activities, which included hosting Job Shadow days, attending Career Fairs and providing job readiness training as part of school education days. In total, nearly 1,400 students benefited from this activity.

In South Africa we have continued our long-standing relationship with the Life College, a non-profit organisation that develops entrepreneurship in students across the country. We also sponsor The Life College Xchange annual competition in which students pitch business ideas to established business leaders in South Africa. The winners are awarded funding to start their new business. Sage South Africa also supports Enactus, a global non-profit organisation which targets students in tertiary education to make a meaningful contribution towards developing entrepreneurs and business leaders.

In Portugal we support Energia de Portugal, which helps entrepreneurs set up companies and demystifies the difficulties inherent in the process of launching a business. At its annual event, the CEO of Sage Portugal spoke about his experiences in business.

Sage provides work experience opportunities to young people.

Environment

We aim to reduce the energy our business uses and make the most of recycling opportunities. We comply with local laws as a minimum standard and Sage continues to take part in the global Carbon Disclosure Project

Greenhouse gas emission

This section includes our mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("the Regulations"). We include this reporting data here in order to provide a complete Corporate Responsibility picture.

Reporting year

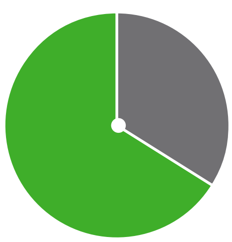
Our reporting year is the same as our fiscal year, being 1 October 2012 to 30 September 2013. This greenhouse gas reporting year has been established to align with our financial reporting year.

Global greenhouse gas emissions data

For period 1 October 2012 to 30 September 2013

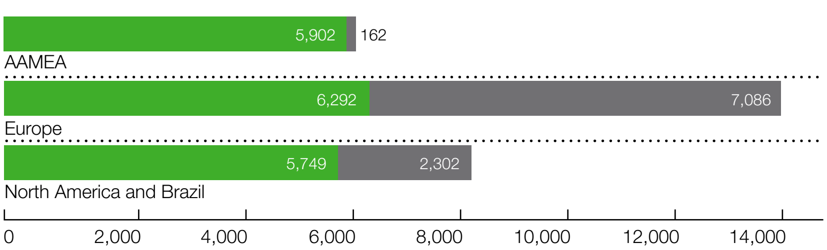
Emissions from:	Tonnes of CO_2e
Combustion of fuel and operation of facilities	9,550
Electricity, heat, steam and cooling purchased for own use	17,943
Company's chosen intensity measurement:	
– Emissions reported above normalised to tonnes of CO_2e per total GBP1,000,000 revenue	19.98

Total CO_2e by emission type



■ Electricity, heat, steam and cooling purchased for own use	65%
■ Combustion of fuel and operation of facilities	35%

Sum of CO_2e (tonnes)



■ Electricity, heat, steam and cooling purchased for own use

■ Combustion of fuel and operation of facilities

Organisation boundary and responsibility

We report our emissions data using an operational control approach to define our organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which we are responsible.

We have reported on all material emission sources which we deem ourselves to be responsible for. These sources align with our operational control and financial control boundaries. We do not have responsibility for any emission sources that are beyond the boundary of our operational control. For example, business travel other than by car (including, for example, commercial flights) are not within our operational control and, therefore, are not considered to be our responsibility.

Methodology

The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food and Rural Affairs ("DEFRA"). We have also utilised DEFRA's 2013 conversion factors within our reporting methodology. In some cases we have extrapolated total emissions by utilising available information from part of a reporting period and extending it to apply to the full reporting year. For example, this has occurred where supplier invoices for the full reporting year were not available prior to the publication of this report. For further details, our methodology document can be found at www.sage.com.

Scope of reported emissions

Emissions data has been reported for our operations in Australia, Austria, Brazil, France, Germany, Ireland, Malaysia, Morocco, North America, Poland, Portugal, Singapore, South Africa, Spain, Switzerland and the UK.

Given the short time between the passing of the Regulations and the preparation of this report it has not been possible to report on all emissions. We are, however, putting procedures in place to enable us to report on a wider range of emissions in the next reporting year. The emissions that have not been included in this year's report relate to building usage and business travel in our operations in Belgium, where energy usage is not itemised on invoices. We have also not included emissions relating to refrigerant gas usage for our operations in Austria, Australia, XRT Brazil, Morocco, Poland and Singapore, as this data has not been gathered during the reporting year. However, we are in the process of training relevant staff to capture such data for future reporting.

In respect of those countries where we have very limited operations, being India (where we have fewer than 10 employees) and the United Arab Emirates (where we have fewer than 20 employees), we have undertaken a materiality assessment and consider that the related emissions are not material. Emissions from these operations are, therefore, excluded from our reported emissions.

Intensity ratio

In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used revenue as our intensity ratio as this is the most relevant indication of our growth and provides for the best comparative measure over time.

Baseline for 2013 targets

The current year data forms the baseline data for subsequent periods. Although the Group has previously reported on emissions, it is not appropriate to use these reports as baseline years due to differing methodologies applied.

Carbon Disclosure Project

We once again took part in this project during the year under review by reporting on our gas (Scope 1) and electricity (Scope 2) emissions for the financial year ended 30 September 2012. However, our emissions reporting for the purposes of this Annual Report & Accounts provides broader emissions information and is based on a different methodology. Therefore, no comparatives to prior year for gas and electricity emissions for the year under review are included here.

Reducing carbon and waste

We have made a concerted effort to reduce our carbon footprint. For example, across our business we have fitted telepresence communication units as part of a project to reduce travel. The promotion of recycling bins continues, along with the installation of LED lights in many of our offices as they use around 75% less energy. Some offices have implemented new printing systems, enabling us to monitor and reduce the use of paper and inks.

We now provide many of our software and services via the web rather than CDs or printed guides. For example, our online Auto Update Service deals with approximately one million update checks per business day. Our internal systems and communications are increasingly paperless, whether it is through electronic payslips or online document sharing and employee social networking via our global internal collaboration platform.

Community

Our involvement in local communities is about more than business, so we empower our operating companies to set their own targets and goals because they know best what will really make a difference locally

Giving our time to help charities

We have a long history of actively supporting a number of charities and community organisations, with our people taking the opportunity to dedicate some of their time to the local causes that matter to them. This year in North America 190 employees utilised their volunteer day through our Employee Volunteer Day Benefit programme, which provides employees with a day off to volunteer for a local charity. Similarly, our UK business offers all our employees two days per year to volunteer, which resulted in nearly 4,000 hours given to community volunteering and charitable events this year. This included over 1,000 hours supporting almost 250 children as part of the Right to Read literacy programme. As it does every year, Sage UK opened its call centre to take calls for Comic Relief 2013, with our people volunteering to process donations.

Every year in July, Sage celebrates Sage Day, when our employees have the opportunity to get involved in local communities and charity work together. As well as the global Sage Day activity to support Ashoka and Junior Achievement, there was widespread local activity.

In South Africa, Sage Day coincided with Mandela Day, a national day of celebration in recognition of Nelson Mandela's 67 years of dedication to South Africa. To honour both events our people in South Africa, in partnership with Afrika Tikkun – a long-standing beneficiary of Sage South Africa's support – volunteered at the Diepsloot community centre, an informal settlement located close to Sage South Africa's head office. Afrika Tikkun is a well-established non-governmental organisation and works in six of the most impoverished communities in South Africa to fulfil their mission of uplifting and empowering disadvantaged orphans and vulnerable children.

In the UK, 56 Sage employees took part in three charity bike rides as part of Sage Day (Coast to Coast, London to Paris and London to Alpe d'Huez) to raise funds for Sage UK's chosen charity, Cancer Research UK, raising £53,000. Overall donations to Cancer Research UK during our seven-year partnership with them have now reached £615,000.

For us, helping charities is not just about raising funds. Sometimes a donation in kind can make a huge difference. For example, our people in Spain donated 450 kilos of food to the National Food Bank, an extremely significant resource for many Spanish families at this difficult time. Our employees in North America have donated a total of 3,480 items including food, toys and clothes to various charities.

Investing in young people

Sage South Africa has a long-standing joint initiative with the South African Institute of Chartered Accountants ("SAICA"), known as The National SAICA-Sage Pastel Accounting Olympiad. The programme aims to address the imbalance of racial representation within the accounting profession and equip African learners with financial literacy skills. The winner of the Olympiad is awarded a full bursary to further education in accountancy.

In Spain, we have been working with the Create Foundation to help deliver workshops where students are encouraged to embrace their creativity, innovation and entrepreneurialism. In the UK, Sage launched an apprentice scheme for 12 apprentices to join Sage, all of whom are still with the business, as well as a formal work experience programme for local senior school students.

Every year we're amazed at how much effort our people put into supporting our local communities.

Our 2013 Strategic report, from page 2 to page 57, has been reviewed and approved by the Board of directors on 4 December 2013.

Guy Berruyer, Chief Executive

Chairman's introduction to Corporate Governance

The Board of the Company is committed to ensuring that it provides effective leadership and promotes uncompromising ethical standards. One of the ways in which the Board achieves this is by requiring that good governance principles and practices are adhered to throughout the Company. The Board determined that the following is a helpful summary of its role:

Good corporate governance is about helping to run the Company well.

It involves ensuring that an effective internal framework of systems and controls is put in place which clearly defines authority and accountability and promotes success whilst permitting the management of risk to appropriate levels. It involves the exercise of judgement as to the definitions of success, the appropriateness of risk and the levels of delegation to the executive. The exercise of this judgement is the responsibility of the Board and involves consideration of processes and assumptions as well as outcomes.

It also involves the creation of a sensitive interface for the views of shareholders and other stakeholders to be given appropriate consideration when reaching these judgements.

The executive team is required to provide such information to the Board as the Board needs to enable it to exercise its judgement over these matters.

There is a very fine distinction between the approval of processes and their definition. Wherever possible it is the role of the Board to approve process rather than initiate or define it. Only exceptionally would the Board intervene to initiate or define.

The Board also sets the tone for the Company. The way in which it conducts itself, its attitude to ethical matters, its definitions of success and the assessment of appropriate risk, all define the atmosphere within which the executive team works.

Good corporate governance is not about adhering to codes of practice (although adherence may constitute a part of the evidence of good governance) but rather about the exercise of a mindset to do what is right.

One of the challenges facing any Board is the way in which the non-executive and the executive directors interact. It is clear that they each have the same legal responsibility but it is generally unrealistic to expect executive directors to speak individually with the same freedom as the non-executive directors. Equally, executive directors who just "toe the executive line" in contradiction to their own views may not be effectively contributing to good governance. A well-functioning Board needs to find the right balance between hearing the collective executive view and being aware of the natural internal tensions in an executive team.

One of the consequences of both increasing the watchdog role of the Board and finding this balance between individuality and team behaviour is driving more and more Boards to have fewer and fewer executive directors. In our circumstances as a holding company for a number of businesses, the reduced Board size works effectively and an appropriate balance is struck. Notwithstanding the tensions created by many external expectations, which may be wholly or in part unrealistic, a successful Board should, ideally, be composed of a group of respected, experienced, like-minded but diverse people who coalesce around a common purpose of promoting the long-term success of the Company, provide a unified vision of the definitions of success and appropriate risk, endeavour to support management (i.e. those who honestly criticise at times but encourage all the time) and who create confidence in all stakeholders in the integrity of the business.

A Board meeting should feel like a meeting at which everyone is participating to solve problems together. Above all, all participants should be able to say after a Board meeting that value has been added as a result of the meeting taking place. This added value will come in many forms: challenge, advice, clarity, imagination, support, sharing of problems, or creating strategic intent. The list is not exhaustive.

Board membership is for 365 days of the year. Board responsibilities do not start and end with formal meetings. Board members, on the Company's and their own initiative, should endeavour to engage outside of meetings to bring their experience to the assistance of the executive team whenever possible.

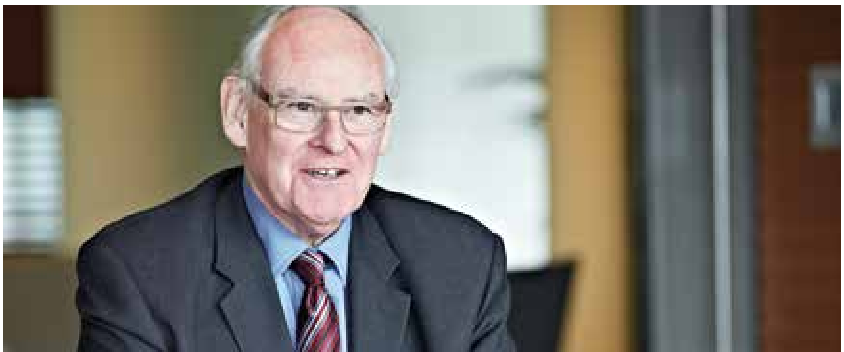
Above all there should be a sense of value added from the engagement of the Board members in all their interaction with the Company, formal or otherwise.

To enhance its performance and effectiveness, the Board sets itself explicit objectives, which are separate from objectives set for the Company and for the Chief Executive, following the outcome of the Board appraisal process for the prior year. In relation to the objectives for the year ended 30 September 2013, the Board has regularly monitored its performance against these and has found this process adds value.

Donald Brydon CBE, Chairman

Committed to the highest standards

The Board of Sage provides leadership to the business as a whole, having regard to the interests and views of its shareholders and other stakeholders.



Donald Brydon CBE, Chairman

Guy Berruyer, Chief Executive

Neil Berkett

Jonathan Howell

Ruth Markland

Non-executive **Executive**

Biographies are on page 60

The Board

Donald Brydon CBE
Chairman
Nomination Committee – Chairman, Remuneration Committee

Donald joined the Board in July 2012 and became Chairman on 1 September 2012. He is also Chairman of Royal Mail plc and the Medical Research Council and was, until 19 November 2013, Chairman of Smiths Group plc. Donald had a 20-year career with Barclays Group, during which time he was Chairman and Chief Executive of BZW Investment Management and acting Chief Executive of BZW followed by 15 years with the AXA Group, including holding the posts of Chairman and Chief Executive of AXA Investment Managers and Chairman of AXA Framlington. He has also recently chaired the London Metal Exchange, Amersham plc, Taylor Nelson Sofres plc and the ifs School of Finance and is a past Chairman of EveryChild. He has also served as Senior Independent Director of Allied Domecq plc and Scottish Power plc.

Guy Berruyer
Chief Executive

Guy was appointed Chief Executive in October 2010. His responsibilities include formulation of strategy and running of the Group, managing the overall performance of the Group, concentrating on revenue and profitability as well as capital expenditure. Guy also identifies acquisitions and monitors competitive forces, as well as ensuring an effective and motivated leadership team. Guy joined Sage in 1997 to run its French operation and was then appointed to the Board in January 2000 as Chief Executive for the Mainland Europe business. In 2005 he also took charge of Sage's Asian operations before his promotion to Chief Executive, which was announced in July 2010. Prior to Sage, Guy was Country Manager and then European Managing Director for US software company Intuit. Before this he held senior positions at French hardware company Groupe Bull, where he was a Director of Marketing, and at Claris, as Southern European General Manager. Guy is also a Non-executive Director of Meggitt plc, a leading international company specialising in high-performance components and sub-systems for the aerospace, defence and energy markets.

Neil Berkett
Independent Non-executive Director
Audit Committee, Nomination Committee, Remuneration Committee

Neil joined the Board on 5 July 2013. He is also Chairman of the Guardian Media Group, a Non-executive Director of Bank of Queensland Ltd and member of the Board of Trustees of the NSPCC. He has over 25 years' experience in a wide range of highly-competitive consumer industries. Most recently, he was Chief Executive of Virgin Media Group from March 2008 to June 2013, having joined ntl, Virgin Media's predecessor, as Chief Operating Officer in September 2005. Before ntl, he was Managing Director, Distribution, at Lloyds TSB plc (UK). His previous roles include Chief Operating Officer at Prudential Assurance Company Ltd UK, Head of Retail at St George Bank, Senior General Manager at the Australian division of Citibank Limited, Chief Executive at Eastwest Airlines Australia and Financial Controller at ICL Australia.

Jonathan Howell
Independent Non-executive Director
Audit Committee – Chairman, Nomination Committee, Remuneration Committee

Jonathan joined the Board on 15 May 2013 and became Chairman of the Audit Committee in November 2013. He is also Group Finance Director of Close Brothers Group plc, joining in February 2008, and previously held the same position at the London Stock Exchange Group plc since 1999. Jonathan has also been a Non-executive Director of EMAP plc and Chairman of FTSE International. The early part of his career was at Price Waterhouse where he qualified as a chartered accountant.

Ruth Markland
Senior Independent Non-executive Director
Audit Committee, Nomination Committee, Remuneration Committee – Chairman

Ruth was appointed to the Board in September 2006, becoming Senior Independent Director in March 2011. Ruth is also a Non-executive Director of Standard Chartered plc and a member of the Supervisory Board of Arcadis NV. She was formerly Managing Partner, Asia for the international law firm Freshfields Bruckhaus Deringer.

Changes to the Board

In the financial year to 30 September 2013 and to the date of this report, there have been several changes and an announcement regarding a future change, to the Board of directors:

Executive Directors		
Paul Harrison, CFO		Retired on 16 August 2013 after 16 years' service including 13 years on the Board
Steve Hare, CFO		Appointment with effect from 3 January 2014
Non-executive Directors		
Jonathan Howell	Joined 15 May 2013	
Neil Berkett	Joined 5 July 2013	
Jo Harlow	Joined 5 July 2013	Retired on 4 September 2013
Tamara Ingram		Retired on 31 July 2013 after nine years' service
Ian Mason		Retired on 30 November 2013 after six years' service
Mark Rolfe		Retired on 30 November 2013 after six years' service

Notes:

– Jo Harlow and the Board agreed that, given the potential conflicts of interest which may arise following the announcement by Microsoft of its proposed purchase of Nokia's Devices and Services business, where Jo is Executive Vice President of Smart Devices, the decision to retire from the Board was appropriate in the interests of both Sage and Microsoft.

– Steve Hare has significant financial and operating experience as a CFO and most recently as Operating Partner at Apax Partners, where he was Co-Head of the Portfolio Support Group. Prior to joining Apax in 2009, he accumulated over 10 years' experience as CFO for three listed companies, most recently with Invensys, a FTSE 100 company, from 2006 to 2009.

Executive Committee

Guy Berruyer
Chief Executive
Guy's biography is within the Board of directors section opposite. Guy is based in the UK.

Richard Drury
Group Human Resources Director
Richard is responsible for leading human resources at Sage. His role is to develop and lead the implementation of our global strategy for organisational design, reward, leadership development, performance, talent, employee engagement and internal communications. Richard joined Sage in June 2013 from technology business Invensys plc, where he held a number of human resources leadership roles including Group Human Resources Director, and was responsible for providing services to over 21,000 employees across Europe, the Americas, Asia and the Middle East. Prior to Invensys Richard worked in human resources in Whitbread's hotel and pub retail businesses and with British Airways, where he held both HR and customer services leadership roles. Richard is based in the UK.

Amanda Jobbins
Group Chief Marketing Officer
As Sage's first Group CMO, Amanda drives our global brand, product marketing and pricing strategy, corporate communications and global alliance relationships. She joined Sage in November 2012 from Cisco where she was Global Vice President of Partner Marketing based in San Francisco. Before this she led Cisco's European Marketing, driving the global channel and strategic partner business across the enterprise, commercial and small business markets. In November 2011 Amanda won the Chartered Institute of Marketing's Award for International Marketer of the Year. Amanda previously worked in senior marketing leadership roles for IBM and Symantec in the USA and Europe. Amanda is based in the UK.

Klaus-Michael Vogelberg
Group Chief Technology Officer
Responsible for Sage's global technology strategy and software architecture, Klaus-Michael is also Acting Chief Technology Officer for Sage Europe. From 2004 to 2007 he was R&D Director for Sage UK & Ireland. Klaus-Michael joined us when Sage acquired the German KHK Software group in 1997, where he was R&D Director and a partner. A software entrepreneur, Klaus-Michael set up his first business aged 19 while studying aeronautical engineering and national economics. Klaus-Michael is based in the UK.

Michael Robinson
Company Secretary and Group Legal Director
Michael joined Sage in 2002 as Company Secretary and Group Legal Director. After reading Law at Oxford, Michael qualified as a solicitor and spent 15 years at one of the UK's largest law firms. Michael is based in the UK.

Ivan Epstein
Chief Executive Officer, AAMEA
Ivan leads Sage's businesses across Australia, Africa, the Middle East and Asia, which include some of Sage's highest growth countries. Starting his career at Price Waterhouse, Ivan then co-founded Softline in 1988 leading it from start-up to a listing on the Johannesburg Stock Exchange in 1997. Softline was delisted and acquired by Sage in 2003, when Ivan joined the Executive Committee as CEO of the Southern Hemisphere, becoming CEO of AAMEA in 2010. Amongst his accomplishments, Ivan has been awarded the Ernst & Young "South Africa's Best Entrepreneur" in 1999/2000 in recognition of his entrepreneurial attributes and contribution to South African business. He was also awarded the Computer Society South Africa "IT Personality of the Year" accolade in 2009 for his contribution to the IT sector. Ivan is based in Johannesburg, South Africa.

Álvaro Ramírez
Chief Executive Officer, Europe
Since January 2011 Álvaro has been responsible for Sage's European strategy, operations and business performance. Previously, as CEO of Sage Spain, he grew the Spanish business both organically and through acquisition, transforming it into a market-leading software company. Álvaro joined Sage in 2003 after Sage acquired Grupo SP, which he co-founded in 1989. He grew Grupo SP to become Spain's leader for entry-level business management software, with subsidiaries in Portugal and across Central and South America. Álvaro is based in Madrid, Spain.

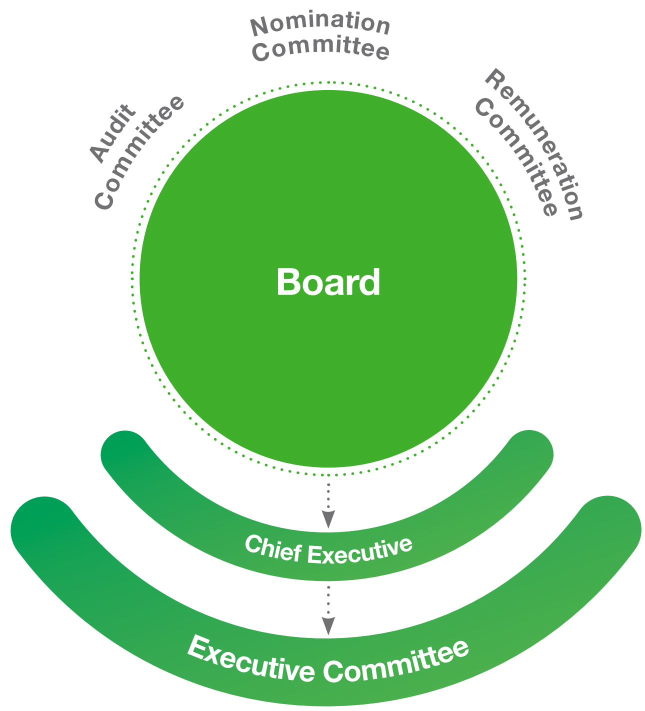
Pascal Houillon
Chief Executive Officer, North America
Pascal leads Sage's business in the USA, Canada and Brazil. From 1997 to April 2011 he was CEO of Sage France, where he was also responsible for Belgium, Brazil, Switzerland and Morocco. Pascal joined Sage France in 1989 and went on to become Regional Director and Sales Director, before leading the Sybel business after it was acquired by Sage in 1995. Starting his career as a systems analyst for UAP Insurance, Pascal co-founded Sinequanon in 1987, providing business management solutions to SMEs. He was also Vice President of Syntec, the French software and IT association, for nine years. Pascal is based in Irvine, California, North America.

Role of the Executive Committee
The Executive Committee is made up of the eight internationally diverse senior leaders from across the business named above and, following the announcement made on 11 November 2013 of the appointment of Steve Hare as CFO with effect from 3 January 2014, will include the CFO. The Committee oversees the sound running of all Sage operations and in particular its role is to assist the Chief Executive in the performance of his duties, including the:

- Development and implementation of strategy, operational plans, policies, procedures and budgets;
- Monitoring of operational and financial performance;
- Assessment and control of risk;
- Prioritisation and allocation of resources; and
- Monitoring of competitive forces in each area of operation.

Our governance framework

The elements of our governance framework are listed below:



Responsibilities

The Board

The Board is responsible for the overall management of Sage, our strategy and long-term objectives. It provides leadership to Sage having regard to the interests of shareholders and other stakeholders.

Audit Committee

The Audit Committee is responsible for assisting the Board in fulfilling its financial and risk responsibilities. The Audit Committee oversees our financial reporting, risk management and internal control procedures, and reviews the work of internal and external audit.

Nomination Committee

The Nomination Committee is responsible for the structure, size and composition of the Board to ensure it remains appropriate for our needs and plans for progressive refreshing of the Board. The Nomination Committee also makes recommendations to the Board on the membership of its committees.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the Chairman, executive directors, the Company Secretary and senior executives of Sage.

For further information please see pages 63 to 68

Executive Committee

The Executive Committee is chaired by the Chief Executive and is responsible for overseeing our operations in the regions and also for overseeing our Group-wide functional areas.

For further information please see page 61

Compliance with the UK Corporate Governance Code

Throughout the financial year ended 30 September 2013 and to the date of this report, we have complied with the provisions set out in the UK Corporate Governance Code 2012. The Code is publicly available at the website of the FRC (www.frc.org.uk). This corporate governance section of the Annual Report & Accounts describes how we have applied the main principles of the Code.

How our governance framework operates

The Board

Role of the Board

The Board has formally adopted a schedule of matters reserved to it for decision, including:

- Strategy and long-term objectives;
- Acquisitions and major capital projects, contracts and investments;
- Business plans, annual operating and capital expenditure budgets and trading performance;
- Capital structure and adequacy of funding;
- Preliminary announcements of interim and final results and reports to shareholders; and
- Ensuring effectiveness of internal controls and risk management.

This schedule is reviewed on an annual basis and was last reviewed on 21 November 2013. The schedule is available via our website (www.sage.com). The Board also delegates other matters to Board committees and management as appropriate.

The Board meets not less than six times per year. During this year, it met seven times.

The Chairman, in conjunction with the Chief Executive, the Company Secretary and the Board members, plans the agenda for each Board meeting, which is issued with supporting papers during the week before the meeting. These supporting papers provide appropriate information to enable the Board to discharge its duties. Board meetings are held at our operating companies both inside and outside the UK. Non-executive directors are also encouraged to visit our overseas operations on a regular basis. This provides the Board and individual directors with the opportunity to broaden their understanding of Sage and the key markets in which we operate.

Board composition

The Board currently comprises the Chairman, the Chief Executive and three independent non-executive directors. The biographies of these directors can be found on page 60. In addition, following the announcement on 11 November 2013 of the appointment of Steve Hare as CFO with effect from 3 January 2014, the Board will also include the CFO. The directors have a range of experience and can bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct, which is vital to our success. It is the balance of skills, experience, independence and knowledge of those directors which ensures the duties and responsibilities of the Board and its committees are discharged effectively. Donald Brydon was considered independent on his appointment. Ruth Markland, Jonathan Howell and Neil Berkett are all considered to be independent Non-executive Directors and Jo Harlow was also considered an independent Non-executive Director during her time in office.

Sage continues to be very supportive of the aims and objectives of The Davies Report on Women on Boards. Following the retirement of Tamara Ingram and that of Jo Harlow, (former independent Non-executive Directors) the Board, as at the date of this Annual Report & Accounts, comprises 20% women (29% in FY12). The Chairman, with the Nomination Committee, is considering the future composition of the Board. The Board must continue to provide strong leadership at Sage, and, therefore, continues to appoint only the most appropriate candidates to the Board.

All directors are subject to election or re-election by shareholders at each Annual General Meeting.

The Chairman

The roles of the Chairman and the Chief Executive are quite distinct from one another and are clearly defined in written terms of reference for each role. These terms of reference are available on our website (www.sage.com).

The role of Chairman carries a particular responsibility to monitor and assess Sage's corporate governance practices. To ensure a proper dialogue with directors, the Chairman holds meetings with the non-executive directors without the executive directors to assess their views. In addition, the non-executive directors have met without the Chairman present to appraise the Chairman's performance. These meetings without the Chairman are chaired by the Senior Independent Director.

The Chairman also ensures that shareholder communications are discussed at each meeting of the Board and that all shareholders have access to the non-executive directors, through a request to the Chairman or the Company Secretary.

The Senior Independent Director

The role of Senior Independent Director provides a point of contact for those shareholders who wish to raise issues with the Board, other than through the Chairman. Ruth Markland, who is Senior Independent Director for Sage, is available for shareholders to consult.

Company Secretary

The role of the Company Secretary is to ensure good information flows to the Board and its committees and between senior management and non-executive directors. He facilitates the induction of new directors and assists with professional development as required. He also ensures Board procedures are complied with and that applicable rules and regulations are followed. The Company Secretary is available to all directors to provide advice and assistance, and is responsible for providing governance advice to the Board. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Induction and professional development

To ensure a full understanding of Sage is developed, on appointment, new Board members undergo a full, formal and tailored induction programme. In addition, tailored induction training is provided for directors when joining Board committees.

During the year, Jonathan Howell and Neil Berkett received such an induction. As new Chair of the Audit Committee, Jonathan's induction included meetings with the outgoing Audit Committee Chair, Mark Rolfe, as well as a detailed review of Audit Committee processes and procedures.

To assist the Board in its responsibility to shareholders for the proper management of Sage, training is made available to all directors and training needs are assessed as part of the Board evaluation procedure. All directors have access to the advice and services of the Company Secretary who ensures that directors take independent professional advice as required, at Sage's expense, when it is judged necessary to discharge their responsibilities as directors.

Conflicts of interest

Under the Companies Act 2006 a director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict with Sage's interests. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The articles of association give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. In order to address this issue, at the commencement of each Board meeting, the Board considers a register of interests and potential conflicts of directors and gives, when appropriate, any necessary approvals.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote Sage's success. The directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. These procedures on conflict have been followed throughout the year and the Board considers the approach to operate effectively.

Board evaluation

The Board recognises the importance of reviewing its practices and performance on a regular basis. To achieve this, the Board has evaluated its performance and that of its committees and individual members. In the past, the Board has evaluated its performance in a number of different ways including the completion of detailed questionnaires and discussions between individual directors and the Chairman. Having sought the assistance of an independent third party in its evaluation in 2012, and having regard to changes in the Board composition during the year, the Board evaluation in 2013 was carried out by the Chairman through correspondence and interviews with each director. Following this review, a summary of the results of the evaluation, together with the Chairman's observations and recommendations, was prepared and shared with all members of the Board. The main outcome of the evaluation this year was to shape and define the Board's objectives for the coming year, continuing the focus on Group strategy and ensuring the structures, capabilities and reporting are in place to achieve the Board's goals. The Chairman's performance was evaluated by the Senior Independent Director through correspondence and discussion with the Chairman and the other independent non-executive directors.

Committees of the Board

The three committees of the Board deal with specific aspects of Sage's affairs. These committees are the Audit Committee, the Nomination Committee and the Remuneration Committee. The Company Secretary acts as secretary to all the committees. Further details on each of these committees can be found on the remainder of this page and on pages 65 to 68.

Board and committee meeting attendance

Director	Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
Donald Brydon	7/7	–	3/3	5/6
Guy Berruyer	7/7	–	–	–
Paul Harrison	6/6[1]	–	–	–
Tamara Ingram	6/6[2]	3/3[2]	2/2[2]	5/5[2]
Ruth Markland	7/7	4/4	3/3	6/6
Ian Mason	7/7	3/4[3]	2/3[3]	5/6[3]
Mark Rolfe	7/7	4/4	3/3	6/6
Jonathan Howell	1/1[4]	1/1[4]	1/1[4]	1/1[4]
Neil Berkett	0/0[5]	0/1[5]	0/1[5]	0/1[5]

Notes:

1 Retired from the Board on 16 August 2013
2 Retired from the Board and Board committees on 31 July 2013
3 Unable to attend due to a prior commitment
4 Joined the Board and Board committees on 15 May 2013
5 Joined the Board and Board committees on 5 July 2013 – unable to attend Committee meetings due to a critical illness in the family

Audit Committee

Jonathan Howell is Chair of the Audit Committee and, as a member of the Institute of Chartered Accountants in England and Wales and the CFO of a FTSE 250 company, is considered by the Board to have the recent and relevant experience required by the UK Corporate Governance Code 2012. Other members of the Committee are independent Non-executive Directors Ruth Markland and Neil Berkett who have a wide range of relevant business experience. The Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities.

Committee objectives and responsibilities

The objective of the Committee is to oversee Sage's financial reporting, risk management and internal controls procedures and the work of its internal and external auditors.

The Committee's main responsibilities, as set out in its terms of reference, are to review and advise the Board on:

– The interim and annual financial statements, the accounting policies used and whether significant financial judgements are sound;
– The effectiveness of the internal controls environment and risk management procedures, including whistleblowing procedures; and
– The nature and extent of significant financial and business risks to Sage and the mitigation of these risks.

In addition, the Committee is responsible for:

– Reviewing and approving the nature and scope of external and internal audit work, the results of such audit work and the related responses from management;
– Monitoring compliance with the policy on non-audit services;
– Ensuring the external auditors are effective and independent; and
– Making recommendations to the Board on external auditor remuneration and reappointment.

The Committee terms of reference, which can be found on our website, are reviewed annually and have been updated to reflect the recent changes to the UK Corporate Governance Code 2012, requiring a determination of whether the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable. The Committee is satisfied that the terms of reference enable it to fulfil its responsibilities.

Committee meetings

All non-executive directors are members of the Committee and attend each meeting. In addition, meetings are usually attended by the Chairman, the Chief Executive, the CFO, the Director of Finance and the Group Risk and Assurance Director. Other senior executives will attend as required to provide information on matters being discussed which fall into their area of responsibility. The external auditors, PricewaterhouseCoopers LLP, also attend each meeting. During the year, the Committee meets individually with the external auditors, the CFO and the Group Risk and Assurance Director without executives present.

The Committee is required, in accordance with its terms of reference, to meet at least four times per year. During this financial year, the Committee met four times.

In order to fulfil its objectives and responsibilities, the Committee is satisfied that it receives sufficient, reliable and timely information from management.

Activities of the Committee

The main activities of the Committee during the year are set out below:

Financial reporting

The Committee reviewed and considered the following areas in respect of financial reporting and the preparation of the interim and annual financial statements:

– The appropriateness of accounting policies used;
– Compliance with external and internal financial reporting standards and policies;
– Significant judgements made;
– Disclosures and presentations; and
– Whether the Annual Report & Accounts are fair, balanced and understandable.

In carrying this out, the Committee considered the work and recommendations of the Group Finance Team. In addition, the Committee received reports from the external auditors setting out their view on the accounting treatments and judgements included in the financial statements. The external auditors' reports are based on a full audit of the annual financial statements and a high-level review of the interim financial statements.

The significant judgements considered by the Committee were:

– Revenue recognition. The key area of judgement in respect of recognising revenue is the timing of recognition, specifically in relation to recognition and deferral of revenue on support contracts where management assumptions and estimates are necessary. The Committee considered a revenue recognition paper prepared by management which concluded that no changes to the fair value allocation methodology had been made in the current year. The Committee have concluded that the timing of recognition continues to be in line with IFRS requirements. External audit performed detailed audit procedures on revenue recognition and reported their findings to the Committee;
– Goodwill impairment. The judgements in relation to goodwill impairment testing relate to the assumptions applied in calculating the value in use of the operating companies being tested for impairment. The key assumptions applied in the calculation relate to the future performance expectations of the business. Business plans prepared by management supporting the future performance expectations used in the calculation were approved by both the Executive Committee and the Board. The Committee received a detailed report on the outcome of the impairment review performed by management. The impairment review was also an area of focus for the external auditor, who reported their findings to the Committee;
– Disposals. The calculation of the loss on disposal of businesses of is an area of complexity where management applies judgement. The Committee discussed the methodology proposed by management, including the judgements made, to allocate goodwill. External audit reported to the Committee on the disposals, including the goodwill disposed of; and
– Archer Capital litigation. The claim for damages made by Archer Capital in relation to the potential purchase of MYOB is strongly rejected by management. On that basis, and with supporting expert legal advice, management do not currently consider there to be a present obligation and the possibility of an outflow of resources is remote. As such, no provision or contingent liability has been recognised in these financial statements. The Committee received a report of the last status for the claim and agreed the approach with management. External audit discussed the matter with internal and external legal counsel and reported their findings to the Committee.

Internal controls and risk management

The Committee reviews the framework of internal controls and the processes by which the Group's control environment is evaluated.

In this regard, the Committee received reports from internal audit on the operation of, and issues arising from, the Group's internal controls and procedures. External audit has also provided input and observations on the internal control environment and on any specific control issues that occurred during the year. The Committee monitored whistleblowing reports and other significant control issues or incidents that occurred. In reviewing whistleblowing, fraud and incident reports, the Committee assessed the cause of situations, along with actions taken to resolve and prevent recurrence. The Committee also reviewed compliance activities in relation to the Group's policies and received a report on the status of compliance with these policies.

The Committee reviews the Group's risk management framework (detailed on pages 68 to 69) in order to ensure it is appropriate and operating effectively. In doing so, the Committee received reports from the Group Risk and Assurance Director, which covered:

– The Group's risk appetite;
– The effectiveness of the risk management processes and their adoption across the Group; and
– A summary of the top risks to the Group, controls identified to mitigate these risks and actions planned to reduce risks where considered necessary.

The current top risks to the Group are set out on page 47. For discussion and review, these top risks are split into two, with the top four risks being assessed by the Board and the remaining risks being assessed by the Committee.

As part of its agenda, the Committee allowed time for in-depth reviews of particular risk areas. During the year, the risk areas considered were the provision of online services, information security, risks within the Group's payments businesses and the impact of changes to corporate governance rules.

In addition to the internal controls and risk management activities outlined above, the Committee also received regular reports from the Group Tax Director on the Group's tax policy, approach to tax management and status of compliance.

Internal audit

The Committee monitored and reviewed the scope and results of internal audit's activities as well as its effectiveness throughout the year. The annual internal audit plan is approved by the Committee at the beginning of the financial year, with any subsequent changes to the plan requiring Committee approval. The nature and scope of internal audit's work is reviewed and approved and the results of audits are assessed alongside management's responses. Issues within audit reports which are graded weak are considered in detail by the Committee along with the appropriateness of mitigation plans to resolve issues identified.

At each meeting, the Committee received reports from the Group Risk and Assurance Director, in her role as Head of Internal Audit, in order to ascertain progress in completing the internal audit plan and to review the results of audits.

An internal audit charter is in place which outlines the objectives, authority, scope and responsibilities of internal audit. Performance against this charter, along with the effectiveness of internal audit, is reviewed by the Committee on an annual basis.

External audit effectiveness and independence

The Committee discussed and approved the scope of and the fees for the external audit plan. In addition, the Committee considered external audit's assessment of the significant risks in the Group's financial statements, which for this year were goodwill and revenue recognition. Throughout the year, the Committee tracked these risks and associated work undertaken by external audit has been evaluated.

The Committee monitored the conduct and effectiveness of external audit. To do this, the Committee reviewed:

- Experience and expertise of the auditors;
- The fulfilment of the agreed audit plan and any variations from this plan;
- The robustness and perceptiveness of the external auditors in their handling of key accounting and audit judgements; and
- The content of the external auditors' report.

In order to ensure the independence of the external auditors, the Committee received a formal statement of independence from the external auditors. In addition, the Committee ensured compliance with Sage's Auditor Independence Policy, the requirements of which are:

- The external auditors may not undertake certain prohibited services, which include acquisition due diligence, internal audit services and legal and actuarial advice;
- The Committee must approve any individual non-audit services above a specific fee value; and
- The ratio of audit fees to non-audit fees must be within Sage's pre-determined ratio.

The Committee believes that it receives particular benefit from certain non-audit services provided by the external auditors due to their wide and detailed knowledge of Sage. Discretion is therefore used, subject to the controls set out above, in obtaining such services from the external auditors, although other large accountancy practices are also used as and when appropriate. During the year, non-audit services obtained from the external auditors included tax compliance and advice and support relating to corporate restructuring.

	2013 £m	2012 £m
Total audit fees	**2.0**	2.0
Non-audit fees:		
Tax compliance services	**0.6**	0.6
Tax advisory services	**0.4**	0.1
Other non-audit services	**0.3**	0.1
Total non-audit fees	**1.3**	0.8
Total fees	**3.3**	2.8

External audit appointment

The Committee reviews and makes recommendations with regard to the reappointment of the external auditors. In making these recommendations, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact the external auditor's reappointment.

The external auditors are required to rotate the audit partner every five years. The most recent change for Sage occurred in the year to 30 September 2010 and, therefore, partner rotation is due in the year ending 30 September 2015.

The current external auditors, PricewaterhouseCoopers LLP, were first appointed in 1988 and the external audit has not been formally tendered since then. A formal re-proposal of the audit approach did, however, take place in 2010 at the time of the last partner rotation.

Having completed the activities outlined, the Committee remains confident that the effectiveness and independence of the external auditors is not impaired in any way. There are no contractual restrictions on the choice of external auditor and therefore a resolution proposing the reappointment of PricewaterhouseCoopers LLP as external auditors will be put to the shareholders at the 2014 Annual General Meeting.

The Committee will continue to assess the effectiveness and independence of the external auditors. In doing so, the Committee will consider a formal tender process in accordance with the provisions of the UK Corporate Governance Code 2012. We will comply with the Competition Commission Order relating to the statutory audit market for FTSE 350 companies, which is expected to come into effect from 1 October 2014. Under the transitional arrangements, the Committee expects a formal tender process to be held no later than two years from the end of the current audit engagement partner rotation period. As partner rotation is due in the year ended 30 September 2015, a tender process is expected to be held no later than 2017.

Nomination Committee

Donald Brydon, Chairman of the Board, is Chair of the Nomination Committee. Other members of the Committee are independent Non-executive Directors Ruth Markland, Jonathan Howell and Neil Berkett.

Committee objectives and responsibilities

The objective of the Committee is to review the composition of the Board and to plan for its progressive refreshing, with regard to balance and structure. The Committee also considers issues of succession.

The Committee is responsible for a number of matters relating to the composition of the Board and its committees. In particular it is responsible for:

- Reviewing the structure of the Board;
- Evaluating the balance of skills, knowledge, experience and diversity of the Board;
- Advising the Board on any areas where further recruitment may be appropriate; and
- Succession planning for key executives at Board level and below.

Where necessary and appropriate, recruitment consultants are used to assist the Committee in delivering its objectives and responsibilities.

The Committee leads the process for the identification and selection of new directors and makes recommendations to the Board in respect of such appointments. The Committee also makes recommendations to the Board on membership of its committees.

The Committee terms of reference, which can be found on our website (www.sage.com), are reviewed on an annual basis and updated as required.

Committee meetings

The Committee is required, in accordance with its terms of reference, to meet at least once per year. During this financial year, the Committee met three times.

Activities of the Committee

During the year, the Nomination Committee dealt with a number of matters, including:

- The appointment of three non-executive directors (one of whom has since retired from the Board);
- A number of senior executive appointments; and
- A review of succession planning for key executives at Board level and below.

In identifying potential new non-executive directors, the Committee has retained the services of Lygon Group, The Zygos Partnership and Egon Zehnder as executive search consultants. These consultants have no connection to Sage other than the provision of these services. They provided and continue to provide lists of potential candidates having regard to Sage's policies and the terms of reference of the Committee.

During the original search for new non-executive directors, a number of candidates met members of the Committee, who then determined to approach three new non-executive directors. The three new non-executive directors were independent on their respective appointments to the Board. The Committee settled the terms of their appointments which were recommended to the Board.

In identifying a potential new CFO, the Committee retained the services of Russell Reynolds as executive search consultants. They have no connection with the Company other than for the provision of executive search services. During the search, a number of candidates met members of the Committee and other senior executives. Following these meetings, the Committee determined to approach Mr Hare. The Committee determined the terms of his appointment which were recommended to the Board.

The search is ongoing for non-executive directors to join the Board. Sage and the Committee value the aims and objectives of The Davies Report on Women on Boards and support and apply the Group diversity policy set out on page 51. Prior to Jo Harlow's retirement, there was 25% female representation at Board level. Whilst no formal measurable objectives have been set for female representation at Board level, the Board must continue to provide strong leadership at Sage, and, therefore, the Committee having regard to the Group diversity policy, continues to recommend for appointment only the most appropriate candidates to the Board.

Remuneration Committee

Ruth Markland, Senior Independent Director, is Chair of the Remuneration Committee. Other members of the Committee are the Chairman, Donald Brydon and independent Non-executive Directors Jonathan Howell and Neil Berkett.

Committee objectives and responsibilities

The Committee determines the policy for the remuneration of the Chairman, executive directors, the Company Secretary and senior executives of Sage.

The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on Sage's framework of executive remuneration. The Committee determines the contract terms, remuneration and other benefits for each of the executive directors, including performance share awards, performance-related bonus schemes, pension rights and compensation payments. The Committee also monitors remuneration for senior executives below Board level. The Board itself determines the remuneration of the non-executive directors.

The Committee is advised by Deloitte LLP, an independent firm of remuneration consultants. Services provided by other parts of Deloitte are specific corporate finance support in the context of merger and acquisition activity and unrelated corporate advisory services plus the provision of regular tax compliance services to our North American business.

The Committee terms of reference, which can be found on our website, are reviewed on an annual basis and updated as required.

Committee meetings

The Chairman, along with all non-executive directors are members of the Committee and attend each meeting. The Chief Executive may, as required, attend meetings, except where his own performance or remuneration are under review.

The Committee is required, in accordance with its terms of reference, to meet at least four times per year. During this financial year, the Committee met six times.

In order to fulfil its objectives and responsibilities, the Committee is satisfied that it receives sufficient, reliable and timely information in advance of meetings.

Activities of the Committee

Full details of Sage's remuneration policy and the matters addressed in the year can be found in the Directors' remuneration report on pages 74 to 88.

Internal controls and risk management

The system of internal controls and risk management is designed to meet our particular needs and to address the risks to which our business is exposed. By its nature, this system can only provide reasonable, not absolute, assurance against material misstatement or loss.

The effectiveness of the system of internal controls and risk management is regularly reviewed by the Board and complies with the UK Corporate Governance Code 2012. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which is managed on a day-to-day basis by the Group Risk and Assurance Director and such a review was undertaken during the year.

Monitoring and review

There are processes in place to monitor the system of internal controls and the reporting of any significant control failings or weaknesses and planned mitigating actions. These processes include annual certification, internal audit activity and Audit Committee review.

On an ongoing basis, Sage operating companies certify to the risk and assurance team working with the Group Risk and Assurance Director that Sage's policy requirements have been received and understood. In addition, management representations covering compliance with relevant policies and the accuracy of financial information are collated on an annual basis.

The governance framework for risk management and the key procedures, which the directors have established with a view to providing an effective system of internal controls, are set out below.

Risk management processes and responsibilities

The processes to identify and manage the key risks to the success of Sage are an integral part of the internal controls environment.

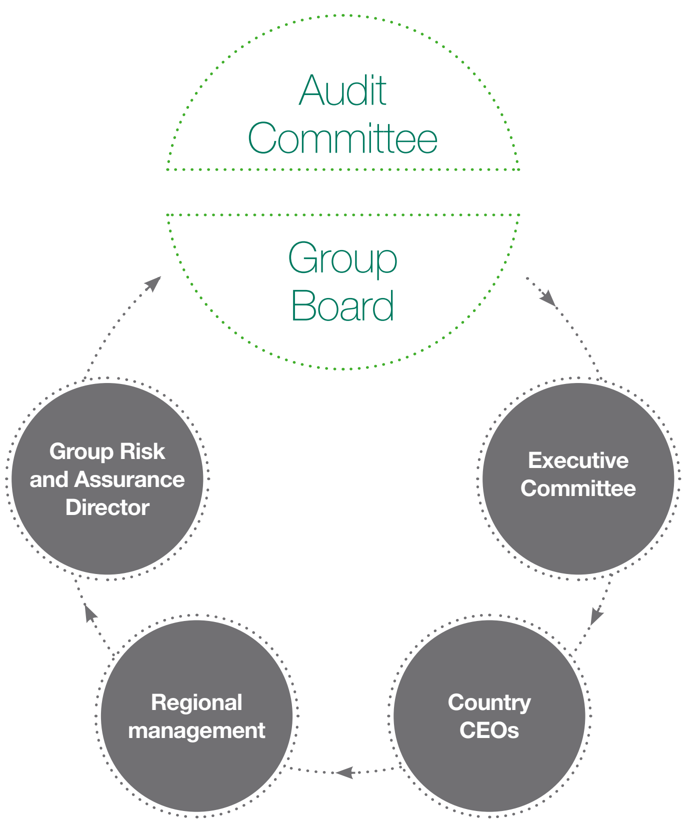
Risk appetite

Risk appetite is utilised to ensure the correct focus is placed on the correct risks. Identified risks are scored on a gross and a net risk basis using our predefined scoring matrix. Risks are then prioritised based on both gross and net risk scores and using our risk appetite. The top four risks are reviewed by the Board on an annual basis, with prioritised risks below the top four being reviewed by the Audit Committee. The Audit Committee also reviews the assurance gained through reliance on controls to mitigate risks, i.e. the delta between gross and net risk score.

Risk management processes and procedures are set to ensure that risks are identified from a top down strategic perspective as well as a bottom up local perspective. During the year, processes and procedures have operated as described above. Facilitated risk workshops have been completed with the Executive Committee and major territories around the Group and results from risk management activities have been reported to and discussed directly with the Executive Committee, Audit Committee and the Board.

Internal audit

Internal audit activities are provided by an in-house team supplemented under co-source agreements by third-party providers. The role of Head of Internal Audit is undertaken by the Group Risk and Assurance Director who has a direct reporting line to the Audit Committee and its Chair in order to ensure independence.



Audit Committee

The Audit Committee is responsible for the independent review and challenge of the adequacy and effectiveness of the risk management approach. The Audit Committee review and challenge the Group Risk Report which is then submitted to the Board for review.

Group Risk and Assurance Director

The Group Risk and Assurance Director is responsible for the facilitation and implementation of the risk management approach throughout Sage. The Group Risk and Assurance Director consolidates the regional risk reports and creates a Group Risk Report containing the top local risks and the responses to the key strategic risks for Sage as a whole. The Group Risk Report is sent to the Executive Committee for review and challenge.

Regional management

Regional management are responsible for the reporting, challenge and ongoing management of risks in their respective regions. Regional management, with support from the Group Risk and Assurance Director, review and challenge the risk information from the countries and agree the top regional risks and the regional response to the key strategic risks.

The Board

The Board has overall responsibility for risk management, the setting of risk appetite and the implementation of the risk management policy. The Board reviews the output from the Group Risk Report with specific focus on the top four risks.

Executive Committee

The Executive Committee is responsible for the identification, reporting and ongoing management of risks and for the stewardship of the risk management approach. The Executive Committee identifies and assesses the key strategic risks to the Group on at least an annual basis. The outputs of the assessment are sent to the Board for review and to the country CEOs for inclusion in their local risk assessment exercises.

Country CEOs

Country CEOs are responsible for the identification, reporting and ongoing management of risks in their respective countries. Country CEOs facilitate local risk assessment exercises to review the key strategic risks and to identify top local risks within their country. The outputs of these assessment exercises are sent to regional management and the Group Risk and Assurance Director for review and challenge.

It is the role of internal audit to advise management and the Board on the extent to which systems of internal controls are effective. The internal audit plan is determined through a structured process of risk assessment and the scope of work provides assurance over both key risks to Sage and its main business functions.

The internal audit plan set out at the beginning of the year is flexed as necessary during the year to take into account any key business changes. During this year, key areas reviewed, over and above financial, HR and IT controls, were the provision of online services, information security, treasury, storage of source code and compliance with external regulatory and internal policy requirements. The full plan was delivered during the year and the results were in line with expectations.

Other internal controls procedures

Whistleblowing

A whistleblowing telephone hotline service operates in many of our operating companies (including all those in the UK and US) allowing employees to raise issues of concern in relation to dishonesty or malpractice on an entirely confidential basis. Processes for the confidential reporting of concerns exist in France and Germany and the Group continues to seek the introduction of further telephone hotlines where local legislation permits. The Audit Committee receives regular reports on any matters raised through these services and monitors their use throughout the Group.

Financial reporting

As part of the general internal controls and risk management processes, Sage also has specific internal controls and risk management systems to govern financial reporting. The requirements for producing financial information are governed by the Group Accounting Manual, against which the Group's external auditors review the financial statements. Financial control requirements are set out in a detailed Financial Controls Policy, which is subject to internal audit reviews on an annual basis. Any part of the Group not subject to a specific internal audit review of financial controls in any given year is required to self-assess on the effectiveness of their financial control environment.

Processes have been set up during the year to ensure that assurance can be provided over whether the Annual Report & Accounts is considered to be fair, balanced and understandable. Management representations, external and internal audit reviews and an independent messaging review have taken place to provide this assurance.

Quality and integrity of personnel

The integrity and competence of personnel is ensured through high recruitment standards and the provision of subsequent training and development. High-quality personnel are seen as an essential part of the control environment.

Management structure

A clearly defined organisational structure exists within which individual responsibilities are identified and can be monitored. The management of the Group as a whole is delegated to the Chief Executive and the Executive Committee.

The Executive Committee meets regularly to agree strategy, monitor performance and consider key business issues. As part of its review, it considers the risks associated with the delivery of strategy and important governance issues within operating companies.

Within the Group team, based in Newcastle upon Tyne, there are a number of central administrative functions such as Group Treasury, Corporate Communications and Group Legal. These functions report to the Board through its executive members and the members of the Executive Committee.

A number of Group-wide policies, issued and administered centrally, have been set to ensure compliance with key governance standards. These policies cover areas such as finance, data protection and mergers and acquisitions.

The conduct of Sage's individual businesses is delegated to the local executive management teams. Details of the authority delegated to local and regional management are set out in a delegation of authority matrix which is communicated to management throughout Sage. These teams are accountable for the conduct and performance of their businesses within the agreed business strategy. They have full authority to act subject to the reserved powers and sanctioning limits laid down by the Board and to Group policies and guidelines.

Budgetary process

A comprehensive budgeting system is in place, with annual budgets for all operating companies being approved by respective local boards. Subsequently the combined budget is subject to consideration and approval by the Board. Management information systems provide the directors with relevant and timely information required to monitor financial performance.

Investment appraisal (including acquisitions)

Budgetary approval and defined authorisation levels regulate capital expenditure. As part of the budgetary process the Board considers proposals for research and development programmes. Acquisition activity is subject to internal guidelines governing investment appraisal criteria, financial targets, negotiation, execution and post-acquisition management.

Relations with shareholders

Communication with shareholders is given high priority. A full Annual Report & Accounts is sent to all shareholders who wish to receive one. All up-to-date information on Sage's activities, published financial results and the Annual Report & Accounts can be found on our website (www.sage.com). There is regular dialogue with individual institutional shareholders and there are presentations to analysts after our announcement of the year end and half year results.

At each meeting, the Board receives an update on presentations to investors and any communication from shareholders to ensure that directors, both executive and non-executive, have an understanding of their views. The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

Information included in the Directors' report

Certain information that fulfils the requirements of the Corporate Governance Statement can be found in the Directors' report in the sections headed "Substantial shareholdings", "Deadlines for voting rights", "Repurchase of shares", "Amendment of the Company's articles of association", "Appointment and replacement of directors" and "Powers of the directors" and is incorporated into this corporate governance section by reference.

By order of the Board

M J Robinson, Company Secretary
4 December 2013

Directors' report

The directors present their report together with the audited consolidated financial statements for the year ended 30 September 2013.

Strategic report

The Companies Act 2006 requires us to present a fair review of the business during the year to 30 September 2013 and of the position of the Group at the end of the financial year along with a description of the principal risks and uncertainties faced. The Strategic report can be found on pages 2 to 57.

Corporate governance statement

The Disclosure and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' report. Information that fulfils the requirements of the corporate governance statement can be found in the Corporate Governance report on pages 62 to 69 and is incorporated into this Directors' report by reference.

Disclaimer

The purpose of this Annual Report & Accounts is to provide information to the members of the Company. The Annual Report & Accounts have been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors and employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report & Accounts contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report & Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report & Accounts should be construed as a profit forecast.

Results and dividends

The results for the year are set out on page 94. Dividends paid and proposed are set out on page 111. The Board is proposing a final dividend of 7.44p per share following the payment of an interim dividend of 3.69p per share on 7 June 2013, which is equivalent to 3.88p per share on a post-consolidation basis. The proposed total dividend for the year is therefore 11.32p per share on a post-consolidation basis, excluding the special dividend. The special dividend of 17.1p per share that was paid on 28 June 2013 (equivalent to 17.99p per share on a post-consolidation basis) increases the total dividend for the year to 29.31p per share on a post-consolidation basis.

Going concern

The following statement has been included in accordance with the Listing Rules: Based on normal business planning and control procedures, the directors have a reasonable expectation that the Company and the Group has 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 accounts.

Research and development

During the year, the Group invested £144.6m (2012: £159.4m) in research and development.

Political donations

No political donations were made in the year.

Directors and their interests

A list of directors, their interests in the ordinary share capital of the Company, their interests in its long-term performance share plan and details of their options over the ordinary share capital of the Company are given in the Directors' remuneration report on page 85. No director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its operating companies at any time during the year.

The names of all persons who, at any time during the year, were directors of the Company can be found on page 60 under The Board and Changes to the Board.

As at the date of this report, indemnities (which are qualifying third-party indemnity provisions under the Companies Act 2006) are in place under which the Company has agreed to indemnify the directors of the Company and the former directors of the Company who held office during the year ended 30 September 2013, to the extent permitted by law and by the Company's articles of association, in respect of all liabilities incurred in connection with the performance of their duties as a director of the Company or its subsidiaries. Copies of these indemnities are available for review at the Company's registered office.

Employment policy

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate. The Group has continued its policy of employee involvement by making information available to employees on matters of concern to them. Many employees are stakeholders in the Company through participation in share option schemes and a long-term performance share plan. Further details of employment policies are given on pages 49 to 51.

Information provided by the Company pursuant to the Disclosure and Transparency Rules is publicly available via the regulatory information services and on our website (www.sage.com).

Substantial shareholdings

At 28 November 2013, the Company had been notified, in accordance with the Disclosure and Transparency Rules, of the following interests in its ordinary share capital:

Name	Direct shares	%	Indirect shares	%	Total shares	%
Aviva plc	46,201,344	3.84	15,574,236	1.29	61,775,580	5.13
Schroders plc[1]	–	–	55,038,549	5.01	55,038,549	5.01
Blackrock, Inc.[2]	–	–	54,013,745	4.91	54,013,745	4.91

Notes:

1 In addition to the number of shares noted in the table above, Schroders plc hold an additional 182,997 shares by way of contracts for difference, taking their overall voting rights to 5.02%.

2 In addition to the number of shares noted in the table above, BlackRock Inc. hold an additional 1,037,772 shares by way of contracts for difference, taking their overall voting rights to 5.00%.

Future developments

Important events since the financial year end are described on page 33 of the Strategic report and future developments are described in the strategy section of the Strategic report on pages 18 to 25.

Share capital

The Company has a single class of share capital which is divided into ordinary shares of $1^{4}/_{77}$p each. Following the 77 for 81 share consolidation on 10 June 2013, the issued share capital consisted of 1,148,232,855 new ordinary shares of $1^{4}/_{77}$p each (1,207,881,315 ordinary shares of 1p each prior to the share consolidation).

Rights and obligations attaching to shares

Voting

In a general meeting of the Company, subject to the provisions of the articles of association and to any special rights or restrictions as to voting attached to any class of shares in the Company (of which there are none):

- On a show of hands, a qualifying person (being an individual who is a member of the Company, a person authorised to act as the representative of a corporation or a person appointed as a proxy of a member) shall have one vote, except that a proxy has one vote for and one vote against a resolution if the proxy has been appointed by more than one member and has been given conflicting voting instructions by those members, or has been given discretion as to how to vote;
- On a poll, every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder.

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid. Currently, all issued shares are fully paid.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 6 March 2014 will be set out in the Notice of Annual General Meeting.

Dividends and distributions

Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to the members, but no dividend shall exceed the amount recommended by the Board.

The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares.

Liquidation

If the Company is in liquidation, the liquidator may, with the authority of a special resolution of the Company and any other authority required by the statutes (as defined in the articles of association):

- Divide among the members in specie the whole or any part of the assets of the Company; or
- Vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit.

Transfer of shares

Subject to the articles of association, any member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, in its absolute discretion, decline to register any instrument of transfer of a certificated share which is not a fully paid share (although not so as to prevent dealings in shares taking place on an open and proper basis) or on which the Company has a lien.

The Board may also decline to register a transfer of a certificated share unless the instrument of transfer is: (i) left at the office, or at such other place as the Board may decide, for registration; and (ii) accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his or her right to transfer the shares.

The Board may permit any class of shares in the Company to be held in uncertificated form and, subject to the articles of association, title to uncertificated shares to be transferred by means of a relevant system and may revoke any such permission. Registration of a transfer of an uncertificated share may be refused where permitted by the statutes (as defined in the articles of association).

Repurchase of shares

The Company obtained shareholder authority at the last Annual General Meeting (1 March 2013) to buy back up to 120,380,408 ordinary shares. This authority was replaced at the Extraordinary General Meeting held on 3 June 2013 to approve the share consolidation, by a new authority to buy back up to 110,893,630 ordinary shares. The authority granted on 3 June 2013 remains outstanding until the conclusion of the next Annual General Meeting on 6 March 2014. The minimum price which must be paid for each ordinary share is its nominal value and the maximum price is the higher of 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made and the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses).

On 30 September 2013, the Company appointed Citigroup Global Markets Limited ("Citi") to manage an irrevocable buyback programme during the close period which commenced on 1 October 2013 and will run up to 4 December 2013. From 1 October 2013 to 28 November 2013, the last practicable date prior to publication of the Annual Report & Accounts, 5,507,000 ordinary shares of $1^{4/77}$p each were repurchased through Citi at a weighted average price of 333.4p per share. The highest and lowest prices paid for these shares were 350.0p per share and 312.3p per share respectively. The purchased shares have not been cancelled and are held as treasury shares. These shares represent 0.5% of the issued share capital. The total number of ordinary shares in issue (excluding shares held as treasury shares) at 28 November 2013 is 1,096,898,597.

In the year under review treasury shares were cancelled on three occasions: 124,525,800 ordinary shares on 16 January 2013, 43 ordinary shares on 3 June 2013 and 35,000,000 ordinary shares on 4 September 2013.

Amendment of the Company's articles of association

Any amendments to the Company's articles of association may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Appointment and replacement of directors

Directors shall be no less than two and no more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A director appointed by the Board holds office only until the next Annual General Meeting and is then eligible for election by the shareholders. The Board may from time to time appoint one or more directors to hold employment or executive office for such period (subject to the Companies Act 2006) and on such terms as they may determine and may revoke or terminate any such appointment.

Under the articles of association, at every Annual General Meeting of the Company, every director shall retire from office (but shall be eligible for election or re-election by the shareholders). The Company may by special resolution (or by ordinary resolution of which special notice has been given) remove and the Board, by unanimous decision, may remove any director before the expiration of his or her term of office. The office of director shall be vacated if: (i) he or she resigns; (ii) he or she has become physically or mentally incapable of acting as a director and may remain so for more than three months, or by reason of his or her mental health a court has made an order that prevents the director from acting and, in either case, the Board resolves that his or her office is vacated; (iii) he or she is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his or her office is vacated; (iv) he or she becomes bankrupt or makes an arrangement or composition with his or her creditors generally; (v) he or she is prohibited by law from being a director; or (vi) he or she is removed from office pursuant to the articles of association.

Powers of the directors

The business of the Company will be managed by the Board who may exercise all the powers of the Company, subject to the provisions of the Company's articles of association, the Companies Act 2006 and any ordinary resolution of the Company.

Shares held in the Employee Benefit Trust

The trustee of The Sage Group plc Employee Benefit Trust ("EBT") has agreed not to vote any shares held in the EBT at any general meeting. If any offer is made to shareholders to acquire their shares the trustee will not be obliged to accept or reject the offer in respect of any shares which are at that time subject to subsisting awards, but will have regard to the interests of the award holders and will have power to consult them to obtain their views on the offer. Subject to the above the trustee may take the action with respect to the offer it thinks fair.

Significant agreements

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of the Company:

Under a dual tranche US$271,000,000 and €214,000,000 five-year multi-currency revolving credit facility agreement dated 24 August 2010 between, amongst others, the Company and Lloyds Banking Group plc (as facility agent), on a change of control, if any individual lender so requires and after having consulted with the Company in good faith for not less than 30 days following the change of control, the facility agent shall, by not less than 10 business days' notice to the Company, cancel the commitment of that lender and declare the participation of that lender in all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents, immediately due and payable, whereupon the commitment of that lender will be cancelled and all such outstanding amounts will become immediately due and payable.

Under a note purchase agreement dated 11 March 2010 relating to US$200,000,000 senior notes, Series A, due 11 March 2015, US$50,000,000 senior notes, Series B, due 11 March 2016 and US$50,000,000 senior notes, Series C, due 11 March 2017 between the Company and the note holders, on a change of control, the Company will not take any action that consummates or finalises a change of control unless at least 15 business days prior to such action it shall have given to each holder of notes written notice containing and constituting an offer to prepay all notes on a date specified in such offer which shall be a business day occurring subsequent to the effective date of the change of control which is not less than 30 days or more than 60 days after the date of the notice of prepayments. Where a holder of notes accepts the offer to prepay, the prepayment shall be 100% of the principal amount of the notes together with accrued and unpaid interest thereon and shall be made on the proposed prepayment date. No prepayment under a change of control shall include any premium of any kind.

Under a note purchase agreement dated 20 May 2013 relating to US$50,000,000 senior notes, Series D, due 20 May 2018, US$150,000,000 senior notes, Series E, due 20 May 2020, US$150,000,000 senior notes, Series F, due 20 May 2023 and US$50,000,000 senior notes, Series G, due 20 May 2025 between Sage Treasury Company Limited and the note holders and guaranteed by the Company, on a change of control of the Company, the Company will not take any action that consummates or finalises a change of control unless at least 15 business days prior to such action it shall have given to each holder of notes written notice containing and constituting an offer to prepay all notes on a date specified in such offer which shall be a business day occurring subsequent to the effective date of the change of control which is not less than 30 days or more than 60 days after the date of the notice of prepayments. Where a holder of notes accepts the offer to prepay, the prepayment shall be 100% of the principal amount of the notes together with accrued and unpaid interest thereon and shall be made on the proposed prepayment date. No prepayment under a change of control shall include any premium of any kind.

Under the terms of all three agreements, a "change of control" occurs if any person or group of persons acting in concert gains control of the Company.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions (as required to be disclosed under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are contained in the Corporate responsibility report forming part of the Strategic report on pages 52 to 56.

Financial risk management

The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk are summarised below.

Capital risk

The Group's objectives when managing capital (defined as net debt plus equity) are to safeguard our ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while optimising return to shareholders through an appropriate balance of debt and equity funding. The Group manages its capital structure and makes adjustments to it with respect to changes in economic conditions and our strategic objectives. The Group has set a long-term minimum leverage target of 1x net debt to EBITDA and will work to maintain this going forward. Further detail is provided in the Strategic report on page 25.

Liquidity risk

The Group manages its exposure to liquidity risk by reviewing the cash resources required to meet its business objectives through both short and long-term cash flow forecasts. The Company has committed facilities which are available to be drawn for general corporate purposes including working capital. The Company's Treasury function has a policy of optimising the level of cash in the businesses in order to minimise external borrowings.

Credit risk

The Group's credit risk primarily arises from trade and other receivables. The Group has a very low operational credit risk due to the transactions being principally of a high volume, low value and short maturity. The Group has no significant concentration of operational credit risk, with the exposure spread over a large number of counterparties and customers. Continued strong credit control ensured that in the year ended 30 September 2013 the Group did not see deterioration in days' sales outstanding.

The credit risk on liquid funds is considered to be low, as the Board-approved Group treasury policy limits the value that can be invested with each approved counterparty to minimise the risk of loss. All counterparties must meet minimum credit rating requirements.

Interest rate risk

The Group is exposed to interest rate risk on floating rate deposits and borrowings. The US private placement loan notes, which comprise 98% of borrowings, are at fixed interest rates and bank debt, which comprises 2% of borrowings, are at floating interest rates. At 30 September 2013, the Group had £82.9m of cash and cash equivalents.

The Group regularly reviews forecast debt, cash and cash equivalents and interest rates to monitor this risk. Interest rates on debt and deposits are fixed when management decides this is appropriate. At 30 September 2013, the Group's principal borrowings comprised US private placement loan notes of £432.3m (2012: £185.8m), which have an average fixed interest rate of 3.88% and bank debt of £9.6m (2012: £15.0m), which has an average floating interest rate of 1.44%.

Foreign currency risk

Although a substantial proportion of the Group's revenue and profit is earned outside the UK, operating companies generally only trade in their own currency. The Group is therefore not subject to any significant foreign exchange transactional exposure within these subsidiaries. The Group's principal exposure to foreign currency, therefore, lies in the translation of overseas profits into sterling.

This exposure is partly hedged to the extent that these profits are offset by interest charges in the same currency arising from the financing of the investment cost of overseas acquisitions by borrowings in the same currency. The Group is also exposed to a foreign exchange transaction exposure from the conversion of surplus cash generated by its principal overseas subsidiaries, which would be hedged where appropriate.

The Group's US Dollar denominated borrowings are designated as a hedge of the net investment in its subsidiaries in the US. The foreign exchange movements on translation of the borrowings into sterling have been recognised in the translation reserve. The Group's other currency exposures comprise only those exposures that give rise to net currency gains and losses to be recognised in the income statement. Such exposures reflect the monetary assets and liabilities of the Group that are not denominated in the operating (or "functional") currency of the entity involved. At 30 September 2012 and 30 September 2013, these exposures were immaterial to the Group.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report & Accounts, the Directors' remuneration report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether IFRS as adopted by the EU, and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group's financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors as at the date of this report, whose names and functions are listed in the Board of directors on page 60, confirm that, to the best of their knowledge:

- The Group's financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Directors' report and the Strategic report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Each of the persons who is a director as at the date of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The director has taken all the steps that he or she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

In addition, the directors as at the date of this report consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By Order of the Board

M J Robinson, Company Secretary
4 December 2013

Dear fellow shareholder,

It is my pleasure to present the Directors' remuneration report for the year ended 30 September 2013.

Due to the timing of its financial year end, Sage is among the first companies required to comply with the new legislation regarding the disclosure of executive directors' remuneration. It is my hope that you find this a clear and comprehensive report and I look forward to hearing the views of our investors on the information presented here over the coming months. We will carefully monitor emerging practice in this area as well as guidance from investor representative groups.

We operate a simple remuneration structure made up of base salary and benefits, a bonus plan and a single long-term incentive plan, which provide a clear link between pay and our key strategic priorities.

Activities of the Remuneration Committee

The main activities of the Committee since the last report were as follows:

- Assessed performance of executive directors and determined annual bonuses for 2013;
- Established the executive directors' bonus arrangements for 2014;
- Set bonus targets for the executive directors for 2014;
- Approved share awards for 2013;
- Reviewed remuneration benchmarking and set base salaries for executive directors;
- Considered remuneration market trends and corporate governance developments; and
- Reviewed the revised remuneration reporting regulations and prepared the Directors' remuneration report.

Remuneration for 2013

Details of the remuneration decisions for 2013 are set out in the Directors' annual remuneration report below. In summary, for the year ended 30 September 2013 underlying pre-tax profit was £360.5m and Group organic revenue growth was 4%, reflecting good acceleration in growth on the prior year. In addition, EBITA margin was maintained at 27%, with continued investment in growth.

The Group made good progress against its strategic objectives including driving actions to improve Net Promoter Scores throughout the business, pricing strategy, investing in cloud product strategy and improving cloud unit sales. This resulted in a total 72% of the Chief Executive's bonus (90% of salary) paying out for 2013.

Performance share awards granted in 2011 were based on EPS growth above UK inflation (RPI) and relative TSR performance. EPS growth over the period, as defined for remuneration purposes, was 17%, relative TSR performance was just below median and UK RPI was 11%. Therefore, underlying EPS growth over the period for these purposes was below the minimum required, and the awards will not vest.

Key remuneration decisions for 2014

The Remuneration Committee has set the Chief Executive's base salary at £780,000 with effect from 1 January 2014, an increase of 8%.

Guy Berruyer was promoted to the role in 2010 and his base salary was set at a level significantly below that of his predecessor, in recognition of his level of experience in the role.

The Committee determined that it was now appropriate to revise his salary to reflect his emergence as a fully-fledged Chief Executive and the progress evidenced in this Annual Report & Accounts.

In addition, we are delighted that Steve Hare will be joining as Chief Financial Officer from 3 January 2014. Details of his remuneration are set out on page 84.

Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (September 2012) and the Listing Rules.

The report is in two sections:

- The Directors' remuneration policy report (pages 76 to 79). This section contains details of the remuneration policy that we propose will apply from the 2014 AGM (6 March 2014) subject to obtaining shareholder approval at the AGM; and
- The Directors' annual remuneration report. This section sets out details of how our remuneration policy was implemented for the year ended 30 September 2013 and how we intend for the policy to apply for the year ended 30 September 2014.

At the AGM in March 2014:

- The Directors' remuneration policy report will be put to a binding shareholder vote; and
- The Directors' annual remuneration report will be put to an advisory shareholder vote.

Ruth Markland

Ruth Markland,
Chairman of the Remuneration Committee

Reward principles and objectives

Our remuneration policy is guided by a common reward framework and set of principles and objectives.

Reward policies

Attract and retain. Remuneration packages are designed to attract high-calibre executives in a competitive international market which includes private-equity backed organisations as well as listed companies, and remunerate executives fairly and responsibly.

Motivate and reward. Remuneration is designed to motivate delivery of our key business strategies, create a strong performance-orientated environment and reward achievement of meaningful targets over the short and long term.

Reward principles

Alignment with the wider Group. The remuneration policy for executives reflects the overriding remuneration philosophy and principles of the wider Group. When determining the remuneration policy and arrangements for executive directors, the Remuneration Committee considers pay and employment conditions elsewhere in the Group to ensure that pay structures are appropriately aligned and that levels of remuneration remain appropriate in this context. The Remuneration Committee receives information on bonus levels and base salary reviews for other managers around the Group for this purpose.

Stretching performance targets. The Remuneration Committee considers that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of stretching corporate performance targets and a strong alignment of interest with shareholders. Reflecting our pay for performance policy, bonus and share awards are linked to performance conditions with pre-determined targets. No payment is made below threshold levels of performance and, at stretch levels of performance, c. 70% of total compensation is delivered through performance-related incentives paid in a combination of cash and shares.

Link between remuneration and our Group strategy

Our remuneration policy is linked to our Group strategy in the following ways:

Performance measures

In 2012 management reviewed and realigned the strategy of the business to accelerate organic revenue growth, drive margins and improve EPS performance. Remuneration structure design was modified to support that strategy. Short-term and long-term performance measures have been selected based on our annual focus on profitability and organic revenue growth, as well as strategic measures reflecting customer experience and key products. Short-term incentivisation is reinforced by our long-term measures which balance, amongst other matters, profitability, organic growth and the creation of sustainable shareholder value.

Alignment with our shareholders

We consulted many of our significant investors and shareholder representative bodies last year and some modifications were made to the proposed design in response to the feedback received. More broadly, a significant proportion of remuneration is performance-based and delivered through shares. Our bonus deferral policy and shareholding guidelines also foster an ongoing commitment to the business from our executives.

Directors' remuneration policy report

Remuneration policy table

The table below sets out the remuneration policy that we intend to apply, subject to shareholder approval, from 6 March 2014 (the date of the AGM).

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out below, where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
Base salary Supports the recruitment and retention of executive directors of the calibre required to deliver the Group's strategy. Rewards executives for the performance of their role. Set at a level that allows fully flexible operation of our variable pay plans.	Normally reviewed annually, any increases generally apply from January. When determining base salary levels, consideration is given to the following: – Pay increases for other employees in major operating businesses of the Group; – The individual's skills and responsibilities; – Pay at companies of a similar size and international scope to Sage, in particular those within the FTSE 100 (excluding the top 30); and – Corporate and individual performance.	Ordinarily, salary increases will be in line with increases awarded to other employees in major operating businesses of the Group. However, increases may be made above this level at the Committee's discretion to take account of individual circumstances such as: – Increase in scope and responsibility; – Increase to reflect the individual's development and performance in role (e.g. for a new appointment where base salary may be increased over time rather than set directly at the level of the previous incumbent or market level); and – Alignment to market level.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Pension Provide a competitive post-retirement benefit, in a way that manages the overall cost to the Company.	Defined contribution plan (with Company contributions set as a percentage of base salary). An individual may elect to receive some or all of their pension contribution as a cash allowance.	25% of base salary for all executive directors. No element other than base salary is pensionable.	None.
Benefits Provide a competitive and cost-effective benefits package to executives to assist them to carry out their duties effectively.	The Group provides a range of benefits which may include a car benefit (or cash equivalent), private medical insurance, permanent health insurance, life assurance and financial advice. Additional benefits may be also be provided in certain circumstances which may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	Set at a level which the Remuneration Committee considers: – Appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market; and – Provides a sufficient level of benefit based on the role and individual circumstances, such as relocation.	None.
Annual bonus Rewards and incentivises the achievement of annual financial and strategic targets. An element of compulsory deferral until shareholding guideline is met, providing a link to the creation of sustainable long-term value creation.	Measures and targets are set annually and payout levels are determined by the Remuneration Committee after the year end based on performance against those targets. The Remuneration Committee may, in exceptional circumstances, amend the bonus payout should this not, in the view of the Committee, reflect overall business performance or individual contribution. The annual bonus is delivered in cash. Executives must defer 20% of their bonus into shares until the shareholding guidelines have been met. Deferred shares normally vest after three years and may be adjusted to reflect the impact of any variation of share capital, in accordance with the plan rules. On the vesting of awards, executives receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of the award on the number of shares which have vested.	For maximum performance: – 125% of salary. For on-target performance – 75% of salary. For threshold performance – 15% of salary.	Performance is assessed using the following metrics: – 80% of the award is based on financial measures; and – 20% of the award is based on strategic measures. The measures and targets are set by the Committee each year. The measures that will apply for the financial year 2014 are described in the Directors' annual remuneration report. Measures for following years will be summarised in the Directors' annual remuneration report of the relevant year.

Notes:

– Benefits: Currently, the CEO is the only Executive Director who receives a housing allowance.

– Annual bonus performance measures have been selected to provide an appropriate balance between incentivising directors to meet profitability and other financial targets for the year and achieve strategic operational objectives. The measures and targets are selected every year by the Committee.

– There are no specific provisions to withhold or recover sums paid under short and long term incentives.

– While our remuneration policy follows the same principles across the Group, packages offered to employees reflect differences in market practice in the different countries the Group operates in and also differences in size of role.

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
Performance share plan Motivates and rewards the achievement of long-term business goals. Supports the creation of shareholder value through the delivery of strong market performance aligned with the long-term business strategy. Supports achievement of our strategy by targeting performance under our key financial performance indicators of organic revenue growth and EPS growth.	Contingent awards of shares are made annually with vesting dependent upon the achievement of performance conditions over three years. The Remuneration Committee has discretion to decide whether and to what extent targets have been met, and if an exceptional event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules. On the vesting of awards, executives receive an amount (in cash or shares) equal to the dividends paid or payable between the date of grant and the vesting of the award on the number of shares which have vested.	Awards vest on the following basis: – Target performance: 20% of the maximum shares awarded; – Stretch performance: 80% of the maximum shares awarded; and – Exceptional performance: 100% of the shares awarded. With straight-line vesting between each level of performance. Current annual award levels for executive directors are 250% of base salary at the time of grant. Overall individual limit of 300% of base salary under the rules of the plan. The Committee retains the discretion to make awards up to the individual limit under the plan and, as stated in previous Remuneration reports, would expect to consult with significant investors if awards were to be made routinely above current levels, as the Committee did prior to increasing award levels for 2013.	Performance is assessed against three independently measured metrics which are equally weighted: – 1/3 organic revenue growth with a margin underpin; – 1/3 EPS growth; and – 1/3 relative TSR performance against the FTSE 100 (excluding financial services and extracting companies). The measures and targets are set by the Committee. Details of the targets that will apply for 2014 are set out in the Directors' annual remuneration report. Targets will be set out in the Directors' annual remuneration report of the relevant year.
All-employee share plans Provides an opportunity for directors to voluntarily invest in the Company.	UK-based Executive Directors are entitled to participate in a UK tax approved all-employee plan, The Sage Group Savings-Related Share Option Plan under which they make monthly savings over a period of three or five years linked to the grant of an option over Sage shares with an option price which can be at a discount of up to 20% of the market value of shares on grant. Options may be adjusted to reflect the impact of any variation of share capital.	Participation limits are those set by the UK tax authorities from time to time. Currently this is £250 per month.	None.
Chairman and non-executive director fees Provide an appropriate reward to attract and retain high-calibre individuals. Non-executive directors do not participate in any incentive scheme.	Fees are reviewed periodically. The fee structure is as follows: – The Chairman is paid a single, consolidated fee; – The non-executive directors are paid a basic fee, plus additional fees for chairmanship of Board Committees and to the Senior Independent Director; – Fees are currently paid in cash but the Company may choose to provide some of the fees in shares; and – The Chairman has use of a car and driver. non-executive directors may be eligible to benefits such as company car, use of secretarial support, healthcare or other benefits that may be appropriate.	Set at a level which: – Reflects the commitment and contribution that is expected from the Chairman and non-executive directors; and – Is appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market, particularly companies of a similar size and international scope to Sage, in particular those within the FTSE 100, (excluding the top 30). The Chairman fee has been set at £360,000 and fixed at this level for five years from the date of appointment (July 2012). Overall fees paid to directors will remain within the limit stated in our articles of association, currently £1m. Actual fee levels are disclosed in the Directors' annual remuneration report for the relevant financial year.	None.

Note:

– Performance share plan: organic revenue growth and EPS are key measures of the success of the execution of our long-term strategy. TSR is considered a key measure for a number of our shareholders and provides further alignment with value created for shareholders.

Directors' remuneration policy report continued

Illustration of our remuneration policy for 2014

The tables below set out an illustration of the remuneration policy for 2014 in line with the remuneration policy above and include base salary, pension, benefits and incentives.

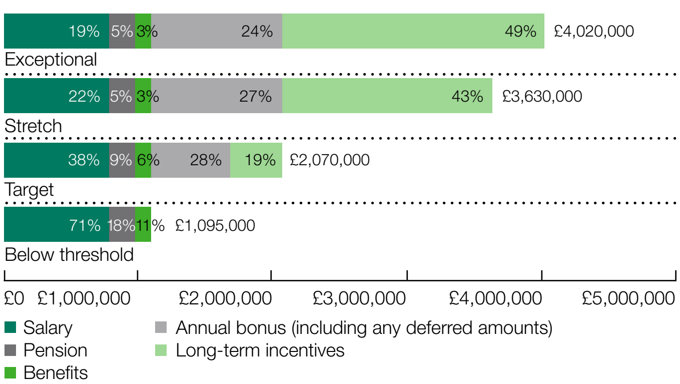
The tables provide an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component. Benefits are calculated as per the single figure of remuneration.

Four scenarios have been illustrated for each executive director:

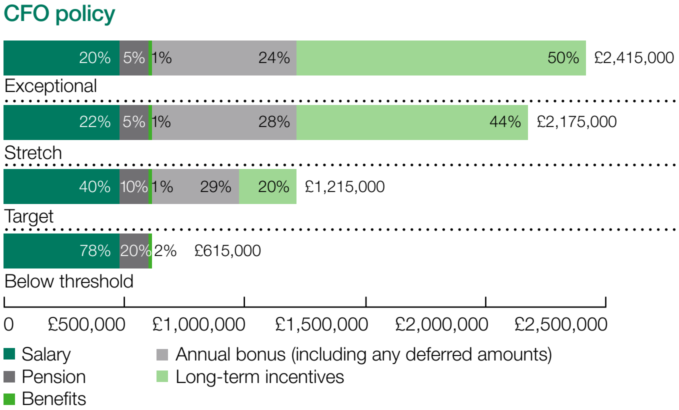
Below threshold performance	– No bonus payout – No vesting under the Performance Share Plan
Target performance	– 75% of salary payout in annual bonus (60% of maximum opportunity) – Shares equivalent to 50% of salary vesting under the Performance Share Plan (20% of total shares available)
Stretch performance	– 125% of salary payout in annual bonus (100% of maximum opportunity) – Shares equivalent to 200% of salary vesting under the Performance Share Plan vesting (80% of total shares available)
Exceptional performance	– 125% of salary payout in annual bonus (100% of maximum opportunity) – Shares equivalent to 250% of salary vesting under the Performance Share Plan vesting (100% of total shares awarded)

The scenarios below do not take into account share price appreciation or dividends. For the purpose of the illustrations the value of each component has been rounded to the nearest £1,000.

CEO policy



CFO policy



Development of our remuneration policy

Consistency with remuneration for the wider Group

The remuneration policy for our executive directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Group. The remuneration arrangements for employees below the main Board reflect the seniority of the role and local market practice and therefore the components and levels of remuneration for different employees will differ from the policy for executives as set out above.

Consideration of pay and conditions for the wider Group

The Remuneration Committee generally considers pay and employment conditions elsewhere in the Group when considering pay for the main Board directors and the Executive Committee. When considering base salary increases, the Committee reviews overall levels of base pay increases offered to other employees and other executives of the major operating companies. The Committee also reviews information with regard to bonus payments and share awards made to management of the Group.

Communication with our shareholders

The Remuneration Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements. The Committee takes into account the views of significant shareholders when formulating and implementing the policy. A recent example of this is the consultation process undertaken prior to amending the performance measures applying to PSP awards for 2013 onwards.

Recruitment remuneration arrangements

In the event of hiring a new executive director, the Committee will seek to align the remuneration package with our remuneration policy which may include the elements outlined in the policy table above. However, the Committee retains the discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances of the recruitment. This may, for example, include the following circumstances:

- An interim appointment is made to fill an executive director role on a short-term basis;
- Exceptional circumstances require that the Chairman or a non-executive director takes on an executive function on a short-term basis;
- An executive director is recruited at a time in the year when it would be inappropriate to provide a bonus or LTIP award for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
- An executive is recruited from a business or location that offered some benefits that the Committee might consider appropriate to buy out but that do not fall into the definition of "variable remuneration forfeited" that can be included in the buyout element under the wording of the regulations; or
- The executive received benefits at his previous employer which the Remuneration Committee considers it appropriate to offer.

The Committee may also alter the performance measures, performance period and vesting period of the annual bonus or long-term incentive, subject to the rules of the plan, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained.

In determining appropriate remuneration arrangements on hiring a new executive director, the Committee will take into account relevant factors; this may include the calibre of the individual, local market practice, the existing remuneration arrangements for other executives and the business circumstances. We seek to ensure that arrangements are in the best interests of both Sage and its shareholders and seek not to pay more than is appropriate.

The Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the timeframe of awards. We will generally seek to structure buyout awards on a comparable basis to awards forfeited.

The rules of The Sage Group Performance Share Plan permit the grant of two awards in the first year of employment; the individual limit from the plan rules would apply to each award.

In order to facilitate the awards mentioned above, the Committee may therefore rely on exemption 9.4.2. of the Listing Rules which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a director.

The remuneration package offered to new directors may include buyout remuneration and other remuneration components included in the remuneration policy (as per the policy table above), including: base salary/fees, pension, benefits, annual bonus and long-term incentives.

The maximum level of variable pay which may be awarded to new executive directors, excluding buy-out arrangements and awards in the first year of employment detailed above, would normally be in line with the maximum level of variable pay that may be awarded under the annual bonus plan and performance share plan, but in any event the Committee would not make an award of annual variable pay above 500% of base salary.

Loss of office payments

There are no pre-determined special provisions for directors with regard to compensation in the event of loss of office; compensation is based on what would be earned by way of salary, pension entitlement and other contractual benefits over the notice period.

In the event that a contract is to be terminated, and a payment in lieu of notice made, payments to the executive director may be staged over the notice period, at the same interval as salary would have been paid. During that period the executive director must take all reasonable steps to obtain alternative employment and payments to the executive director by the Company will be reduced to reflect payments received in respect of that alternative employment.

There is no automatic entitlement to annual bonus. Executive directors may receive a bonus in respect of the financial year of cessation, based on performance against pre-determined targets. Where an executive director leaves by reason of death, disability or ill-heath they would receive a pro-rata bonus for the year of cessation.

The treatment of leavers under our long-term incentive plans is determined by the rules of the relevant plans. The Committee will determine when awards vest and the period during which awards may be exercised.

Deferred shares will be generally at risk of forfeiture if the executive director leaves within the deferral period.

Performance shares lapse if the participant leaves employment in case of termination for cause or resignation. In other cases, normally including death and ill health, injury or disability, redundancy and retirement, the Committee would decide that awards vest at the end of the performance period and be pro-rated for time. Performance conditions would apply. However, the Committee has the discretion to allow the award to vest on cessation of employment (on a pro-rata basis or otherwise) if, in the Committee's view, the performance conditions are met at that point. The Committee may vest the award on any other basis if it believes there are exceptional circumstances which warrant that. For example, it can be in the interest of the Company for the Board to proactively organise succession and manage an executive's departure. When determining the treatment of outstanding awards in those cases, the Committee will take into account the executive's level of performance and contribution to the transition.

Change of control

The rules of the performance share plan provide that, in the event of a change of control, awards/options would vest to the extent that the performance conditions (where applicable) are satisfied at the date of such event. Any such early vesting would generally be on a time pro-rata basis. The Committee may vary the level of vesting, if it believes that exceptional circumstances warrant this, taking into account any other factors it believes to be relevant in deciding to what extent an award will vest. The directors may exchange their awards over Company shares for awards in shares of the acquiring company if the terms of the offer allow this.

Deferred bonus shares will vest in full upon a change of control.

Awards held under all-employee plans would be expected to vest on a change of control and those which have to meet specific requirements to benefit from permitted tax benefits would vest in accordance with those requirements.

Executive director service contracts

All current executive directors have service contracts, which may be terminated by the Company for breach by the executive or by giving 12 months' notice by the Company or the individual.

Service contacts for new directors will generally be limited to 12 months' notice. However, the Committee may agree a longer period, of up to 24 months initially, reducing by one month for every month served until it falls to 12 months.

Terms and conditions for non-executive directors

The appointment of the non-executive directors is for a fixed term of three years, during which period the appointment may be terminated by the Board on six months' notice. The Chairman's term of appointment is five years. There are no provisions on payment for early termination in letters of appointment.

The letters of appointment of non-executive directors and service contracts of executive directors are available for inspection at the Company's registered office during normal business hours and will be available at the Annual General Meeting.

Directors' annual remuneration report

Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 30 September 2012 and 2013.

	(a) Salary/fees £'000		(b) Benefits £'000		(c) Bonus[1] £'000		(d) PSP awards[2] £'000		(e) Pension £'000		Total £'000	
Director	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Executive Directors												
G S Berruyer[3]	**719**	708	**120**	125	**651**	186	**–**	–	**180**	177	**1,670**	1,196
P S Harrison[4]	**389**	435	**15**	20	**321**	114	**–**	–	**97**	109	**822**	678
Non-executive Directors												
D H Brydon	**360**	38	**–**	–	**–**	–	**–**	–	**–**	–	**360**	38
R Markland	**87**	78	**–**	–	**–**	–	**–**	–	**–**	–	**87**	78
N Berkett	**15**	–	**–**	–	**–**	–	**–**	–	**–**	–	**15**	–
J Harlow	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
J Howell	**23**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23**	–
T Ingram	**49**	55	**–**	–	**–**	–	**–**	–	**–**	–	**49**	55
I Mason	**59**	55	**–**	–	**–**	–	**–**	–	**–**	–	**59**	55
M E Rolfe	**76**	72	**–**	–	**–**	–	**–**	–	**–**	–	**76**	72

Notes:

1 Bonus payable in respect of the financial year including any deferred element at face value at date of award. Further information about how the level of 2013 award was determined is provided in the Additional disclosures section below.

2 The 2013 PSP value is based on the PSP award due to vest in March 2014. The value of the award is based on performance to 30 September 2013. Further information about the level of vesting is provided in the Additional disclosures section below.

3 Benefits in relation to Guy Berruyer comprise a housing allowance (£100,000 per annum) and a car allowance.

4 Paul Harrison left the Group on 16 August 2013 and received base salary, benefits and pension contributions to the date of cessation. In addition, he received a bonus payment in respect of the year based on performance to the end of the year. The payment was pro-rated for time to cessation.

Additional disclosures for single figure for total remuneration table

Base salary

2013

Base salaries were increased by 1.5% from 1 January 2013; this is a similar level of increase as was awarded for 2012 and reflects the level of salary budget increases in our key employment markets.

2012

Base salaries were increased by between 1.5% and 3% from 1 January 2012 in line with the wider employee population.

Benefits

2013

The benefits provided to the executive directors included: car benefits (or cash equivalent), private medical insurance, housing allowance, permanent health insurance, life assurance and financial advice.

2012

The benefits provided to the executive directors included: car benefits (or cash equivalent), private medical insurance, permanent health insurance, life assurance and financial advice.

Annual bonus

2013

For 2013 the bonus for executive directors was based on 50% profitability (PBTA) targets, 30% on organic revenue growth (with PBTA underpin) and 20% on strategic measures. The actual target range has not been disclosed as this is considered by the Board to be commercially sensitive information.

As highlighted in the opening letter, Sage showed strong financial performance in the year, with good growth across all regions, and our key strategic initiatives progressing well. Group PBTA performance during the year was robust with achievement of £360.5m for 2013. This was just ahead of the target range, resulting in 76% of the bonus relating to PBTA becoming payable. In a challenging market environment, organic revenue growth was 4%, within the target range; the profit underpin was exceeded, leading to 65% of the bonus relating to the organic revenue growth measure becoming payable.

Guy Berruyer and Paul Harrison achieved or partially achieved their strategic objectives for 2013, which led to 74% and 44% of the bonus relating to strategic measures becoming payable, respectively. Notably, achievements against strategic measures included driving actions to improve Net Promoter Scores throughout the business, pricing strategy, investing in cloud product strategy, improving cloud unit sales and product portfolio management.

Overall, this resulted in the Chief Executive receiving a bonus equal to 72% of the maximum for the year (90% of salary); the CFO received a bonus equal to 66% of maximum for the year (83% of salary).

None of the bonus for the year was deferred because both Guy Berruyer and Paul Harrison had already met the shareholding requirement in full.

2012

The annual bonus for the year was based 55% on profitability (PBTA) targets and 45% on organic revenue growth (with PBTA underpin). Executives achieved between threshold and target performance; this resulted in 21% of the maximum bonus opportunity paying out for Guy Berruyer and Paul Harrison. The actual target range has not been disclosed as this is considered by the Board to be commercially sensitive information. None of the bonus for the year was deferred.

The table below sets out performance for the 2013 bonus against targets:

Measures	Below	Threshold	Target	Maximum
PBTA			⊗	
Organic revenue growth			⊗	
Strategic measures		⊗ (CFO)		⊗ (CEO)

■ CEO ■ CFO

Pension

2013

Pension emoluments for both executives were equal to 25% of base salary.

2012

Pension emoluments for both executives were equal to 25% of base salary.

PSP

Awards granted in 2011

The PSP award for the period was based on EPS growth in excess of RPI over three years. Awards are also subject to a TSR multiplier whereby the level of vesting based on EPS performance is adjusted according to TSR performance over the same period compared to a group of international software and computer services companies over a three-year period.

EPS performance for awards granted in 2011

The Company's EPS performance was 6% in excess of RPI for the period, resulting in zero of the core award vesting. The table below sets out achievement against targets for the EPS measure:

EPS performance	Targets	Level of vesting	Performance achieved	Resulting level of award (% maximum opportunity)
Threshold	RPI + 9%	25%	RPI + 6%	0%
Maximum	RPI + 27%	100%		

Notes:

– With straight-line vesting between threshold and maximum.

For all PSP awards, EPS refers to earnings per share before amortisation or impairment of intangible assets, exceptional items, or amounts written-off investments and is on a foreign currency neutral basis. This measure has been selected since the timing of acquisitions can be unpredictable, with the result that the amortisation charge in respect of intangible assets is inherently difficult to budget. The neutralised foreign currency basis has been selected as the Board considers this to be consistent with the presentation and assessment of results by shareholders.

TSR performance for awards granted in 2011

TSR is compared to a bespoke comparator group listed below and calculated in local currency. The Company's ranking against the peer group as at 30 September 2013 was at the 43rd percentile, which would result in a multiplier of 0.93 being applied to the award.

TSR performance against peer group	Multiplier	Performance achieved	Resulting level of award (% maximum opportunity)
Lower quartile and below	0.75		
Median	1	43rd %ile	0%
Upper quartile or above	1.5		

Notes:

– With straight-line vesting between each level of performance.

TSR performance acts as a multiplier for PSP awards granted before 2013. As EPS performance resulted in zero vesting, TSR performance has no further impact on the vesting level.

Therefore 0% of the total PSP award will vest in March 2014.

TSR peer group for awards granted in 2011

Adobe Systems	Dassault Systèmes	Oracle
ARM Holdings	Exact	Salesforce.com
Blackbaud	Intuit	SAP
Cap Gemini	Micro Focus International	Software AG
Cegid	Microsoft	

Notes:

– Autonomy, Lawson Software, Logica and Misys were acquired during the performance period and dropped out of the comparator group.

Awards granted in 2010

The PSP award for the period was based on EPS growth in excess of RPI over three years with a relative TSR multiplier. The minimum EPS target was not met therefore none of the PSP award vested.

Awards granted in 2013

As disclosed in last year's Directors' remuneration report, the performance measures for PSP awards granted from 2013 were amended following a review of our remuneration policy and consultation with shareholders. The measures were changed in order to provide better alignment of our remuneration framework with our Group strategy.

Awards granted from 2013 will vest depending on performance against three equally weighted measures, measured over three years:

- 1/3 organic revenue growth with a margin underpin
- 1/3 EPS growth;
- 1/3 relative TSR performance against the FTSE 100 (excluding financial services and extracting companies).

Directors' annual remuneration report continued

For each measure, three levels of performance are defined below, with straight-line vesting between each level of performance: Target, Stretch and Exceptional.

The performance targets applying to the award granted during the financial year are:

Measure	Between target and stretch	Between stretch and exceptional
EPS growth (CAGR)	Between 6% and 12%	Between 12% and 15% (or above)
Relative TSR	Between median and upper quartile	Between upper quartile and upper decile (or above)
Organic revenue growth (CAGR)	Between 4% and 8%	Between 8% and 10% (or above)

As outlined in the policy table, awards are made in shares and the number of shares is determined based on a percentage of base salary. The following table sets out details of awards of conditional shares made during the year under the PSP.

			Amount vesting		
	Date of award	Face value	Threshold performance (% of face value)	Maximum performance (% of face value)	End of performance period
CEO	14 March 2013	250% of salary	20%	100%	30 September 2015
CFO	14 March 2013	250% of salary	20%	100%	30 September 2015

The face value has been calculated using the share price the day before the day of grant of 342p.

These awards vest on the third anniversary of the date of award. Paul Harrison's award lapsed on cessation of employment.

Loss of office payments

No payments for loss of office were made to past directors during the year. No payments have been made that have not already been included in the single figure of remuneration set out earlier in this report.

Remuneration for the departed Chief Financial Officer for 2013

Paul Harrison left the Group on 16 August 2013. He received a base salary, benefits and pension contributions to the date of cessation. In addition, in view of his contribution during the year to mid-August, and his commitment to the Group over 16 years, he received a bonus payment in respect of the year based on performance to the end of the year. The payment was pro-rated for time to cessation. All of Paul Harrison's outstanding share awards lapsed on cessation of employment.

Change in remuneration of Chief Executive compared to Group employees

The table below sets out the increase in total remuneration of the Chief Executive and that of our UK management population.

We have selected our UK management population (around 1,200 people) for this comparison because it is considered to be the most relevant, due to the UK employment location and the structure of total remuneration – most of our management are able to earn an annual bonus as well as receiving a base salary.

	% change in base salary 2012 to 2013[1]	% of target bonus earned 2012	% of target bonus earned 2013	**% change in bonus 2012 to 2013**	**% change in benefits (including pension) 2012 to 2013[1]**
Chief Executive	**1.5%**	35%	120%	**245%**	**1.0%**
UK management population	**2.8%**	66%	100%	**52%**	**3.7%**

Notes:

1 The increase in the Chief Executive's bonus year-on-year reflects the higher volatility in the performance-related elements of his reward package compared to that of the rest of the UK management population. To illustrate, the bonus payment for the Chief Executive in 2012 represented 35% of target opportunity, whereas for the UK management population the payment for the same year was 66% of target. UK management bonuses are based partly on personal performance.

Historical executive pay and Company performance

The table and graph below allow comparison of the total shareholder return of the Group and the Chief Executive remuneration outcomes over the last five years.

Historical Chief Executive remuneration outcomes

The table below summarises the Chief Executive single figure for total remuneration, annual bonus payout and PSP vesting as a percentage of maximum opportunity for the current year and previous four years.

	Chief Executive	2009	2010	2011	2012	2013
Chief Executive single figure of remuneration (in £000)	Guy Berruyer[1]	–	–	2,935	1,196	**1,670**
	Paul Walker[2]	1,797	2,196	–	–	**–**
Annual bonus payout (as % maximum opportunity)	Guy Berruyer	–	–	66%	21%	**72%**
	Paul Walker	38%	83%	–	–	**–**
PSP vesting (as % of maximum opportunity)	Guy Berruyer	–	–	61%	0%	**0%**
	Paul Walker	74%	26%	–	–	**–**

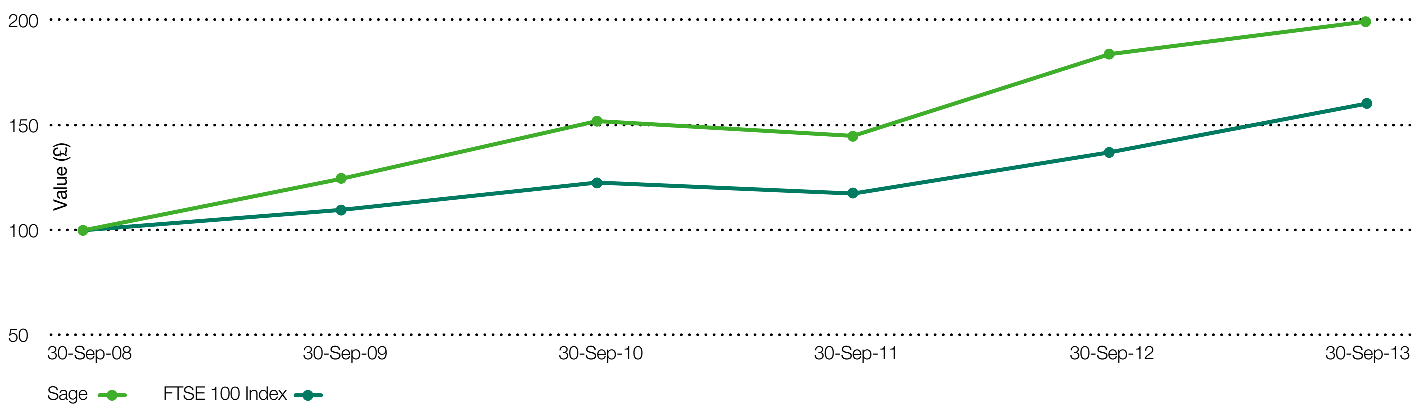
Notes:

1 Guy Berruyer was appointed Chief Executive on 1 October 2010.

2 Paul Walker resigned as Chief Executive on 30 September 2010.

The graph below shows the total shareholder return of the Group and the FTSE 100 over the last five years. The FTSE 100 Index is, in the opinion of the directors, the most appropriate index against which the TSR of the Group should be measured because of the comparable size of the companies which comprise that index.

Historical Group performance against FTSE 100



Notes:

– This graph shows the value, by 30 September 2013, of £100 invested in The Sage Group plc on 30 September 2008 compared with the value of £100 invested in the FTSE 100 index. The other points plotted are the values at intervening financial year ends.

Relative spend on pay

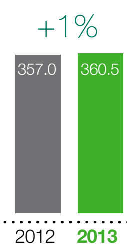
The chart below shows the all-employee pay cost (as stated in the notes to our accounts), profit after tax and returns to shareholders by way of dividends and share buy back for 2012 and 2013.

The information shown in this chart is based on the following:

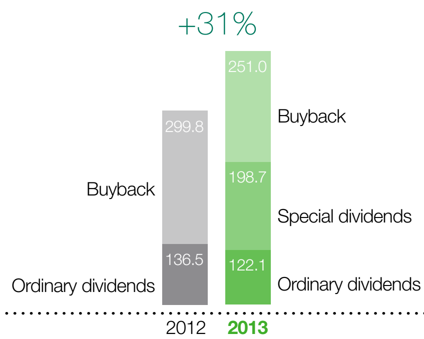
- Underlying PBT – Underlying profit before income tax taken from table on page 30.
- Returns to shareholders – Total dividends taken from note 4.2 on page 111, share buy-back taken from consolidated statement of changes in equity on page 97.
- Total employee pay – Total staff costs from note 2.3 on page 108, including wages and salaries, social security costs, pension and share-based payments.

Directors' annual remuneration report continued

Underlying PBT (£m)



Returns to shareholders (£m)



Total employee pay (£m)

Statement of implementation of remuneration policy in the following financial year

Appointment of the Chief Financial Officer

Steve Hare will join the Board as Chief Financial Officer on 3 January 2014. His remuneration package is set out below:

- Base salary – £480,000 per annum, subject to review in January 2015.
- Annual bonus – 75% of base salary for on-target performance and 125% of salary for maximum performance in line with current policy. The performance measures for the year will be 80% based on profit (PBTA) and organic revenue growth, and 20% based on strategic objectives, as per the policy for the CEO.
- Long-term incentives – he will be eligible to receive a PSP award equal to 250% of base salary in the year in line with our normal policy. The award will be subject to performance conditions set at the time of grant and a three-year performance period. Leaver treatment for these awards will follow the rules of the plan and our loss of office policy as set out in the policy report.
- Forfeited awards – he will be eligible to receive a one-off PSP award equal to 100% of base salary in recognition of awards forfeited from his previous employment. This award will be subject to the same performance conditions as the PSP award mentioned above and leaver treatment will also follow the rules of the plan and our loss of office policy.
- Benefits – provided in line with our policy.
- Pension – he will be provided with a Company contribution to the defined contribution plan of 25% of base salary. He will be eligible to receive some or all of his pension allowance in cash if he elects to do so, in line with our pension policy.
- Shareholding guidelines – all executive directors are required to hold 150% of their annual salary in the Company's shares. Until this requirement is met, directors must defer 20% of their bonus into shares and retain (net of any shares sold to meet tax liability) 50% of shares vesting from deferred bonus, PSP and exercise of options.

Components of remuneration

Effective from 1 January 2014, the base salary for the Chief Executive is £780,000.

The new CFO was appointed on a base salary of £480,000.

Pension and benefits are in line with benefits stated in the policy table.

There was no change in the maximum opportunity under our annual bonus plan. The performance measures remain 50% profitability (PBTA), 30% organic revenue growth and 20% strategic measures, unchanged from 2013. Targets are not disclosed because they are considered by the Board to be commercially sensitive.

There was no change in the maximum PSP opportunity for our CEO and awards of 250% of base salary are expected to be made in 2014. As in 2013, performance will be assessed against three equally-weighted, independently-measured metrics:

- 1/3 organic revenue growth with a margin underpin
- 1/3 EPS growth
- 1/3 relative TSR performance against the FTSE 100 (excluding financial services and extracting companies).

Targets will remain unchanged from 2013.

Measure	Between target and stretch	Between stretch and exceptional
EPS growth (CAGR)	Between 6% and 12%	Between 12% and 15% (or above)
Relative TSR	Between median and upper quartile	Between upper quartile and upper decile (or above)
Organic revenue growth (CAGR)	Between 4% and 8%	Between 8% and 10% (or above)

Directors' shareholdings and share interests (audited information)

Executive directors are required to hold 150% of their annual salary in the Company's shares. Until this requirement is met, executive directors must defer 20% of their bonus into shares, and retain (net of any shares sold to meet tax liability) 50% of shares received from deferred bonus, PSP and exercise of options.

At the year end, Guy Berruyer met the requirement.

Interests in shares

The interests of each person who was a director of the Company as at 30 September 2013 (together with interests held by his or her connected persons) were:

Director	Ordinary shares at 30 September 2013 number	Ordinary shares at 30 September 2012 number
G S Berruyer	705,232	663,360
D H Brydon	38,024	40,000
R Markland	4,753	5,000
N Berkett	28,000	–
J Howell	12,833	–
I Mason	9,506	10,000
M E Rolfe	9,506	10,000
Total	**807,854**	728,360

Notes:

– There have been no changes in the directors' holdings in the share capital of the Company, as set out in the table above, between 30 September 2013 and the date of this report.

Details of the executive directors' interests in outstanding share awards under the ESOS, PSP, Deferred shares and all-employee plans are set out below.

Executive share options (audited information)

The Group's only executive share option scheme is the ESOS. In the year under review, executive directors did not receive grants under this scheme. The outstanding executive share options granted to each director of the Company under the executive share option schemes, including the ESOS, are as follows:

Director	Exercise price per share	Shares under option at 1 October 2012 number	Granted during the year number	Exercised during the year number	Lapsed during the year number	Shares under option at 30 September 2013 number	Date exercisable
G S Berruyer	171.00p	175,438	–	(175,438)	–	–	24 December 2006 – 24 December 2013
	198.00p	189,082	–	–	–	189,082	6 January 2008 – 6 January 2015
	258.50p	122,630	–	–	–	122,630	10 January 2009 – 10 January 2016
	270.00p	62,008	–	–	–	62,008	10 January 2010 – 10 January 2017
		549,158	**–**	**(175,438)**	**–**	**373,720**	
P S Harrison	171.00p	128,654	–	(128,654)	–	–	24 December 2006 – 24 December 2013
	198.00p	133,838	–	(133,838)	–	–	6 January 2008 – 6 January 2015
	258.50p	96,324	–	(96,324)	–	–	10 January 2009 – 10 January 2016
	270.00p	49,777	–	(49,777)	–	–	10 January 2010 – 10 January 2017
		408,593	**–**	**(408,593)**	**–**	**–**	
Total		**957,751**	**–**	**(584,031)**	**–**	**373,720**	

Notes:

– No options were varied during the year.

– Options granted to all directors of the Company and its operating subsidiaries throughout the Group under the ESOS that became exercisable on or after 23 February 2003 but before 6 January 2008 were exercisable only if the percentage increase in the Company's EPS exceeded RPI by at least 3% each year in the three-year period from grant, i.e. by a total of 9%. If that target was not met at the end of the three-year period, then those options would only be exercisable if EPS growth exceeded RPI by 12% over the four-year period following the date of grant. The performance criteria for options which became exercisable on or after 6 January 2008 are based on EPS growth measured over a fixed three-year period from the start of the financial year in which the grant was made. 30% of options would vest at the end of the period if the increase in EPS exceeded RPI by 15% (an average of 5% per year) and 100% of those options would vest if RPI was exceeded in that period by 27% (an average of 9% per year). Between those points, options vest on a straight-line basis. There was no further retesting.

– The market price of a share of the Company at 30 September 2013 was 330p and the lowest and highest market price during the year was 304p and 387p respectively.

Directors' annual remuneration report continued

Performance Share Plan (audited information)

The outstanding awards granted to each director of the Company under the Performance Share Plan are as follows:

Director	Awarded 1 October 2012 number	Awarded during the year number	Vested during the year number	Lapsed during the year number	**Awarded 30 September 2013 number**	Vesting date
G S Berruyer	507,280	–	–	(507,280)	**–**	4 March 2013
	737,795	–	–	–	**737,795**	10 March 2014
	476,062	–	–	–	**476,062**	12 March 2015
	–	527,286	–	–	**527,286**	14 March 2016
	1,721,137	**527,286**	**–**	**(507,280)**	**1,741,143**	
P S Harrison	325,278	–	–	(325,278)	**–**	4 March 2013
	314,349	–	–	(314,349)	**–**	10 March 2014
	293,103	–	–	(293,103)	**–**	12 March 2015
	–	324,736	–	(324,736)	**–**	14 March 2016
	932,730	**324,736**	**–**	**(1,257,466)**	**–**	
Total	**2,653,867**	**852,022**	**–**	**(1,764,746)**	**1,741,143**	

Notes:

- No variations were made in the terms of the awards in the year.
- The market price of a share on 14 March 2013, the date of the awards made in the year ended 30 September 2013, was 342p.
- The performance condition for awards made in March 2009, 2010 and 2011 is set out above.
- P S Harrison ceased to be a director on 16 August 2013.

Deferred shares (audited information)

The outstanding awards granted to each director of the Company under The Sage Group Deferred Bonus Plan are as follows:

Director	Shares at 1 October 2012 number	Shares awarded during the year number	Shares vested during the year number	Shares lapsed during the year number	**Shares at 30 September 2013 number**	Vesting date
G S Berruyer	12,404	–	–	–	**12,404**	10 January 2014
	12,404	–	–	–	**12,404**	
P S Harrison	9,709	–	–	(9,709)	**–**	10 January 2014
	2,602	–	–	(2,602)	**–**	12 December 2014
	12,311	**–**	**–**	**(12,311)**	**–**	
Total	**24,715**	**–**	**–**	**(12,311)**	**12,404**	

Notes:

- Awards of shares will vest on the third anniversary of the date of grant. In the event that a director ceases to be an employee of the Group for reasons other than death, retirement, redundancy, injury, ill-health or disability before the third anniversary of the date of grant then the rights to the award will lapse, unless the Remuneration Committee recommend otherwise.
- Awards are not subject to further performance conditions once granted.
- No variations were made in the terms of the awards in the year.
- P S Harrison ceased to be a director on 16 August 2013.

All-employee share scheme (audited information)

In relation to the SAYE Scheme, the outstanding options granted to each director of the Company are as follows:

Director	Exercise price per share	Shares under option at 1 October 2012 number	Granted during the year number	Exercised during the year number	Lapsed during the year number	**Shares under option at 30 September 2013 number**	Date exercisable
P S Harrison	201.00p	4,477	–	–	(4,477)	**–**	1 August 2015 – 31 January 2016
Total		**4,477**	**–**	**–**	**(4,477)**	**–**	

Notes:

– These options are not subject to performance conditions since these do not apply to this type of all-employee share scheme.

– P S Harrison ceased to be a director on 16 August 2013.

External appointments

Executive directors are permitted, where appropriate and with Board approval, to take non-executive directorships with other organisations in order to broaden their knowledge and experience in other markets and countries. Fees received by the directors in their capacity as directors of these companies are retained, reflecting the personal responsibility they undertake in these roles. Mr G S Berruyer is a Non-executive Director of Meggit plc. For the year under review, fees in respect of this Non-executive Directorship were £50,745.

The Board recognises the significant demands that are made on executive and non-executive directors and has therefore adopted a policy that no executive director should hold more than two directorships of other listed companies. The Board encourages executive directors to limit other directorships to one listed company. Except in exceptional circumstances where approved in advance by the Chairman of the Committee, if an executive director holds non-executive positions at more than one listed company then only the fees from one such company will be retained by the director.

No formal limit on other board appointments applies to non-executive directors under the policy but prior approval (not to be unreasonably withheld) from the Chairman on behalf of the Board is required in the case of any new appointment. In the case of the Chairman, prior approval of the Nomination Committee is required on behalf of the Board.

There are limits on the number of newly issued and treasury shares that can be used to satisfy awards under the Group's employee share schemes in any 10-year period. The limits and the Group's current position against those limits as at 28 November 2013 (the last practicable date prior to publication of this document), are set out below:

Limit	**Current Position**
7.5% of Group's share capital can be used for discretionary share schemes	4.63%
10% of Group's share capital can be used for all share schemes	5.39%

The Company has previously satisfied all awards under the Performance Share Plan through the market purchase of shares or transfer of treasury shares and will continue to consider which is the most appropriate approach, based on the relevant factors at the time.

Unexpired term of contract table

Director	Date of contract	Unexpired term of contract on 30 September 2013, or on date of contract if later	Notice period under contract
Executive Directors			
G S Berruyer	1 October 2010	12 months	12 months from the Company and/or individual
P S Harrison	1 April 2000	0 months	12 months from the Company and/or individual
Non-executive Directors			
N Berkett	5 July 2013	2.5 years	6 months from the Company and/or 1 month from individual
D H Brydon	6 July 2012	4 years	6 months from the Company and/or individual
J Howell	15 May 2013	2.5 years	6 months from the Company and/or 1 month from individual
T Ingram	25 November 2010	0 years	6 months from the Company and/or 1 month from individual
R Markland	13 September 2012	2 years	6 months from the Company and/or 1 month from individual
I Mason	30 September 2010	0 years	6 months from the Company and/or 1 month from individual
M E Rolfe	25 November 2010	0 years	6 months from the Company and/or 1 month from individual

Notes:

– P S Harrison ceased to be a director on 16 August 2013 and his contract of employment ended on that date.

– T Ingram ceased to be a director on 31 July 2013 and her contract for services ended on that date.

– J Harlow ceased to be a director on 4 September 2013 and her contract for services ended on that date.

– I Mason and M E Rolfe ceased to be directors on 30 November 2013 and their contracts for services ended on that date.

Directors' annual remuneration report continued

Consideration by the directors of matters relating to directors' remuneration

The following directors were members of the Remuneration Committee when matters relating to the directors' remuneration for the year were being considered:

- Ms R Markland (Chair)
- Mr D H Brydon
- Mr N Berkett
- Mr J Howell
- Ms T Ingram
- Mr I Mason
- Mr M E Rolfe

The Committee received assistance from Ms K Geary (former Group Director of Human Resources), Mr R Drury (current Group Director of Human Resources), Ms R Fyffe (Director of Performance and Reward) and Mr M J Robinson (Company Secretary) and other members of management, who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

External advisers

The Remuneration Committee continues to receive advice from Deloitte, an independent firm of remuneration consultants appointed by the Committee after consultation with the Board. During the year, Deloitte's executive compensation advisory practice advised the Committee on developments in market practice, corporate governance and institutional investor views and in the development of the Company's incentive arrangements. Total fees for advice provided to the Committee during the year were £79,000, of which £30,000 related to advice on compliance with new legislation on directors' remuneration.

The Committee is satisfied that the advice they have received has been objective and independent.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code in relation to executive remuneration consulting in the UK.

Other parts of Deloitte have provided tax advice, specific corporate finance support in the context of merger and acquisition activity and unrelated corporate advisory services.

Statement of shareholding voting

The table below sets out the results of the vote on the Remuneration report at the 2013 AGM:

Votes for		Votes against			
Number	%	Number	%	Votes cast	Votes withheld
781,616,580	94.16%	48,521,017	5.84%	830,137,597	27,336,704

R Markland
Chairman of the Remuneration Committee
4 December 2013

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Group financial statements

Our Group financial statements provide a complete picture of our 2013 performance.

Notes to the Group financial statements

Supplementary notes to the Group financial statements.

Independent auditors' report to the members of The Sage Group plc

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say below.

What we have audited

The Group financial statements, which are prepared by The Sage Group plc, comprise:

- the Consolidated balance sheet as at 30 September 2013;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended; and
- The Notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report & Accounts (the "Annual Report") to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the Group financial statements as a whole to be £16m. In arriving at this judgement we had regard to profit before tax adjusted for non-recurring loss on disposal charges.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.8m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group's trading operations are made up of operating businesses situated in a number of territories across the globe. The Group financial statements are a consolidation of 24 reporting units, comprising the Group's operating businesses and head office function.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Accordingly, of the Group's 24 reporting units, we identified 12 which, in our view, required an audit of their complete financial information, either due to their size, or their risk characteristics. As part of our planning procedures, the Group team visited the UK, French and North America teams (the three most significant units in the Group) in the year ended 30 September 2013. Specific audit procedures on certain balances and transactions were performed at a further one reporting unit on request of the Audit Committee. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 65.

Area of focus	How the scope of our audit addressed the area of focus
Impairment assessment We focused on this area due to the size of the goodwill balance, and because the directors' assessment of the carrying value of the Group's cash generating units ("CGUs") involves judgements about the future results of the business and the discount rate to apply to the future cash flow forecasts.	We tested the directors' future cash flow forecasts, including comparing them to the latest Board approved budgets and comparing the current year results with the equivalent figures included in the prior year forecast. We challenged the directors' key assumptions for discount and long-term growth rates by comparing rates used to available external data. We also performed sensitivity analysis around the key drivers of the cash flow forecasts, being the discount rates, revenue growth rates and operating margins.
Exceptional items Exceptional items relating to the disposal of non-core products were considered to be an area of focus due to the magnitude of the charge in the income statement.	We tested the component parts of the loss on disposal calculation to source documentation including the proceeds received, the net assets disposed of and the costs associated with the disposal, including goodwill allocation. We held detailed discussions with management regarding the methodology applied to allocate goodwill to the loss on disposal calculation and tested the supporting calculations, checking compliance with IAS 36 "Impairment of Assets".
Archer Capital litigation A compensation claim against the Group by a third party for a material sum is currently the subject of legal proceedings. We focused on this issue as there is uncertainty as to the likely outcome.	We discussed this issue with internal and external legal counsel in order to understand the latest position of the proceedings and assess the directors' views as to the strength of the claim against the Group and their conclusion that no provision is required.
Revenue recognition We focused on this area because the timing of revenue recognition and its presentation in the income statement has inherent complexities. These complexities mainly involve accounting for "bundled" transactions where software and maintenance and support elements are purchased together, with a portion of the fee being recognised immediately and the remainder of the revenue deferred and recognised over the contractual period. In addition, ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition for every audit conducted under these auditing standards.	We tested the timing of the recognition of revenue, which included testing the allocation of revenue in sales transactions including both software and maintenance and support elements and that the maintenance and support element was appropriately deferred and recognised over the contractual period. Additionally, in response to the presumptive risk of fraud, where revenue was recorded through journal entries we performed testing to establish whether a service had been provided or a sale had occurred in the financial year to support this recognition.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this and hence it is an area that receives heightened focus on every audit conducted under these auditing standards.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgments relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested manual journal entries to determine the rationale for manual adjustments.

The Audit Committee's consideration of the significant issues in the audit is set out on page 65.

Going concern

Under the Listing Rules we are required to review the directors' statement set out on page 70 in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinions on matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have nothing to report having performed our review.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code"). We have no exceptions to report arising from our review.

On page 73 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 65, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on page 73, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other matter

We have reported separately on the parent company financial statements of The Sage Group plc for the year ended 30 September 2013 and on the information in the Directors' remuneration report that is described as having been audited.

Charles Bowman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

4 December 2013

Consolidated income statement

For the year ended 30 September 2013

	Note	2013 £m	2012 £m
Revenue	1.1	**1,376.1**	1,340.2
Cost of sales		**(80.2)**	(84.3)
Gross profit		**1,295.9**	1,255.9
Selling and administrative expenses		**(929.5)**	(911.0)
Loss on disposal of non-core products	2.1	**(185.9)**	–
Operating profit	1.2, 2.2	**180.5**	344.9
Finance income	2.4	**1.4**	2.6
Finance costs	2.4	**(17.8)**	(13.2)
Finance costs – net	2.4	**(16.4)**	(10.6)
Profit before income tax		**164.1**	334.3
Income tax expense	3	**(116.6)**	(95.4)
Profit for the year from continuing operations		**47.5**	238.9
Profit for the year from discontinued operations	15	**–**	57.8
Profit for the year		**47.5**	296.7
Profit attributable to:			
– Owners of the parent		**46.4**	296.6
– Non-controlling interest	14.5	**1.1**	0.1
		47.5	296.7
EBITA†	1.2	**375.8**	366.4
Earnings per share attributable to the owners of the parent (pence)			
From continuing operations			
– Basic	4.1	**3.97p**	18.63p
– Diluted	4.1	**3.96p**	18.60p
From continuing and discontinued operations			
– Basic	4.1	**3.97p**	23.14p
– Diluted	4.1	**3.96p**	23.10p

Notes:

† EBITA measure (earnings before interest, tax and adjustments) excludes the effects of:
- Amortisation of acquired intangible assets;
- Acquisition-related items;
- Fair value adjustments and goodwill impairment; and
- Exceptional items.

Consolidated statement of comprehensive income

For the year ended 30 September 2013

	Note	2013 £m	2012 £m
Profit for the year		**47.5**	296.7
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on post-employment benefit obligations	14.4	**1.1**	(2.6)
Deferred tax (charge)/credit on actuarial loss on post-employment benefit obligations	3	**(0.4)**	1.0
		0.7	(1.6)
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	14.3	**28.4**	(66.6)
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	14.3	**(44.5)**	(55.7)
		(16.1)	(122.3)
Other comprehensive expense for the year, net of tax		**(15.4)**	(123.9)
Total comprehensive income for the year		**32.1**	172.8
Total comprehensive income for the year attributable to:			
– Owners of the parent		**31.0**	172.7
– Non-controlling interest	14.5	**1.1**	0.1
		32.1	172.8
Total comprehensive income attributable to owners of the parent arising from:			
– Continuing operations		**31.0**	170.6
– Discontinued operations		**–**	2.1
		31.0	172.7

Consolidated balance sheet

As at 30 September 2013

	Note	2013 £m	2012 £m
Non-current assets			
Goodwill	5.1	**1,515.2**	1,814.4
Other intangible assets	5.2	**113.5**	139.8
Property, plant and equipment	6	**128.8**	142.2
Deferred income tax assets	9	**18.7**	10.0
		1,776.2	2,106.4
Current assets			
Inventories	7.1	**2.2**	2.5
Trade and other receivables	7.2	**311.2**	302.8
Cash and cash equivalents (excluding bank overdrafts)	12.3	**100.8**	61.6
		414.2	366.9
Total assets		**2,190.4**	2,473.3
Current liabilities			
Trade and other payables	7.3	**(287.6)**	(259.0)
Current income tax liabilities		**(35.7)**	(29.7)
Borrowings	12.4	**(21.0)**	(8.4)
Other financial liabilities	13.4	**(30.0)**	(60.0)
Deferred consideration		**(8.2)**	(10.0)
Deferred income		**(406.8)**	(420.3)
		(789.3)	(787.4)
Non-current liabilities			
Borrowings	12.4	**(440.6)**	(200.8)
Other financial liabilities	13.4	**(54.2)**	(68.3)
Post-employment benefits	8	**(12.9)**	(14.3)
Deferred income tax liabilities	9	**(23.1)**	(29.5)
		(530.8)	(312.9)
Total liabilities		**(1,320.1)**	(1,100.3)
Net assets		**870.3**	1,373.0
Equity attributable to owners of the parent			
Ordinary shares	14.1	**11.7**	13.3
Share premium		**532.2**	524.5
Other reserves	14.3	**60.4**	76.5
Retained earnings		**267.0**	760.8
		871.3	1,375.1
Non-controlling interest	14.5	**(1.0)**	(2.1)
Total equity		**870.3**	1,373.0

The consolidated financial statements on pages 94 to 137 were approved by the Board of directors on 4 December 2013 and are signed on their behalf by:

G S Berruyer, Director

Consolidated statement of changes in equity

For the year ended 30 September 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	**13.3**	**524.5**	**76.5**	**760.8**	**1,375.1**	**(2.1)**	**1,373.0**
Profit for the year	**–**	**–**	**–**	**46.4**	**46.4**	**1.1**	**47.5**
Other comprehensive income/(expense):							
Exchange differences on translating foreign operations	**–**	**–**	**28.4**	**–**	**28.4**	**–**	**28.4**
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	**–**	**–**	**(44.5)**	**–**	**(44.5)**	**–**	**(44.5)**
Actuarial gain on post-employment benefit obligations	**–**	**–**	**–**	**1.1**	**1.1**	**–**	**1.1**
Deferred tax charge on actuarial gain on post-employment obligations	**–**	**–**	**–**	**(0.4)**	**(0.4)**	**–**	**(0.4)**
Total comprehensive (expense)/income for the year ended 30 September 2013	**–**	**–**	**(16.1)**	**47.1**	**31.0**	**1.1**	**32.1**
Transactions with owners:							
Employee share option scheme:							
– Proceeds from shares issued	**–**	**7.7**	**–**	**–**	**7.7**	**–**	**7.7**
– Value of employee services	**–**	**–**	**–**	**2.9**	**2.9**	**–**	**2.9**
Purchase of treasury shares	**–**	**–**	**–**	**(251.0)**	**(251.0)**	**–**	**(251.0)**
Expenses related to purchase of treasury shares	**–**	**–**	**–**	**(2.0)**	**(2.0)**	**–**	**(2.0)**
Close period share buyback programme	**–**	**–**	**–**	**30.0**	**30.0**	**–**	**30.0**
Cancellation of treasury shares	**(1.6)**	**–**	**–**	**–**	**(1.6)**	**–**	**(1.6)**
Dividends paid to owners of the parent	**–**	**–**	**–**	**(320.8)**	**(320.8)**	**–**	**(320.8)**
Total transactions with owners for the year ended 30 September 2013	**(1.6)**	**7.7**	**–**	**(540.9)**	**(534.8)**	**–**	**(534.8)**
At 30 September 2013	**11.7**	**532.2**	**60.4**	**267.0**	**871.3**	**(1.0)**	**870.3**

	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 2011	13.2	513.2	266.8	914.6	1,707.8	–	1,707.8
Profit for the year	–	–	–	296.6	296.6	0.1	296.7
Other comprehensive (expense)/income:							
Exchange differences on translating foreign operations	–	–	(66.6)	–	(66.6)	–	(66.6)
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	–	–	(55.7)	–	(55.7)	–	(55.7)
Actuarial loss on post-employment benefit obligations	–	–	–	(2.6)	(2.6)	–	(2.6)
Deferred tax charge on actuarial gain on post-employment obligations	–	–	–	1.0	1.0	–	1.0
Total comprehensive income for the year ended 30 September 2012	–	–	(122.3)	295.0	172.7	0.1	172.8
Transactions with owners:							
Employee share option scheme:							
– Proceeds from shares issued	0.1	11.3	–	–	11.4	–	11.4
– Value of employee services	–	–	–	1.2	1.2	–	1.2
– Equity movement of deferred income tax	–	–	–	(1.7)	(1.7)	–	(1.7)
Purchase of treasury shares	–	–	–	(299.8)	(299.8)	–	(299.8)
Expenses related to purchase of treasury shares	–	–	–	(2.0)	(2.0)	–	(2.0)
Close period share buyback programme	–	–	–	(10.0)	(10.0)	–	(10.0)
Put and call arrangement	–	–	(68.0)	–	(68.0)	–	(68.0)
Non-controlling interest arising on business combination	–	–	–	–	–	(2.2)	(2.2)
Dividends paid to owners of the parent	–	–	–	(136.5)	(136.5)	–	(136.5)
Total transactions with owners for the year ended 30 September 2013	0.1	11.3	(68.0)	(448.8)	(505.4)	(2.2)	(507.6)
At 30 September 2012	13.3	524.5	76.5	760.8	1,375.1	(2.1)	1,373.0

Consolidated statement of cash flows

For the year ended 30 September 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from continuing operations	12.1	**417.4**	383.8
Interest paid		**(12.6)**	(11.5)
Income tax paid		**(118.6)**	(95.2)
Operating cash flows used in discontinued operations	15	**–**	(2.3)
Net cash generated from operating activities		**286.2**	274.8
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	16.1	**(14.7)**	(162.8)
Acquisition of other financial assets		**(6.0)**	–
Disposal of subsidiaries, net of cash disposed	16.6	**81.4**	0.1
Purchases of intangible assets	5.2	**(9.6)**	(10.8)
Purchases of property, plant and equipment	6	**(14.1)**	(19.3)
Proceeds from sale of property, plant and equipment		**4.7**	0.6
Interest received	2.4	**1.4**	2.6
Investing cash flows generated from discontinued operations, net of cash disposed	15	**–**	198.9
Net cash generated from investing activities		**43.1**	9.3
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**7.7**	11.4
Purchase of treasury shares and related expenses		**(251.0)**	(297.5)
Finance lease principal payments		**(1.1)**	(0.7)
Proceeds from borrowings		**514.1**	14.8
Repayments of borrowings		**(256.5)**	(0.7)
Movements in cash collected from customers		**9.5**	0.5
Dividends paid to owners of the parent	4.2	**(320.8)**	(136.5)
Net cash used in financing activities		**(298.1)**	(408.7)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts (before exchange rate movement)	12.2	**31.2**	(124.6)
Effects of exchange rate movement	12.2	**(2.7)**	(3.0)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**28.5**	(127.6)
Cash, cash equivalents and bank overdrafts at 1 October	12.2	**54.4**	182.0
Cash, cash equivalents and bank overdrafts at 30 September	12.2	**82.9**	54.4

Group accounting policies

Group accounting policies

Basis of preparation

The consolidated financial statements of The Sage Group plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and International Financial Reporting Standards Interpretations Committee ("IFRIC") interpretations as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention, except where adopted IFRS require an alternative treatment. The principal variations from the historical cost convention relate to derivative financial instruments which are measured at fair value through profit or loss.

The financial statements of the Group comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared at the end of the reporting period. The accounting policies have been consistently applied across the Group. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to benefit from its activities.

New or amended accounting standards

The following new or amended standards have been adopted in the financial statements:

– Amendment to IAS 1, "Presentation of Financial statement"

These changes have no material impact on the financial statements.

The Directors also considered the impact on the Group of other new and revised accounting standards, interpretations or amendments. The following revised and new accounting standards are currently endorsed but not yet effective. None are expected to be material to the financial statements.

– Amendment to IAS 19, "Employee Benefits"
– Amendment to IAS 36, "Impairment of Assets"
– IFRS 10, "Consolidated Financial Statements"
– IFRS 11, "Joint Arrangements"
– IFRS 12, "Disclosure of Interests in Other Entities"
– IFRS 13, "Fair Value Measurement"

The following new accounting standard is not yet endorsed, and is not expected to be material to the financial statements.

– IFRS 9, "Financial Instruments"

Going concern

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, the consolidated financial statements have been prepared on a going concern basis and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Revised), "Business Combinations" are recognised at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in the Consolidated income statement. Any subsequent adjustment to reflect changes in consideration arising from contingent consideration amendments is recognised in the Consolidated income statement.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related items are expensed as incurred.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Where the Group enters into put and call arrangements over shares held by a non-controlling interest, the Group continues to recognise the non-controlling interest until the ownership risks and rewards of those shares transfer to the Group.

Segment reporting

The segmental analysis has been derived using the information used by the chief operating decisions maker. The 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Group reports revenue under two revenue categories:

Recurring revenue

Recurring revenue includes subscription contracts, combined software/support contracts, maintenance and support, and payment services.

Revenue is recognised on a straight-line basis over the term of the contract (including non-specified upgrades when included). Revenue relating to future periods is classified as deferred income on the balance sheet.

Software and software-related services revenue

Revenue allocated to software licences and specified upgrades is recognised when the significant risks and rewards of ownership of the licence have been transferred and it is probable that the economic benefits associated with the transaction will flow to the Group.

Where software is sold with after-sales service, the consideration is allocated between the different elements on a relative fair value basis.

Group accounting policies continued

Other products (which include business forms and hardware) – revenue is recognised as the products are shipped.

Other services (which include the sale of professional services and training) – revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period.

Goodwill

Goodwill arising from the acquisition of a subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the Group's share of the identifiable net assets acquired over the fair value of the Group's share of the identifiable net assets. Goodwill is carried at cost less accumulated impairment losses.

Goodwill previously written-off directly to reserves under UK GAAP prior to 1 October 1998 has not been reinstated and is not recycled to the income statement on the disposal of the business to which it relates. Gains and losses on disposal of the entity include the carrying amount of the foreign exchange on the goodwill relating to the entity sold (except for goodwill taken to reserves prior to the transition to IFRS on 1 October 2004).

Impairment of assets

Goodwill is allocated to cash-generating units ("CGUs") for the purposes of impairment testing. The recoverable amount of the CGU to which the goodwill relates is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired.

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

The carrying values of property, plant and equipment, investments measured using a cost basis and intangible assets other than goodwill are reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

In an impairment test, the recoverable amount of the CGU or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value-in-use in the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining CGUs or asset's value-in-use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the CGU or asset that have not already been included in the estimate of future cash flows.

Intangible assets

Intangible assets arising on business combinations are stated at fair value less accumulated amortisation and impairment losses. The main intangible assets recognised are brands, technology and customer relationships.

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

The estimated useful lives are as follows:

Brand names	– 3 to 20 years
Technology/In process R&D ("IPR&D")	– 3 to 7 years
Customer relationships	– 4 to 15 years

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses if applicable. Software assets are amortised on a straight-line basis over their estimated useful lives, which do not exceed seven years.

Internally generated software development costs are expensed as incurred. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on a straight-line basis down to an asset's residual value over its useful economic life as follows:

Freehold buildings	– 50 years
Long leasehold buildings and improvements	– over period of lease
Plant and equipment	– 2 to 7 years
Motor vehicles	– 4 years
Office equipment	– 5 to 7 years

Freehold land is not depreciated.

Inventories

Inventories are stated at the lower of cost and net realisable value after making allowances for slow moving or obsolete items.

Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost is calculated using the first-in-first-out method.

Taxation

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

Current tax payable or receivable is based on the taxable income for the period and any adjustment in respect of prior period. Current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Tax assets and liabilities are offset when there is a legally enforceable right.

The calculation of the Group's total tax charge involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until a resolution has been reached by the relevant tax authority. Management makes estimates of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain.

Financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

Trade receivables

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

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

Cash and cash equivalents

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

Trade payables

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

Borrowings

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

Hedge accounting

All derivatives are initially recognised at fair value, and are subsequently remeasured at fair value. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives designated as hedging instruments are accounted for in line with the nature of the hedging arrangement. Changes in fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

Derivative instruments are used to manage the Group's exposure to changes in cash flows arising from movements in underlying exposures. The derivatives are designated as cash flow hedges, and hedge accounting is used where it has been shown that the hedge relationship is highly effective. Gains and losses on derivative financial instruments in a cash flow hedge relationship are recognised in other comprehensive income and subsequently recognised in the income statement in the same period that the hedged item affects income.

The Group operates net investment hedges, using foreign currency borrowings. The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. On disposal of the net investment, the foreign exchange gains and losses on the hedging instrument are recycled to the income statement from equity.

Shares repurchased for cancellation

The Group also makes use of contingent contracts for the purchase of its own shares. These derivative contracts are accounted for as equity transactions and the contracts are not stated at their market values. The present value of the obligation to purchase the shares is recognised in full at the inception of the contract, even when that obligation is conditional. Any subsequent reduction in the total obligation arising from the early termination of a contract is credited back to equity at the time of termination.

Put and call arrangement granted to non-controlling interest

Where put and call agreements are in place in respect of shares held by a non-controlling interest, the put element is accounted for as a financial liability. The amount that may become payable under the option on exercise is initially recognised at present value with a corresponding charge directly to equity. At the end of each period, the valuation of the liability is reassessed with any changes recognised in the income statement.

Foreign currencies

The consolidated financial statements are presented in sterling, which is the functional currency of the parent company and the presentation currency for the consolidated financial statements.

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign currency monetary items are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised outside profit or loss. For such non-monetary items, any exchange component of that gain or loss is also recognised outside profit or loss.

The assets and liabilities of the Group's subsidiaries outside of the UK are translated into sterling using period end exchange rates. Income and expense items are translated at the average exchange rates for the period. Where differences arise between these rates, they are recognised in other comprehensive income and the translation reserve.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in other comprehensive income are recycled in the income statement as part of the gain or loss on sale, with the exception of exchange differences recorded in equity prior to the transition to IFRS on 1 October 2004, in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards".

Leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between

Group accounting policies continued

finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly as finance costs to the income statement.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Post-employment benefits

Obligations under defined contribution schemes are recognised as an operating cost in the income statement as incurred.

The Group also operates a small defined benefit pension scheme and other post-employment benefit schemes. The assets of these schemes are held separately from the assets of the Group. The costs of providing benefits under these schemes are determined using the projected unit credit actuarial valuation method.

The current service cost and gains and losses on settlements and curtailments are included in selling and administrative expenses in the income statement. Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit pension schemes and the imputed interest on pension plan liabilities comprise the pension element of the net finance cost/income in the income statement.

Differences between the actual and expected return on assets, changes in the post-employment benefit obligation due to experience and changes in actuarial assumptions are included in the statement of comprehensive income in full in the period in which they arise.

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation and unrecognised past service cost and future administration costs at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximate to the terms of the related pension liability.

The calculation of the defined benefit obligation of a defined benefit plan requires estimation of future events, for example salary and pension increases, inflation and mortality rates. In the event that future experience does not bear out the estimates made in previous years, an adjustment will be made to the plan's defined benefit obligation in future periods which could have a material effect on the Group. The carrying amounts of assets and liabilities relating to defined benefit plans, together with the key assumptions used in the calculation of the defined benefit obligations relating to those plans, are disclosed in note 8.

Share-based payments

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

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

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

Dividends

Dividends are recognised through equity when approved by the Company's shareholders or on payment, whichever is earlier.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, when it can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share capital

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued.

Critical accounting estimates and judgements

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and assumptions by management. It also requires management to exercise its judgement in the process of applying the accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information. The areas involving a higher degree of judgement or complexity are described below.

Revenue recognition

The key area of judgement in respect of recognising revenue is the timing of recognition, specifically in relation to recognition and deferral of revenue on support contracts where management assumptions and estimates are necessary.

Goodwill impairment

The judgements in relation to goodwill impairment testing relate to the assumptions applied in calculating the value in use of the operating companies being tested for impairment. The key assumptions applied in the calculation relates to the future performance expectations of the business. The carrying value of goodwill and the key assumptions used in performing the annual impairment assessment are disclosed in note 5.

Disposals

The calculation of the loss on disposal of businesses is an area of complexity where management applies judgement. Goodwill allocated to the disposals was equal to the goodwill created on original acquisition, reflecting benefits associated with the original acquisitions no longer remaining within the Group.

In addition to the loss on disposal noted above, one-off revenue and cost items in relation to these disposals have been recognised as exceptional in the financial statements.

The financial performance of the businesses disposed of 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.

Archer Capital litigation

The claim for damages made by Archer Capital in relation to the potential purchase of MYOB is strongly rejected by management. On that basis, and with supporting expert legal advice, management do not consider there to be a present obligation and the possibility of an outflow of resources is remote. As such, no provision or contingent liability has been recognised in these financial statements.

1 Segment information

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 tables below show a segmental analysis of the results for continuing operations. For information relating to discontinued operations refer to note 15.

1.1 Revenue by segment

	Year ended 30 September 2013			Year ended 30 September 2012					Change		
	IFRS statutory £m	Organic revenue adjustment[1] £m	Non-GAAP organic £m	IFRS statutory £m	Currency impact £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	**535.2**	**(29.0)**	**506.2**	516.1	10.6	526.7	(43.8)	482.9	4%	2%	5%
Americas	**357.5**	**(54.0)**	**303.5**	324.2	(1.1)	323.1	(38.9)	284.2	10%	11%	7%
AAMEA	**83.4**	**(0.4)**	**83.0**	82.4	(6.4)	76.0	(1.1)	74.9	1%	10%	11%
Recurring revenue	**976.1**	**(83.4)**	**892.7**	922.7	3.1	925.8	(83.8)	842.0	6%	5%	6%
Software and software-related services ("SSRS") revenue by segment											
Europe	**241.7**	**(14.0)**	**227.7**	259.7	2.0	261.7	(28.5)	233.2	-7%	-8%	-2%
Americas	**90.7**	**(17.3)**	**73.4**	87.5	5.9	93.4	(21.7)	71.7	4%	-3%	2%
AAMEA	**67.6**	**(0.1)**	**67.5**	70.3	(6.5)	63.8	(1.0)	62.8	-4%	6%	7%
SSRS revenue	**400.0**	**(31.4)**	**368.6**	417.5	1.4	418.9	(51.2)	367.7	-4%	-5%	0%
Total revenue by segment											
Europe	**776.9**	**(43.0)**	**733.9**	775.8	12.6	788.4	(72.3)	716.1	0%	-1%	2%
Americas	**448.2**	**(71.3)**	**376.9**	411.7	4.8	416.5	(60.6)	355.9	9%	8%	6%
AAMEA	**151.0**	**(0.5)**	**150.5**	152.7	(12.9)	139.8	(2.1)	137.7	-1%	8%	9%
Total revenue	**1,376.1**	**(114.8)**	**1,261.3**	1,340.2	4.5	1,344.7	(135.0)	1,209.7	3%	2%	4%

Notes:

1 Organic revenue adjustment includes the contributions of current and prior year acquisitions and disposals.

1.2 Profit by segment

	Year ended 30 September 2013			Year ended 30 September 2012					Change		
	IFRS statutory operating profit/(loss) £m	Adjustment[1] £m	Non-GAAP EBITA £m	IFRS statutory operating profit £m	Adjustment[1] £m	Non-GAAP EBITA reported £m	Currency impact £m	Underlying Non-GAAP EBITA constant currency £m	IFRS statutory operating profit %	Non-GAAP EBITA reported %	Underlying Non-GAAP EBITA constant currency %
Profit by segment											
Europe	**155.7**	**64.5**	**220.2**	207.8	11.3	219.1	2.9	222.0	-29%	1%	-1%
Americas	**(13.7)**	**128.7**	**115.0**	96.8	9.3	106.1	1.2	107.3	-105%	8%	7%
AAMEA	**38.5**	**2.1**	**40.6**	40.3	0.9	41.2	(3.5)	37.7	-8%	-1%	8%
Total profit	**180.5**	**195.3**	**375.8**	344.9	21.5	366.4	0.6	367.0	-48%	3%	2%

Notes:

[1] Adjustment includes the effects of amortisation of acquired intangible assets, acquisition-related items, fair value adjustments and goodwill impairment and exceptional items.

Year ended 30 September 2013	Note	Europe £m	Americas £m	AAMEA £m	Group £m
The results by segment from continuing operations were as follows:					
Revenue		**776.9**	**448.2**	**151.0**	**1,376.1**
Segment operating profit/(loss)		**155.7**	**(13.7)**	**38.5**	**180.5**
Finance income	2.4				**1.4**
Finance costs	2.4				**(17.8)**
Profit before income tax					**164.1**
Income tax expense	3				**(116.6)**
Profit for the year					**47.5**

No single customer contributed more than 10% of the Group's revenue in the current or prior year.

Reconciliation of Non-GAAP EBITA† to IFRS statutory operating profit/(loss)	Europe £m	Americas £m	AAMEA £m	Group £m
Non-GAAP EBITA†	**220.2**	**115.0**	**40.6**	**375.8**
Amortisation of acquired intangible assets	**(10.0)**	**(8.4)**	**(0.7)**	**(19.1)**
Fair value adjustments and goodwill impairment	**–**	**13.5**	**(1.4)**	**12.1**
Acquisition-related items	**–**	**(0.1)**	**–**	**(0.1)**
Exceptional items	**(54.5)**	**(133.7)**	**–**	**(188.2)**
Operating profit/(loss)	**155.7**	**(13.7)**	**38.5**	**180.5**

Notes:

† EBITA measure (earnings before interest, tax and adjustments) excludes the effects of:
- Amortisation of acquired intangible assets;
- Acquisition-related items;
- Fair value adjustments and goodwill impairment; and
- Exceptional items.

1 Segment information continued

1.2 Profit by segment continued

Year ended 30 September 2012	Note	Europe £m	Americas £m	AAMEA £m	Group £m
The results by segment from continuing operations were as follows:					
Revenue		775.8	411.7	152.7	1,340.2
Segment operating profit		207.8	96.8	40.3	344.9
Finance income	2.4				2.6
Finance costs	2.4				(13.2)
Profit before income tax					334.3
Income tax expense	3				(95.4)
Profit for the year					238.9

Year ended 30 September 2012 Reconciliation of Non-GAAP EBITA† to IFRS statutory operating profit	Europe £m	Americas £m	AAMEA £m	Group £m
Non-GAAP EBITA†	219.1	106.1	41.2	366.4
Amortisation of acquired intangible assets	(10.8)	(5.4)	(0.9)	(17.1)
Acquisition-related items	(0.5)	(3.9)	–	(4.4)
Operating profit	207.8	96.8	40.3	344.9

2 Profit before income tax

2.1 Exceptional items

During the year, a loss on disposal was incurred as a result of the disposal of non-core products. This charge has been separately disclosed on the face of the Consolidated income statement.

An exceptional charge of £2.3m (30 September 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:

	2013 £m	2012 £m
Loss on disposal	**(184.6)**	–
Deferred revenue unwind	**5.6**	–
Employee-related costs	**(5.6)**	–
Property-related costs	**(3.8)**	–
Other	**2.5**	–
Disposal of non-core products	**(185.9)**	–
Archer litigation costs recognised in selling and administrative expenses	**(2.3)**	–
Total exceptional item	**(188.2)**	–

2.2 Operating profit

The following items have been included in arriving at operating profit	Note	Continuing operations 2013 £m	Discontinued operations 2013 £m	Continuing operations 2012 £m	Discontinued operations 2012 £m
Staff costs	2.3	621.9	–	610.0	7.2
Cost of inventories recognised as an expense (included in cost of sales)	7.1	14.2	–	12.0	1.5
Depreciation of property, plant and equipment	6	20.0	–	21.7	–
Amortisation of intangible assets	5.2	28.5	–	25.6	–
Fair value adjustments and goodwill impairment		(12.1)	–	–	–
Loss/(profit) on disposal of property, plant and equipment	12.1	0.8	–	0.2	(0.2)
Loss/(profit) on disposal of intangible assets	12.1	0.1	–	(1.4)	–
Other operating lease rentals payable		20.9	–	30.9	–
Net foreign exchange (gains)/losses		(0.4)	–	0.2	–
Acquisition-related items		0.1	–	4.4	–
Research and development expenditure		144.6	–	159.4	1.6

Services provided by the Group's auditor and network firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2013 £m	2012 £m
Fees payable to the Group's auditor for the audit of parent Company and consolidated accounts	1.9	1.9
Fees payable to the Group's auditor for audit-related assurance services	0.1	0.1
Total audit fees	2.0	2.0
Tax compliance services	0.6	0.6
Tax advisory services	0.4	0.1
Other non-audit services	0.3	0.1
Total fees	3.3	2.8

The total audit fee for the Group, including the audit of overseas subsidiaries, was £2.0m (2012: £2.0m).

The Board's policy in respect of the procurement of non-audit services for the Group's auditor is set out on page 66.

2 Profit before income tax continued

2.3 Employees and directors

Average monthly number of people employed (including directors)	**Continuing operations 2013 number**	**Discontinued operations 2013 number**	Continuing operations 2012 number	Discontinued operations 2012 number
By geographical location:				
Europe	**7,620**	**–**	7,992	–
Americas	**3,497**	**–**	3,066	98
AAMEA	**2,124**	**–**	2,037	–
	13,242	**–**	13,095	98

Staff costs (including directors on service contracts)	Note	**Continuing operations 2013 number**	**Discontinued operations 2013 number**	Continuing operations 2012 number	Discontinued operations 2012 number
Wages and salaries		**517.1**	**–**	499.9	6.3
Social security costs		**90.5**	**–**	96.9	0.9
Post-employment benefits	8	**11.4**	**–**	11.9	0.1
Share-based payments	14.2	**2.9**	**–**	1.3	(0.1)
		621.9	**–**	610.0	7.2

Key management compensation	**2013 £m**	2012 £m
Salaries and short-term employee benefits	**6.4**	5.0
Post-employment benefits	**0.5**	0.5
Share-based payments	**1.3**	0.7
	8.2	6.2

The key management figures given above include directors. Key management personnel are deemed to be members of the Executive Committee as shown on page 19.

2.4 Finance income and costs

	2013 £m	2012 £m
Finance income: interest income on short-term deposits	**1.4**	2.6
Finance costs:		
Finance costs on bank borrowings	**(1.4)**	(3.0)
Finance costs on US senior loan notes	**(14.4)**	(8.6)
Amortisation of issue costs	**(0.9)**	(1.1)
Imputed interest on put and call arrangement to acquire non-controlling interest and deferred consideration	**(1.1)**	(0.5)
Finance costs	**(17.8)**	(13.2)
Finance costs – net	**(16.4)**	(10.6)

3 Income tax expense

Analysis of charge in the year	Note	2013 £m	2012 £m
Current tax			
– Current tax on profit for the year		**136.6**	115.4
– Adjustment in respect of prior years		**(6.3)**	(15.0)
Current tax		**130.3**	100.4
Deferred tax			
– Origination and reversal of temporary differences		**(13.6)**	–
– Adjustment in respect of prior years		**(0.1)**	(5.0)
Deferred tax	9	**(13.7)**	(5.0)
The current year tax charge is split into the following:			
Underlying tax charge		**99.2**	–
Tax charged on exceptional items		**17.4**	–
Income tax expense		**116.6**	95.4

The majority of the current tax adjustment in respect of prior years of £6.3m (2012: £15.0m) reflects the resolution of a number of historical tax matters with the tax authorities.

3 Income tax expense continued

	2013 £m	2012 £m
Tax on items credited to other comprehensive income		
Deferred tax charge/(credit) on actuarial loss on post-employment benefit obligations	0.4	(1.0)
Deferred tax charge on share options	–	1.7
Total tax on items charged to other comprehensive income/equity	0.4	0.7

The tax for the year is higher (2012: higher) than the standard rate of corporation tax in the UK of 23.5% (2012: 25%) The differences are explained below:	Note	2013 £m	2012 £m
Profit on ordinary activities before income tax		164.1	334.3
Exceptional items	2.1	188.2	–
Profit on ordinary activities before income tax before exceptional items		352.3	334.4
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 23.5% (2012: 25%)		82.8	83.6
Tax effects of:			
Adjustment in respect of prior years		(6.4)	(20.0)
Adjustment in respect of foreign tax rates		24.1	21.0
Non-deductible expenses and permanent items net of non-taxable income and other credits		1.1	10.8
Utilisation of unrecognised losses		(2.4)	–
Tax on ordinary activities		99.2	95.4
Tax charged on exceptional loss on disposal		17.4	–
Total income tax		116.6	95.4

4 Earnings per share and dividends

4.1 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year, 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 year 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.

Reconciliations of the earnings and weighted average number of shares	Underlying 2013	Underlying 2012	Statutory 2013	Statutory 2012
Earnings (£m)				
Profit for the year from continuing operations	260.3	254.8	46.4	238.9
Profit for the year from discontinued operations	–	1.2	–	57.8
	260.3	256.0	46.4	296.7
Number of shares (millions)				
Weighted average number of shares	1,168.8	1,282.2	1,168.8	1,282.2
Dilutive effects of shares	2.0	1.9	2.0	1.9
	1,170.8	1,284.1	1,170.8	1,284.1
Earnings per share				
Basic earnings per share (pence)				
Continuing operations	22.27	19.87	3.97	18.63
Discontinued operations	–	0.09	–	4.51
	22.27	19.96	3.97	23.14
Diluted earnings per share (pence)				
Continuing operations	22.23	19.84	3.96	18.60
Discontinued operations	–	0.09	–	4.50
	22.23	19.93	3.96	23.10

Reconciliation between statutory and underlying earnings per share	2013 £m	2012 £m
IFRS statutory profit for the year from continuing operations	**46.4**	238.9
Adjustments:		
Earnings – trading from discontinued operations	**–**	1.9
Intangible amortisation excluding amortisation of computer software	**19.1**	17.1
Acquisition-related items	**0.1**	4.4
Goodwill impairment and fair value adjustments	**(12.1)**	–
Exceptional items	**188.2**	–
Imputed interest on put and call arrangement to acquire non-controlling interest and deferred consideration	**1.2**	0.5
Taxation on adjustments	**17.4**	(7.0)
Net adjustments	**213.9**	16.9
Earnings – underlying (before exchange movement)	**260.3**	255.8
Exchange movement	**–**	0.3
Taxation on exchange movement	**–**	(0.1)
Net exchange movement	**–**	0.2
Earnings – underlying (after exchange movement)	**260.3**	256.0

Exchange movement relates to the retranslation of prior year results to current year exchange rates as shown in the table on page 30 within the financial review.

4.2 Dividends

	2013 £m	2012 £m
Final dividend paid for the year ended 30 September 2012 of 6.67p per share	**79.3**	–
(2012: final dividend paid for the year ended 30 September 2011 of 7.07p per share)	**–**	92.1
Interim dividend paid for the year ended 30 September 2013 of 3.69p per share	**42.8**	–
(2012: interim dividend paid for the year ended 30 September 2012 of 3.48p per share)	**–**	44.4
Special dividend paid of 17.1p per share	**198.7**	–
	320.8	136.5

In addition, the directors are proposing a final dividend in respect of the financial year ended 30 September 2013 of 7.44p per share which will absorb an estimated £82.8m of shareholders' funds. It will be paid on 10 March 2014 to shareholders who are on the register of members on 14 February 2014. These financial statements do not reflect this dividend payable.

5 Intangible assets

5.1 Goodwill

	Note	2013 £m	2012 £m
Cost at 1 October		**1,814.4**	1,736.3
– Additions	16.7	**11.8**	150.0
– Disposals	16.7	**(319.0)**	–
– Exchange movement		**9.4**	(71.9)
At 30 September		**1,516.6**	1,814.4
Impairment at 1 October		**–**	–
– Impairment in the year		**1.4**	–
At 30 September		**1.4**	–
Net book amount at 30 September		**1,515.2**	1,814.4

Details of acquisitions and disposals in the year are shown in note 16. During the year, goodwill was reviewed for impairment in accordance with IAS 36. For the purposes of this impairment review, goodwill for continuing operations has been valued on the basis of discounted future cash flows arising in each relevant CGU.

Goodwill impairment tests

The following table shows the allocation of the carrying value of goodwill at the end of the reporting period by CGU:

	2013 £m	2012 £m
France	**212.2**	253.7
UK & Ireland	**180.6**	195.4
Spain	**121.2**	124.2
Sage Pay Europe	**25.1**	27.4
Germany	**26.4**	25.2
Switzerland	**34.7**	33.6
Poland	**6.5**	6.4
Portugal	**4.1**	4.7
North America		
– Sage Business Solutions Division	**533.2**	765.2
– Sage Payment Solutions Division	**156.1**	156.6
Brazil	**130.8**	133.5
South Africa	**40.6**	44.0
Australia	**24.8**	24.2
Asia	**18.9**	20.3
	1,515.2	1,814.4

The Group conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of CGUs to which goodwill has been allocated. The recoverable amounts of CGUs are determined from value-in-use calculations. The key assumptions in the value-in-use calculations are the discount rate applied, the long-term operating margin (EBITA) and the long-term growth rate of net operating cash flows. In all cases, the approved budget for the following financial year formed the basis for the cash flow projections for a CGU. The approved cash flow projections in the four financial years following the budget year reflected management's expectations of the medium-term operating performance of the CGU and growth prospects in the CGU's market.

- The discount rate applied to a CGU represents a pre-tax rate that reflects the market assessment of the time value of money at the end of the reporting period and the risks specific to the CGU. The discount rates applied to CGUs were in the range of 4.4% (2012: 7.3%) to 13.65% (2012: 22.7%).
- The long-term operating margin assumed for a CGU's operations is primarily based on past performance. For some CGUs, those for which management has strong reason to believe that past operating margins are not indicative of future operating margins, expected future improvements are also included in management's assessment of the long-term operating margin. The long-term operating margin applied to CGUs was in the range of 20% (2012: 21%) to 47% (2012: 62%).
- Long-term growth rates of net operating cash flows are assumed equal to the long-term growth rate in the gross domestic product of the country in which the CGU's operations are undertaken and were in the range of 1.8% (2012: 1.8%) to 5.8% (2012: 5.5%).

5.2 Other intangible assets

	Brands £m	Technology £m	Acquired IPR&D £m	Internal IPR&D £m	Computer software £m	Customer relationships £m	Total £m
Cost at 1 October 2012	**40.5**	**97.9**	**0.4**	**5.6**	**52.9**	**121.2**	**318.5**
– Additions	**–**	**–**	**–**	**–**	**9.6**	**–**	**9.6**
– Disposal of subsidiaries	**(2.3)**	**(10.5)**	**–**	**–**	**(1.8)**	**(13.0)**	**(27.6)**
– Disposals	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
– Exchange movement	**0.4**	**0.8**	**–**	**–**	**(0.2)**	**0.4**	**1.4**
At 30 September 2013	**38.6**	**88.2**	**0.4**	**5.6**	**60.3**	**108.6**	**301.7**
Accumulated amortisation at 1 October 2012	**18.4**	**64.3**	**0.4**	**5.6**	**13.9**	**76.1**	**178.7**
– Charge for the year	**2.7**	**8.6**	**–**	**–**	**9.4**	**7.8**	**28.5**
– Disposals	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
– Disposal of subsidiaries	**(0.9)**	**(9.1)**	**–**	**–**	**(1.6)**	**(9.0)**	**(20.6)**
– Exchange movement	**0.3**	**1.3**	**–**	**–**	**(0.6)**	**0.8**	**1.8**
At 30 September 2013	**20.5**	**65.1**	**0.4**	**5.6**	**20.9**	**75.7**	**188.2**
Net book amount at 30 September 2013	**18.1**	**23.1**	**–**	**–**	**39.4**	**32.9**	**113.5**

	Brands £m	Technology £m	Acquired IPR&D £m	Internal IPR&D £m	Computer software £m	Customer relationships £m	Total £m
Cost at 1 October 2011	35.9	81.9	0.4	5.6	52.5	108.2	284.5
– Additions	–	–	–	–	6.9	3.9	10.8
– Acquisition of subsidiaries	6.8	20.5	–	–	0.6	14.3	42.2
– Disposals	–	–	–	–	(5.2)	–	(5.2)
– Exchange movement	(2.2)	(4.5)	–	–	(1.9)	(5.2)	(13.8)
At 30 September 2012	40.5	97.9	0.4	5.6	52.9	121.2	318.5
Accumulated amortisation at 1 October 2011	16.3	61.2	0.4	5.6	10.8	72.1	166.4
– Charge for the year	3.1	6.6	–	–	8.5	7.4	25.6
– Disposals	–	–	–	–	(5.1)	–	(5.1)
– Exchange movement	(1.0)	(3.5)	–	–	(0.3)	(3.4)	(8.2)
At 30 September 2012	18.4	64.3	0.4	5.6	13.9	76.1	178.7
Net book amount at 30 September 2012	22.1	33.6	–	–	39.0	45.1	139.8

All amortisation charges relating to continuing operations in the year have been charged through selling and administrative expenses.

6 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 October 2012	**99.5**	**141.9**	**55.3**	**296.7**
– Additions	**1.2**	**8.9**	**4.0**	**14.1**
– Disposals	**(3.7)**	**(5.0)**	**(3.4)**	**(12.1)**
– Acquisition of subsidiaries	**–**	**0.1**	**0.1**	**0.2**
– Disposal of subsidiaries	**(2.8)**	**(3.9)**	**(2.5)**	**(9.2)**
– Exchange movement	**(0.1)**	**(0.4)**	**0.6**	**0.1**
At 30 September 2013	**94.1**	**141.6**	**54.1**	**289.8**
Accumulated depreciation at 1 October 2012	**13.8**	**102.5**	**38.2**	**154.5**
– Charge for the year	**3.4**	**11.7**	**4.9**	**20.0**
– Disposals	**(0.9)**	**(4.3)**	**(3.0)**	**(8.2)**
– Disposal of subsidiaries	**(1.0)**	**(3.5)**	**(1.1)**	**(5.6)**
– Exchange movement	**–**	**–**	**0.3**	**0.3**
At 30 September 2013	**15.3**	**106.4**	**39.3**	**161.0**
Net book amount at 30 September 2013	**78.8**	**35.2**	**14.8**	**128.8**

Assets held under finance leases with a net book value of £1.9m (2012: £2.2m) are included in the above table.

	Land and buildings £m	Plant and equipment £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 October 2011	98.2	141.4	56.4	296.0
– Additions	2.4	11.3	5.6	19.3
– Disposals	(0.4)	(8.2)	(4.5)	(13.1)
– Acquisition of subsidiaries	0.1	1.0	0.4	1.5
– Exchange movement	(0.8)	(3.6)	(2.6)	(7.0)
At 30 September 2012	99.5	141.9	55.3	296.7
Accumulated depreciation at 1 October 2011	10.4	101.2	38.0	149.6
– Charge for the year	3.8	11.9	6.0	21.7
– Disposals	(0.2)	(8.0)	(4.1)	(12.3)
– Exchange movement	(0.2)	(2.6)	(1.7)	(4.5)
At 30 September 2012	13.8	102.5	38.2	154.5
Net book amount at 30 September 2012	85.7	39.4	17.1	142.2

Depreciation expenses from continuing operations of £20.0m (2012: £21.7m) have been charged through selling and administrative expenses (note 2.2).

7 Working capital

7.1 Inventories

	2013 £m	2012 £m
Materials	**0.5**	0.6
Finished goods	**1.7**	1.9
	2.2	2.5

The Group consumed £14.2m (2012: £12.0m) of inventories, included in cost of sales, during the year. There was no material write down of inventories during the current or prior year.

7.2 Trade and other receivables

Amounts falling due within one year:	2013 £m	2012 £m
Trade receivables	**302.3**	300.5
Less: provision for impairment of receivables	**(27.7)**	(30.3)
Trade receivables – net	**274.6**	270.2
Other receivables	**22.8**	14.9
Prepayments and accrued income	**13.8**	17.7
	311.2	302.8

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables. The Group has no significant concentrations of credit risk since the risk is spread over a large number of unrelated counterparties. The directors estimate that the carrying value of financial assets within trade and other receivables approximated their fair value.

The Group considers the credit quality of trade and other receivables by geographical location. The Group considers that the carrying value of the trade and other receivables that is disclosed below gives a fair presentation of the credit quality of the assets. This is considered to be the case as there is a low risk of default due to the high number of recurring customers and credit control policies; thus the carrying value is expected to be the final value received.

Trade and other receivables by geographical location:	2013 £m	2012 £m
Europe	**203.7**	203.2
Americas	**72.8**	62.4
AAMEA	**20.9**	19.5
	297.4	285.1

Movements on the Group provision for impairment of trade receivables were as follows:	2013 £m	2012 £m
At 1 October	**30.3**	29.2
Acquisition of subsidiaries	**–**	0.5
Disposal of subsidiaries	**(2.3)**	–
Increase in provision for receivables impairment	**10.0**	9.9
Receivables written-off during the year as uncollectible	**(6.0)**	(3.3)
Unused amounts reversed	**(3.5)**	(4.1)
Exchange movement	**(0.8)**	(1.9)
At 30 September	**27.7**	30.3

7 Working capital continued

7.2 Trade and other receivables continued

In determining the recoverability of a trade receivable, the Group considers the ageing of each receivable and any change in the circumstances of the individual receivables. The directors believe that there is no further provision required in excess of the allowance for doubtful debts.

The creation and release of provision for impaired receivables have been included in selling and administrative expenses in the income statement. Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

At 30 September 2013, trade receivables of £33.4m (2012: £36.4m) were either partially or fully impaired.

The ageing of these receivables was as follows:	2013 £m	2012 £m
Not due	3.1	3.7
Less than six months past due	7.3	7.7
More than six months past due	23.0	25.0
	33.4	36.4

Trade receivables which were past their due date but not impaired at 30 September 2013 were £41.1m (2012: £44.8m).

The ageing of these receivables was as follows:	2013 £m	2012 £m
Less than six months past due	41.1	41.0
More than six months past due	5.2	3.8
	46.3	44.8

The maximum exposure to credit risk at the end of the reporting period is the fair value of each class of receivables mentioned above. The Group held no collateral as security. The directors estimate that the carrying value of trade receivables approximated their fair value.

7.3 Trade and other payables

	2013 £m	2012 £m
Trade payables	46.4	40.2
Other tax and social security payable	63.8	64.3
Other payables	46.5	31.3
Accruals	130.9	123.2
	287.6	259.0

8 Post-employment benefits

The Group has established a number of pension schemes around the world covering many of its employees. All of these schemes are defined contribution schemes with the exception of a small defined benefit pension scheme in Switzerland and another post-employment defined benefit scheme in France. Under French legislation, the Group is required to make one-off payments to employees in France who reach retirement age while still in employment.

Pension costs	Note	2013 £m	2012 £m
Defined contribution schemes		9.2	10.0
Defined benefit plans		2.2	1.9
	2.3	11.4	11.9

Defined benefit plans

The most recent actuarial valuations of the post-employment benefit plans were performed by Ernst & Young in October 2013.

Weighted average principal assumptions made by the actuaries	2013 %	2012 %
Rate of increase in pensionable salaries	2.90	2.90
Rate of increase in pensions in payment and deferred pensions	0.00	0.00
Discount rate	2.55	2.80
Inflation assumption	1.55	1.50
Expected return on plan assets	2.50	2.10

Mortality rate assumptions made by the actuaries	2013 years	2012 years
Average life expectancy for 65-year-old male	20.8	20.0
Average life expectancy for 65-year-old female	25.0	24.7
Average life expectancy for 45-year-old male	32.9	32.5
Average life expectancy for 45-year-old female	39.2	39.0

Amounts recognised in the balance sheet	2013 £m	2012 £m
Present value of funded obligations	(30.3)	(30.8)
Fair value of plan assets	17.4	16.5
Net liability recognised in the balance sheet	(12.9)	(14.3)

The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation.

Major categories of plan assets as a percentage of total plan assets	2013 £m	2013 %	2012 £m	2012 %
Bonds	9.2	52.9	9.3	56.4
Equities	4.8	27.6	2.3	13.9
Property	–	–	1.1	6.7
Other	3.4	19.5	3.8	23.0
	17.4	100.0	16.5	100.0

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the end of the reporting period. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to post-employment benefit plans for the year ending 30 September 2014 are £1.6m (2012: expected contributions year ending 30 September 2013 £0.6m).

Amounts recognised in the income statement	2013 £m	2012 £m
Interest cost	(0.8)	(0.9)
Expected return on plan assets	0.4	0.4
Current service cost	(1.8)	(1.4)
Total included within staff costs	(2.2)	(1.9)

The entire cost is included within selling and administrative expenses.

8 Post-employment benefits continued

Changes in the present value of the defined benefit obligation	2013 £m	2012 £m
At 1 October	(30.8)	(29.5)
Exchange movement	(1.8)	2.2
Disposal	2.3	–
Service cost	(1.8)	(1.4)
Plan participant contributions	(0.7)	(0.7)
Interest cost	(0.8)	(0.9)
Benefits paid	2.2	–
Curtailments	0.4	–
Actuarial gain/(loss) on benefit obligation	0.7	(0.5)
At 30 September	**(30.3)**	(30.8)

Changes in the fair value of plan assets	2013 £m	2012 £m
At 1 October	16.5	17.8
Exchange movement	0.5	(1.2)
Expected return on plan assets	0.4	0.4
Employer’s contributions	0.9	0.9
Employees’ contributions	0.7	0.7
Disposal	(2.0)	–
Actuarial gain/(loss) on plan assets	0.4	(2.1)
At 30 September	**17.4**	16.5

Analysis of the movement in the balance sheet liability	2013 £m	2012 £m
At 1 October	(14.3)	(11.7)
Exchange movement	(1.3)	1.0
Disposal	0.3	–
Total expense as recognised in the income statement	(2.2)	(1.9)
Benefits paid/curtailments	2.6	–
Contributions paid	0.9	0.9
Actuarial gain/(loss)	1.1	(2.6)
At 30 September	**(12.9)**	(14.3)

History of experience gains and losses	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of defined benefit obligation	(30.3)	(30.8)	(29.5)	(26.2)	(31.7)
Fair value of plan assets	17.4	16.5	17.8	14.9	19.9
Deficit	**(12.9)**	(14.3)	(11.7)	(11.3)	(11.8)
Experience adjustments on plan liabilities	**0.7**	0.5	(1.5)	0.1	(0.2)
Experience adjustments on plan assets	**0.4**	2.1	0.5	0.2	0.5

Cumulative actuarial gains and losses recognised outside profit or loss	2013 £m	2012 £m
At 1 October	(1.3)	1.3
Actuarial gain/(loss) recognised in the year (before tax)	1.1	(2.6)
At 30 September	**(0.2)**	(1.3)

9 Deferred income tax

Deferred income tax has been calculated at 21.0% (2012: 23%) in respect of UK companies (being the corporation tax rate at which timing differences are expected to reverse) and at the prevailing rates for the overseas subsidiaries.

The Finance Act 2013, which was substantively enacted on 17 July 2013, includes legislation reducing the main rate of UK corporation tax to 21% from 1 April 2014. As such, deferred tax balances at 30 September 2013 have been calculated using a rate of 21%.

The movement on the deferred tax account is as shown below:	**2013 £m**	2012 £m
At 1 October	**(19.5)**	6.0
Income statement credit	**13.7**	5.0
Disposal of subsidiaries	**4.8**	(10.7)
Income tax on discontinued operations	**–**	(16.2)
Exchange movement	**(2.0)**	(0.1)
Other comprehensive income/equity movement in deferred tax	**(1.4)**	(0.7)
Transfer from current income tax liabilities	**–**	(2.8)
At 30 September	**(4.4)**	(19.5)

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because it is probable that these assets will be recovered. These have been included within the “Other” category.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12, “Income Taxes”) during the year are shown below.

9 Deferred income tax continued

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Assets	Intangible assets £m	Other £m	Total £m
At 1 October 2012	(1.2)	11.2	10.0
Income statement credit	3.2	1.5	4.7
Disposal of subsidiaries	–	4.4	4.4
Reclassification to deferred tax liability	(11.2)	14.0	2.8
Reclassification to other deferred tax	0.2	(0.2)	–
Other comprehensive income/equity movement in deferred tax	–	(1.3)	(1.3)
Exchange movement	–	(1.9)	(1.9)
At 30 September 2013	(9.0)	27.7	18.7

Liabilities	Intangible assets £m	Other £m	Total £m
At 1 October 2012	(19.9)	(9.6)	(29.5)
Income statement credit/(charge)	3.0	6.0	9.0
Disposal of subsidiaries	0.4	–	0.4
Reclassification from deferred tax asset	11.2	(14.0)	(2.8)
Reclassification to other deferred tax	(7.8)	7.8	–
Exchange movement	0.8	(0.9)	(0.1)
Other comprehensive income/equity movement in deferred tax	–	(0.1)	(0.1)
At 30 September 2013	(12.3)	(10.8)	(23.1)
Net deferred tax (liability)/asset at 30 September 2013	(21.3)	16.9	(4.4)

Assets	Intangible assets £m	Other £m	Total £m
At 1 October 2011	(21.6)	42.3	20.7
Income statement credit	0.1	0.7	0.8
Acquisition of subsidiaries	(0.2)	0.1	(0.1)
Reclassification to deferred tax liability	(10.9)	15.8	4.9
Reclassification to other deferred tax	(0.5)	0.5	–
Income tax on discontinued operations	31.9	(48.1)	(16.2)
Exchange movement	–	(0.1)	(0.1)
At 30 September 2012	(1.2)	11.2	10.0

Liabilities			
At 1 October 2011	(21.6)	6.9	(14.7)
Income statement credit/(charge)	6.0	(1.8)	4.2
Acquisition of subsidiaries	(16.6)	6.0	(10.6)
Reclassification from deferred tax asset	10.9	(15.8)	(4.9)
Reclassification to other deferred tax	(0.5)	0.5	–
Exchange movement	1.9	(1.9)	–
Other comprehensive income/equity movement in deferred tax	–	(0.7)	(0.7)
Transfer from current income tax liabilities	–	(2.8)	(2.8)
At 30 September 2012	(19.9)	(9.6)	(29.5)
Net deferred tax (liability)/asset at 30 September 2012	(21.1)	1.6	(19.5)

The deferred tax liability due after more than one year is £12.3m (2012: £19.9m).

10 Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases falling due for payment as follows:	**2013 Property, vehicles, plant and equipment £m**	2012 Property, vehicles, plant and equipment £m
Within one year	**33.6**	36.9
Later than one year and less than five years	**88.1**	110.3
After five years	**34.1**	61.0
	155.8	208.2

The Group leases various offices and warehouses under non-cancellable operating lease agreements. These leases have various terms, escalation clauses and renewal rights. The Group also leases vehicles, plant and equipment under non-cancellable operating lease agreements.

11 Contingent liabilities

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

12 Cash flow and net debt

12.1 Cash flow generated from continuing operations

Reconciliation of profit for the year to cash generated from continuing operations	2013 £m	2012 £m
Profit for the year	47.5	238.9
Adjustments for:		
Income tax	116.6	95.4
Finance income	(1.4)	(2.6)
Finance expenses	17.8	13.2
Amortisation of intangible assets	28.5	25.6
Depreciation of property, plant and equipment	20.0	21.7
Loss on disposal of non-core products	184.6	–
Loss on disposal of property, plant and equipment	0.8	0.2
Loss/(profit) on disposal of intangible assets	0.1	(1.4)
Equity-settled share-based transactions	2.9	1.3
Fair value adjustments and goodwill impairment	(8.1)	–
Exchange movement	(3.3)	(4.4)
Changes in working capital (excluding effects of acquisitions and disposals of subsidiaries):		
– Decrease in inventories	0.2	0.3
– Increase in trade and other receivables	(18.7)	(16.0)
– (Decrease)/increase in trade and other payables	20.9	(1.0)
– Increase in deferred income	9.0	12.6
Cash generated from continuing operations	417.4	383.8

12.2 Net debt

Reconciliation of net cash flow to movement in net debt (inclusive of finance leases)	2013 £m	2012 £m
Increase/(decrease) in cash in the year (pre-exchange movements)	31.2	(124.6)
Cash outflow from decrease in loans, finance leases and cash collected from customers	(266.0)	(13.9)
Change in net debt resulting from cash flows	(234.8)	(138.5)
Acquisitions	(0.2)	(0.3)
Non-cash movements	(0.8)	(1.1)
Exchange movement	13.0	3.3
Movement in net debt in the year	(222.8)	(136.6)
Net debt at 1 October	(161.5)	(24.9)
Net debt at 30 September	(384.3)	(161.5)

Analysis of change in net debt (inclusive of finance leases)	At 1 October 2012 £m	Cash flow £m	Acquisitions £m	Non-cash movements £m	Exchange movement £m	At 30 September 2013 £m
Cash and cash equivalents	61.6	41.8	–	–	(2.6)	100.8
Bank overdrafts	(7.2)	(10.6)	–	–	(0.1)	(17.9)
Cash, cash equivalents and bank overdrafts	54.4	31.2	–	–	(2.7)	82.9
Finance leases due within one year	(1.2)	1.2	(0.1)	(1.0)	–	(1.1)
Loans due after more than one year	(199.2)	(258.8)	–	(0.8)	16.8	(442.0)
Finance leases due after more than one year	(1.6)	–	(0.1)	1.0	–	(0.7)
Cash collected from customers	(13.9)	(8.4)	–	–	(1.1)	(23.4)
Total	(161.5)	(234.8)	(0.2)	(0.8)	13.0	(384.3)

Included in cash above is £23.4m (2012: £13.9m) relating to cash collected from customers, which the Group is contracted to pay on to 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.

12.3 Cash and cash equivalents (excluding bank overdrafts)

	2013 £m	2012 £m
Cash at bank and in hand	**76.2**	47.4
Cash held on behalf of customers	**23.4**	13.9
Short-term bank deposits	**1.2**	0.3
	100.8	61.6

The effective interest rate on short-term deposits was 7.3% (2012: 7.0%) and these deposits have an average maturity of 90 days (2012: 90 days).

The Group's credit risk on cash and cash equivalents is limited because the counterparties are well established banks with high credit ratings.

12.4 Borrowings

Current	2013 £m	2012 £m
Bank overdrafts	**17.9**	7.2
Finance lease obligations	**1.0**	1.2
Unsecured loans	**2.1**	–
	21.0	8.4

Non-current	2013 £m	2012 £m
US senior loan notes – unsecured	**430.3**	185.3
Bank loans – unsecured	**9.6**	13.9
Finance lease obligations	**0.7**	1.6
	440.6	200.8

Included in loans above is £442.0m (2012: £199.2m) of unsecured loans (after unamortised issue costs). These borrowings were taken out in connection with acquisitions.

The Group has US$300.0m (£185.3m, 2012: £185.8m) of US senior loan notes, which were issued into the US private placement market in 2010. These notes mature US$200.0m (£123.5m, 2012: £123.8m) in 2015, US$50.0m (£30.9m, 2012: £31.0m) in 2016 and US$50.0m (£30.9m, 2012: £31.0m) in 2017 and carry interest coupons of 4.39%, 4.78% and 5.15% respectively.

A further US$400.0m (£247.0m) of US senior loan notes, were issued into the US private placement market during the current financial year. These notes mature US$50.0m (£30.9m) in 2018, US$150.0m (£92.6m) in 2020, US$150.0m (£92.6m) in 2023 and US$50.0m (£30.9m) in 2025 and carry interest coupons of 2.60%, 3.08%, 3.71% and 3.86% respectively.

There were £9.6m drawings (2012: £15.0m) under the multi-currency revolving credit facility of £346.2m (2012: £338.3m) expiring on 31 August 2015, which consists both of US$271.0m (£167.3m, 2012: £167.8m) and of €214.0m (£178.9m, 2012: £170.5m) tranches.

Unsecured bank loans were drawn in the following currencies: sterling £nil (2012: £15.0m), US Dollar £1.9m (2012: £nil), Euro £7.7m (2012: £nil), which bear an average fixed interest rate of 1.46% (2012: 1.73%).

In the table above, bank loans and loan notes are stated net of unamortised issue costs of £2.0m (2012: £1.6m). The Group has incurred total issue costs amounting to £1.3m (2012: £4.4m) in respect of these facilities. These issue costs were paid during the year ended 30 September 2010 and 30 September 2013. These costs are allocated to the income statement over the term of the facility using the effective interest method.

13 Financial instruments

13.1 Fair values of financial instruments

For the following financial assets and liabilities: long-term borrowings, short-term borrowings, trade and other payables excluding tax and social security, trade and other receivables excluding prepayments and accrued income, short-term bank deposits, cash at bank and in hand and other financial liabilities, the carrying amount approximates the fair value of the instrument with the exception of long-term borrowings due to these bearing interest at fixed rates which are currently higher than floating rates.

		2013		2012	
	Note	Book value £m	Fair value £m	Book value £m	Fair value £m
Long-term borrowings	12.4	**(440.6)**	**(435.2)**	(200.8)	(218.1)
Fair value of other financial assets and financial liabilities					
Financial instruments held or issued to finance the Group's operations:					
Short-term borrowings	12.4	**(21.0)**	**(21.0)**	(8.4)	(8.4)
Trade and other payables excluding other tax and social security	7.3	**(223.8)**	**(223.8)**	(194.7)	(194.7)
Trade and other receivables excluding prepayments and accrued income	7.2	**297.4**	**297.4**	285.1	285.1
Short-term bank deposits	12.3	**1.2**	**1.2**	0.3	0.3
Cash at bank and in hand	12.3	**99.6**	**99.6**	61.3	61.3
Other financial liabilities	13.4	**(84.2)**	**(84.2)**	(128.3)	(128.3)

13.2 Maturity of financial liabilities

The maturity profile of the undiscounted contractual amount of the Group's financial liabilities at 30 September was as follows:

				2013
	Borrowings £m	Trade and other payables £m	Other financial liabilities £m	Total £m
In less than one year	**21.0**	**287.6**	**30.0**	**338.6**
In more than one year but not more than two years	**133.8**	**–**	**–**	**133.8**
In more than two years but not more than five years	**92.6**	**–**	**54.2**	**146.8**
In more than five years	**216.2**	**–**	**–**	**216.2**
	463.6	**287.6**	**84.2**	**825.1**

				2012
	Borrowings £m	Trade and other payables £m	Other financial liabilities £m	Total £m
In less than one year	9.2	259.0	60.0	328.2
In more than one year but not more than two years	2.4	–	–	2.4
In more than two years but not more than five years	228.2	–	68.3	296.5
In more than five years	–	–	–	–
	239.8	259.0	128.3	627.1

13.3 Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 30 September in respect of which all conditions precedent had been met at that date:

	2013 £m	2012 £m
Expiring in more than two years but not more than five years	**336.6**	323.3

The facilities have been arranged to help finance the expansion of the Group's activities. All these facilities incur commitment fees at market rates. In addition, the Group maintains overdraft and uncommitted facilities to provide short-term flexibility and has also utilised the US private placement market.

13.4 Other financial liabilities

	2013 Assets £m	2013 Liabilities £m	2012 Assets £m	2012 Liabilities £m
Current: Close period share buyback programme	–	(30.0)	–	(60.0)
Non-current: Put and call arrangement to acquire non-controlling interest	–	(54.2)	–	(68.3)
Total other financial liabilities	–	(84.2)	–	(128.3)

Current other financial liabilities relate to outstanding liabilities of £30.0m (2012: £60.0m) arising under an irrevocable close period buyback agreement for the purchase of the Company's own shares which was outstanding at 30 September. The fair value has been calculated based on the value of the contractual legal agreement with Citigroup Global Markets Limited, which is also equal to the book value.

Non-current other financial liabilities relate to a put and call arrangement to acquire the remaining non-controlling interest's 25% share in Folhamatic in Brazil during 2015. The liability is estimated at £55.4m (2012: £71.0m), which is £54.2m (2012: £68.3m) after discounting to present value of the estimated redemption amount. The redemption amount is calculated based on a multiple of expected EBITDA for the year ending 31 December 2014. Movements on charging the discount of £1.2m (2012: £0.3m) have been recognised within finance costs.

13.5 Sensitivity analysis

Financial instruments affected by market risks include borrowings and deposits.

The following analysis, required by IFRS 7, "Financial Instruments: Disclosures", is intended to illustrate the sensitivity to changes in market variables, being sterling, US Dollar and Euro interest rates, and sterling/US Dollar and sterling/Euro exchange rates.

The sensitivity analysis assumes reasonable movements in foreign exchange and interest rates before the effect of tax. The Group considers a reasonable interest rate movement in LIBOR to be 1%, based on interest rate history. Similarly, sensitivity to movements in sterling/US Dollar and sterling/Euro exchange rates of 10% are shown reflecting changes of reasonable proportion in the context of movement in those currency pairs over the last year.

Using the above assumptions, the following table shows the illustrative effect on the Consolidated income statement and equity.

	2013 Income (losses)/gains £m	2013 Equity (losses)/gains £m	2012 Income (losses)/gains £m	2012 Equity (losses)/gains £m
1% increase in market interest rates	(3.6)	(3.6)	(1.9)	(1.9)
1% decrease in market interest rates	3.6	3.6	1.9	1.9
10% strengthening of sterling versus the US Dollar	11.7	(9.3)	(5.4)	(41.6)
10% strengthening of sterling versus the Euro	(3.1)	(23.8)	(6.0)	(26.1)
10% weakening of sterling versus the US Dollar	(12.9)	10.2	5.9	45.8
10% weakening of sterling versus the Euro	3.4	26.1	6.6	28.7

13.6 The minimum lease payments under finance leases fall due as follows:

	2013 £m	2012 £m
In less than one year	1.1	1.3
In more than one year but not more than five years	0.7	1.7
	1.8	3.0
Future finance charges on finance leases	(0.1)	(0.2)
Present value of finance lease liabilities	1.7	2.8

14 Equity

14.1 Ordinary shares

Issued and fully paid	2013 shares	2013 £m	2012 shares	2012 £m
At 1 October	**1,329,517,570**	**13.3**	1,323,837,836	13.2
Proceeds from shares issued	**3,792,153**	**–**	5,679,734	0.1
Share cancelled	**(159,525,800)**	**(1.6)**	–	–
Share consolidation	**(59,648,503)**	**–**	–	–
At 30 September	**1,114,135,420**	**11.7**	1,329,517,570	13.3

Further to the approval by shareholders, the share consolidation became effective on 10 June 2013. The share consolidation replaced every 81 existing ordinary shares of 1 pence each with 77 new ordinary shares of $1^{4}/_{77}$ pence each.

Potential issues of ordinary shares

Executive Share Option Scheme

Certain senior executives hold a total of 3,492,263 (2012: 6,817,850) options to subscribe for shares in the Company at prices ranging from 134.00p to 270.00p under the share option schemes approved by shareholders.

Under the above scheme, 3,231,257 1p ordinary shares were issued during the year for aggregate proceeds of £6.7m.

Performance Share Plan

Under the Group’s Performance Share Plan 6,265,091 (2012: 4,362,550) awards were made during the year.

Restricted Share Plan

The Group’s Restricted Share Plan is a long-term incentive plan used in limited circumstances and usually on a one-off basis. During the year no awards were made.

Savings-related Share Option Scheme

In addition, 757,980 (2012: 1,438,132) options were granted under the terms of the Savings-related Share Option Scheme.

Under the above scheme, 560,896 1p ordinary shares were issued during the year for aggregate proceeds of £1.0m.

14.2 Share-based payments

The total charge for the year relating to employee share-based payment plans was £2.9m (2012: £1.3m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £3.0m (2012: £3.0m). A reconciliation of share movements for options granted after 7 November 2002 to which IFRS 2, “Share-based Payment” is applicable is shown on the following pages.

Executive Share Option Scheme

There have been no grants of executive share options under the 1999 Executive Share Option Scheme (“ESOS”) since June 2008. Long-term incentive awards are made under The Sage Group plc Performance Share Plan.

The performance targets governing the vesting of options are based on stretching EPS growth measured over a fixed three-year period from the start of the financial year in which the grant is made. 30% of options will vest at the end of the period if the increase in EPS exceeds the Retail Prices Index (“RPI”) by 15% (an average of 5% per year) and 100% of those options will vest at that time only if the RPI is exceeded in that period by 27% (an average of 9% per year). Between those targets, options will vest on a straight-line basis. If those targets are not met at the end of the three-year period, then no further retesting of the performance criteria will be undertaken and the options will lapse.

Options were valued using the Black-Scholes option-pricing model. The expected volatility is based on historical volatility over the last four years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

A reconciliation of option movements over the year is shown below:

	2013 Number '000s	2013 Weighted average exercise price £	2012 Number '000s	2012 Weighted average exercise price £
Outstanding at 1 October	6,818	2.21	10,766	2.17
Forfeited	(132)	2.08	(380)	2.36
Exercised	(3,194)	2.08	(3,568)	2.07
Outstanding at 30 September	3,492	2.33	6,818	2.21
Exercisable at 30 September	3,492	2.33	6,818	2.21

Range of exercise prices £	2013 Weighted average exercise price £	2013 Number of shares '000s	2013 Weighted average remaining life years Expected	2013 Weighted average remaining life years Contractual	2012 Weighted average exercise price £	2012 Number of shares '000s	2012 Weighted average remaining life years Expected	2012 Weighted average remaining life years Contractual
1.34 – 2.70	2.33	3,492	–	2.1	2.21	6,818	–	2.8

The weighted average share price during the period for options exercised over the year was 344.6p (2012: 294.05p).

The Sage Group Performance Share Plan

Annual grants of performance shares will normally be made to Executive Directors and senior executives across the Group after the preliminary declaration of the annual results.

Awards prior to 2013

Annual awards under the Plan are limited to shares worth up to 300% of base salary. In practice, annual grants to Executive Directors are limited to shares with a maximum value on award of 210% of base salary except in exceptional circumstances, such as a promotion or recruitment or to reflect local market practice.

The performance shares are subject to performance conditions on a sliding scale based on EPS. 25% of the award will vest at the end of the period if the increase in EPS exceeds RPI by 9% (an average of 3% per year); 100% of the award will vest at that time only if RPI is exceeded in that period by 27% (an average of 9% per year). Between those targets, awards will vest on a straight-line basis, and if those targets are not met there is no opportunity for re-testing. Awards are then subject to a TSR "multiplier" whereby the level of vesting based on EPS achievement will be adjusted according to TSR performance over the same three-year period compared with a group of international software and computer services companies.

The comparator group for awards made in 2012 comprised the following companies:

– Adobe Systems	– Cegid	– Logica	– Salesforce.com
– ARM Holdings	– Dassault Systèmes	– Micro Focus International	– SAP
– Blackbaud	– Exact	– Microsoft	– Software AG
– Cap Gemini	– Intuit	– Oracle	

If Sage's TSR is ranked at lower quartile in the group, the multiplier is 0.75. If Sage's TSR is ranked at median in the group, the multiplier is 1. If Sage's TSR is ranked at upper quartile in the group, then the multiplier is 1.5. Straight-line pro-rating applies between 0.75 and 1, and between 1 and 1.5, but the multiplier cannot be higher or lower than these figures.

Awards from 2013 onwards

The performance shares are subject to both performance conditions and a TSR target. Performance conditions are weighted one third on the achievement of an EPS target, and one third the achievement of an organic revenue growth target. The remaining one third is based on a TSR target.

The EPS vesting percentage is based on compound EPS growth. Where compound EPS growth is between 6% and 12%, the EPS vesting percentage will be calculated on a straight-line pro-rata basis between 6.7% and 26.7% and where compound EPS growth is between 12% and 15% the EPS vesting percentage will be calculated on a straight-line pro-rata basis between 26.7% and 33.3%.

The organic revenue growth target is based on the Company's compound annual organic revenue growth. Where growth is between 4% and 8% the organic revenue growth vesting percentage will be calculated on a straight-line pro-rata basis between 6.7% and 26.7%, and where the Company's compound organic revenue growth is between 8% and 10%, the organic revenue growth vesting percentage will be calculated on a straight-line pro-rata basis between 26.7% and 33.3%. In order for organic revenue growth target proportion to vest, the EBITA margin in the financial year ending 30 September 2015 must not be less than that of the EBITA margin for the financial year ending 30 September 2012.

14 Equity continued

14.2 Share-based payments continued

The final third of the award is the performance target relating to TSR. Where the Company's TSR is between median and upper quartile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 6.7% and 26.7% and where the Company's TSR is between upper quartile and upper decile, the TSR vesting percentage will be calculated on a straight-line pro-rata basis between 26.7% and 33.3% The TSR vesting percentage may only exceed 26.7% ("Stretch" level) if performance against either the EPS target or the organic revenue growth target is also at "Stretch" level.

The comparator group for awards in 2013 is the companies comprised in the FTSE100 Index at the start of the performance period, excluding financial services and extraction companies.

Awards were valued using the Monte Carlo option-pricing model. Performance conditions were included in the fair value calculations. The fair value per award granted and the assumptions used in the calculation are as follows:

Grant date	March 2012	March 2012	June 2012	**March 2013**	**March 2013**	**June 2013**	**August 2013**	**August 2013**
Share price at grant date	£2.98	£2.98	£2.60	**£3.46**	**£3.46**	**£3.34**	**£3.52**	**£3.52**
Exercise price	£0.00	£0.00	£0.00	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
Number of employees	8	154	1	**101**	**147**	**1**	**1**	**1**
Shares under award	2,083,735	2,067,290	12,538	**5,248,868**	**801,480**	**186,400**	**23,619**	**4,724**
Vesting period (years)	3	3	3	**3**	**3**	**3**	**3**	**3**
Expected volatility	24%	24%	24%	**23%**	**23%**	**23%**	**22%**	**22%**
Award life (years)	3	3	3	**3**	**3**	**3**	**3**	**3**
Expected life (years)	3	3	3	**3**	**3**	**3**	**3**	**3**
Risk free rate	0.47%	0.47%	0.47%	**0.26%**	**0.26%**	**0.59%**	**0.66%**	**0.66%**
Expected dividends expressed as a dividend yield	0.0%	0.0%	0.0%	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Fair value per award	£2.415	£2.979	£2.979	**£2.753**	**£3.460**	**£2.637**	**£2.737**	**£3.520**

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed award life.

A reconciliation of award movements over the year is shown below:

	2013		2012	
	Number '000s	**Weighted average exercise price £**	Number '000s	Weighted average exercise price £
Outstanding at 1 October	**19,128**	**–**	27,304	–
Awarded	**6,265**	**–**	4,363	–
Forfeited	**(8,654)**	**–**	(6,694)	–
Exercised	**–**	**–**	(5,845)	–
Outstanding at 30 September	**16,739**	**–**	19,128	–
Exercisable at 30 September	**–**	**–**	–	–

	2013				2012			
	Weighted average exercise price £	**Number of shares '000s**	**Weighted average remaining life years**		Weighted average exercise price £	Number of shares '000s	Weighted average remaining life years	
Range of exercise prices			**Expected**	**Contractual**			Expected	Contractual
N/A	**–**	**16,739**	**1.4**	**1.4**	–	19,128	1.3	1.3

The Sage Group Restricted Share Plan

The Group's Restricted Share Plan is a long-term incentive plan used in limited circumstances and usually on a one-off basis, under which contingent share awards are made, usually with specific performance conditions. Executive directors are not permitted to participate in the plan and shares are purchased in the market to satisfy vesting awards.

Grant date	June 2012
Share price at grant date	£2.66
Exercise price	£0.00
Number of employees	1
Shares under award	350,018
Vesting period (years)	3
Expected volatility	23%
Award life (years)	3
Expected life (years)	3
Risk free rate	0.38%
Expected dividends expressed as a dividend yield	0.0%
Fair value per award	£2.655

Options were valued using the Black-Scholes option-pricing model. The expected volatility is based on historical volatility over the last two or three years, consistent with the award life. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed award life.

A reconciliation of award movements over the year is shown below:

	2013 Number '000s	2013 Weighted average exercise price £	2012 Number '000s	2012 Weighted average exercise price £
Outstanding at 1 October	720	–	–	–
Awarded	–	–	720	–
Outstanding at 30 September	720	–	720	–
Exercisable at 30 September	–	–	–	–

	2013				2012			
	Weighted average exercise price	Number of shares	Weighted average remaining life years		Weighted average exercise price	Number of shares	Weighted average remaining life years	
Range of exercise prices	£	'000s	Expected	Contractual	£	'000s	Expected	Contractual
N/A	–	720	0.4	0.4	–	720	1.9	1.9

The Sage Group Savings-related Share Option Plan (the "SAYE Plan")

The Group operates an approved savings-related share option scheme for UK employees. The fair value is expensed over the service period of three, five or seven years on the assumption that 20% of options will lapse over the service period as employees leave the Group.

14 Equity continued

14.3 Other reserves

	Translation reserve £m	Merger reserve £m	Other reserve £m	Total other reserves £m
At 1 October 2011	205.7	61.1	–	266.8
Exchange differences on translating foreign operations	(66.6)	–	–	(66.6)
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	(55.7)	–	–	(55.7)
Put and call arrangement	–	–	(68.0)	(68.0)
At 30 September 2012	83.4	61.1	(68.0)	76.5
Exchange differences on translating foreign operations	28.4	–	–	28.4
Exchange differences recycled to the income statement in respect of the disposal of foreign operations	(44.5)	–	–	(44.5)
At 30 September 2013	67.3	61.1	(68.0)	60.4

Translation reserve

The translation reserve represents the accumulated exchange differences arising since the transition to IFRS from the following sources:

– the impact of the translation of subsidiaries with a functional currency other than sterling; and

– exchange differences arising on hedging instruments that are designated hedges of a net investment in foreign operations, net of tax where applicable.

Exchange differences arising prior to the IFRS transition were offset against retained earnings.

Merger reserve

Merger reserve brought forward relates to the merger reserve which was present under UK GAAP and frozen on transition to IFRS.

Other reserve

Other reserve relates to the recognition of a put and call arrangement to acquire the remaining non-controlling interest's 25% share in Folhamatic.

14.4 Retained earnings

The actuarial gain of £1.1m (2012: loss of £2.6m) is made up of a gain of £0.7m (2012: gain of £0.4m) on post-employment benefits (note 8) and a gain of £0.4m (2012: loss of £3.0m) on other long-term employee benefits (note 8).

Treasury shares

Purchase of treasury shares

Shares purchased under the Group's buyback programme are not cancelled but are retained in issue and represent a deduction from equity attributable to owners of the parent. During the year the Group purchased 77,254,057 shares (2012: 104,628,376) at a cost of £251.0m (2012: £299.8m) representing 1% of issued share capital. Shares were repurchased at a weighted average price of 324.9p per share, the highest and lowest prices paid for these shares were 357.0p per share and 289.0p per share respectively.

Close period share buyback programme

The close period buyback programme for £30.0m (2012: £60.0m) relates to the purchase of the Company's own shares. Citigroup Global Markets Limited has been appointed to manage the irrevocable buyback programme during the close period which commenced on 1 October 2013 and will run up until 4 December 2013.

Employee Share Trust

The Group holds treasury shares in a trust which was set up for the benefit of Group employees. The Trust purchases the Company's shares in the market or is gifted them by the Company for use in connection with the Group's share-based payments arrangements. The Trust holds 5,428,407 ordinary shares in the Company (2012: 710,403) at a cost of £0.9m (2012: £0.9m) and a nominal value of £54,284 (2012: £7,104).

The Trust originally purchased the shares in 2006, and further shares were acquired by the Trust in 2010 with the cost being reflected in retained earnings. These shares were acquired by the Trust in the open market using funds provided by the Company. In January 2013 the Company gifted 5,000,000 shares from purchased treasury shares to the Trust. During the year, no shares were utilised to meet obligations under the Performance Share Plan.

The costs of funding and administering the scheme are charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares at 30 September 2013 was £17.9m (2012: £2.2m).

14.5 Non-controlling interest

Non-controlling interests in equity in the Group balance sheet represent the share of net assets of subsidiary undertakings held outside the Group. The movement in the year comprises the profit attributable to such interests together with movements in respect of corporate transactions and related exchange differences.

	2013 £m	2012 £m
At 1 October	(2.1)	–
Non-controlling interest arising on business combination	–	(2.2)
Non-controlling interest's share of profit of the year	1.1	0.1
At 30 September	**(1.0)**	(2.1)

15 Discontinued operations

There are no discontinued operations in the current year. In the prior year, the results of Sage Software Healthcare, LLC ("Sage Healthcare") was recognised as a discontinued operation following the sale to Vista Equity Partners on 10 November 2011.

	2013 £m	2012 £m
Revenue	–	16.5
Selling and administrative expenses	–	(14.4)
Operating profit	–	2.1
Finance costs	–	(0.2)
Profit on disposal of Sage Healthcare	–	0.9
Cumulative exchange gain in respect of the net assets of the subsidiary, reclassified from equity on disposal	–	55.7
Impairment of disposal group to fair value less costs to sell	–	–
Profit before income tax	–	58.5
Income tax expense	–	(0.7)
Profit for the year from discontinued operations	–	57.8

Earnings per share information can be found in note 4.1.

The cash flow statement shows amounts related to discontinued operations.

16 Acquisitions and disposals

16.1 Acquisitions made during the year

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 £0.5m.

The net identifiable assets (including intangible 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	8.6
Total purchase consideration	11.8
Fair value of net identifiable assets	–
Goodwill	11.8

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 (liabilities)/assets acquired	–	–	–
Non-controlling interest	–	–	–
Goodwill	11.3	0.5	11.8
Consideration satisfied by:			
Cash	3.2	–	3.2
Deferred/contingent consideration	8.1	0.5	8.6
Total purchase consideration	11.3	0.5	11.8

The outflow of cash and cash equivalents on the acquisitions is calculated as follows:			
Cash consideration	3.2	–	3.2
Cash and cash equivalents acquired	(0.2)	–	(0.2)
Borrowings acquired	0.1	–	0.1
Deferred consideration, paid on prior period acquisitions	–	11.6	11.6
Net cash outflow in respect of acquisitions	3.1	11.6	14.7

16.2 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 30 September 2013 and 2014.

16.3 Contribution of acquisitions

From the dates of the acquisitions to 30 September 2013, the acquisitions contributed £5.0m to revenue and £0.8m to profit before income tax. Had these acquisitions occurred at the beginning of the financial year, contribution to Group revenue would have been £5.1m and Group profit before income tax would have increased by £0.8m.

16.4 Acquisition-related items

Acquisition-related items of £0.1m (2012: £4.4m) have been included in selling and administrative expenses in the Consolidated income statement. These acquisition-related items (previously recognised in goodwill prior to IFRS 3 (Revised)), “Business Combinations”, relate to completed transactions and include advisory, legal, accounting, valuation and other professional or consulting services.

16 Acquisitions and disposals continued

16.5 Disposals made during the year

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.

Disposal of European non-core products

On 30 April 2013 the Group completed the sale of four European non-core products including C&I, ATL and Automotive in France and Aytos in Spain to Argos Soditic. 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.

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.
On 30 April 2013 the Group disposed of the UK Construction business, for net cash consideration of £2.4m.
On 31 July 2013 the Group disposed of Automobile, a product line in Spain, for net cash consideration of £0.8m.

The profit on disposal is calculated as follows:	Sage ACT! and Sage Saleslogix £m	Sage Nonprofit Solutions £m	European non-core products £m	Other £m	Total £m
Disposal proceeds	8.6	49.7	34.9	4.5	97.7
Costs to sell recognised in year	(2.7)	(1.7)	(1.9)	(0.4)	(6.7)
Disposal proceeds, less costs to sell recognised in year	5.9	48.0	33.0	4.1	91.0
Net assets disposed	(203.1)	(21.6)	(66.6)	(28.8)	(320.1)
(Loss)/profit on disposal	(197.2)	26.4	(33.6)	(24.7)	(229.1)
Cumulative exchange gain in respect of the net assets of the subsidiary, reclassified from equity on disposal	28.7	3.5	11.2	1.1	44.5
(Loss)/Profit on disposal	**(168.5)**	**29.9**	**(22.4)**	**(23.6)**	**(184.6)**

As part of the sale of Sage ACT! and Sage 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 the disposals are calculated as follows:	£m
Disposal proceeds, less total costs to sell	91.0
Cash disposed	(9.6)
Disposal proceeds, net of cash disposed	**81.4**

16.6 Analysis of net inflow of cash in respect of acquisitions and disposals

The inflow and outflow of cash and cash equivalents on the acquisitions and disposals is calculated as follows:	Note	£m
EBS	16.1	(3.1)
Other	16.1	(11.6)
Acquisitions of subsidiaries	16.1	**(14.7)**
Sage ACT! and Sage Saleslogix		5.9
Sage Nonprofit Solutions		48.0
European non-core products		23.5
Other		4.0
Disposal of subsidiaries		**81.4**
Net inflow of cash and cash equivalents on acquisitions and disposals		**66.7**

16.7 Analysis of goodwill

The total additions and disposals to goodwill are calculated as follows:	Note	£m
EBS	16.1	11.3
Other	16.1	0.5
Additions	16.1	**11.8**
Sage ACT! and Sage Saleslogix		(208.8)
Sage Nonprofit Solutions		(27.3)
European non-core products		(56.9)
Other		(26.0)
Disposals		**(319.0)**
Net movement in goodwill on acquisitions and disposals		**(307.2)**

Goodwill allocated to the disposals was equal to the goodwill created on acquisition, reflecting benefits associated with the original acquisitions no longer remaining within the Group.

17 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. Compensation paid to the Executive Committee is disclosed in note 2.3.

Supplier transactions occurred during the year 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 year £1.1m (2012: £0.8m) relating to these transactions was charged through selling and administrative expenses. There were no outstanding amounts payable for the year ended 2013 (2012: £nil).

Supplier transactions occurred during the year 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 year £0.2m (2012: £0.2m) relating to these transactions was charged through selling and administrative expenses. There were no outstanding amounts payable for the year ended 2013 (2012: £nil).

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

18 Events after the reporting period

18.1 Share buyback

On 30 September 2013 the Group appointed Citigroup Global Markets Limited to manage an irrevocable buyback programme during the close period which commenced on 1 October 2013 and will run up to 4 December 2013. From 1 October 2013 to 28 November 2013, the latest practical date prior to publication of the Annual Report & Accounts, 5,507,000 ordinary shares of 1p each were repurchased through Citigroup Global Markets Limited at a weighted average price of 333.4p per share. The highest and lowest prices paid for these shares were 350.0p per share and 312.3p 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 28 November 2013 is 1,096,898,597.

18.2 Executive Committee change

On 11 November 2013 the Group announced the appointment of Steve Hare as Chief Financial Officer, who will join Sage's Executive Committee on 3 January 2014.

19 Principal subsidiaries

Detailed below is a list of those subsidiaries which in the opinion of the directors principally affect the amount of the profit or the amount of the assets of the Group. The Group percentage of equity capital and voting rights is 100% for all of these subsidiaries with the exception of Folhamatic Tecnologia em Sistemas S.A. ("Folhamatic") which is 75% owned and IOB Informações Objetivas Publicações Jurídicas Ltda. which is 100% owned by Folhamatic Tecnologia em Sistemas S.A.. All of these subsidiaries are engaged in the development, distribution and support of business management software and related products and services for small and medium sized businesses.

Incorporated subsidiaries

Name	Country of incorporation
Sage (UK) Ltd	UK
Sage Pay Europe Limited	UK
Sage Hibernia Limited	Ireland
Sage Pay Ireland Limited	Ireland
Ciel SAS	France
Sage SAS	France
Sage FDC SAS	France
Sage Holding France SAS	France
Sage Software GmbH	Germany
Sage Bäurer GmbH	Germany
Sage Schweiz AG	Switzerland
Sage SP, S.L.	Spain
Sage Logic Control, S.L.	Spain
Sage sp. z.o.o.	Poland
Sage Portugal – Software S.A.	Portugal
Sage Software, Inc.	US
Sage Payment Solutions, Inc.	US
IOB Informações Objetivas Publicações Jurídicas Ltda.	Brazil
Folhamatic Tecnologia em Sistemas S.A.	Brazil
Sage Software Canada Ltd	Canada
Softline (Pty) Ltd	South Africa
Micropay Pty Ltd	Australia
Handisoft Software Pty Ltd	Australia
Sage Business Solutions Pty Ltd	Australia
Sage Software Asia Pte Ltd	Singapore
Sage Software Sdn Bhd	Malaysia

Contents

Independent auditors' report to the members of The Sage Group plc

Our opinion

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 September 2013 and of its cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say below.

What we have audited

The Company financial statements, which are prepared by The Sage Group plc, comprise:

- the Company balance sheet as at 30 September 2013; and
- the notes to the Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report & Accounts ("the Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISA (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited parent company financial statements and to identify any information that is apparently inconsistent with the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic report and the Directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited parent company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent company acquired in the course of performing our audit; or
- Is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

As explained more fully in the Directors' Responsibilities Statement set out on page 65, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other matter

We have reported separately on the Group financial statements of The Sage Group plc for the year ended 30 September 2013.

Charles Bowman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne

4 December 2013

Company balance sheet

At 30 September 2013
Prepared using UK Generally Accepted Accounting Practice ("UK GAAP")

	Note	2013 £m	2012 £m
Fixed assets: investments	2	**3,082.6**	1,408.2
Current assets			
Cash at bank and in hand	3	**4.5**	0.5
Debtors	4	**43.0**	438.5
		47.5	439.0
Creditors: amounts falling due within one year	5	**(354.4)**	(703.3)
Net current liabilities		**(306.9)**	(264.3)
Total assets less current liabilities		**2,775.7**	1,143.9
Creditors: amounts falling due after more than one year	8	**(194.0)**	(199.2)
Net assets		**2,581.7**	944.7
Capital and reserves			
Called up share capital	9.1	**11.7**	13.3
Share premium account	9.2	**532.2**	524.5
Other reserves	9.2	**2.2**	(239.6)
Profit and loss account	9.2	**2,035.6**	646.5
Total shareholders' funds		**2,581.7**	944.7

The financial statements on pages 141 to 147 were approved by the Board of directors on 4 December 2013 and are signed on their behalf by:

G S Berruyer, Director

Company accounting policies

Basis of accounting

These financial statements have been prepared under the historical cost convention, except where noted below, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the more important Company accounting policies, which have been consistently applied, is set out below.

Foreign currencies

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

Investments

Fixed asset investments are stated at cost less provision for any diminution in value.

Parent company profit and loss account and cash flow statement

The amount of profit for the financial year before dividends within the accounts of the parent company is £2,170.7m (2012: £574.0m). There is no material difference between the profits and losses as reported above and historical cost profits and losses and there are no other gains or losses in the year.

No profit and loss account or cash flow statement is presented for the Company as permitted by section 408 of the Companies Act 2006.

Auditors' remuneration

The audit fees payable in relation to the audit of the financial statements of the Company are £26,000 (2012: £25,000).

Share-based payments

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

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

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

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

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

Financial instruments and hedge accounting

The accounting policy of the Company for financial instruments and hedge accounting is the same as that shown in the Group accounting policies. This policy is in accordance with FRS 26, "Financial Instruments: Recognition and Measurement".

Results for the year

1 Dividends

	2013 £m	2012 £m
Final dividend paid for the year ended 30 September 2012 of 6.67p per share	79.3	–
(2012: final dividend paid for the year ended 30 September 2011 of 7.07p per share)	–	92.1
Interim dividend paid for the year ended 30 September 2013 of 3.69p per share	42.8	–
(2012: interim dividend paid for the year ended 30 September 2012 of 3.48p per share)	–	44.4
Special dividend paid of 17.1p per share	198.7	–
	320.8	136.5

In addition, the directors are proposing a final dividend in respect of the financial year ended 30 September 2013 of 7.44p per share which will absorb an estimated £82.8m of shareholders' funds. It will be paid on 10 March 2014 to shareholders who are on the register of members on 14 February 2014. These financial statements do not reflect this dividend payable.

2 Fixed assets: investments

Equity interests in subsidiary undertakings are as follows:

	£m
Cost	
At 1 October 2012	**1,408.2**
Increase in year	**3,079.6**
Disposals	**(1,269.4)**
At 30 September 2013	**3,218.4**
Provision for diminution in value	
At 1 October 2012	**–**
Provision in year	**135.8**
At 30 September 2013	**135.8**
Net book value	
At 30 September 2013	**3,082.6**
At 30 September 2012	1,408.2

The increase in the year represents share capital issued by existing subsidiary undertakings. In December 2012 the Company disposed of several subsidiary undertakings in a share-for-share exchange for 100% of the shares of Sage Holding Company Limited. During the year the Company also acquired 100% of the share capital of Sage Irish Investments One Limited and Sage Irish Investments Two Limited.

The provision for diminution in value recognised in the year relates to dormant subsidiaries which no longer support the carrying value of the investment.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Principal trading subsidiary undertakings, included in the Group accounts at 30 September 2013, are shown in note 19 of the Group financial statements. All of these subsidiary undertakings are wholly owned with the exception of Folhamatic Tecnologia em Sistemas S.A. ("Folhamatic") which is 75% owned and IOB Informações Objetivas Publicações Jurídicas Ltda. which is 100% owned by Folhamatic Tecnologia em Sistemas S.A. All subsidiaries are engaged in the development, distribution and support of business management software and related products and services for small and medium sized businesses.

3 Cash at bank and in hand

	2013 £m	2012 £m
Cash at bank and in hand	**4.5**	0.5

4 Debtors

	2013 £m	2012 £m
Amounts owed by Group undertakings	**43.0**	438.3
Other debtors	**–**	0.2
	43.0	438.5

5 Creditors: amounts falling due within one year

	2013 £m	2012 £m
Bank loans and overdrafts	**0.4**	2.6
Amounts owed to Group undertakings	**317.4**	635.5
Other creditors	**30.0**	60.0
Accruals and deferred income	**6.6**	5.2
	354.4	703.3

Other creditors relate to outstanding liabilities of £30.0m (2012: £60.0m) arising under an irrevocable close period buyback agreement for the purchase of the Company's own shares.

6 Operating lease commitments

The Company had no operating lease commitments during the year (2012: £nil).

7 Capital commitments and contingent liabilities

The Company had no capital commitments or contingent liabilities at 30 September 2013 (2012: none).

8 Creditors: amounts falling due in more than one year

	2013 £m	2012 £m
In more than two years but not more than five years		
US senior loan notes – unsecured	**184.4**	185.3
Bank loans – unsecured	**9.6**	13.9
In more than five years		
US senior loan notes – unsecured	**–**	–
	194.0	199.2

The Company has US$300.0m (£185.3m, 2012: £185.8m) of US senior loan notes, which were issued into the US private placement market in 2010. These notes mature US$200.0m (£123.5, 2012: £123.8m) in 2015, US$50.0m (£30.9m, 2012: £31.0m) in 2016 and US$50.0m (£30.9m, 2012: £31.0m) in 2017 and carry interest coupons of 4.39%, 4.78% and 5.15% respectively.

There were £9.6m drawings (2012: £15.0m) under the multi-currency revolving credit facility of £346.2m (2012: £338.3m) expiring on 31 August 2015, which consists both of US$271.0m (£167.3m, 2012: £167.8m) and of €214.0m (£178.9m, 2012: £170.5m) tranches.

Unsecured bank loans were drawn in the following currencies: sterling £nil (2012: £15.0m), US Dollar £1.9m (2012: £nil), Euro £7.7m (2012: £nil), which bear an average fixed interest rate of 1.46% (2012: 1.73%).

In the table above, bank loans and loan notes are stated net of unamortised issue costs of £0.8m (2012: £1.6m). The Group has incurred total issue costs amounting to £1.3m (2012: £4.4m) in respect of these facilities. These issue costs were paid during the year ended 30 September 2010, no issue costs were incurred during the current financial year. These costs are allocated to the income statement over the term of the facility using the effective interest method.

9 Equity

9.1 Called up share capital

Issued and fully paid	2013 shares	2013 £m	2012 shares	2012 £m
At 1 October	**1,329,517,570**	**13.3**	1,323,837,836	13.2
Proceeds from shares issued	**3,792,153**	**–**	5,679,734	0.1
Share consolidation	**(59,648,503)**	**–**	–	–
Shares cancelled	**(159,525,800)**	**(1.6)**	–	–
At 30 September	**1,114,135,420**	**11.7**	1,329,517,570	13.3

Share-based payments

The grants and related accounting treatment adopted by the Company under FRS 20, "Share-based Payment", are identical to those adopted by the Group under IFRS 2, "Share-based Payment".

9.2 Reserves

	Treasury shares £m	Merger reserve £m	Capital redemption reserve £m	Total other reserves £m	Share premium account £m	Profit and loss account £m	Total £m
At 1 October 2012	(300.7)	61.1	–	(239.6)	524.5	646.5	931.4
New shares issued	**–**	**–**	**–**		**7.7**	**–**	**7.7**
Utilisation of treasury shares	**13.5**	**–**	**–**	**13.5**	**–**	**(13.5)**	**–**
Purchase of treasury shares	**(251.0)**	**–**	**–**	**(251.0)**	**–**	**–**	**(251.0)**
Cancellation of treasury shares	**477.7**	**–**	**1.6**	**479.3**	**–**	**(477.7)**	**1.6**
Expenses related to purchase of treasury shares	**–**	**–**	**–**	**–**	**–**	**(1.9)**	**(1.9)**
Close period share buyback programme	**–**	**–**	**–**	**–**	**–**	**30.0**	**30.0**
Profit for the financial year	**–**	**–**	**–**	**–**	**–**	**2,170.7**	**2,170.7**
Dividends paid to owners of the Company	**–**	**–**	**–**	**–**	**–**	**(320.8)**	**(320.8)**
Equity-settled transactions	**–**	**–**	**–**	**–**	**–**	**2.3**	**2.3**
At 30 September 2013	**(60.5)**	**61.1**	**1.6**	**2.2**	**532.2**	**2,035.6**	**2,570.0**

Treasury shares

Purchase of treasury shares

During the year the Company purchased 77,254,057 shares (2012: 104,628,376) at a cost of £251.0m (2012: £299.8m). Shares were repurchased at a weighted average price of 324.9p per share; the highest and lowest prices paid for these shares were 357.0p per share and 289.0p per share respectively. Shares purchased under the Group's buyback programme are retained in issue until cancelled and represent a deduction from equity attributable to owners of the parent. During the year 159,525,800 treasury shares were cancelled. At 30 September 2013 11,858,606 shares were held as treasury shares representing 1.1% of issued share capital.

Close period share buyback programme

The close period buyback programme for £30.0m (2012: £60.0m) relates to the purchase of the Company's own shares. Citigroup Global Markets Limited has been appointed to manage the irrevocable buyback programme during the close period which commenced on 1 October 2013 and will run up until 4 December 2013.

Employee Share Trust

The Company holds treasury shares in a trust which was set up for the benefit of Group employees. The Trust purchases the Company's shares in the market or is gifted them by the Company for use in connection with the Group's share-based payments arrangements. The Trust holds 5,428,407 ordinary shares in the Company (2012: 710,403) at a cost of £0.9m (2012: £0.9m) and a nominal value of £54,284 (2012: £7,104).

The Trust originally purchased the shares in 2006, and further shares were acquired by the Trust in 2010 with the cost being reflected in retained earnings. These shares were acquired by the Trust in the open market using funds provided by the Company. In January 2013 the Company gifted 5,000,000 shares from purchased treasury shares to the trust. During the year, no shares were utilised to meet obligations under the Performance Share Plan.

The costs of funding and administering the scheme are charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares at 30 September 2013 was £17.9m (2012: £2.2m).

10 Related party transactions

The Company has taken advantage of the exemption available under FRS 8, “Related Party Disclosures”, not to disclose details of transactions with its wholly owned subsidiary undertakings.

Supplier transactions occurred during the year between Folhamatic and The Sage Group Plc. During the year £nil (2012: £0.2m) was charged through selling and administrative expenses. There were no outstanding amounts payable as at the year ended 2013 (2012: £nil).

11 Post-balance sheet events

For details refer to note 18 in the Group financial statements.

Shareholder information

Financial calendar

Annual General Meeting	6 March 2014
Dividend payments	
Final payable – year ended 30 September 2013	10 March 2014
Interim payable – period ending 31 March 2014	6 June 2014
Results announcements	
Interim results – period ending 31 March 2014	8 May 2014
Final results – year ending 30 September 2014	3 December 2014

Shareholder information online

The Sage Group plc's registrars are able to notify shareholders by e-mail of the availability of an electronic version of shareholder information. Whenever new shareholder information becomes available, such as The Sage Group plc's interim and full year results, Equiniti will notify you by e-mail and you will be able to access, read and print documents at your own convenience.

To take advantage of this service for future communications, please go to www.shareview.co.uk and select "Shareholder Centre", where full details of the shareholder portfolio service are provided. When registering for this service, you will need to have your 11 character shareholder reference number to hand, which is shown on your dividend tax voucher, share certificate or form of proxy.

Should you change your mind at a later date, you may amend your request to receive electronic communication by entering your shareview portfolio online and amending your preferred method of communication from "e-mail" to "post". If you wish to continue receiving shareholder information in the current format, there is no need to take any action.

Advisers

Corporate brokers and financial advisers

Citigroup Global Markets, 33 Canada Square, Canary Wharf, London, E14 5LB

Solicitors

Allen & Overy LLP, 1 Bishops Square, London, E1 6AD

Principal Bankers

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Independent Auditors

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 89 Sandyford Road, Newcastle upon Tyne, NE1 8HW

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Calls to this number cost 8p per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm UK time, Monday to Friday.

Information for investors

Information for investors is provided on the internet as part of the Group's website which can be found at: www.sage.com/investors.

Investor enquiries

Enquiries can be directed via our website or by contacting our Investor Relations department:

Murdo Montgomery

Director of Investor Relations

Tel: +44 (0)191 294 3068
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Company number 2231246

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