Accelerating growth driven by continued strategic progress

- Strategic investment driving growth and significant acceleration in new customer acquisition
- Organic recurring revenue growth of 5.4%, driven by growth in Sage Business Cloud of 19%
- Organic operating margin of 19.3%, in line with guidance
- Sustained strong cash generation, with underlying cash conversion of 126%
- ARR growth of 7.7%, underpinned by cloud native ARR growth of 44%
- FY22 organic recurring revenue growth expected to be in the region of 8% to 9%
- Refreshed strategic framework to reflect Sage's evolving strategic priorities

Alternative Performance Measures (APMs)[1]	**FY21**	**FY20**[2]	**Change**
Organic Financial APMs			
Organic Total Revenue	£1,778m	£1,725m	+3%
Organic Recurring Revenue	£1,637m	£1,553m	+5%
Organic Operating Profit	£343m	£380m	-10%
% Organic Operating Profit Margin	*19.3%*	*22.0%*	*-2.7 ppts*
Underlying Financial APMs			
EBITDA	£443m	£486m	-9%
Underlying Operating Profit	£358m	£400m	-11%
% Underlying Operating Profit Margin	*19.4%*	*21.6%*	*-2.2 ppts*
Underlying Basic EPS	23.09p	26.74p	-14%
Underlying Cash Conversion	126%	123%	+3 ppts
KPIs			
Annualised Recurring Revenue (ARR)	£1,680m	£1,560m	+8%
Renewal Rate by Value	99%	99%	-
% Subscription Penetration	70%	65%	+5 ppts
% Sage Business Cloud Penetration	67%	60%	+7 ppts
Statutory Measures	**FY21**	**FY20**	**% Change**
Revenue	£1,846m	£1,903m	-3%
Operating Profit	£373m	£404m	-8%
% Operating Profit Margin	*20.2%*	*21.3%*	*-1.1 ppts*
Basic EPS (p)	26.33p	28.38p	-7%
Dividend Per Share (p)	17.68p	17.25p	+2.5%

Please note that tables may not cast and change percentages may not calculate precisely due to rounding.

Commenting on the results, CEO Steve Hare said:

"Sage delivered a strong performance in FY21. We achieved recurring revenue growth ahead of our initial expectations and ended the year with real momentum, supported by our strategic investment in sales, marketing and innovation. Our cloud native solutions have performed particularly well, as more new customers choose Sage to take care of their accounting, people and payroll processes – removing friction, delivering business insights, and giving them a competitive edge. I would like to thank our colleagues and partners, whose hard work and commitment has helped deliver a successful year.

"Having reshaped and invested significantly in the Group over the last three years, we are now focused on growing the business in absolute terms, both organically and through acquisitions. The small and mid-sized businesses that power the global economy are adopting digital solutions at a faster rate than ever before, and through our trusted technology and human approach, Sage is well positioned to support them. I am confident that, through our refreshed strategic framework, we will deliver further sustainable growth, driving the success of Sage now and in the long term."

[1] Please see Appendix 1 for guidance on the usage and definitions of the Alternative Performance Measures.

[2] Organic revenue and operating profit for FY20 have been restated to aid comparability with FY21. The definition of organic measures can be found in Appendix 1 with a full reconciliation of organic, underlying and statutory measures on page 8. Unless otherwise specified, all references to revenue, profit and margins are on an organic basis.

Financial highlights

- Organic recurring revenue increased by 5% to £1,637m, underpinned by Sage Business Cloud growth of 19% to £997m. Organic total revenue grew by 3% to £1,778m.
- Organic operating profit of £343m represents a margin of 19.3% (FY20: 22.0%). This reflects our planned strategic investment to accelerate growth across Sage Business Cloud, with a focus on cloud native solutions, as set out in our FY20 results announcement.
- Statutory operating profit reduced to £373m (FY20: £404m), principally reflecting the additional strategic investment, with non-recurring net gains of £55m (FY20: £46m) driven by disposals.
- Strong underlying cash conversion of 126% (FY20: 123%) reflects continued growth in subscription revenue and sustained improvements in working capital, including strength in receivables collection.
- Robust balance sheet, with c. £1.2bn of cash and available liquidity (comprising £567m of cash and cash equivalents, and £669m of undrawn facilities), and net debt to EBITDA of 0.6x.
- Final dividend up 2.7% to 11.63p, in line with our dividend policy, taking the full year dividend to 17.68p.

Strategic and operational highlights

- Annualised recurring revenue (ARR) up 8% to £1,680m (FY20: £1,560m), with growth accelerating significantly in the second half across all regions.
- Cloud native ARR increased by 44% to £347m (FY20: £240m), driven by growth from new customers and supported by migrations from cloud connected and desktop products.
- £140m of ARR added through new customer acquisition (including reactivations), up from £90m in FY20.
- Renewal by value of 99% is in line with FY20, and reflects a strong performance in customer add-ons in the second half, together with a continued focus on customer retention.
- Sage Business Cloud penetration increased to 67% (FY20: 60%), enabling more customers to connect to Sage's cloud services and ecosystem via the digital network.
- Delivered against our FY21 strategic priorities for growth:
    - Accelerated growth in solutions for mid-sized businesses, particularly Sage Intacct, both in North America and globally.
    - Built significant momentum in cloud native solutions for small businesses in Northern Europe.
    - Cloud connected portfolio continues to perform well, led by the International region.
- Completed disposals of businesses in Poland, Asia and Australia, and announced an agreement for the disposal of Sage's business in Switzerland, increasing focus on core geographies.

Outlook

We expect to achieve organic recurring revenue growth in the region of 8% to 9% in FY22, driven by continuing strength in Sage Business Cloud, and in cloud native revenues in particular. We also expect other revenue (SSRS & processing) to continue to decline, in line with our strategy. Consistent with previous guidance, organic operating margin is expected to trend upwards in FY22 and beyond, as we now focus on scaling the Group.

About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of Small and Mid-Sized Businesses served by us, our partners and accountants. Customers trust our finance, HR and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks and governments, our digital network connects SMBs, removing friction and delivering insights. Knocking down barriers also means we use our time, technology and experience to tackle digital inequality, economic inequality and the climate crisis.

Enquiries: **Sage:** +44 (0) 7900 046714
James Sandford, Investor Relations
Amy Lawson, Corporate PR

Finsbury Glover Hering: +44 (0) 20 7251 3801
Conor McClafferty
Amanda Healy

A presentation for investors and analysts will be held at 8.30am UK time. The webcast can be accessed live, and subsequently as a replay, via www.sage.com/investors. Participants may also dial in by calling +44 (0) 20 7192 8338, using pin code 5495161.

Business Review

Sage began FY21 amid the uncertainties of the Covid pandemic, with a commitment to accelerate growth across Sage Business Cloud, increase our strategic investment in sales, marketing and innovation, and continue to embed SaaS capabilities and culture throughout the organisation. This approach built on the strong foundations created through our consistent focus on strategic execution, and led to a strong performance for the year.

Overview of results

In FY21 the Group achieved organic recurring revenue growth of 5% to £1,637m, and organic total revenue growth of 3% to £1,778m. The increase in recurring revenue was underpinned by a 19% rise in Sage Business Cloud revenue to £997m, reflecting strength from new customer acquisition together with continued progress in migrating existing customers from desktop to cloud solutions.

Our focus on growing cloud revenues has resulted in Sage Business Cloud penetration increasing to 67%, up 7 percentage points compared to FY20. We have also continued to grow software subscription revenues, leading to a rise in subscription penetration of 5 percentage points to 70%.

As a result of the continuing evolution of the business mix, 92% of the Group's organic total revenue is now recurring, up from 90% in FY20.

Portfolio View of Revenue

Organic Revenue by Portfolio[3]	Recurring			Total		
	FY21	FY20	*Growth*	FY21	FY20	*Growth*
	£m	£m	*%*	£m	£m	*%*
Cloud native[4]	£286m	£212m	*+35%*	£299m	£224m	*+33%*
Cloud connected[5]	£711m	£623m	*+14%*	£724m	£636m	*+14%*
Sage Business Cloud	**£997m**	**£835m**	***+19%***	**£1,023m**	**£860m**	***+19%***
Products with potential to migrate	£490m	£546m	*-10%*	£574m	£654m	*-12%*
Future Sage Business Cloud Opportunity[6]	**£1,487m**	**£1,381m**	***+8%***	**£1,597m**	**£1,514m**	***+5%***
Non-Sage Business Cloud[7]	£150m	£172m	*-12%*	£181m	£211m	*-14%*
Organic Total Revenue	**£1,637m**	**£1,553m**	***+5%***	**£1,778m**	**£1,725m**	***+3%***
Sage Business Cloud Penetration	***67%***	***60%***				

The portfolio view provides a breakdown of Sage's organic revenue by strategic product portfolio. Our principal focus is to grow Sage Business Cloud, by acquiring new customers and migrating existing customers to Sage's cloud native and cloud connected solutions. All customers within Sage Business Cloud are able to connect to Sage's digital network of cloud services, leading to deeper customer relationships and higher lifetime values.

Recurring revenue from cloud native solutions grew by 35% in FY21 to £286m, driven by Sage Intacct together with other solutions including Sage Accounting and Sage People, primarily through new customer acquisition. Cloud native growth has also been driven by migrations principally to Sage HR, our HR management software for small customers, and to Sage Partner Cloud, our managed cloud solution for mid-sized customers.

The increase in cloud connected recurring revenue of 14% to £711m reflects growth in both the Sage 50 and Sage 200 franchises. This has been driven by the migration of existing customers, predominantly in International, as well as further growth from new customers acquired in the period.

[3] The revenue portfolio breakdown is provided as supplementary information to illustrate the differences in the evolution and composition of key parts of our product portfolio. These portfolios do not represent Operating Segments as defined under IFRS 8.

[4] Revenue from subscription customers using products that are part of Sage's strategic future product portfolio, where that product runs in a cloud-based environment enabling customers to access full, updated functionality at any time, from any location, over the Internet.

[5] Revenue from subscription customers using products that are part of Sage's strategic future product portfolio, where that product is normally deployed on-premise, and for which a substantial part of the value proposition is linked to functionality delivered in or through the cloud.

[6] Revenue from customers using products that are part of, or that management believe have a clear pathway to, Sage Business Cloud.

[7] Revenue from customers using products for which management does not currently envisage a path to Sage Business Cloud, either because the product addresses a segment outside Sage's core focus, or due to the complexity and expense involved in a migration.

Overall, the Future Sage Business Cloud Opportunity, which represents products in or with a clear pathway to Sage Business Cloud, has performed well with recurring revenue growth of 8%.

The Non-Sage Business Cloud portfolio comprises products for which management does not envisage a path to Sage Business Cloud. The revenue decline in this portfolio is in line with expectations and reflects the strategy to focus on solutions with a direct pathway to Sage Business Cloud.

ARR growth

Sage's ARR increased by 8% to £1,680m (FY20: £1,560m), accelerating in the second half of the year across all our regions, reflecting strong levels of growth balanced between new and existing customers.

This was underpinned by particularly strong cloud native ARR growth of 44% to £347m (FY20: £240m), driven by a good performance across our cloud native portfolio including strong new customer acquisition for Sage Intacct and Sage Accounting, together with migrations principally to Sage HR and to Sage Partner Cloud. In total, Sage added £140m of ARR through new customer acquisition (including reactivations) during the year (FY20: £90m), through an improving customer proposition supported by increased sales and marketing spend.

Across the Group, existing customer renewal rates have been strong, with customer churn slightly below pre-Covid levels. Renewal rate by value of 99% is in line with FY20 and reflects a strong performance in customer add-ons during the second half, together with a continued focus on customer retention.

Progress in strategic execution

At our FY20 results we set out a number of strategic priorities to accelerate the execution of our strategy. Our progress against these priorities is outlined below.

Growing in our target markets

In Northern Europe, we continue to make progress in cloud native solutions for small businesses. By improving the customer experience and investing in sales and marketing, new customer additions for Sage Accounting increased by 80% in FY21, while for Sage Payroll they doubled, supported by a strong attach rate to Sage Accounting. Sage HR also enjoyed strong growth through migrations and new customer wins.

In North America, momentum in solutions for mid-sized businesses strengthened during the year, particularly in Sage Intacct, driven by product enhancements, sales and marketing investment, and broader distribution. Across the Group, we added more than 2,000 new Sage Intacct customers, an increase of over 50% compared to FY20. Retention rates across the Sage 50 and Sage 200 product franchises have also remained strong.

In our newly created International segment, growth has centred around cloud connected products, together with a significant contribution from cloud native, including Sage Partner Cloud, X3 Cloud and Sage Intacct. Leveraging our global scale, we've recently introduced new cloud native solutions in these markets, and further launches are planned to drive growth across the region.

Investing to accelerate growth

Our sales and marketing investment has been focused on growing digital marketing spend and enhancing our sales capacity and capability. We have also invested in the Sage brand, helping to attract new audiences to Sage solutions. The "Boss It" campaign has continued to spur strong demand for our small business solutions in the UK, and was also launched in other markets including South Africa and Canada, driving increases in website visitors and online conversion.

Our investment in product development (R&D) has focused on driving innovation including developing the Sage Business Cloud digital network, enriching our cloud solutions, and enhancing our artificial intelligence (AI) capabilities:

- We've invested in the Service Fabric, our microservices architecture, to support the deployment of new cloud services, where we have seen a significant increase in customer engagement.
- We've enhanced our cloud banking and e-invoicing services, and we launched a new automated tax determination service that processed over 7 million transactions on its first day.
- We've continued to grow our team of data scientists and AI engineers and expand our machine-learning infrastructure, investing in innovative solutions such as the General Ledger Outlier Detection tool, Sage Intelligent Time, and a new predictive absence management tool.

- We are working in partnership with Tide to provide small business owners and entrepreneurs with a combined banking and accounting product, connecting Tide members to Sage's new accounting and compliance as a service (ACaaS) platform.
- We've invested in how we serve accountants, acquiring GoProposal, a cloud native client onboarding solution, and we will launch a new cloud native practice management solution in the UK shortly.
- We've also invested in a number of complementary businesses including BrightPearl, an eCommerce solutions provider, and CountingUp, a mobile-based banking and accounting startup.

Additionally, Sage Intacct was recognised as a Visionary by Gartner in its 2021 Magic Quadrant for Cloud Core Financial Management Suites, and it achieved the highest product score in the Core Financials for Lower Midsize Enterprises Use Case, for the fifth consecutive year.

Colleagues

Management is committed to further embedding SaaS capabilities, based on an innovative and high-performing culture. During the year, new customer-centric programmes were introduced for all colleagues. These include our '10x Innovation' programme which trains colleagues in design thinking methodology and helps to instil a culture of customer-centred innovation and experimentation across the Group.

We continue to prioritise all forms of colleague wellbeing, to shape our culture, create a more inclusive environment, and develop sustainable high performance. During the year we launched our Flexible Human Work initiative. Co-created with our colleagues, this framework sets out the future of work at Sage and empowers teams to experiment with how, when and where colleagues work.

In September we achieved our highest colleague NPS score to date, and have made progress across other key measures of colleague engagement – including further awards received from organisations such as Glassdoor and Comparably – showing that colleagues recognise our focus in this area.

Sustainability and society

Sage plays a key role in supporting the small and mid-sized businesses (SMBs) that form the backbone of economies around the world, helping to bring prosperity to their owners and staff, and to the communities in which they operate. In June, Sage launched its 'sustainability and society' strategy, aiming to support a new generation of diverse and sustainable businesses, tackle societal and economic inequality, and play its part in the race to net zero carbon.

Key initiatives include partnering with social enterprise MyKindaFuture to provide mentoring and training for disadvantaged people in the UK in starting their own business, with non-profit lending platform Kiva to improve financial inclusion in communities around the world that find it hard to start or grow businesses, and with the Institute of Engineering and Technology to deliver a STEM skills education programme to young people in deprived communities.

Sage has also pledged to help protect the planet by achieving net zero emissions by 2040, and halving its carbon emissions by 2030, across Scopes 1, 2 and 3. In addition, Sage recently launched its online Sustainability Hub, providing SMBs with expertise and advice on how to reduce their carbon impact.

These initiatives build on the longstanding work of the Sage Foundation which celebrated its fifth birthday this year. Over this period, we have built an action-oriented volunteering programme, with colleagues, their families and partners giving over 22,000 volunteering days to our communities and the environment across all of our markets in FY21.

Simplifying the business

During the year, we completed the disposals of Sage's businesses in Poland, Asia and Australia, as previously announced. We also announced an agreement to sell Sage's business in Switzerland; this transaction is expected to complete during the first half of FY22. Both Sage's business in Switzerland and its South African payroll outsourcing business remained held for sale at the end of FY21. Sage's disposal programme is now largely complete, resulting in a simplified Group structure, with management and capital resources now focused on fewer, larger geographies.

In addition, in September Sage announced an organisational restructuring to further simplify and streamline our operations, including the removal of around 800 roles. We expect to fully reinvest the resulting cost savings in areas that are key to Sage's long-term success including customer experience and brand, technology and innovation, and AI and data. Associated one-off restructuring costs of £67m have been recognised in FY21.

Refreshed strategic framework

Looking ahead to FY22, we have refreshed our strategic framework to reflect the Group's evolving priorities. Our purpose is **to knock down barriers so everyone can thrive**, recognising that as Sage removes friction to help SMBs thrive, they in turn have a positive effect on the economies and communities in which they operate. Our ambition is **to be the trusted network for SMBs**, as we continue to develop our existing technology footprint into an integrated digital network of applications and services which connect, remove friction and deliver insights for customers. To serve our purpose and achieve our ambition, we will focus on five strategic priorities that will help Sage create value for customers, colleagues, society and shareholders, in FY22 and beyond:

1. *Scale Sage Intacct*

Sage Intacct forms the heart of our cloud native financial management proposition for mid-sized businesses. We have already invested significantly in scaling the proposition, establishing Sage Intacct in new markets including the UK, Australia and South Africa, and expanding its vertical focus. We will continue to grow Sage Intacct's customer base and addressable market, deepening its capabilities in existing verticals, driving expansion into new verticals – both directly and with partners – and accelerating international growth.

2. *Expand medium beyond financials*

Sage's well-established position in providing financial management solutions to mid-sized businesses around the world creates a compelling opportunity to expand into adjacent areas – automating and adding value to a broader set of business processes, and delivering improved data accuracy and insight. Through a combination of organic and inorganic development, Sage will broaden its value proposition for mid-sized businesses to support their digital transformation, by automating manual processes, for example in accounts payable and accounts receivable, and by providing integrated solutions that connect and deliver insight.

3. *Build the small business engine*

Sage has made significant progress in the small business market in FY21, increasing new business wins in the UK by offering an integrated suite of cloud native solutions, including Sage Accounting, Sage Payroll, Sage HR and AutoEntry. By investing in customer experience and digital marketing capabilities, Sage has created a scalable growth 'engine' that can be deployed in other geographies. Our priority is to continue to build this small business engine, including through acquisitions where appropriate – refining the proposition and capabilities in the UK while scaling and internationalising the approach in other markets.

4. *Scale the network*

Sage is focused not only on developing solutions for specific business needs, but also on integrating those solutions to provide a unified digital experience, and creating a digital network of connections between organisations and their customers, suppliers, employees and regulatory bodies. Leveraging our existing scale across North America, Northern Europe and International, our priority is to enable and encourage further participation in the digital network, attracting new and migrating existing customers to Sage Business Cloud so they can enjoy an expanding number of cloud-based digital services. More digital network participants contributing more data will power the insight we need to build more innovative customer experiences, improving our ability to attract and retain customers.

5. *Learn and disrupt*

Innovation is key to the long-term success of Sage. By providing the opportunity to create actionable insights through data, the Sage Business Cloud digital network is a key enabler of innovation, and Sage will continue to invest in the technology and capabilities that underpin it. This includes continuously improving our innovation capability and culture, accelerating momentum in AI and machine learning, and complementing this with partnerships, investments and acquisitions, in order to share in early learnings from disruptive trends, and inform subsequent investment choices.

Financial Review

This financial review provides a summary of Sage's results on an organic basis, as well as considering the underlying and statutory performance of the business. Organic measures allow management and investors to understand the like-for-like revenue and margin performance of the continuing business.

Organic Financial Results

In FY21 Sage achieved organic recurring revenue growth of 5% to £1,637m and organic total revenue growth of 3% to £1,778m. The increase in recurring revenue was underpinned by a 19% rise in Sage Business Cloud revenue to £997m, reflecting strength from new customer acquisition together with continued progress in migrating existing customers from desktop to cloud solutions.

Other revenue (SSRS and processing) declined by 18% to £141m, in line with our strategy to transition away from licence sales and professional services implementations.

The Group's organic operating profit decreased by 10% to £343m, representing an organic operating margin of 19.3% (FY20: 22.0%). This reflects the Group's additional strategic investment in sales and marketing and product development (R&D) to accelerate growth in Sage Business Cloud, primarily in cloud native.

The Group also achieved underlying basic EPS of 23.09p, strong underlying cash conversion of 126% and free cash flow of £339m.

Statutory and Underlying Financial Results

Financial Results	**Statutory**			**Underlying[8]**		
	FY21	**FY20**	**Change**	**FY21**	**FY20**	**Change**
North America	£687m	£692m	-1%	£687m	£651m	+6%
Northern Europe	£402m	£412m	-2%	£402m	£412m	-2%
International[9]	£757m	£799m	-5%	£757m	£794m	-5%
Group Total Revenue	**£1,846m**	**£1,903m**	**-3%**	**£1,846m**	**£1,857m**	**-1%**
Operating Profit	£373m	£404m	-8%	£358m	£400m	-11%
% Operating Profit Margin	*20.2%*	*21.3%*	*-1.1 ppts*	*19.4%*	*21.6%*	*-2.2 ppts*
Profit Before Tax	£347m	£373m	-7%	£333m	£376m	-12%
Net Profit	£285m	£310m	-8%	£250m	£292m	-14%
Basic EPS	26.33p	28.38p	-7%	23.09p	26.74p	-14%

The Group achieved statutory total revenue of £1,846m, a 3% decrease on the prior year, reflecting the disposals of Sage Pay and Sage's Brazilian business in FY20, together with foreign exchange headwinds, principally in relation to the US dollar. Underlying total revenue, which normalises the comparative period for foreign exchange movements, reduced by 1%.

Statutory operating profit decreased by 8% to £373m, primarily reflecting the additional strategic investment in the business, with non-recurring net gains slightly higher than the prior year, driven by disposals. Underlying operating profit, which excludes recurring and non-recurring items, decreased by 11% to £358m.

Statutory basic EPS decreased by 7% to 26.33p, reflecting the additional strategic investment and the post-tax impact of recurring and non-recurring items. Underlying basic EPS declined by 14% to 23.09p.

---

[8] Revenue and profit measures are defined in Appendix 1.

[9] Since H1 21, the International segment has included Central and Southern Europe, in addition to the Africa and Asia-Pacific (APAC) region. For reporting under IFRS 8, we continue to report Central and Southern Europe as "International – Central and Southern Europe" and the former International segment as "International – Africa and APAC".

Underlying & Organic Reconciliations to Statutory

	FY21			FY20		
	Revenue	Operating Profit	Operating Margin %	Revenue	Operating Profit	Operating Margin %
Statutory	**£1,846m**	**£373m**	**20.2%**	**£1,903m**	**£404m**	**21.3%**
Recurring items[10]	-	£40m	-	-	£53m	-
Non-recurring items:						
- *Net gain on disposal of subsidiaries*	-	(£126m)	-	-	(£141m)	-
- *Asia goodwill impairment*	-	-	-	-	£19m	-
- *Property restructuring costs*	-	-	-	-	£21m	-
- *Employee restructuring costs*	-	£62m	-	-	£22m	-
- *Office relocation*	-	£9m	-	-	£33m	-
Impact of FX[11]	-	-	-	(£46m)	(£11m)	-
Underlying	**£1,846m**	**£358m**	**19.4%**	**£1,857m**	**£400m**	**21.6%**
Disposals	(£40m)	(£7m)	-	(£103m)	(£14m)	-
Held for sale	(£28m)	(£8m)	-	(£29m)	(£6m)	-
Organic	**£1,778m**	**£343m**	**19.3%**	**£1,725m**	**£380m**	**22.0%**

Revenue

The Group achieved statutory and underlying revenue of £1,846m in FY21. Underlying revenue in FY20 of £1,857m reflects statutory revenue of £1,903m retranslated at current year exchange rates, resulting in an FX adjustment of £46m.

Organic revenue of £1,778m (FY20: £1,725m) reflects underlying revenue adjusted for £40m of revenue from Sage's businesses in Poland, Australia and Asia, which were sold during the period, and £28m (FY20: £29m) from assets held for sale at the end of the period, including Sage's business in Switzerland and the South African payroll outsourcing business. In FY20, revenue from disposals included £69m of revenue from Sage's businesses in Poland, Australia and Asia, and £34m from Sage Pay and Sage's Brazilian business.

Operating profit

The Group achieved a statutory operating profit in FY21 of £373m (FY20: £404m). Underlying operating profit of £358m (FY20: £400m) reflects statutory operating profit adjusted for recurring and non-recurring items. Recurring items of £40m (FY20: £53m) comprise £31m of amortisation of acquisition-related intangibles (FY20: £33m) and £9m of M&A related charges (FY20: £20m).

Non-recurring items include a £126m net gain on disposal of subsidiaries from the sale of Sage's businesses in Poland, Australia and Asia (FY20: £141m net gain from the disposals of Sage Pay and Sage's Brazilian business). This is partly offset by a £62m provision for employee restructuring costs, comprising £67m relating to the business simplification announced in September and a £5m reversal of professional services restructuring costs that had previously been provided for, together with a non-cash accelerated depreciation charge relating to the relocation of our North Park office in Newcastle of £9m (FY20: £33m).

Organic operating profit of £343m (FY20: £380m) reflects underlying operating profit adjusted for £7m of operating profit from Sage's businesses in Poland, Australia and Asia (FY20: £10m) and £8m of operating profit from assets held for sale at the end of the period (FY20: £6m). In FY20, operating profit from disposals included a further £4m from Sage Pay and Sage's Brazilian business.

[10] Recurring and non-recurring items are detailed in the paragraph below and in note 3 of the financial statements.
[11] Impact of retranslating FY20 results at FY21 average rates.

Organic Revenue Overview

Organic Revenue Mix	FY21		FY20		% Change
	£m	**% of Total**	**£m**	**% of Total**	
Software Subscription Revenue	£1,242m	70%	£1,116m	65%	+11%
Other Recurring Revenue	£395m	22%	£437m	25%	-10%
Organic Recurring Revenue	**£1,637m**	**92%**	**£1,553m**	**90%**	**+5%**
Other Revenue	£141m	8%	£172m	10%	-18%
Organic Total Revenue	**£1,778m**	**100%**	**£1,725m**	**100%**	**+3%**

Organic total revenue increased by 3% in FY21 to £1,778m. Organic recurring revenue grew by 5% to £1,637m, supported by an 11% increase in software subscription revenue to £1,242m, reflecting the continued focus on attracting new customers and migrating existing customers to subscription and Sage Business Cloud. The decline in other recurring revenue of 10% to £395m reflects customers migrating from maintenance and support to subscription contracts. Other revenue (SSRS and processing) declined by 18% to £141m, in line with our strategy to transition away from licence sales and professional services implementations.

In the portfolio view of revenue, the Future Sage Business Cloud Opportunity delivered organic recurring revenue growth of 8% to £1,487m and organic total revenue growth of 5% to £1,597m, driven by sales to new and existing customers. In the Non-Sage Business Cloud portfolio, organic recurring revenue decreased by 12% to £150m, and total revenue decreased by 14% to £181m, in line with our strategy.

North America

Organic Revenue by Category	FY21	FY20	% Change
Organic Total Revenue	£687m	£651m	+6%
Organic Recurring Revenue	£641m	£597m	+7%
% Sage Business Cloud Penetration	73%	71%	+2 ppts
% Subscription Penetration	66%	61%	+5 ppts
Organic Recurring Revenue	**FY21**	**FY20**	**% Change**
US	£543m	£504m	+8%
Of which Sage Intacct	*£164m*	*£134m*	*+22%*
Canada	£98m	£93m	+6%

North America achieved organic recurring revenue growth of 7% to £641m and organic total revenue growth of 6% to £687m. Sage Business Cloud penetration is now 73%, up from 71% in the prior year, driven by growth in cloud native and cloud connected solutions, while subscription penetration is 66%, up from 61% in the prior year.

Cloud native growth was driven through Sage Intacct, which delivered recurring revenue growth of 22% to £164m reflecting continued strong progress driven by accelerating new customer acquisition.

Recurring revenue in the US increased by 8% to £543m, driven by Sage Intacct together with continued growth in small and medium cloud connected products, primarily the Sage 200 franchise and supported by Sage 50 solutions. Total revenue for the US increased by 6% to £584m.

In Canada, recurring revenue increased by 6% to £98m and total revenue by 5% to £103m, driven by growth in Sage 50 cloud and Sage 200 cloud solutions.

Northern Europe

Organic Revenue by Category	FY21	FY20	% Change
Organic Total Revenue	£402m	£394m	+2%
Organic Recurring Revenue	£391m	£377m	+4%
% Sage Business Cloud Penetration	86%	82%	+4 ppts
% Subscription Penetration	90%	85%	+5 ppts

Northern Europe (UK & Ireland) achieved organic recurring revenue growth of 4% to £391m and organic total revenue growth of 2% to £402m. Sage Business Cloud penetration is now 86%, up from 82% in the prior year, while subscription penetration is 90%, up from 85% in the prior year.

Recurring revenue growth reflects accelerating growth in cloud native solutions, supported by further growth in Sage 50 cloud connected.

Cloud native revenue growth in Northern Europe was driven by new customer acquisition in Sage Accounting, Sage People and AutoEntry, together with migrations to Sage HR. Sage Intacct continues to grow rapidly in the UK, building a good momentum in new contract wins through both direct sales and the partner channel.

International

Organic Revenue by Category	FY21	FY20	% Change
Organic Total Revenue	£689m	£680m	+1%
Organic Recurring Revenue	£605m	£579m	+4%
% Sage Business Cloud Penetration	47%	35%	+12 ppts
% Subscription Penetration	62%	56%	+6 ppts
Organic Recurring Revenue	**FY21**	**FY20**	**% Change**
Central and Southern Europe	£480m	£464m	+3%
France	£257m	£245m	+5%
Central Europe	£102m	£96m	+6%
Iberia	£121m	£123m	-2%
Africa & APAC	£125m	£115m	+9%

The International region achieved organic recurring revenue growth of 4% to £605m and organic total revenue growth of 1% to £689m. Sage Business Cloud penetration is now 47%, up from 35% in the prior year, while subscription penetration is 62%, up from 56% in the prior year.

In France, recurring revenue increased by 5% to £257m, with a strong performance in cloud connected, and further growth in cloud native solutions. Total revenue in France increased by 3% to £281m.

Central Europe achieved recurring revenue growth of 6% to £102m while total revenue increased by 4% to £132m. Growth in the region is driven by a combination of cloud connected and local products.

In Iberia, while subscription revenue increased by 18%, overall recurring revenue decreased by 2% to £121m, reflecting a reduction in maintenance and support revenues, as non-subscription customers opted not to renew their maintenance and support contracts, principally during the first half. Total revenue decreased by 4% to £137m.

Africa & APAC delivered strong recurring revenue growth of 9% to £125m, driven by a continued good performance in cloud native solutions, particularly Sage Accounting in Africa, and supported by growth in local products. Total revenue in Africa & APAC was broadly flat at £139m compared with the prior year.

Operating Profit

The Group achieved organic operating profit of £343m (FY20: £380m), representing a margin of 19.3% (FY20: 22.0%). This margin reflects increased strategic investment in sales and marketing and product development (R&D) to drive growth. During the year, the Group reassessed its bad debt provision in connection with Covid-19, resulting in an £8m credit to operating profit.

Underlying operating profit was £358m (FY20: £400m), representing a margin of 19.4% (FY20: 21.6%). The difference between organic and underlying operating profit reflects the operating profit from assets sold during the period (Sage's businesses in Poland, Australia and Asia in FY21, and Sage Pay and the Brazilian business in FY20) and assets held for sale (Sage's business in Switzerland and Sage's South African payroll outsourcing business).

EBITDA was £443m (FY20: £486m) representing a margin of 24.1%. The reduction in EBITDA reflects the additional strategic investment made during the year. While the charge for share based payments increased by £7m to £36m (FY20: £29m) reflecting the expansion of equity reward schemes, this was offset by an £8m reduction in underlying depreciation and amortisation to £49m (FY20: £57m) as a result of the Group's property rationalisation programme and assets held for sale.

	FY21	FY20	FY21 Margin %
Organic Operating Profit	**£343m**	**£380m**	**19.3%**
Impact of disposals	£7m	£14m	
Impact of held for sale	£8m	£6m	
Underlying Operating Profit	**£358m**	**£400m**	**19.4%**
Depreciation & amortisation	£49m	£57m	
Share based payments	£36m	£29m	
EBITDA	**£443m**	**£486m**	**24.1%**

Net Finance Cost

The statutory net finance cost for the period decreased to £26m (FY20: £31m), primarily reflecting the reduced impact from FX movements on intercompany balances, and is broadly in line with the underlying net finance cost of £25m (FY20: £25m).

Taxation

The underlying tax expense for FY21 was £83m (FY20: £84m), resulting in an underlying tax rate of 25% (FY20: 23%). The statutory income tax expense for FY21 was £62m (FY20: £63m), resulting in a statutory tax rate of 18% (FY20: 17%).

The difference between the underlying and statutory rate in FY21 primarily reflects a non-taxable accounting net gain on disposals, partially offset by the non-tax-deductible accelerated depreciation charge relating to the relocation of our North Park office in Newcastle.

The FY21 underlying tax rate has increased primarily as a result of certain non-recurring adjustments in FY20.

Earnings per Share

	FY21	FY20	% Change
Statutory Basic EPS	26.33p	28.38p	-7%
Recurring items	3.01p	4.57p	
Non-recurring items	(6.25p)	(5.52)p	
Impact of foreign exchange	-	(0.69p)	
Underlying Basic EPS	**23.09p**	**26.74p**	**-14%**

Underlying basic earnings per share of 23.09p was 14% lower than the prior period (FY20: 26.74p), reflecting the decrease in underlying operating profit due to additional strategic investment.

Statutory basic earnings per share decreased by 7%, reflecting the reduction in underlying basic earnings per share and the post-tax impact of recurring and non-recurring items.

Cash Flow

The Group remains highly cash generative with underlying cash flow from operations of £451m (FY20: £505m), representing an underlying cash conversion of 126% (FY20: 123%). Importantly, the Group has continued to deliver cash conversion in excess of 100% for three years. This strong cash conversion reflects further growth in subscription revenue and sustained improvements in working capital, with continued strength in receivables collection. Free cash flow was £339m (FY20: £382m), largely reflecting continued strong underlying cash conversion and a reduction in net interest and income tax paid.

Cash Flow APMs	**FY21**	**FY20 (as reported)**
Underlying operating profit	£358m	£411m
Depreciation, amortisation and non-cash items in profit	£47m	£56m
Share based payments	£36m	£29m
Net changes in working capital	£65m	£45m
Net capital expenditure	(£55m)	(£36m)
Underlying Cash Flow from Operations	**£451m**	**£505m**
Underlying cash conversion %	*126%*	*123%*
Non-recurring cash items	(£9m)	(£4m)
Net interest paid	(£19m)	(£26m)
Income tax paid	(£81m)	(£93m)
Profit and loss foreign exchange movements	(£3m)	-
Free Cash Flow	**£339m**	**£382m**

Statutory Reconciliation of Cash Flow from Operations	**FY21**	**FY20 (as reported)**
Statutory Cash Flow from Operations	£476m	£527m
Recurring and non-recurring items	£30m	£14m
Net capital expenditure	(£55m)	(£36m)
Underlying Cash Flow from Operations	**£451m**	**£505m**

Net debt and liquidity

Group net debt was £247m at 30 September 2021 (30 September 2020: £151m), comprising cash and cash equivalents of £567m (30 September 2020: £848m) and total debt of £814m (30 September 2020: £999m). The increase in net debt in the period is summarised in the table below.

	FY21	**FY20**
Net debt at 1 October	**(£151m)**	**(£529m)**
Free cash flow	£339m	£382m
New leases	(£8m)	(£30m)
Net proceeds from disposal of subsidiaries	£142m	£212m
M&A and equity investments	(£39m)	(£10m)
Dividends paid	(£189m)	(£186m)
Share buyback	(£353m)	(£7m)
FX movement and other	£12m	£17m
Net debt at 30 September	**(£247m)**	**(£151m)**

The Group's debt is sourced from a syndicated multi-currency Revolving Credit Facility (RCF), US private placement (USPP) loan notes, and sterling denominated bond notes. The Group's RCF expires in February 2025 with facility levels of £669m (split between US$719m and £135m tranches). At 30 September 2021, the RCF was undrawn (FY20: £294m).

The Group's USPP loan notes at 30 September 2021 totalled £370m (US$400m and EUR 85m) (FY20: £387m – US$400m and EUR 85m). The USPP loan notes have a range of maturities between January 2022 and May 2025.

The Group issued a debut £350m 10-year bond in February 2021, with a coupon of 1.625%. This issuance enabled the Group to extend the maturity of its debt portfolio and to diversify its funding sources. The net proceeds were used to repay an existing £200m syndicated Term Loan that was due to expire in September 2022 and for general corporate purposes.

Sage currently has an investment grade issuer credit rating assigned by Standard and Poor's of BBB+ (stable outlook).

Maturities within the next 18 months comprise EUR 55m (£47m) and EUR 30m (£26m) of the Group's USPP loan notes in January 2022 and January 2023 respectively.

The Group had £1,236m of cash and available liquidity at 30 September 2021, comprising cash and cash equivalents of £567m and undrawn facilities of £669m.

Capital allocation

Sage maintains a disciplined approach to capital allocation. The Group's focus is to accelerate strategic execution through organic and inorganic investment, including through acquisitions of complementary technology and partnerships to enhance Sage Business Cloud and further develop Sage's digital network. In line with management's focus on core geographies, Sage's businesses in Poland, Australia and Asia were sold during the year, and a sale agreement was announced in respect of the disposal of Sage's Swiss business.

Our policy is to maintain the dividend in real terms. In line with our policy, and reflecting the Group's strong business performance and cash generation during the year, we have increased the full year dividend by 2.5% to 17.68p.

The Group also considers returning surplus capital to shareholders. On 4 March 2021 Sage launched a £300m share buy-back programme that completed on 3 September 2021. A total of 45.4m shares were purchased under this programme and are held as treasury shares. A further £300m share buyback programme commenced on 6 September and is expected to end no later than 24 January 2022. As at 12 November, 28m shares had been purchased under the current programme for a total consideration of £202m and held in treasury.

	FY21	**FY20 (as reported)**
Net debt	£247m	£151m
EBITDA (Last Twelve Months)	£443m	£498m
Net debt/EBITDA Ratio	**0.6x**	**0.3x**

Group net debt as at 30 September 2021 was £247m and EBITDA over the last 12 months was £443m, resulting in a net debt to EBITDA leverage ratio of 0.6x. Group return on capital employed (ROCE) for FY21 was 19% (FY20 as reported: 20%).

Sage plans to operate in a broad range of 1-2x net debt to EBITDA over the medium term, with flexibility to move outside this range as the business needs require. Accordingly, we expect our leverage ratio to move back to the medium-term range, through organic investment, M&A and/or capital returns.

Going concern

The Directors have robustly tested the going concern assumption in preparing these financial statements, taking into account the Group's strong liquidity position at 30 September 2021 and a number of downside sensitivities, and remain satisfied that the going concern basis of preparation is appropriate. Further information is provided in note 1 of the financial statements on page 23.

Foreign exchange

The Group does not hedge foreign currency profit and loss translation exposures and the statutory results are therefore impacted by movements in exchange rates.

The average rates used to translate the consolidated income statement and to neutralise foreign exchange in prior year underlying and organic figures are as follows:

AVERAGE EXCHANGE RATES (EQUAL TO GBP)	FY21	FY20	Change
Euro (€)	1.15	1.14	1%
US Dollar ($)	1.37	1.28	7%
Canadian Dollar (C$)	1.73	1.72	1%
South African Rand (ZAR)	20.28	20.67	-2%
Australian Dollar (A$)	1.82	1.88	-3%

Appendix 1 – Alternative Performance Measures

Alternative Performance measures are used by the company to understand and manage performance. These are not defined under IFRS and are not intended to be a substitute for any IFRS measures of performance but have been included as management considers them to be important measures, alongside the comparable GAAP financial measures, in assessing the underlying performance. Wherever appropriate and practical, we provide reconciliations to relevant GAAP measures. The table below sets out the basis of calculation of the Alternative Performance Measures and the rationale for their use.

MEASURE	DESCRIPTION	RATIONALE
Underlying (revenue and profit) measures	Underlying measures are adjusted to exclude items which would distort the understanding of the performance for the year or comparability between periods: - Recurring items include purchase price adjustments including amortisation of acquired intangible assets and adjustments made to reduce deferred income arising on acquisitions, acquisition-related items, unhedged FX on intercompany balances and fair value adjustments; and - Non-recurring items that management judge to be one-off or non-operational such as gains and losses on the disposal of assets, impairment charges and reversals, and restructuring related costs. All prior period underlying measures (revenue and profit) are retranslated at the current year exchange rates to neutralise the effect of currency fluctuations.	Underlying measures allow management and investors to compare performance without the potentially distorting effects of foreign exchange movements, one-off or non-operational items. By including part-period contributions from acquisitions, discontinued operations, disposals and assets held for sale of standalone businesses in the current and/or prior periods, the impact of M&A decisions on earnings per share growth can be evaluated.
Organic (revenue and profit) measures	In addition to the adjustments made for Underlying measures, Organic measures: - Exclude the contribution from discontinued operations, disposals and assets held for sale of standalone businesses in the current and prior period; and - Exclude the contribution from acquired businesses until the year following the year of acquisition; and - Adjust the comparative period to present prior period acquired businesses as if they had been part of the Group throughout the prior period. Acquisitions and disposals where the revenue and contribution impact would be immaterial are not adjusted.	Organic measures allow management and investors to understand the like-for-like revenue and current period margin performance of the continuing business.
Underlying Cash Flow from Operations	Underlying Cash Flow from Operations is Underlying Operating Profit adjusted for non-cash items, net capex (excluding business combinations and similar items) and changes in working capital.	To show the cash flow generated by the operations and calculate underlying cash conversion.
Underlying Cash Conversion	Underlying Cash Flow from Operations divided by Underlying (as reported) Operating Profit.	Cash conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash.
EBITDA	EBITDA is Underlying Operating Profit excluding depreciation, amortisation and share based payments.	To calculate the Net Debt to EBITDA leverage ratio and to show profitability before the impact of major non-cash charges.

Annualised recurring revenue	Annualised recurring revenue ("ARR") is the normalised organic recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by twelve. Adjustments to normalise reported recurring revenue include those components that management has assessed should be excluded in order to ensure the measure reflects that part of the contracted revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods (such as non-refundable contract sign-up fees).	ARR represents the annualised value of the recurring revenue base that is expected to be carried into future periods, and its growth is a forward-looking indicator of reporting recurring revenue growth.
Renewal Rate by Value	The ARR from renewals, migrations, upsell and cross-sell of active customers at the start of the year, divided by the opening ARR for the year.	As an indicator of our ability to retain and generate additional revenue from our existing customer base through up and cross sell.
Free Cash Flow	Free Cash Flow is Underlying Cash Flow from Operations minus net interest paid and income tax paid and adjusted for non-recurring cash items (which excludes net proceeds on disposals of subsidiaries) and profit and loss foreign exchange movements.	To measure the cash generated by the operating activities during the period that is available to repay debt, undertake acquisitions or distribute to shareholders.
% Subscription Penetration	Organic software subscription revenue as a percentage of organic total revenue.	To measure the progress of migrating our customer base from licence and maintenance to a subscription relationship.
% Sage Business Cloud Penetration	Organic recurring revenue from the Sage Business Cloud (native and connected cloud) as a percentage of the organic recurring revenue of the Future Sage Business Cloud Opportunity.	To measure the progress in the migration of our revenue base to the Sage Business Cloud by connecting our solutions to the cloud and/or migrating our customers to cloud connected and cloud native solutions.
Return on Capital Employed (ROCE)	ROCE is calculated as: - Underlying Operating Profit; minus - Amortisation of acquired intangibles; the result being divided by - The average (of the opening and closing balance for the period) total net assets excluding net debt, provisions for non-recurring costs, financial liability for purchase of own shares and tax assets or liabilities (i.e. capital employed).	As an indicator of the current period financial return on the capital invested in the company. ROCE is used as an underpin in the FY19, FY20 and FY21 PSP awards.

Consolidated income statement
For the year ended 30 September 2021

	Note	**Underlying 2021 £m**	**Adjustments (note 3) 2021 £m**	**Statutory 2021 £m**	Underlying as reported* 2020 £m	Adjustments (note 3) 2020 £m	Statutory 2020 £m
Revenue	2	**1,846**	–	**1,846**	1,903	–	1,903
Cost of sales		**(131)**	–	**(131)**	(126)	–	(126)
Gross profit		**1,715**	–	**1,715**	1,777	–	1,777
Selling and administrative expenses		**(1,357)**	**15**	**(1,342)**	(1,366)	(7)	(1,373)
Operating profit	2	**358**	**15**	**373**	411	(7)	404
Finance income		**1**	–	**1**	3	–	3
Finance costs		**(26)**	**(1)**	**(27)**	(28)	(6)	(34)
Profit before income tax		**333**	**14**	**347**	386	(13)	373
Income tax expense	4	**(83)**	**21**	**(62)**	(87)	24	(63)
Profit for the year		**250**	**35**	**285**	299	11	310

Earnings per share attributable to the owners of the parent (pence)	Note	Underlying 2021	Adjustments 2021	Statutory 2021	Underlying as reported* 2020	Adjustments 2020	Statutory 2020
Basic	6	**23.09p**		**26.33p**	27.43p		28.38p
Diluted	6	**22.87p**		**26.08p**	27.21p		28.15p

All operations in the year relate to continuing operations.

Note:

* Underlying as reported is at 2020 reported exchange rates.

Consolidated statement of comprehensive income
For the year ended 30 September 2021

	2021 £m	2020 £m
Profit for the year	**285**	310
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss		
Actuarial gain on post-employment benefit obligations	**2**	–
	2	–
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	**(60)**	(43)
Exchange differences recycled through income statement on sale of foreign operations	**(21)**	43
	(81)	–
Other comprehensive expense for the year, net of tax	**(79)**	–
Total comprehensive income for the year	**206**	310

The notes on pages 22 to 38 form an integral part of this condensed consolidated yearly report.

Consolidated balance sheet
As at 30 September 2021

	Note	2021 £m	2020 £m
Non-current assets			
Goodwill	7	**1,877**	1,962
Other intangible assets	7	**190**	212
Property, plant and equipment	7	**164**	173
Equity investments		**21**	–
Other financial assets		–	1
Trade and other receivables		**113**	86
Deferred income tax assets		**40**	35
		2,405	2,469
Current assets			
Trade and other receivables		**295**	302
Current income tax asset		**37**	5
Cash and cash equivalents (excluding bank overdrafts)	10	**553**	831
Assets classified as held for sale	11	**39**	108
		924	1,246
Total assets		**3,329**	3,715
Current liabilities			
Trade and other payables		**(592)**	(297)
Current income tax liabilities		**(31)**	(13)
Borrowings		**(65)**	(20)
Provisions		**(68)**	(19)
Deferred income		**(611)**	(593)
Liabilities classified as held for sale	11	**(13)**	(73)
		(1,380)	(1,015)
Non-current liabilities			
Borrowings		**(749)**	(970)
Post-employment benefits		**(22)**	(23)
Deferred income tax liabilities		**(5)**	(14)
Provisions		**(49)**	(31)
Trade and other payables		**(3)**	(3)
Deferred income		**(10)**	(7)
		(838)	(1,048)
Total liabilities		**(2,218)**	(2,063)
Net assets		**1,111**	1,652
Equity attributable to owners of the parent			
Ordinary shares	9	**12**	12
Share premium	9	**548**	548
Translation reserve		**42**	123
Merger reserve		**61**	61
Retained earnings		**448**	908
Total equity		**1,111**	1,652

Consolidated statement of changes in equity
For the year ended 30 September 2021

	Attributable to owners of the parent					
	Ordinary shares £m	**Share premium £m**	**Translation reserve £m**	**Merger reserves £m**	**Retained earnings £m**	**Total equity £m**
At 1 October 2020	**12**	**548**	**123**	**61**	**908**	**1,652**
Profit for the year	–	–	–	–	**285**	**285**
Other comprehensive (expense)/income						
Exchange differences on translating foreign operations	–	–	**(60)**	–	–	**(60)**
Exchange differences recycled through income statement on sale of foreign operations	–	–	**(21)**	–	–	**(21)**
Actuarial gain on post-employment benefit obligations	–	–	–	–	**2**	**2**
Total comprehensive income for the year ended 30 September 2021	–	–	**(81)**	–	**287**	**206**
Transactions with owners						
Employee share option scheme:						
- Value of employee services including deferred tax	–	–	–	–	**36**	**36**
Proceeds from issuance of treasury shares	–	–	–	–	**8**	**8**
Share buyback programme	–	–	–	–	**(602)**	**(602)**
Dividends paid to owners of the parent	–	–	–	–	**(189)**	**(189)**
Total transactions with owners for the year ended 30 September 2021	–	–	–	–	**(747)**	**(747)**
At 30 September 2021	**12**	**548**	**42**	**61**	**448**	**1,111**

	Attributable to owners of the parent					
	Ordinary shares £m	**Share premium £m**	**Translation reserve £m**	**Merger reserve £m**	**Retained earnings £m**	**Total equity £m**
At 1 October 2019 as originally presented	12	548	123	61	760	1,504
Adjustment on initial application of IFRS 16 net of tax	–	–	–	–	(7)	(7)
At 1 October 2019 as adjusted	12	548	123	61	753	1,497
Profit for the year	–	–	–	–	310	310
Other comprehensive (expense)/income						
Exchange differences on translating foreign operations	–	–	(43)	–	–	(43)
Exchange differences recycled through income statement on sale of foreign operations	–	–	43	–	–	43
Total comprehensive income for the year ended 30 September 2020	–	–	–	–	310	310
Transactions with owners						
Employee share option scheme:						
- Value of employee services including deferred tax	–	–	–	–	29	29
Proceeds from issuance of treasury shares	–	–	–	–	9	9
Share buyback programme	–	–	–	–	(7)	(7)
Dividends paid to owners of the parent	–	–	–	–	(186)	(186)
Total transactions with owners for the year ended 30 September 2020	–	–	–	–	(155)	(155)
At 30 September 2020	12	548	123	61	908	1,652

Consolidated statement of cash flows
For the year ended 30 September 2021

	Note	**2021 £m**	2020 £m
Cash flows from operating activities			
Cash generated from continuing operations		**476**	527
Interest paid		**(19)**	(28)
Income tax paid		**(81)**	(93)
Net cash generated from operating activities		**376**	406
Cash flows from investing activities			
Proceeds on settlement of non-current asset		**3**	–
Disposal of subsidiaries, net of cash disposed	11	**135**	216
Purchases of equity investments		**(21)**	–
Purchases of intangible assets	7	**(17)**	(16)
Purchases of property, plant and equipment	7	**(39)**	(24)
Interest received		**1**	3
Net cash generated from investing activities		**62**	179
Cash flows from financing activities			
Proceeds from issuance of treasury shares	9	**8**	9
Proceeds from borrowings		**344**	302
Repayments of borrowings		**(481)**	(167)
Capital element of lease payments		**(22)**	(38)
Borrowing costs		**(1)**	(1)
Share buyback programmes	9	**(353)**	(7)
Dividends paid to owners of the parent	5	**(189)**	(186)
Net cash used in financing activities		**(694)**	(88)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts (before exchange rate movement)		**(256)**	497
Effects of exchange rate movement	10	**(25)**	(21)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(281)**	476
Cash, cash equivalents and bank overdrafts at 1 October	10	**848**	372
Cash, cash equivalents and bank overdrafts at 30 September	10	**567**	848

Notes to the financial information
For the year ended 30 September 2021

1 Group accounting policies

General information
The Sage Group plc (the "Company") and its subsidiaries (together the "Group") is a leading global supplier of business management software to Small & Medium Businesses.

The financial information set out above does not constitute the Company's Statutory Accounts for the year ended 30 September 2021 or 2020 but is derived from those accounts. Statutory Accounts for the year ended 30 September 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered in December 2021. The auditors have reported on both sets of accounts; their reports were unqualified and did not contain statements under section 498 (2), (3) or (4) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRS") as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU") and IFRS as issued by the International Accounting Standards Board ("IASB"), this announcement does not in itself contain sufficient information to comply with IFRS. The financial information has been prepared on the basis of the accounting policies and critical accounting estimates and judgements as set out in the Annual Report & Accounts for 2021.

The Company is a limited liability company incorporated and domiciled in the UK. The address of its registered office is C23 - 5 & 6 Cobalt Park Way, Cobalt Park, Newcastle upon Tyne, NE28 9EJ. The Company is listed on the London Stock Exchange.

Basis of preparation
The consolidated financial statements of The Sage Group plc have been prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006 and also prepared in accordance with IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and IFRS as issued by the IASB. IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU differ in certain respects from IFRS as issued by the IASB. The differences have no impact on the Group's consolidated financial statements for the years presented.

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 and equity investments which are measured at fair value through other comprehensive income. 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. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, which is usually from date of acquisition.

The possible continuing and future impact of Covid-19 on the Group has been considered in the preparation of the financial statements including within our evaluation of critical accounting estimates and judgements which are detailed further below. The Group's operational and financial robust position is supported by:

- High quality recurring and subscription based revenue;
- Resilient cash generation and robust liquidity position is supported by strong underlying cash conversion of 126%, reflecting the strength of the subscription business model; and
- A well-diversified small and medium sized customer base.

The Directors have reviewed liquidity and covenant forecasts for the Group for the period to 31 March 2023, which reflect the expected impact of Covid-19 on trading. Stress testing has been performed with the impact of severe increases in churn and significantly reduced levels of new customer acquisition and sales to existing customers being considered. In these severe stress scenarios, the Group continues to have sufficient resources to continue in operational existence. In the event that more severe impacts occur, controllable mitigating actions are available to the Group should they be required. Additional stress testing has been performed as part of the severe but plausible scenarios (as described within the Viability Statement of the Annual Report & Accounts for 2021).

The Directors also reviewed the results of reverse stress testing performed to provide an illustration of the level of churn and deterioration in new customer acquisition which would be required to trigger a breach in the Group's covenants or exhaust cash down to minimum working capital requirements. The probability of these factors occurring is deemed to be remote given the resilient nature of the subscription-based business model, robust balance sheet and continued strong cash conversion.

After making enquiries, the Directors have a reasonable expectation that Sage has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, the consolidated financial information has been prepared on a going concern basis.

All figures presented are rounded to the nearest £m, unless otherwise stated.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2021.

Adoption of new and revised IFRSs

There are no IFRS, IAS amendments or IFRIC interpretations effective for the first time this financial year that have had a material impact on the Group. From 1 October 2021, the Group will apply UK-adopted International Accounting Standards under the Companies Act 2006. No standards have been early adopted during the year.

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

Approximately a third of the Company's revenue is generated from sales to partners rather than end users. The key judgement is determining whether the business partner is a customer of the Group. The key criteria in this determination is whether the business partner has taken control of the product. Considering the nature of Sage's subscription products and support services, this is usually assessed based on whether the business partner has responsibility for payment, has discretion to set prices, and takes on the risks and rewards of the product from Sage.

Where the business partner is a customer of Sage, discounts are recognised as a deduction from revenue. Where the business partner is not a customer of Sage and their part in the sale has simply been in the form of a referral, they are remunerated in the form of a commission payment. These payments are treated as contract acquisition costs.

An additional area of judgement is the recognition and deferral of revenue on on-premise subscription offerings, for example the sale of a term licence with an annual maintenance and support contract as part of a subscription contract. In such instances, the transaction price is allocated between the constituent performance obligations on the basis of standalone selling prices (SSPs). Judgement is required when estimating SSPs. The Group has established a hierarchy to identify the SSPs that are used to allocate the transaction price of a customer contract to the performance obligations in the contract. Where SSPs for on-premise offerings are observable and consistent across the customer base, SSP estimates are derived from pricing history. Where there are no directly observable estimates available, comparable products are utilised as a basis of assessment or the residual approach is used. Under the residual approach, the SSP for the offering is estimated to be the total transaction price less the sum of the observable SSPs of other goods or services in the contract. The Group uses this technique in particular for estimating the term licence SSP sold as part of its on-premise subscription offerings as Sage has previously not sold term licences on a stand-alone basis (i.e. the selling price is uncertain).

Goodwill impairment

A key judgement is the ongoing appropriateness of the cash-generating units ("CGUs") for the purpose of impairment testing. CGUs are assessed in the context of the Group's evolving business model, the Sage strategy and the shift to global product development. Management continues to monitor goodwill at a regional level, thus it was determined that the use of CGUs based on geographical area of operation remains appropriate.

With effect from 1 October 2020, this also includes the goodwill acquired with the acquisition of the Sage Intacct business in 2017 which is monitored as a Group of CGUs comprising both Sage's Business Solutions Division (SBS) and Sage Intacct business in North America. This decision has been taken following strategic and operational changes made during the year, as a result of which the North American business is now managed, and performance monitored, on a combined basis.

The assumptions applied in calculating the value in use of the CGUs being tested for impairment are a source of estimation uncertainty. The key assumptions applied in the calculation relate to the future performance expectations of the business (average medium-term revenue growth and long-term growth rate) as well as the discount rate to be applied in the calculation.

The key assumptions used in performing the annual impairment assessment, and further information on the level at which goodwill is monitored are disclosed in the annual financial statements for the year ended 30 September 2021.

Trade receivables

There remains a high degree of uncertainty as countries emerge from the Covid-19 pandemic and government support measures are lifted. Therefore, the expected credit loss allowance against trade receivables is a source of estimation uncertainty and as a result management judgement and estimates reflect a degree of caution.

The impact of Covid-19 on expected credit loss provision has been calculated on a region-specific basis, considering macroeconomic factors, such as GDP outlook, government support available and other regional specific microeconomic factors. As a consequence, management provided an additional £17m expected credit loss provision as at 30 September 2020. During the current year this provision has been reassessed at £8m to reflect improvement in economic conditions and the reduced level of gross receivables as at 30 September 2021.

Website

This annual consolidated financial report for the year ended 30 September 2021 will be available on our website from 2 December 2021: www.sage.com/investors

2 Segment information

In accordance with IFRS 8, “Operating Segments”, information for the Group’s operating segments has been derived using the information used by the chief operating decision maker. The Group’s Executive Committee has been identified as the chief operating decision maker in accordance with its designated responsibility for the allocation of resources to operating segments and assessing their performance, through the Monthly Business Reviews chaired by the Chief Operating Officer. The Executive Committee uses organic and underlying data to monitor business performance. Operating segments are reported in a manner which is consistent with the operating segments produced for internal management reporting.

With effect from 1 October 2020, the Group is organised into seven key operating segments: North America, Northern Europe (UK and Ireland), Central Europe (Germany, Austria, Poland and Switzerland), France, Iberia (Spain and Portugal), Africa and the Middle East, and Asia (including Australia). Prior to this date, the North America operating segment was presented as two operating segments, North America (excluding North America Sage Intacct) and North America Sage Intacct. For reporting under IFRS 8, the Group is divided into three reportable segments. These segments are as follows:

- North America
- Northern Europe
- International – Central and Southern Europe (Central Europe, France and Iberia)

The remaining operating segments of Africa and the Middle East, and Asia (including Australia) do not meet the quantitative thresholds for presentation as separate reportable segments under IFRS 8, and so are presented together and described as International – Africa & APAC. They include the Group’s operations in South Africa, Middle East, Australia, Singapore and Malaysia.

The reportable segment International – Central and Southern Europe reflects the aggregation of the operating segments for Central Europe, France and Iberia. The aggregated operating segments are considered to share similar economic characteristics because they have similar long-term gross margins and operate in similar markets. Central Europe, France and Iberia operate principally within the EU and the majority of their businesses are in countries within the Euro area.

In the prior year, the reportable segment International – Central and Southern Europe was reported as Central and Southern Europe, and the residual grouping of International – Africa & APAC was reported as International. The Group’s Latin America operations were sold during the prior year and were included within International.

The revenue analysis in the table below is based on the location of the customer, which is not materially different from the location where the order is received and where the assets are located. The Group reports revenue under two revenue categories as noted below:

Category	Examples
Recurring revenue	Subscription contracts Maintenance and support contracts
Other revenue	Perpetual software licences Upgrades to perpetual licences Professional services Training Payment processing services Payroll processing services

Revenue by segment

	Statutory and Underlying £m	Organic adjustments* £m	Organic £m	Change Statutory %	Change Underlying %	Change Organic %
	Year ended 30 September 2021					
Recurring revenue by segment						
North America	**641**	–	**641**	1.1%	7.5%	7.5%
Northern Europe	**391**	–	**391**	3.8%	3.8%	3.8%
International – Central and Southern Europe	**509**	**(29)**	**480**	0.1%	0.9%	3.3%
International – Africa & APAC	**152**	**(27)**	**125**	(13.0%)	(12.5%)	8.6%
Recurring revenue	**1,693**	**(56)**	**1,637**	(0.1%)	2.5%	5.4%
Other revenue by segment						
North America	**46**	–	**46**	(20.7%)	(15.5%)	(15.5%)
Northern Europe	**11**	–	**11**	(67.1%)	(67.1%)	(35.7%)
International – Central and Southern Europe	**74**	**(4)**	**70**	(9.7%)	(9.0%)	(8.4%)
International – Africa & APAC	**22**	**(8)**	**14**	(37.3%)	(37.9%)	(43.7%)
Other revenue	**153**	**(12)**	**141**	(26.9%)	(25.5%)	(18.2%)
Total revenue by segment						
North America	**687**	–	**687**	(0.7%)	5.6%	5.6%
Northern Europe	**402**	–	**402**	(2.2%)	(2.2%)	2.0%
International – Central and Southern Europe	**583**	**(33)**	**550**	(1.2%)	(0.5%)	1.6%
International – Africa & APAC	**174**	**(35)**	**139**	(17.1%)	(16.8%)	0.0%
Total revenue	**1,846**	**(68)**	**1,778**	(3.0%)	(0.6%)	3.1%

* Adjustments relate to the disposal of the Group's Polish and Asia Pacific businesses and assets held for sale in the current year (note 11).

Revenue by segment (continued)

	Year ended 30 September 2020				
	Statutory and Underlying as reported £m	Impact on foreign exchange £m	Underlying £m	Organic adjustments* £m	Organic £m
Recurring revenue by segment					
North America	634	(37)	597	–	597
Northern Europe	377	–	377	–	377
International – Central and Southern Europe**	508	(4)	504	(40)	464
International – Africa & APAC***	175	(2)	173	(58)	115
Recurring revenue	1,694	(43)	1,651	(98)	1,553
Other revenue by segment					
North America	58	(4)	54	–	54
Northern Europe	35	–	35	(18)	17
International – Central and Southern Europe**	82	(1)	81	(4)	77
International – Africa & APAC***	34	2	36	(12)	24
Other revenue	209	(3)	206	(34)	172
Total revenue by segment					
North America	692	(41)	651	–	651
Northern Europe	412	–	412	(18)	394
International – Central and Southern Europe**	590	(5)	585	(44)	541
International – Africa & APAC***	209	–	209	(70)	139
Total revenue	1,903	(46)	1,857	(132)	1,725

* Adjustments relate to the disposal of the Group's Polish and Asia Pacific businesses and assets held for sale in the current year (note 11) and the disposal of Sage Pay and the Group's Brazilian business in the prior year.

** Previously reported Central and Southern Europe.

*** Previously reported as International.

Operating profit by segment

Year ended 30 September 2021

	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments £m**	**Organic £m**	Change Statutory %	Change Underlying %	Change Organic %
Operating profit by segment								
North America	**109**	**28**	**137**	**–**	**137**	(14.4%)	(5.3%)	(5.3%)
Northern Europe	**71**	**28**	**99**	**–**	**99**	(73.4%)	(22.1%)	(19.3%)
International – Central and Southern Europe	**82**	**10**	**92**	**(10)**	**82**	26.5%	(6.8%)	(9.3%)
International – Africa & APAC	**111**	**(81)**	**30**	**(5)**	**25**	(307.8%)	0.8%	12.3%
Total operating profit	**373**	**(15)**	**358**	**(15)**	**343**	(7.8%)	(10.6%)	(9.8%)

Year ended 30 September 2020

	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments £m	Organic £m
Operating profit by segment							
North America	127	28	155	(10)	145	–	145
Northern Europe	266	(138)	128	–	128	(5)	123
International – Central and Southern Europe*	65	34	99	(1)	98	(8)	90
International – Africa & APAC**	(54)	83	29	–	29	(7)	22
Total operating Profit	404	7	411	(11)	400	(20)	380

* Previously reported Central and Southern Europe.
** Previously reported as International.

Reconciliation of underlying operating profit to statutory operating profit

	2021 £m	2020 £m
Underlying operating profit by reportable segment		
North America	**137**	145
Northern Europe	**99**	128
International – Central and Southern Europe	**92**	98
Total reportable segments	**328**	371
International – Africa & APAC	**30**	29
Underlying operating profit	**358**	400
Impact of movement in foreign currency exchange rates	**–**	11
Underlying operating profit (as reported)	**358**	411
Amortisation of acquired intangible assets	**(31)**	(33)
Other M&A activity-related items	**(9)**	(20)
Non-recurring items	**55**	46
Statutory operating profit	**373**	404

3 Adjustments between underlying profit and statutory profit

	2021 Recurring £m	**2021 Non-recurring £m**	**2021 Total £m**	2020 Recurring £m	2020 Non-recurring £m	2020 Total £m
M&A activity-related items						
Amortisation of acquired intangibles	**31**	–	**31**	33	–	33
Net gain on disposal of subsidiaries	–	**(126)**	**(126)**	–	(141)	(141)
Other M&A activity-related items	**9**	–	**9**	20	–	20
Other items						
Restructuring costs	–	**62**	**62**	–	22	22
Impairment of goodwill	–	–	–	–	19	19
Property restructuring costs	–	–	–	–	21	21
Office relocation	–	**9**	**9**	–	33	33
Total adjustments made to operating profit	**40**	**(55)**	**(15)**	53	(46)	7
Fair value adjustments	**1**	–	**1**	–	–	–
Foreign currency movements on intercompany balances	–	–	–	6	–	6
Total adjustments made to profit before income tax	**41**	**(55)**	**(14)**	59	(46)	13

Recurring items

Acquired intangibles are assets which have previously been recognised as part of business combinations or similar transactions. These assets are predominantly brands, customer relationships and technology rights.

Other M&A activity-related items relate to advisory, legal, accounting, valuation and other professional or consulting services which is related to M&A as well as acquisition-related remuneration, directly attributable integration costs and any required provision for future selling costs for assets held for sale. £7m (2020: £4m) of these costs have been paid in the year while the remainder is expected to be paid in subsequent financial years. Further details can be found in note 11.

Foreign currency movements on intercompany balances of £nil (2020: £6m) occur due to retranslation of unhedged intercompany balances other than those where settlement is not planned or likely in the foreseeable future.

Fair value adjustments of £1m (2020: £nil) are in relation to an embedded derivative asset which relates to contractual terms agreed as part of the US private placement debt.

Non-recurring items

Net credit in respect of non-recurring items amounted to £55m (2020: £46m).

Restructuring costs of £62m (2020: £22m) are comprised of charges of £67m incurred in the current year offset by the reversal of £5m of prior year restructuring costs.

Restructuring costs of £67m have been incurred in the current year following the implementation of a business transformation plan to rebalance investment towards the Group's strategic priorities and simplify the business. The costs relate to severance costs across the Group. All of these costs are expected to be paid in subsequent financial years. No further non-recurring costs are expected to arise in subsequent financial years in relation to the business transformation

Reversal of £5m of restructuring costs relates to unutilised Professional Service provisions created in the prior year (2020: charge of £22m) as the business continues to de-prioritise low margin professional services. The reversal is a result of fewer colleagues leaving the business as they are redeployed into other roles.

In the prior year, following challenging trading and economic conditions in Asia, an impairment of goodwill relating to the Asia group of CGUs of £19m was recognised.

In the prior year, property restructuring costs of £21m relate to the reorganisation of the Group's properties and consist of net lease exit costs, following consolidation of office space and impairment of leasehold and other related assets that are no longer in use.

Office relocation costs of £9m (2020: £33m) relate to the incremental depreciation charge resulting from accelerated depreciation following the UK office move.

The net gain on disposal of subsidiaries relates to the disposal of the Group's Polish business (gain: £41m) and the Group's Asia Pacific business (gain: £85m). In the prior year, the net gain on disposal of subsidiaries related to Sage Pay (gain: £193m) and the Brazilian business (loss: £52m). Details of net gain on disposal of subsidiaries can be found in note 11.

4 Income tax expense

The effective tax rate on statutory profit before tax was 18% (2020: 17%), whilst the effective tax rate on underlying profit before tax on continuing operations was 25% (2020: 23%).

The underlying effective tax rate has increased in the current year primarily as a result of certain non-recurring adjustments in the prior year.

The difference between the underlying and statutory rate in the current year primarily reflects a non-taxable accounting net gain on disposals, partially offset by the non-tax-deductible accelerated depreciation charge relating to the relocation of our North Park office in Newcastle.

5 Dividends

	2021 £m	2020 £m
Final dividend paid for the year ended 30 September 2020 of 11.32p per share	**124**	–
(2020: final dividend paid for the year ended 30 September 2019 of 11.12p per share)	–	121
Interim dividend paid for the year ended 30 September 2021 of 6.05p per share	**65**	–
(2020: interim dividend paid for the year ended 30 September 2020 of 5.93p per share)	–	65
	189	186

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2021 of 11.63p per share which will absorb an estimated £118m of shareholders' funds. The Company's distributable reserves are sufficient to support the payment of this dividend. If approved by the AGM, it will be paid on 10 February 2022 to shareholders who are on the register of members on 14 January 2022. These financial statements do not reflect this proposed dividend payable.

6 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent 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 potentially dilutive ordinary shares, exercisable at the end of the year. The Group has one class of dilutive potential ordinary shares. They are 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.

	Underlying 2021	Underlying as reported* 2020	Underlying 2020	**Statutory 2021**	Statutory 2020
Earnings attributable to owners of the parent – continuing operations (£m)					
Profit for the year	**250**	299	292	**285**	310
Number of shares (millions)					
Weighted average number of shares	**1,080**	1,091	1,091	**1,080**	1,091
Dilutive effects of shares	**10**	9	9	**10**	9
	1,090	1,100	1,100	**1,090**	1,100
Earnings per share attributable to owners of the parent – continuing operations (pence)					
Basic earnings per share	**23.09**	27.43	26.74	**26.33**	28.38
Diluted earnings per share	**22.87**	27.21	26.53	**26.08**	28.15

* Underlying as reported is at 2020 reported exchange rates.

Reconciliation of earnings – continuing operations	**2021 £m**	2020 £m
Underlying earnings attributable to owners of the parent (after exchange movement)	**250**	292
Impact of movement in foreign currency exchange rates, net of taxation	**–**	7
Underlying earnings attributable to owners of the parent (as reported)	**250**	299
Amortisation of acquired intangible assets	**(31)**	(33)
Net gain on disposal of subsidiaries	**126**	141
Foreign currency movements on intercompany balances	**–**	(6)
Other M&A activity-related items	**(9)**	(20)
Impairment of goodwill	**–**	(19)
Restructuring costs	**(62)**	(22)
Property restructuring costs	**–**	(21)
Office relocation	**(9)**	(33)
Fair value adjustments	**(1)**	–
Taxation on adjustments between underlying and statutory profit before tax	**21**	24
Net adjustments	**35**	11
Earnings: statutory profit for the year	**285**	310

7 Non-current assets

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2020	**1,962**	**212**	**173**	**2,347**
Additions	**–**	**30**	**49**	**79**
Disposals	**–**	**–**	**(1)**	**(1)**
Disposals of subsidiaries	**(11)**	**–**	**–**	**(11)**
Transfer to held for sale	**(2)**	**–**	**(10)**	**(12)**
Depreciation, amortisation and other movements	**–**	**(44)**	**(43)**	**(87)**
Exchange movement	**(72)**	**(8)**	**(4)**	**(84)**
Closing net book amount at 30 September 2021	**1,877**	**190**	**164**	**2,231**

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2019	2,083	245	117	2,445
Impact of adoption of IFRS 16	–	–	113	113
Additions	–	19	57	76
Disposals	–	–	(2)	(2)
Transfer to held for sale	(47)	–	(14)	(61)
Depreciation, amortisation and other movements	(19)	(45)	(93)	(157)
Exchange movement	(55)	(7)	(5)	(67)
Closing net book amount at 30 September 2020	1,962	212	173	2,347

Goodwill is not subject to amortisation but is tested for impairment annually or upon any indication of impairment. At 30 September 2021, there were no indicators of impairment to goodwill. Full details of the outcome of the 2021 goodwill impairment review are provided in the 2021 financial statements.

Details of the current period disposals of subsidiaries and transfer to held for sale has been provided in note 11.

8 Financial instruments

For financial assets and liabilities, the carrying amount approximates the fair value of the instruments, with the exception of US senior loan notes, sterling denominated bond notes and bank loans, and equity investments.

The fair value of the sterling denominated bond notes is determined by reference to quoted market prices and therefore can be considered as a level 1 fair value as defined within IFRS 13.

The fair value of US senior loan notes is determined by reference to interest rate movements on the US $ private placement market and therefore can be considered as a level 2 fair value as defined within IFRS 13.

The fair value of bank loans is determined using a discounted cash flow valuation technique calculated prevailing interest rates and therefore can be considered as a level 3 fair value as defined within IFRS 13.

The respective book and fair values of bank loans, bond notes and loan notes are included in the table below.

	At 30 September 2021		At 30 September 2020	
	Book Value £m	**Fair Value £m**	Book Value £m	Fair Value £m
Long-term borrowings (excluding lease liabilities)	**(667)**	**(682)**	(877)	(902)
Short-term borrowing (excluding lease liabilities)	**(47)**	**(48)**	–	–

The fair value of the unlisted equity investments held by the Group is determined using a market-based valuation approach. The significant unobservable inputs used in level 3 fair value measurement are transaction prices paid for identical or similar instruments of the investee and revenue growth factors.

9 Ordinary shares and share premium

	Number of shares	**Ordinary Shares £m**	**Share premium £m**	**Total £m**
At 1 October 2020 and 30 September 2021	**1,120,789,295**	**12**	**548**	**560**
At 1 October 2019 and 30 September 2020	1,120,789,295	12	548	560

During the year the Group agreed to satisfy the vesting of certain share awards, utilising a total of 5,544,880 (2020: 4,956,977) treasury shares.

On 4 March 2021, the Group entered into a non-discretionary share buyback programme under which 45,418,600 shares were bought back for a total consideration of £302m. This programme was completed during the year. On 6 September 2021, the Group entered into a non-discretionary share buyback programme ending no later than 24 January 2022, to purchase £300m of its own shares (2020: 1,101,918 shares as part of the share buyback programme announced on 11 March 2020 and suspended on 18 March 2020).

The total consideration for all shares purchased in the year under share buyback programmes amounts to £387m (57,286,992 shares), of which £353m had been paid as at 30 September 2021 (2020: £7m, of which £7m had been paid).

10 Cash flow and net debt

	2021 £m	2020 £m
Statutory operating profit – continuing operations	**373**	404
Recurring and non-recurring items	**(15)**	7
Underlying operating profit – as reported	**358**	411
Depreciation/amortisation/impairment/non-cash items	**47**	56
Share-based payments	**36**	29
Net changes in working capital	**65**	45
Net capital expenditure	**(55)**	(36)
Underlying cash flow from operating activities	**451**	505
Non-recurring cash items	**(9)**	(4)
Net interest paid	**(19)**	(26)
Income tax paid	**(81)**	(93)
Profit and loss foreign exchange movements	**(3)**	–
Free cash flow	**339**	382
Net debt at 1 October*	**(151)**	(529)
Disposals of subsidiaries and similar transactions, net of cash and lease liabilities disposed	**142**	212
Acquisition and disposals related items	**(21)**	(10)
Purchases of equity investments	**(21)**	–
Proceeds on settlement of non-current assets	**3**	–
Proceeds from issuance of treasury shares	**8**	9
Dividends paid to owners of the parent	**(189)**	(186)
Share buyback programmes	**(353)**	(7)
New leases	**(8)**	(30)
Exchange movement	**7**	6
Other	**(3)**	2
Net debt at 30 September	**(247)**	(151)

* Adjusted as at 1 October 2019 on adoption of IFRS16.

	2021 £m	2020 £m
Underlying cash flow from operating activities	**451**	505
Recurring and non-recurring cash items*	**(30)**	(14)
Net capital expenditure**	**55**	36
Statutory cash flow from operating activities	**476**	527

* Cash paid from recurring and non-recurring items (note 3) charged in the year or in previous years.
** Relates to purchases of property, plant and equipment and purchases of computer software intangible assets.

Analysis of change in net debt	At 1 October 2019* £m	At 1 October 2020 £m	**Cash flow £m**	**Disposal of subsidiary £m**	**Non-cash movements £m**	**Exchange movement £m**	**At 30 September 2021 £m**
Cash and cash equivalents	371	831	**(254)**	–	–	**(24)**	**553**
Cash amounts included in held for sale	1	17	**21**	**(23)**	–	**(1)**	**14**
Cash, cash equivalents and bank overdrafts including cash as held for sale	372	848	**(233)**	**(23)**	–	**(25)**	**567**
Liabilities arising from financing activities							
Loans due within one year	(122)	–	–	–	**(49)**	**2**	**(47)**
Loans due after more than one year	(643)	(877)	**138**	–	**44**	**28**	**(667)**
Lease liabilities due within one year	(29)	(20)	**20**	–	**(18)**	–	**(18)**
Lease liabilities after more than one year	(106)	(93)	–	–	**9**	**2**	**(82)**
Lease liabilities included in held for sale	(1)	(9)	**2**	**7**	–	–	–
	(901)	(999)	**160**	**7**	**(14)**	**32**	**(814)**
Total	(529)	(151)	**(73)**	**(16)**	**(14)**	**7**	**(247)**

* Adjusted as at 1 October 2019 on adoption of IFRS16.

11 Acquisitions and disposals

Acquisitions made during the current year

On 30 September 2021, the Group acquired 100% of the equity capital of GoProposal Ltd ("GoProposal"), a company based in the UK, for total consideration of £13m, payable in cash.

The GoProposal acquisition is accounted for as an asset acquisition which is an acquisition of a legal entity that does not qualify as a business combination under IFRS 3 "Business Combinations". This treatment has been adopted as the value of the GoProposal business largely comprises the rights to the acquired technology, the GoProposal software. As a result, no goodwill has been recognised as part of the acquisition accounting.

The net assets recognised in the financial statements, including the technology intangible, are based on a valuation of the acquired identifiable net assets as at the acquisition date. The technology intangible has a fair value of £13m and is recognised as an intangible asset (see note 7) which will be amortised over a useful life of 8 years. Other net assets acquired are negligible.

Disposals made during the current year

On 1 March 2021, the Group completed the sale of its Polish business for gross consideration of £70m. Subsequently, on 31 May 2021, the Group completed the sale of its Australia and Asia Pacific business (excluding global products) ("Asia Pacific") for gross consideration of £127m. The gains on disposal are calculated as follows:

Gains on disposal	Poland £m	Asia Pacific £m	**Total £m**
Cash consideration	63	106	169
Loan consideration	7	21	28
Gross consideration	**70**	**127**	**197**
Transaction costs	(4)	(7)	(11)
Net consideration	**66**	**120**	**186**
Net assets disposed	(19)	(34)	(53)
Intercompany loan receivable disposed	(7)	(21)	(28)
Cumulative foreign exchange differences reclassified from other comprehensive income to the income statement	1	20	21
Gains on disposal	**41**	**85**	**126**

Net assets disposed comprise:

	Poland £m	Asia Pacific £m	**Total £m**
Goodwill	21	28	49
Other intangible assets	–	1	1
Property, plant and equipment	2	10	12
Customer acquisition costs	3	5	8
Deferred income tax asset	3	3	6
Inventory	–	3	3
Trade and other receivables	3	6	9
Cash and cash equivalents	1	22	23
Total assets	**33**	**78**	**111**
Trade and other payables	(4)	(9)	(13)
Borrowings	(1)	(6)	(7)
Current income tax liabilities	–	(6)	(6)
Provisions	–	(1)	(1)
Deferred income	(9)	(22)	(31)
Total liabilities	**(14)**	**(44)**	**(58)**
Net assets	**19**	**34**	**53**

The net gain is reported within continuing operations, as a non-recurring adjustment between underlying and statutory results.

The net inflow of cash and cash equivalents on the disposals is calculated as follows:

	Poland £m	Asia Pacific £m	**Total £m**
Cash consideration	63	106	169
Transaction costs	(4)	(7)	(11)
Net consideration received	59	99	158
Cash disposed	(1)	(22)	(23)
Net inflow of cash and cash equivalents on disposal	**58**	**77**	**135**

Prior to the disposal, the Polish business formed part of the Group's International – Central and Southern Europe reporting segment and the Asia Pacific business formed part of the International – Africa & APAC reporting segment.

Discontinued operations and assets and liabilities held for sale

Assets and liabilities held for sale at 30 September 2021 include two disposal groups which comprise the Group's business in Switzerland and the payroll processing business in South Africa as well as the Group's North Park property site assets in the UK.

As at 30 September 2020, these two disposal groups were also classified as held for sale alongside the Group's business in Poland and Asia Pacific which were subsequently sold during the year. The North Park property site was reclassified to assets held for sale at 30 September 2021. Subsequently, a sale was agreed which completed in October 2021.

The Group's business in Switzerland forms part of the International – Central and Southern Europe reporting segment and the payroll processing business in South Africa forms part of the International – Africa & APAC reporting segment. An agreement to sell the Group's business in Switzerland was reached on 6 April 2021 and is expected to complete in the year ending 30 September 2022. The Group is also in advanced discussions for the sale of its payroll processing business in South Africa.

On classification as held for sale, no adjustment was required to the carrying value of the North Park property site assets, which were depreciated to their residual value of £10m. No fair value adjustment is required to the carrying value of the two disposal groups.

The Group had no discontinued operations during the year (30 September 2020: none).

Assets and liabilities of the disposal groups held for sale at 30 September comprise:

	Switzerland £m	Payroll processing business (South Africa) £m	**2021 Total £m**	2020 Total £m
Goodwill	10	1	**11**	47
Other intangible assets	–	–	**–**	1
Property, plant and equipment	2	–	**2**	14
Deferred income tax asset	–	–	**–**	5
Customer acquisition costs	–	–	**–**	7
Current income tax asset	–	–	**–**	1
Trade and other receivables	1	1	**2**	16
Cash and cash equivalents	14	–	**14**	17
Total assets	**27**	**2**	**29**	108
Trade and other payables	(3)	–	**(3)**	(16)
Borrowings	–	–	**–**	(9)
Current income tax liabilities	(1)	–	**(1)**	(1)
Post-employment benefits	(2)	–	**(2)**	(4)
Provisions	–	–	**–**	(2)
Deferred income	(7)	–	**(7)**	(41)
Total liabilities	**(13)**	–	**(13)**	(73)
Net assets	**14**	**2**	**16**	35

Specific to the disposal groups held for sale at 30 September 2021, the aggregate income included in other comprehensive income relating to cumulative foreign exchange differences amounted to £13m. Upon disposal, the income will be recycled to the income statement.

12 Related party transactions

The Group's related parties are its subsidiary undertakings and its key management personnel, which comprises the Group's Executive Committee and non-executive directors. Transactions and outstanding balances between the parent and its subsidiaries within the Group and between those subsidiaries and have been eliminated on consolidation and are not disclosed in this note.

Key management compensation	**2021 £m**	2020 £m
Salaries and short-term employee benefits	**8**	8
Share-based payments	**4**	4
	12	12

The key management figures given above include the executive directors of the Group.

Managing Risk

Through our risk process, Sage is able to effectively manage our strategic, operational, commercial, compliance, change and emerging risks. This helps us to deliver our strategic objectives and goals through risk informed decisions. The Board's role is to maintain oversight of the key principal and business risks, together with ensuring that the appropriate committees are managing the risks effectively. Additionally, the Board reviews the effectiveness of our risk management approach and challenges our leaders to articulate their risk management strategies. In January 2021, Sage appointed a Chief Risk Officer, a new role which underlines its commitment to drive improvement in risk management across the Group.

Sage continually assesses its principal risks to ensure continued and enhanced alignment to our strategy and consideration of where Sage is currently on its journey to transforming into a digital business. In FY21 we monitored our 11 principal risks and created a new principal risk in relation to our ability to deliver on our commitments to Environment, Social and Governance ambitions. The Covid-19 pandemic continues to bring significant change to the global economic, social, political and business landscape. In response, we have continually reviewed the actual, emerging and potential impacts of the pandemic on our principal risks to identify any new risks or changes to existing risks and opportunities that may have arisen, with a specific lens on what could change the risk profile materially.

This has ensured that the business can provide the appropriate response to impacts being felt in the short term, to both the business, our colleagues and customers, and to position ourselves regarding long term sustainability and viability.

As above, the principal risks continue to evolve, reflecting the organisation's strategic focus on becoming a digital business. By monitoring risk and performance indicators related to this strategy, principal risk owners focus on those metrics that signal current performance, as well as any emerging risks and issues. The principal risks reflect our five strategic lenses. The management and mitigation actions described below reflect the refreshed principal risks and build on those actions previously reported in our FY20 Annual Report.

Principal risk	Risk context	Management and mitigation
Understanding Customer Needs	**Improving risk environment**	
If we fail to anticipate, understand and deliver against the capabilities and experiences our current and future customers need in a timely manner, they will find alternative solution providers. *Strategic alignment:* Expand medium beyond financials Build the small business engine Learn and disrupt	As Sage continues to transform its business and brand, understanding of how to attract customers whilst retaining its existing customers and migrating those who are ready to move to the cloud is essential. This requires a deep and continuous flow of insights supported by processes and systems. By understanding the needs of our customers, Sage will differentiate itself from competitors, build compelling value propositions and offers, leverage key drivers to identify opportunities, influence product and process roadmaps, decrease churn and drive more effective revenue generation.	• Brand health surveys to provide an understanding of customer perception of the Sage brand and its products, used to inform and enhance our market offerings. • A Market and Competitive Intelligence team to provide insights that Sage uses to win in the market. • Utilisation of customer activity and churn data, to understand their appetite for products and features. • Master repository of customer MI by region and by product which supports the identification of trends such as time in product, seasonal trends and usage. • Customer Advisory Boards, Customer Design Sessions and NPS detractor call-back channels are used to constantly gather information on customer needs.
Execution of Product Strategy	**Improving risk environment**	
If we fail to deliver the capabilities and experiences outlined in our product strategy in a timely manner, we will	We need to execute, in a sound and methodical manner at pace, a prioritised product strategy that continues to simplify our product portfolio, focuses on strategic cloud-native offerings, and builds	• Refined product strategy in line with our FY22 strategic objectives and ambitions, based on our market understanding and customer expectations.

Principal risk	Risk context	Management and mitigation
not meet the needs of our customers or our commercial goals. *Strategic alignment:* Scaling Sage Intacct Expand medium beyond financials Build the small business engine Scale the network Learn and disrupt	innovative and differentiated capabilities and solutions.	• New product organisation and governance model to improve the way we build and launch products. • A migration framework in key countries to support our customers in their journey to the cloud. • Sage Intacct is now available in the UK, Australia and South Africa as part of our internationalisation programme. • Improved proposition for Accountants proposition, including the acquisition of GoProposal. • Enhanced governance and planning framework aligned to market objectives. • Strengthened product design governance to ensure product development is always driven by our understanding of our ability to penetrate key markets.
Innovation	**Stable risk environment**	
If we fail to identify and leverage disruptive technologies and invest in modern development practices and tools in a timely manner, we will not meet the needs of our customers or our commercial goals. *Strategic alignment:* Learn and disrupt	We must be able to rapidly deploy new innovations to our customers and partners by introducing technologies, services, or new ways of working. Innovation requires us to address how we drive change and transformation across our people, processes and technology, and how we differentiate our products and drive customer efficiencies.	• Continued focus on Artificial Intelligence (AI)/ Machine Learning development, coupled with a drive to improve how to exploit data to provide better management insight to our customers. • Leveraging Sage ID and the Sage Business Cloud to deliver a unified and highly personalised experience for each customer across the entirety of the customer experience and Sage Digital Network. • Enhanced, consistent digital experience for all Sage Business Cloud users through the Sage Design System. • Objectives integrated into the planning of each segment and region to drive AI Transformation, Sage Business Cloud adoption and innovation of product features based on identified needs of customers. • Strategic acquisition and collaboration with partners to complement and enable accelerated innovation. • Focused colleague engagement to accelerate innovation across the organisation through a Continuous Innovation Community.
Route to Market	**Stable risk environment**	
If we fail to deliver a bespoke blend of route to market channels in each country, based upon common components, we will not be able to efficiently deliver the right capabilities and experiences to our current and future customers. *Strategic alignment:* Scale Sage Intacct Build the small business engine Scale the network	We have a blend of channels to communicate with our current and potential customers and ensure our customers receive the right information on the right products and services at the right time. Our sales channels include selling directly to customers through digital and telephony channels, via our accountant network and through partners, valued added resellers (VARs) and Independent Software Vendors (ISVs). We use these channels to maximise our marketing and customer engagement activities. This can shorten our sales cycle and ensure that customer retention is improved.	• Market data and intelligence is used to support decision regarding the best routes to market. • Dedicated colleagues are in place to support partners, and to help manage the growth of targeted channels. • Sale processes are targeted and configured by region for key customer segments and verticals. • Sage.com has been enhanced to provide clearer user journeys to enable customer conversion. • Onboarding of new partners to support acceleration in Cloud Native product utilisation. • New routes to market are being opened through partnerships with payment and banking technology providers. • Centre of Excellence created to support our Indirect Sales and Third-Party approach.

Principal risk	Risk context	Management and mitigation
Customer Success	**Stable risk environment**	
If we fail to effectively identify and deliver ongoing value to our customers by focusing on their needs over the lifetime of their customer journey, we will not be able to achieve sustainable growth through renewal. *Strategic alignment:* Scale Sage Intacct Expand medium beyond financials Build the small business engine Learn and disrupt	We must maintain a sharp focus on the relationships we have with our customers, constantly focusing on delivering the products, services and experiences our customers need to be successful. If we do not do this, they will likely find another provider who does give them these things. Conversely, if we do these things well these customers will stay with Sage, increasing their lifetime value, becoming our greatest marketing advocates. Whilst Sage is known for its quality customer support, this area requires constant, proactive focus. By helping customers to recognise and fully realise the value of Sage's products we can help increase the value of these relationships over time and reduce the likelihood of customer loss. By aligning our people, processes and technology with this focus in mind, all Sage colleagues can help support our customers to be successful and in turn drive increased financial performance.	• Battlecards for key products in all countries, setting out the strengths and weaknesses of competitors and their products. • A data-driven Customer Success Framework to enhance the customer experience and ensure that Sage is better positioned to meet the current and future needs of the customer. • Customer Journey mapping and mapping of the five core customer processes to ensure appropriate strategy alignment and alignment to target operating model. • 'Customer for life' roadmaps, detailing how products fit together, any interdependencies, and migration pathways for current and potential customers. • Continuous Net Promoter Score (NPS) surveying allows Sage to identify customer challenges rapidly and respond in a timely manner to emerging trends. • A specialised Procurement function supports the business with the selection of strategic third-party suppliers and negotiation of contracts.
Third Party Reliance	**Stable risk environment**	
If we do not embed our partners as an integral and aligned part of Sage's go-to-market strategy in a timely manner, we will fail to deliver the right capabilities and experiences to our customers. *Strategic alignment:* Scale Sage Intacct Build the small business engine Scale the network	Sage places reliance on third-party providers to support the delivery of our products to our customers through the provision of cloud native products. Sage also has an extensive network of sales partners critical to our success in the market, and suppliers upon whom it places reliance. Any interruption in these services or relationships could have a profound impact on Sage's reputation in the market and could result in significant financial liabilities and losses.	• The appointment of an experienced senior leader to strengthen our Global Partner Alliance team. • Centre of Excellence for our Indirect Sales and Third-Party Partners. • Dedicated colleagues in place to support partners, and to help manage the growth of targeted channels. • Standardised implementation plans for Sage products that facilitate efficient partner implementation. • Managed growth of the API estate, including enhanced product development that enables access by third-party API developers. • Enhanced third-party management framework, to support closer alignment and oversight of third-party activities.
People and Performance	**Stable risk environment**	
If we fail to ensure we have engaged colleagues with the critical skills, capabilities and capacity we need to deliver on our strategy, we will not be successful. *Strategic alignment:* Scale Sage Intacct Expand medium beyond financials	As we evolve our priorities, the capacity, knowledge and leadership skills we need will continue to change. Sage will not only need to attract the talent and experience we will need to help navigate this change, we will also need to provide an environment where colleagues can develop to meet these new expectations, an environment where everyone can perform at their very best. By empowering colleagues and leaders to make decisions, be innovative, and be bold in	• Extensive focus on hiring channels to ensure we are attractive in the market through our enhanced employee value proposition, enhanced presence through social media such as Glassdoor, Comparably, Twitter, LinkedIn, and Facebook. • Hiring practices focused on the skills we need in balance with organisational costs, supported by a methodology for upskilling and building capability in the long term from within the organisation. • Reward mechanisms designed to incentivise and drive the right behaviour with a focus on ensuring fair and equitable pay in all markets.

Principal risk	Risk context	Management and mitigation
Build the small business engine Scale the network Learn and disrupt	delivering on our commitments, Sage will be able to create an attractive working environment. By addressing drivers of colleague voluntary attrition, and embracing the values of successful technology companies, Sage can increase colleague engagement and create an aligned high performing team.	• Focused development of our leaders to ensure they create the environment which enables colleagues to thrive and perform at their very best. • Placing colleagues (and customers) at the heart of our response to the Covid-19 pandemic, including the availability of 'Headspace', our 'Always Listening' portal and 'Your Voice' Hub and an additional three paid days off from work to help cope with the stresses of the pandemic.
Culture	**Improving risk environment**	
If we do not fully empower our colleagues and enable them to take accountability in line with our shared Values and Behaviours, we will be challenged to maintain a culture, that meets Sage's business ambitions. *Strategic alignment:* Scale Sage Intacct Expand medium beyond financials Build the small business engine Scale the network Learn and disrupt	The development of a shared behavioural competency that encourages colleagues to always do the right thing, put customers at the heart of business and drive innovation is critical in Sage's success. Devolution of decision making, and the acceptance of accountability for these decisions, will need to go hand in hand as the organisation develops and sustains its shared Values and Behaviours, and fosters a culture that provides customers a rich digital environment. Sage will also need to create a culture of empowered leaders that supports the development of ideas, and that provides colleagues with a safe environment that allows for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success and drive the engagement that results in increased market share.	• Integration of Values and Behaviours into all colleague priorities including talent attraction, selection, onboarding as well as performance management. • All colleagues are actively encouraged to take up to five paid Sage Foundation days each year, to support charities and provide philanthropic support to the community. • Six new commitments to diversity, equity and inclusion (DEI) including zero tolerance to discrimination, equal chance to everyone, inclusive culture, removing barriers, DEI education, and development of a new DEI strategy to ensure we deliver on our commitments. • A new three-year DEI strategy focuses on building diverse teams, an equitable culture, and fostering inclusive leadership. This strategy is supported by measurable plans and metrics to track progress. • Code of Conduct communicated to all colleagues, and subject to certification every two years. • Core eLearning modules rolled out across Sage, with annual refresher training. • Whistleblowing and Incident Reporting mechanisms in place to allow issues to be formally reported and investigated.
Cyber Security and Data Privacy	**Improving risk environment**	
If we fail to responsibly collect, process and store data, together with ensuring an appropriate standard of cyber security across the business, we will not meet our regulatory obligations, and will lose the trust of our stakeholders. *Strategic alignment:* Scale Sage Intacct Build the small business engine Scale the network	Information is the life blood of a digital business – protecting the confidentiality, integrity and accessibility of this data is table stakes for a data-driven business, and failure to do so can have significant financial and regulatory consequences in the General Data Protection Regulation (GDPR) era. In addition, we also need to use our data efficiently and effectively to drive improved business performance.	• Multi-year cyber security programmes in IT and products to ensure Sage is driving continuous improvement and cyber risk reduction across technology, business processes and culture. • Accountability within both IT and Product for all internal and external data being processed by Sage. The Chief Information Security Officer oversees information security, with a network of Information Security Officers that directly support the business. • The Chief Data Protection Officer oversees information protection. • Formal certification schemes maintained, across the business, and include internal and external validation of compliance. • All colleagues are required to undertake awareness training for information management and data protection, with a focus on the GDPR requirements. • An Information Security Risk Management Methodology is deployed to provide objective risk information on our assets and systems.
Data Strategy	**Stable risk environment**	

Principal risk	Risk context	Management and mitigation
If we fail to identify, maximise and utilise the value of our data and customer data in a timely manner in accordance with our data principles, we will not be able to realise the full potential of our assets. *Strategic alignment:* Scale Sage Intacct Build the small business engine Scale the network Learn and disrupt	Data is central to the Sage strategy to deliver our ambition of a digital network. The strategy is underpinned by our ability to innovate and develop solutions to enhance customer propositions, improve insight and decision making and create new business models and ecosystems. Successful ability to use data will accelerate our growth and will be a key driver in helping customers transform how they run and build their businesses.	• Data strategy across customer, product, and enterprise data to support the delivery of customer value and solve customer problems, including the use of enhanced Artificial Intelligence /Machine Learning capabilities. • Global data function created to drive focus and alignment across the organisation. • Focus on developing Sage ID and Service Fabric to enable better data accuracy and insight. • Plan to increase digital network participation, which will contribute to more data to support the delivery of real customer value and solve real customer problems. • Customer consent service deployed to manage compliant usage of data assets. • Governance policies, processes and tooling to enhance and manage the quality and consistency of our data.
Live Services Management If we fail to maintain a reliable, scalable and secure live services environments, we will be unable to deliver the consistent cloud experience expected by our customers. *Strategic alignment:* Scale Sage Intacct Build the small business engine Scale the network	**Stable risk environment** As Sage transitions to a digital company, we continue to focus on scaling our current and future platform services environment in a robust, agile, and speedy manner to ensure the delivery of a consistent and robust cloud platform and associated digital network. Sage must provide the right infrastructure and operations for all of our customer products, a hosting platform together with the governance to ensure optimal service availability, performance, security protection and restoration (if required).	• Accountability across product owners, underpinned by ongoing risk assessments and continuous improvement projects. • Formal onboarding process including ongoing management in Portfolio Management processes. • Incident and problem management change processes adhered to for all products and services. • Service level objectives including uptime, responsiveness, and mean time to repair objectives. • An established forum for continuous assessment and refinement. • Defined Real Time Demand Management processes and controls and a Disaster Recovery Capability and operational resilience models. • A governance framework to optimise operational cost base in line with key metrics.
Environment, Social and Governance If we fail to fully and continually respond to the range of environmental, social and governance related opportunities and risks we may fail to deliver positive change to social and environmental issues and damage the confidence of our stakeholders. *Strategic alignment:* Build the small business engine Learn and disrupt	**New risk** We are committed to investing in education, technology, and the environment to give individuals, small and medium businesses (SMBs), and our planet the opportunity to thrive. Our goal is to use our technology, time, and experience to back a generation of diverse, sustainable businesses. The potential benefits of investing in our ESG strategy include: • Increased customer engagement • Better use of resources, for example lower energy and water consumption and associated costs • Enhanced stakeholder trust • Improved ability to attract and retain talent, enabling colleagues to perform at their best • Stronger community relations.	• Sage's Sustainability and Society Strategy was launched in 2021, focusing on three pillars: Tech for Good, Fuel for Business, Protect the Planet. • Underpinning the strategy is a robust cross-functional governance framework. • Tracking tools in place to enable horizon scanning and to track the Sustainability and Society Strategy's impact. • The Sage Foundation, established in 2015, remains focused on the areas of education, employment, and entrepreneurship via the contribution of time, investment, and capability. • Multiple projects designed to respond to specific ESG risks, for example, a project focused on TCFD readiness including risk and opportunities mapping and climate scenario analysis. Further detail on the mitigation of this risk is described in our separate Sustainability and Society Report

Statement of Directors' Responsibilities

Responsibility statement of the Directors on the Annual Report & Accounts

The Annual Report & Accounts for the year ended 30 September 2021 includes the following responsibility statement.

The Directors as at the date of this report, whose names and functions are listed in the Board of Directors section of the Annual Report and Accounts, confirm that:

- To the best of their knowledge, the Group's financial statements, which have been prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- To the best of their knowledge, 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.

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 30 September 2021 which may be found at www.sage.com/investors and will be published on 2 December 2021. Accordingly, this responsibility statement makes reference to the financial statements of the Company and the Group and to the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

J Howell
Chief Financial Officer
16 November 2021