The Sage Group plc
Results for the year ended 30 September 2023 (audited)
22 November 2023

Strong performance driven by consistent strategic execution

Steve Hare, Chief Executive Officer, commented:

"Sage performed well in FY23, delivering double-digit revenue growth, increased profitability and strong cash flows. We sustained good momentum throughout the year in all regions, driven by consistent strategic execution.

"We continue to help small and mid-sized businesses succeed, providing them with the tools and expertise they need to simplify their accounting and HR processes, streamline their operations, and make more informed business decisions. Through the Sage Network, we are delivering innovative, AI-powered services to customers, faster and more efficiently than ever before.

"Small and mid-sized businesses are continuing to digitalise, despite the macroeconomic uncertainty. We are building a resilient platform to deliver sustained, efficient growth, and I am confident that Sage is well positioned to take advantage of the market opportunity in 2024 and beyond."

Underlying Financial APMs[1]	**FY23**	**FY22**[2]	**Change**	**Organic Change**
Annualised Recurring Revenue (ARR)	£2,188m	£1,964m	+11%	+11%
Underlying Total Revenue	£2,184m	£1,982m	+10%	+10%
Underlying Recurring Revenue	£2,096m	£1,875m	+12%	+11%
Underlying Operating Profit	£456m	£386m	+18%	+22%
% Operating Profit Margin	*20.9%*	*19.5%*	*+1.4 ppts*	*+2.2 ppts*
EBITDA	£553m	£477m	+16%	
% EBITDA Margin	*25.3%*	*24.1%*	*+1.2 ppts*	
Underlying Basic EPS (p)	32.3p	26.4p	+22%	
Underlying Cash Conversion	116%	107%	+9 ppts	
Statutory Measures	**FY23**	**FY22**	**Change**	
Revenue	£2,184m	£1,947m	+12%	
Operating Profit	£315m	£367m	-14%	
% Operating Profit Margin	*14.4%*	*18.9%*	*-4.5 ppts*	
Basic EPS (p)	20.7p	25.5p	-19%	
Dividend Per Share (p)	19.3p	18.4p	+5%	

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

Financial highlights

- Underlying recurring revenue increased by 12% to £2,096m, underpinned by Sage Business Cloud growth of 25% to £1,628m. Underlying total revenue increased by 10% to £2,184m.
- Underlying operating profit grew by 18% to £456m, with margin increasing by 140 bps to 20.9% driven by operating efficiencies as we scale the Group.
- EBITDA increased by 16% to £553m, with margin increasing by 120 bps to 25.3%.
- Statutory operating profit decreased by 14% to £315m, including one-off gains on business disposals in FY22, together with property restructuring and M&A-related charges in FY23.
- Underlying basic EPS increased by 22% to 32.3p.

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

[2] To aid comparability, underlying and organic measures for the prior period have been retranslated at current period exchange rates, while organic measures also adjust for the impact of acquisitions and disposals. A reconciliation of underlying and organic measures to statutory measures is set out on pages 6 and 9.

All references to revenue, profit and margin are on an underlying basis unless otherwise stated.

- Strong underlying cash conversion of 116% reflecting growth in subscription revenue and continued good working capital management.
- Robust balance sheet, with £1.3bn of cash and available liquidity and net debt to EBITDA of 1.0x.

Shareholder returns

- Proposed final dividend of 12.75p, increasing the full year dividend by 5% to 19.3p, in line with our progressive policy.
- Share buyback programme of up to £350m announced separately this morning, reflecting the Board's confidence in Sage's future prospects, together with Sage's strong cash generation and robust financial position.

Strategic and operational highlights

- Underlying annualised recurring revenue (ARR) up 11% to £2,188m, reflecting broad-based growth across all regions balanced between new and existing customers.
- £190m of ARR added through new customer acquisition on an organic basis, up from £180m in FY22.
- Cloud native ARR up 28% to £684m (FY22: £534m), driven largely by new customers, with a continued strong performance from Sage Intacct.
- Renewal rate by value of 102% (FY22: 101%), ahead of last year, reflecting increased sales to existing customers and good retention rates.
- Sage Business Cloud penetration of 84% (FY22: 75%), enabling more customers to connect to Sage's cloud services and ecosystem via the Sage Network.
- Subscription penetration of 79% (FY22: 75%), reflecting continued growth from subscription contracts.
- Strong strategic progress including further growth in global cloud solutions across our markets, with continued investment in innovation complemented by the acquisitions of Spherics and Corecon.

Outlook

Sage enters FY24 with good momentum driven by consistent strategic execution. Looking ahead, we expect organic total revenue growth in FY24 to be broadly in line with FY23. Operating margins are expected to trend upwards in FY24 and beyond, as we focus on efficiently 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 (SMBs) 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) 7341 479956	**FGS Global:** +44 (0) 20 7251 3801
	Caroline Xu, Group Finance	Conor McClafferty
	James Sandford, Investor Relations	Sophia Johnston
	David Ginivan, Corporate PR	

A presentation for investors and analysts will be held at 8.30am UK time. The webcast can be accessed via sage.com/investors or directly via the following link: https://edge.media-server.com/mmc/p/sb4btbwk. To join the conference call, please register via https://register.vevent.com/register/BI46eb1e22ac7245dcbfd330d9d13d3736.

Business Review

Sage delivered a strong financial performance in FY23, including double-digit revenue growth, increased profitability and strong cash flows.

Overview of results

The Group achieved underlying recurring revenue growth of 12% to £2,096m (FY22: £1,875m), driven by a 25% increase in Sage Business Cloud recurring revenue to £1,628m (FY22: £1,300m). Underlying total revenue increased by 10% to £2,184m (FY22: £1,982m). As a result, over 96% of the Group's revenue is now recurring.

On a regional basis, North America increased recurring revenue by 16% to £944m (FY22: £815m), with a strong performance from Sage Intacct and cloud connected solutions. UKIA[3] grew recurring revenue by 10% to £611m (FY22: £557m), driven by increased demand for cloud native solutions as well as Sage 50 cloud. In Europe, recurring revenue increased by 7% to £541m (FY22: £503m), reflecting growth across the Sage Business Cloud portfolio.

Organic recurring revenue grew by 11% to £2,095m (FY22: £1,882m), while organic total revenue grew by 10% to £2,182m (FY22: £1,986m).

Revenue by portfolio

The portfolio view breaks down Sage's underlying recurring revenue by strategic product portfolio. Our principal focus is to grow Sage Business Cloud, by attracting new customers and migrating existing customers and products to cloud native and cloud connected solutions. Sage Business Cloud customers can connect to a range of cloud services as part of the Sage Network, leading to deeper customer relationships and higher lifetime values.

Underlying Recurring Revenue by Portfolio[4]	**FY23**	**FY22**	**Change**	**Organic Change**
Cloud native[5]	£596m	£445m	*+34%*	*+30%*
Cloud connected[6]	£1,032m	£855m	*+21%*	*+21%*
Sage Business Cloud	**£1,628m**	**£1,300m**	***+25%***	***+24%***
Products with potential to migrate	£316m	£429m	*-26%*	*-26%*
Future Sage Business Cloud Opportunity[7]	**£1,944m**	**£1,729m**	***+12%***	***+12%***
Non-Sage Business Cloud[8]	£152m	£146m	*+4%*	*+4%*
Underlying Recurring Revenue	**£2,096m**	**£1,875m**	***+12%***	***+11%***
Sage Business Cloud Penetration	***84%***	***75%***		

Underlying recurring revenue from cloud native solutions grew by 34% to £596m, driven by Sage Intacct together with other solutions including Sage Accounting, Sage Payroll and Sage HR, through new customer acquisition and growth from existing customers. Organic cloud native recurring revenue growth, which is adjusted for the contribution from acquisitions in the current and prior year, was 30%.

Underlying recurring revenue from cloud connected solutions increased by 21% to £1,032m, reflecting growth in the Sage 50 and Sage 200 franchises, driven by existing and new customers, together with the continued migration of products to Sage Business Cloud through the integration of cloud functionality.

[3] United Kingdom, Ireland, Africa and APAC.

[4] The 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.

[5] Recurring 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.

[6] Recurring 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.

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

[8] Recurring 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, performed strongly with recurring revenue growth of 12%. The revenue performance of the Non-Sage Business Cloud portfolio was in line with expectations.

ARR growth

Sage's underlying ARR increased by 11% to £2,188m (FY22: £1,964m), with growth balanced between new and existing customers. This was underpinned by cloud native ARR growth of 28% to £684m (FY22: £534m), driven by a continued strong performance from Sage Intacct, together with other solutions including Sage Accounting, Sage Payroll and Sage HR. Organic ARR also increased by 11% to £2,186m (FY22: £1,964m).

Renewal rate by value of 102% was ahead of the prior year (FY22: 101%) reflecting good retention rates and increased sales to existing customers, including a strong performance in customer add-ons and targeted price rises.

In total, Sage added £190m of ARR through new customer acquisition on an organic basis during the year, up from £180m reported in FY22.

Progress towards our strategic priorities

Sage focuses on five strategic priorities that help us create long-term value for our stakeholders, as part of our strategic framework for growth. Our progress towards these priorities is outlined below.

- **Scale Sage Intacct**: We continue to scale Sage Intacct through product enhancements, extended vertical reach and geographic expansion. During the year, Sage Intacct was launched in continental Europe, starting with France, and with Germany expected to follow. Sage Intacct Construction is making strong progress in the US, complemented by the acquisition in May 2023 of Corecon, a project management solution, while Sage Distribution and Manufacturing Operations (formerly Sage Intacct Manufacturing) has now been launched across seven countries. In FY23, Sage Intacct's ARR grew by almost 30% in the US and more than 80% outside the US, adding around £100m of ARR to the Group.

- **Expand medium beyond financials**: We also deliver benefits for mid-sized businesses beyond core accounting, including payroll, HR, planning, analytics, and workflow automation. During the year we launched in Canada and South Africa an integration between Sage Intacct, Sage Payroll and Sage HR, providing a seamless customer experience and helping to drive cross-sell. We have also expanded the availability of Sage Intelligent Time, an AI-powered time tracking tool, and Sage Intacct Planning, into more markets across the Group.

- **Build the small business engine**: Our small business solutions, including Sage Accounting and Sage 50, continue to drive growth in key markets. Sage for Accountants has now been adopted by almost 8,000 accountants in the UK, up from around 2,000 a year ago, and has also been launched in Canada. We have also enhanced our customer proposition in the UK through the introduction of My Sage, an integrated account management tool. In Europe, we have launched Sage Active, a new multi-legislation business management solution for SMBs, now available in France, Spain and Germany.

- **Scale the network:** Through the Sage Network we connect businesses to their customers, suppliers, tax authorities and banks, providing connected services that automate workflows and streamline operations. In FY23 we enabled more customers to connect to the network by increasing Sage Business Cloud penetration, and we drove participation by introducing new services such as accounts payable automation, which is growing rapidly. We also enabled greater network usage by third-party software providers, generating consumption-based revenue for Sage while expanding and enriching the customer experience.

- **Learn and disrupt:** We invest in disruptive technologies to drive innovation. AI-powered services are increasingly deployed in products across Sage Business Cloud, automating workflows from data ingestion through to transaction classification. We recently launched Sage Network Inbox, a connected accounting workflow management tool, and we are developing and testing Sage Copilot, our digital assistant, both incorporating generative AI technology to enable natural language interaction. We also deepened our relationships with key partners including Microsoft and AWS.

Sustainability and Society

Our Sustainability and Society strategy is pivotal to how we deliver on Sage's purpose of knocking down barriers so everyone can thrive. In FY23, we evolved this strategy to better reflect our role in society and our transition from commitment to action.

To help protect the planet, we are targeting net zero carbon emissions by 2040, with an SBTi-validated interim target of halving scope 1, 2 and 3 emissions by 2030 against a 2019 baseline. We also help SMBs on their own journey to net zero, including through Sage Earth (previously Spherics), our innovative carbon accounting solution acquired in October 2022, and through online support via masterclasses.

We aim to use our technology for good, providing insights that help governments and regulators make better policy decisions for SMBs, and building digital trust in areas such as cyber security and data privacy. Through Sage Foundation, colleagues, their families and our partners dedicated more than 150,000 volunteering hours in FY23 to their communities and, in conjunction with our charity partners, helped more than 10,500 underserved entrepreneurs to grow their businesses.

We also aim to foster a high-performance culture based on accountability and inclusivity. By prioritising diversity, wellbeing and development, we enable colleagues to collaborate effectively and perform at their best. Currently 34% of leadership teams meet our FY26 gender diversity target[9], up from 19% at the beginning of FY22.

During the year, Sage achieved a top-5 ranking in IDC's European Sustainable Strategies and Technologies Index, and was listed among The Times's Top 50 Employers for Gender Equality as well as the FT's Europe Climate Leaders 2023. Sage has an ESG rating of 'AAA' from MSCI.

Future revenue reporting changes

In FY24 we intend to simplify our revenue reporting, to enable continued, clear understanding of progress and performance given the recent evolution of the Group. These changes will include:

- Focusing revenue metrics and analysis on total rather than recurring revenue[10], as their growth rates increasingly converge reflecting the reduction in other revenue (SSRS). ARR will continue to be provided as one of Sage's strategic KPIs.

- Reporting revenue performance principally on a regional basis going forward. Accordingly, the tables relating to revenue by portfolio and by type will no longer be provided; however, we will continue separately to provide cloud native, Sage Business Cloud and subscription revenue and commentary.

Further details of these changes will be published in early December.

[9] Global gender diversity target of no more than 60% of any one gender, in any leadership team, anywhere in Sage, by FY26.

[10] Consistent with this change, Sage's FY24 outlook statement (see page 2) includes guidance based on total revenue, rather than on recurring revenue as in previous years.

Financial Review

The financial review provides a summary of the Group's results on a statutory and underlying basis, alongside its organic performance. Underlying measures allow management and investors to understand the Group's financial performance adjusted for the impact of foreign exchange movements and recurring and non-recurring items, while organic measures also adjust for the impact of acquisitions and disposals[11].

Statutory and underlying financial results

Financial results	Statutory			Underlying		
	FY23	FY22	Change	FY23	FY22	Change
North America	£973m	£818m	+19%	£973m	£849m	+15%
UKIA	£627m	£586m	+7%	£627m	£575m	+9%
Europe	£584m	£543m	+7%	£584m	£558m	+5%
Group total revenue	**£2,184m**	**£1,947m**	**+12%**	**£2,184m**	**£1,982m**	**+10%**
Operating profit	£315m	£367m	-14%	£456m	£386m	+18%
% Operating profit margin	*14.4%*	*18.9%*	*-4.5 ppts*	*20.9%*	*19.5%*	*+1.4 ppts*
Profit before tax	£282m	£337m	-16%	£424m	£355m	+20%
Profit after tax	£211m	£260m	-19%	£329m	£269m	+22%
Basic EPS	20.7p	25.5p	-19%	32.3p	26.4p	+22%

The Group achieved statutory and underlying total revenue of £2,184m in FY23. Statutory total revenue increased by 12% compared to the prior year, reflecting underlying total revenue growth of 10% together with a 2-percentage point foreign exchange tailwind, principally relating to the US Dollar in North America.

Statutory operating profit decreased by 14% to £315m, reflecting an 18% increase in underlying operating profit to £456m offset by a £131m increase in recurring and non-recurring items[12], including a £53m one-off gain on business disposals in FY22 together with property restructuring and M&A-related charges in FY23.

Statutory basic EPS decreased by 19% to 20.7p, reflecting lower statutory operating profit, slightly higher statutory net finance costs and the post-tax impact of non-recurring items. Underlying basic EPS increased by 22% to 32.3p, reflecting higher underlying operating profit and a slight reduction in the Group's underlying effective tax rate.

Revenue – underlying and organic reconciliation to statutory

Total revenue bridge	FY23	FY22	Change
Statutory	**£2,184m**	**£1,947m**	**+12%**
Recurring items	-	£2m	
Impact of FX[13]	-	£33m	
Underlying	**£2,184m**	**£1,982m**	**+10%**
Disposals	-	(£7m)	
Acquisitions	(£2m)	£11m	
Organic	**£2,182m**	**£1,986m**	**+10%**

Statutory and underlying total revenue was £2,184m in FY23. Underlying revenue in FY22 of £1,982m reflects statutory revenue of £1,947m retranslated at current year exchange rates, resulting in a foreign exchange tailwind of £33m, together with a £2m fair value adjustment to deferred income relating to the acquisition of Brightpearl.

[11] Underlying and organic revenue and profit measures are defined in Appendix 1.

[12] Recurring and non-recurring items are defined in Appendix 1, and detailed on page 9 and in note 3 of the financial statements.

[13] Impact of retranslating FY22 revenue at FY23 average rates

Organic total revenue in FY23 was £2,182m, reflecting underlying revenue of £2,184m adjusted for £2m of revenue from the acquisition of Spherics and Corecon during the year. Organic revenue in FY22 of £1,986m reflects underlying revenue of £1,982m, adjusted for £5m of revenue from Sage's business in Switzerland and £2m of revenue from the South African payroll outsourcing business, both of which were sold during FY22, and £11m of revenue from Lockstep, Futrli and Brightpearl which were acquired during FY22.

Revenue by type

Underlying revenue mix	**FY23**	**FY22**	**Change**	**Organic change**
Software subscription revenue	£1,732m	£1,484m	+17%	+16%
Other recurring revenue	£364m	£391m	-7%	-7%
Underlying recurring revenue	**£2,096m**	**£1,875m**	**+12%**	**+11%**
Other revenue (SSRS)	£88m	£107m	-18%	-18%
Underlying total revenue	**£2,184m**	**£1,982m**	**+10%**	**+10%**
Subscription Penetration	***79%***	***75%***		

Underlying recurring revenue grew by 12% to £2,096m, supported by a 17% increase in software subscription revenue to £1,732m, 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 7% to £364m reflects customers migrating from maintenance and support to subscription contracts. Other revenue (SSRS) declined by 18% to £88m, in line with our strategy to transition away from licence sales and professional services implementations.

Revenue performance by region

North America	**FY23**	**FY22**	**Change**	**Organic change**
Underlying total revenue	£973m	£849m	+15%	+14%
Underlying recurring revenue	£944m	£815m	+16%	+15%
% Sage Business Cloud Penetration	86%	79%	+7 ppts	+7 ppts
% Subscription Penetration	78%	73%	+5 ppts	+5 ppts
Underlying recurring revenue	**FY23**	**FY22**	**Change**	**Organic change**
US	£819m	£703m	+16%	+15%
Of which Sage Intacct	*£312m*	*£241m*	*+30%*	*+30%*
Canada	£125m	£112m	+12%	+12%

North America achieved underlying recurring revenue growth of 16% to £944m and total revenue growth of 15% to £973m. Adjusting for the impact in the US of the acquisitions of Brightpearl and Lockstep during FY22, organic recurring and total revenue growth was 15% and 14%, respectively. Sage Business Cloud penetration increased to 86%, up from 79% in the prior year, driven by growth in cloud native and cloud connected solutions, while subscription penetration increased to 78%, up from 73% in the prior year.

Cloud native growth was driven primarily through Sage Intacct, which delivered strong recurring revenue growth of 30% to £312m, reflecting further progress in attracting new customers and continued strong sales to existing customers.

Recurring revenue in the US increased by 16% to £819m, reflecting growth in Sage Intacct alongside growth in cloud connected solutions, driven by new and existing customers across the Sage 200 and Sage 50 franchises. Total revenue for the US increased by 15% to £846m.

In Canada, recurring revenue increased by 12% to £125m and total revenue by 11% to £127m, driven mainly by Sage 50 cloud, and supported by strong growth in Sage Intacct.

UKIA	**FY23**	**FY22**	**Change**	**Organic change**
Underlying total revenue	£627m	£575m	+9%	+8%
Underlying recurring revenue	£611m	£557m	+10%	+9%
% Sage Business Cloud Penetration	90%	79%	+11 ppts	+11 ppts
% Subscription Penetration	89%	88%	+1 ppts	+1 ppts
Underlying recurring revenue	**FY23**	**FY22**	**Change**	**Organic change**
UK & Ireland	£466m	£429m	+9%	+8%
Africa & APAC	£145m	£128m	+13%	+13%

In the UKIA region, underlying recurring revenue grew by 10% to £611m and total revenue grew by 9% to £627m. Adjusting for the impact in the UK & Ireland of the acquisitions of Brightpearl and Futrli during FY22, organic recurring and total revenue growth was 9% and 8%, respectively. Sage Business Cloud penetration reached 90%, up from 79% in the prior year, while subscription penetration increased to 89%, up from 88% in the prior year.

In the UK & Ireland, recurring revenue increased by 9% to £466m, reflecting growth in cloud native solutions, supported by further growth in Sage 50 cloud. Cloud native revenue growth was driven by continued growth in small business solutions, together with Sage Intacct as we continue to drive scale through both the direct and partner channels. Total revenue in the UK & Ireland increased by 8% to £471m.

Africa & APAC delivered strong recurring revenue growth of 13% to £145m, driven by growth in cloud native solutions, including Sage Accounting, Sage Payroll and Sage Intacct, and supported by local products. Total revenue in Africa & APAC increased by 11% to £156m.

Europe	**FY23**	**FY22**	**Change**	**Organic change**
Underlying total revenue	£584m	£558m	+5%	+5%
Underlying recurring revenue	£541m	£503m	+7%	+8%
% Sage Business Cloud Penetration	73%	64%	+9 ppts	+8 ppts
% Subscription Penetration	70%	65%	+5 ppts	+5 ppts
Underlying recurring revenue	**FY23**	**FY22**	**Change**	**Organic change**
France	£284m	£264m	+7%	+7%
Central Europe	£123m	£115m	+7%	+10%
Iberia	£134m	£124m	+9%	+9%

Europe achieved underlying recurring revenue growth of 7% to £541m and total revenue growth of 5% to £584m. Adjusting for the disposal of the Swiss business in FY22, organic recurring revenue growth and total revenue growth was 8% and 5%, respectively. Sage Business Cloud penetration increased to 73%, up from 64% in FY22, while subscription penetration reached 70%, up from 65% in FY22.

In France, recurring revenue increased by 7% to £284m, with a strong performance in cloud connected, particularly Sage 200 cloud, supported by growth in cloud native solutions. Total revenue in France increased by 5% to £295m.

Central Europe achieved recurring revenue growth of 7% to £123m, while total revenue increased by 1% to £142m. Adjusting for the disposal of the Swiss business, organic recurring and total revenue growth in Central Europe was 10% and 5% respectively. Growth in the region was driven by Sage Business Cloud, with a particularly strong performance in HR solutions.

In Iberia, recurring revenue increased by 9% to £134m, with further progress in cloud connected supported by growth in cloud native solutions. Total revenue grew by 6% to £147m.

Operating profit

The Group increased underlying operating profit by 18% to £456m (FY22: £386m). Underlying operating margin increased by 140 basis points to 20.9% (FY22: 19.5%), driven by operating efficiencies as we scale the Group. On an organic basis, adjusting for the full-year impact of acquisitions and disposals during FY22, operating profit increased by 22% to £457m (FY22: £374m), and margin increased by 220 basis points to 21.0% (FY22: 18.8%).

Operating profit – underlying and organic reconciliation to statutory

Operating profit bridge	FY23		FY22	
	Operating profit	Operating margin	Operating profit	Operating margin
Statutory	**£315m**	**14.4%**	**£367m**	**18.9%**
Recurring items[14]	£103m	–	£83m	–
Non-recurring items:				
• *Property restructuring*	£32m	–	–	–
• *Employee-related costs*	£9m	–	–	–
• *Gain on disposal of subsidiaries*	–	–	(£53m)	–
• *Reversal of restructuring costs*	(£3m)	–	(£20m)	–
Impact of FX[15]	–	–	£9m	–
Underlying	**£456m**	**20.9%**	**£386m**	**19.5%**
Disposals	–	–	(£1m)	–
Acquisitions	£1m	–	(£11m)	–
Organic	**£457m**	**21.0%**	**£374m**	**18.8%**

The Group achieved a statutory operating profit in FY23 of £315m (FY22: £367m). Underlying operating profit of £456m in FY23 reflects statutory operating profit adjusted for recurring and non-recurring items. Recurring items of £103m (FY22: £83m) comprise £54m of amortisation of acquisition-related intangibles (FY22: £42m) and £49m of M&A related charges (FY22: £39m). In FY22, there was a further £2m deferred income adjustment relating to the acquisition of Brightpearl.

Non-recurring items in FY23 comprise a £32m charge for a property restructuring programme undertaken during the year, following a strategic review of the Group's property portfolio, together with a £9m employee-related charge for French payroll taxes relating to previous years. This is partly offset by a £3m (FY22: £20m) reversal of employee restructuring costs. Non-recurring items in FY22 also comprise gains of on the disposals of Sage Switzerland (£49m) and the South African payroll outsourcing business (£4m).

In addition, the retranslation of FY22 operating profit at current year exchange rates has resulted in an operating profit tailwind of £9m in that year. This has led to a 10-basis point margin tailwind from foreign exchange to 19.5% (FY22 underlying as reported: 19.4%).

Organic operating profit of £457m in FY23 reflects underlying operating profit of £456m adjusted for £1m of losses from Spherics (now Sage Earth) which was acquired during the year. Organic operating profit of £374m in FY22 reflects underlying operating profit of £386m adjusted for £1m of operating profit from the South African payroll outsourcing business, which was sold during the prior year, and £11m of operating losses from businesses acquired during the prior year.

EBITDA

EBITDA was £553m (FY22: £477m) representing a margin of 25.3%. The increase in EBITDA principally reflects the improvement in underlying operating profit.

[14] Recurring and non-recurring items are defined in Appendix 1 and detailed in note 3 of the financial statements.
[15] Impact of retranslating FY22 operating profit at FY23 average rates.

	FY23	FY22	Margin
Underlying operating profit	**£456m**	**£386m**	**20.9%**
Depreciation & amortisation	£54m	£55m	
Share based payments	£43m	£36m	
EBITDA	**£553m**	**£477m**	**25.3%**

Net finance cost

The statutory net finance cost for the period increased to £33m (FY22: £30m), reflecting the impact of interest on new debt issuances, partly offset by higher interest income on deposits. The statutory net finance cost is broadly in line with the underlying net finance cost of £32m (FY22: £31m).

Taxation

The underlying tax expense for FY23 was £95m (FY22: £86m), resulting in an underlying tax rate of 23% (FY22: 24%). The statutory income tax expense for FY23 was £71m (FY22: £77m), resulting in a statutory tax rate of 25% (FY22: 23%). The FY23 underlying tax rate has decreased due to the benefit of higher tax incentive claims in the US, UK, and France, partly offset by an increase in the UK corporation tax rate.

Earnings per share

	FY23	FY22	Change
Statutory basic EPS	20.7p	25.5p	-19%
Recurring items	8.8p	6.7p	
Non-recurring items	2.8p	(6.5)p	
Impact of foreign exchange	–	0.7p	
Underlying basic EPS	**32.3p**	**26.4p**	**+22%**

Underlying basic EPS increased by 22% to 32.3p, reflecting higher underlying operating profit. Statutory basic earnings per share decreased by 19%, with the increase in underlying basic earnings per share offset by the change in post-tax impact of recurring and non-recurring items, including one-off gains on business disposals in FY22 together with property restructuring and higher M&A-related charges in the current year.

Cash flow

Sage remains highly cash generative with underlying cash flow from operations of £528m (FY22: £402m), representing underlying cash conversion of 116% (FY22: 107%). This strong cash performance reflects further growth in subscription revenue and continued good working capital management. Free cash flow of £404m (FY22: £295m) reflects strong underlying cash conversion.

Cash flow APMs	**FY23**	**FY22 (as reported)**
Underlying operating profit	£456m	£377m
Depreciation, amortisation and non-cash items in profit	£51m	£51m
Share based payments	£43m	£36m
Net changes in working capital	–	(£40m)
Net capital expenditure	(£22m)	(£22m)
Underlying cash flow from operations	**£528m**	**£402m**
Underlying cash conversion %	*116%*	*107%*
Non-recurring cash items	(£11m)	(£23m)
Net interest paid	(£24m)	(£21m)
Income tax paid	(£85m)	(£62m)
Profit and loss foreign exchange movements	(£4m)	(£1m)
Free cash flow	**£404m**	**£295m**

Statutory reconciliation of cash flow from operations	FY23	FY22 (as reported)
Statutory cash flow from operations	**£505m**	**£368m**
Recurring and non-recurring items	£41m	£55m
Net capital expenditure	(£22m)	(£22m)
Other adjustments including foreign exchange translations	£4m	£1m
Underlying cash flow from operations	**£528m**	**£402m**

Net debt and liquidity

Group net debt was £561m at 30 September 2023 (30 September 2022: £733m), comprising cash and cash equivalents of £696m (30 September 2022: £489m) and total debt of £1,257m (30 September 2022: £1,222m). The Group had £1,326m of cash and available liquidity at 30 September 2023 (30 September 2022: £1,270m).

The decrease in net debt in the period is summarised in the table below.

	FY23	FY22 (as reported)
Net debt at 1 October	**(£733m)**	**(£247m)**
Free cash flow	£404m	£295m
New leases less disposals	(£14m)	(£6m)
Disposal of businesses	-	£43m
Acquisition of businesses	(£26m)	(£315m)
M&A and equity investments	(£30m)	(£22m)
Dividends paid	(£190m)	(£183m)
Share buyback	-	(£249m)
Purchase of shares by Employee Benefit Trust	(£1m)	(£32m)
FX movement and other	£29m	(£17m)
Net debt at 30 September	**(£561m)**	**(£733m)**

The Group's debt is sourced from a syndicated multi-currency Revolving Credit Facility (RCF), and from sterling and euro denominated bond notes. The Group's RCF was refinanced in December 2022 into a new facility of £630m which expires in December 2028, having been extended by one year in November 2023, with an extension option for a further year subject to specific provisions. At 30 September 2023, the RCF was undrawn (FY22: undrawn).

The Group's sterling denominated bond notes comprise a £400m 12-year bond, issued in February 2022, with a coupon of 2.875%, and a £350m 10-year bond, with a coupon of 1.625%, issued in February 2021.

The Group established a Euro Medium Term Note (EMTN) programme in January 2023 and issued €500m of 5-year notes in February 2023, with a coupon of 3.82%. This issuance funded the prepayment in March 2023 of the Group's outstanding US private placement loan notes totalling £326m (US$400m) and enabled the Group both to extend the maturity of its debt portfolio and to diversify its funding sources.

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

Capital allocation

Sage's disciplined capital allocation policy is focused on accelerating strategic execution through organic and inorganic investment, and delivering shareholder returns. During FY23 Sage completed the acquisition of Spherics, an innovative carbon accounting solution, and Corecon, a construction project management solution.

Sage has a progressive dividend policy, intending to grow the dividend over time while considering the future capital requirements of the Group. The final dividend proposed by the Board is 12.75p per share, taking the full year dividend to 19.3p, up 5% compared to the prior year (FY22: 18.4p).

The Group also considers returning surplus capital to shareholders. Alongside our FY23 results, we have announced a share buyback programme of up to £350m, reflecting the Board's confidence in the future prospects of the Group, together with Sage's strong cash generation and robust financial position. Sage continues to have considerable financial flexibility to drive the execution of its growth strategy.

	FY23	**FY22 (as reported)**
Net debt	£561m	£733m
EBITDA (Last Twelve Months)	£553m	£468m
Net debt/EBITDA Ratio	**1.0x**	**1.6x**

The Group's EBITDA over the last 12 months was £553m, resulting in a net debt to EBITDA leverage ratio of 1.0x, down from 1.6x in the prior year. Sage intends to operate in a broad range of 1x to 2x net debt to EBITDA over the medium term, with flexibility to move outside this range as business needs require.

Group return on capital employed (ROCE) for FY23 was 19% (FY22 as reported: 18%).

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 2023 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 21.

External audit tender

Following a formal tender process overseen by the Audit and Risk Committee, the Board has approved the appointment of KPMG LLP as external auditor for the financial year ending 30 September 2025, subject to an updated independence confirmation and shareholder approval at Sage's 2025 AGM. The current external auditor, Ernst and Young LLP, will continue in its role for the financial year ending 30 September 2024, subject to shareholder approval at the 2024 AGM. Further details of the tender process and selection criteria are included in Sage's 2023 Annual Report.

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 normalise prior year underlying and organic figures are as follows:

Average exchange rates (equal to GBP)	**FY23**	**FY22**	**Change**
Euro (€)	1.15	1.18	-3%
US Dollar ($)	1.23	1.28	-4%
Canadian Dollar (C$)	1.65	1.63	+1%
South African Rand (ZAR)	22.31	20.21	+10%

Appendix 1 – Alternative Performance Measures

Alternative Performance Measures are used by the Group to understand and manage performance. These are not defined under International Financial Reporting Standards (IFRS) or UK-adopted International Accounting Standards (UK-IFRS) and are not intended to be a substitute for any IFRS or UK-IFRS measures of performance but have been included as management considers them to be important measures, alongside the comparable GAAP financial measures, in assessing 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 in management's judgement need to be disclosed separately by virtue of their size, nature or frequency to aid 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 and unhedged FX on intercompany balances; 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. Recurring items are adjusted each period irrespective of materiality to ensure consistent treatment. Underlying basic EPS is also adjusted for the tax impact of recurring and non-recurring items. 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 effects of foreign exchange movements or recurring or non-recurring 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 capital expenditure (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.

MEASURE	DESCRIPTION	RATIONALE
EBITDA	EBITDA is Underlying Operating Profit excluding underlying depreciation, amortisation and share based payments. Underlying depreciation and amortisation is the statutory equivalent measure, adjusted for the amortisation of acquired intangibles. Underlying share based payments is the statutory equivalent measure, adjusted for M&A-related share based payment charges included within other M&A activity related items.	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 recurring revenue in the last month of the reporting period, adjusted consistently period to period, multiplied by twelve. Adjustments to normalise reported recurring revenue involve excluding certain components (such as non-refundable contract sign-up fees) to ensure the measure reflects that part of the revenue base which (subject to ongoing use and renewal) can reasonably be expected to repeat in future periods.	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, derivative financial instruments 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	Underlying software subscription revenue as a percentage of underlying total revenue.	To measure the progress of migrating our customer base from licence and maintenance to a subscription relationship.
% Sage Business Cloud Penetration	Underlying recurring revenue from the Sage Business Cloud as a percentage of the underlying 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 capital employed, which is the average (of the opening and closing balance for the period) total net assets excluding net debt, derivative financial instruments, provisions for non-recurring costs, financial liability for purchase of own shares and tax assets or liabilities.	As an indicator of the current period financial return on the capital invested in the Company. ROCE is used as an underpin in the FY21, FY22 and FY23 PSP awards.
Net debt	Net debt is cash and cash equivalents less current and non-current borrowings.	To calculate the Net Debt to EBITDA leverage ratio and an indicator of our indebtedness.

Consolidated income statement
For the year ended 30 September 2023

	Note	**Underlying 2023 £m**	**Adjustments (note 3) 2023 £m**	**Statutory 2023 £m**	Underlying as reported* 2022 £m	Adjustments (note 3) 2022 £m	Statutory 2022 £m
Revenue	2	**2,184**	**–**	**2,184**	1,949	(2)	1,947
Cost of sales		**(156)**	**–**	**(156)**	(138)	–	(138)
Gross profit		**2,028**	**–**	**2,028**	1,811	(2)	1,809
Selling and administrative expenses		**(1,572)**	**(141)**	**(1,713)**	(1,434)	(8)	(1,442)
Operating profit	2	**456**	**(141)**	**315**	377	(10)	367
Finance income		**12**	**–**	**12**	1	–	1
Finance costs		**(44)**	**(1)**	**(45)**	(32)	1	(31)
Profit before income tax		**424**	**(142)**	**282**	346	(9)	337
Income tax expense	4	**(95)**	**24**	**(71)**	(83)	6	(77)
Profit for the year		**329**	**(118)**	**211**	263	(3)	260
Profit attributable to:							
Owners of the parent		**329**	**(118)**	**211**	263	(3)	260
Earnings per share attributable to the owners of the parent (pence)							
Basic	6	**32.25p**		**20.75p**	25.74p		25.47p
Diluted	6	**31.75p**		**20.43p**	25.44p		25.17p

All operations in the year relate to continuing operations.

Note:

* Underlying as reported is at 2022 reported exchange rates.

Consolidated statement of comprehensive income
For the year ended 30 September 2023

	2023 £m	2022 £m
Profit for the year	**211**	260
Items of other comprehensive income that will not be reclassified to profit or loss		
Fair value gain on reassessment of equity investment	**–**	30
Actuarial gain on post-employment benefit obligations	**–**	3
	–	33
Items of other comprehensive income that may be reclassified to profit or loss		
Exchange differences on translating foreign operations and net investment hedges	**(82)**	177
Cash flow hedges	**4**	–
Exchange differences recycled through income statement on sale of foreign operations	**–**	(13)
	(78)	164
Other comprehensive (expense)/income for the year, net of tax	**(78)**	197
Total comprehensive income for the year	**133**	457
Total comprehensive income for the year attributable to:		
Owners of the parent	**133**	457

The notes on pages 21 to 39 form an integral part of this condensed consolidated yearly report.

Consolidated balance sheet
As at 30 September 2023

	Note	**2023 £m**	2022 Restated* £m
Non-current assets			
Goodwill	7	**2,245**	2,391
Other intangible assets	7	**274**	320
Property, plant and equipment	7	**104**	152
Equity investments		**4**	4
Trade and other receivables		**138**	128
Deferred income tax assets		**56**	19
Derivative financial instruments		**1**	–
		2,822	3,014
Current assets			
Trade and other receivables		**376**	355
Current income tax asset		**42**	39
Cash and cash equivalents (excluding bank overdrafts)	9	**696**	489
		1,114	883
Total assets		**3,936**	3,897
Current liabilities			
Trade and other payables		**(378)**	(368)
Current income tax liabilities		**(25)**	(13)
Borrowings	9	**(14)**	(178)
Provisions		**(23)**	(33)
Deferred income		**(745)**	(734)
		(1,185)	(1,326)
Non-current liabilities			
Borrowings	9	**(1,243)**	(1,044)
Post-employment benefits		**(19)**	(19)
Deferred income tax liabilities		**(18)**	(17)
Provisions		**(24)**	(20)
Trade and other payables		**(13)**	(6)
Deferred income		**(7)**	(8)
Derivative financial instruments		**(20)**	(60)
		(1,344)	(1,174)
Total liabilities		**(2,529)**	(2,500)
Net assets		**1,407**	1,397
Equity attributable to owners of the parent			
Ordinary shares	8	**12**	12
Share premium	8	**548**	548
Other reserves	8	**189**	267
Retained earnings		**658**	570
Total equity		**1,407**	1,397

Note:
* Restated for finalisation of the fair value of assets acquired and liabilities assumed in the acquisition of Lockstep (see notes 7 and 11)

Consolidated statement of changes in equity
For the year ended 30 September 2023

	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2022	**12**	**548**	**267**	**570**	**1,397**
Profit for the year	**–**	**–**	**–**	**211**	**211**
Other comprehensive (expense)/income					
Exchange differences on translating foreign operations and net investment hedges	**–**	**–**	**(82)**	**–**	**(82)**
Cashflow hedges	**–**	**–**	**4**	**–**	**4**
Total comprehensive (expense)/income for the year ended 30 September 2023	**–**	**–**	**(78)**	**211**	**133**
Transactions with owners					
Employee share option scheme—value of employee services including deferred tax	**–**	**–**	**–**	**57**	**57**
Proceeds from issuance of treasury shares	**–**	**–**	**–**	**11**	**11**
Purchase of shares by Employee Benefit Trust	**–**	**–**	**–**	**(1)**	**(1)**
Dividends paid to owners of the parent	**–**	**–**	**–**	**(190)**	**(190)**
Total transactions with owners for the year ended 30 September 2023	**–**	**–**	**–**	**(123)**	**(123)**
At 30 September 2023	**12**	**548**	**189**	**658**	**1,407**

Consolidated statement of changes in equity
For the year ended 30 September 2022

	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
At 1 October 2021	12	548	103	448	1,111
Profit for the year	–	–	–	260	260
Other comprehensive income/(expense)					
Exchange differences on translating foreign operations and net investment hedges	–	–	177	–	177
Exchange differences recycled through income statement on sale of foreign operations	–	–	(13)	–	(13)
Fair value gain on reassessment of equity investment	–	–	–	30	30
Actuarial gain on post-employment benefit obligations	–	–	–	3	3
Total comprehensive income for the year ended 30 September 2022	–	–	164	293	457
Transactions with owners					
Employee share option scheme—value of employee services including deferred tax	–	–	–	37	37
Proceeds from issuance of treasury shares	–	–	–	7	7
Purchase of shares by Employee Benefit Trust	–	–	–	(32)	(32)
Dividends paid to owners of the parent	–	–	–	(183)	(183)
Total transactions with owners for the year ended 30 September 2022	–	–	–	(171)	(171)
At 30 September 2022	12	548	267	570	1,397

Consolidated statement of cash flows
For the year ended 30 September 2023

	Note	**2023 £m**	2022 £m
Cash flows from operating activities			
Cash generated from continuing operations		**505**	368
Interest paid		**(33)**	(21)
Income tax paid		**(85)**	(62)
Net cash generated from operating activities		**387**	285
Cash flows from investing activities			
Disposal of subsidiaries, net of cash disposed		**–**	42
Acquisition of subsidiaries, net of cash acquired	11	**(26)**	(285)
Purchases of intangible assets	7	**(17)**	(40)
Purchases of property, plant and equipment	7	**(5)**	(12)
Proceeds from disposals of property, plant and equipment		**–**	10
Interest received		**12**	1
Net cash used in investing activities		**(36)**	(284)
Cash flows from financing activities			
Proceeds from borrowings	9	**440**	516
Repayments of borrowings	9	**(353)**	(166)
Capital element of lease payments	9	**(18)**	(19)
Borrowing costs		**(3)**	(1)
Proceeds from issuance of treasury shares		**11**	7
Share buyback programmes	8	**–**	(249)
Purchase of shares by Employee Benefit Trust	8	**(1)**	(32)
Dividends paid to owners of the parent	5	**(190)**	(183)
Net cash used in financing activities		**(114)**	(127)
Net increase/(decrease) in cash and cash equivalents (before exchange rate movement)		**237**	(126)
Effects of exchange rate movement	9	**(30)**	48
Net increase/(decrease) in cash and cash equivalents		**207**	(78)
Cash, cash equivalents and bank overdrafts at 1 October	9	**489**	567
Cash, cash equivalents and bank overdrafts at 30 September	9	**696**	489

Notes to the financial information
For the year ended 30 September 2023

1. Group accounting policies

General information

The Sage Group plc (the "Company") and its subsidiaries (together the "Group") is a leading global provider of accounting financial, HR and payroll technology to small and mid-sized businesses.

The financial information set out above does not constitute the Company's statutory financial statements, which comprise the Annual Report & Accounts and audited annual financial statements for the year ended 30 September 2023 or 2022 but is derived from those financial statements. Statutory financial statements for the year ended 30 September 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered in December 2023. 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 UK-adopted International Accounting Standards (UK-IFRS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), this announcement does not in itself contain sufficient information to comply with IFRS as issued by the IASB or UK-IFRS. The financial information has been prepared on the basis of the accounting policies and accounting estimates and judgements as set out in the Annual Report & Accounts for 2023.

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.

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

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-IFRS in conformity with the requirements of the Companies Act 2006 and also prepared in accordance with IFRS as issued by the IASB.

UK-IFRS can 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 and equity investments which are measured at fair value. 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.

Going Concern

In preparing these financial statements, the Directors have reviewed and approved a going concern assessment which considers the liquidity forecast of the Group for the period through to 31 March 2025 (the going concern assessment period). The liquidity forecast reflects the expected impact of the economic environment, including the current inflationary environment. More specifically, full consideration has been given to the potential risks and uncertainties linked to the changing macro-economic environment, and the possible impact on the Group's customer base.

In light of this, we note that the Group's operational and financial robust position is supported by:

- High-quality recurring and subscription-based revenue;
- Resilient cash generation and robust liquidity, supported by strong underlying cash conversion of 116%, reflecting the strength of the subscription business model; and
- A well-diversified small and medium-sized customer base which is geographically diverse.

In preparing the going concern assessment scenario-specific stress testing has been performed, with the level of churn assumptions increasing by 75%, and a significant reduction in the level of new customer acquisition and sales to existing customers. Under these scenarios, the Group continues to have sufficient resources to continue in operational existence without the need to drawdown on its revolving credit facility or seek additional financing. If more severe impacts occur there are further controllable mitigating actions which can be taken to protect liquidity, including the reduction of discretionary spend. Stress testing has also been performed as part of the severe but plausible scenarios (as described within the Viability Statement in the Annual Report & Accounts for 2023).

The Directors have 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 exhaust cash down to minimum working capital requirements. The result of the reverse stress testing has highlighted that such a scenario would only arise following a highly significant deterioration in performance, well in excess of the assumptions considered in the stress testing scenarios above. The probability of these factors occurring is deemed to be remote given the resilient nature of the subscription 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 throughout the going concern assessment period. Accordingly, the consolidated and parent Company financial information has been prepared on a going concern basis.

Further details for adopting the going concern basis are set out in the Directors' Report on pages 164 to 165 of the Annual Report & Accounts for 2023.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2023.

Adoption of new and revised IFRSs

There are no accounting standards, amendments or interpretations effective for the first time this financial year that have had a material impact on the Group. No standards have been early adopted during the year.

In July 2023, the UK Endorsement Board adopted 'International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)' as issued by the IASB. The Amendments introduce a temporary mandatory exception from accounting for deferred taxes arising from the Pillar Two model rules, effective immediately and retrospectively, and the Group has applied this exception.

The Directors also considered the impact on the Group of new and revised accounting standards, interpretations, or amendments which have been issued but were not effective for the Group for the year ended 30 September 2023.

None are expected to have a material impact on the consolidated financial statements when first applied.

Climate change

In preparing the consolidated financial statements, management has considered the impact of climate change, specifically with reference to the disclosures provided in the Group's Strategic Report within the 2023 Annual Report & Accounts.

As a business, we are committed to reducing our carbon emissions and target achieving net zero by 2040. We support our customers, small and mid-sized businesses, in achieving net zero by sharing the knowledge, technology and skills to be a driving force for change. We also support more broadly by advocating for enabling policies and standards that support a transition to a low-carbon economy.

We recognise the importance of identifying and effectively managing the physical and transitional risks that climate change poses to our operations and consider the impact of climate-related matters, including legislation, on our business. The climate change scenario analyses undertaken in line with Task Force on Climate-related Financial Disclosures (TCFD) recommendations did not identify any material impact on the Group's financial results, going concern or viability. More specifically:

- In preparing the viability assessment, consideration has been given to the potential impact of climate change over the next three years, as set out in the Strategic Report.
- Climate change related factors on matters including residual values, useful lives and depreciation and amortisation periods which relate to non-current assets have also been considered, with no impact identified at this stage.
- In our future forecasts used for goodwill impairment and the going concern assessment, we have considered the extent to which costs associated with our climate related commitments have been considered, as well as broader societal commitments. These commitments do not have a material impact.
- We have also considered the extent to which climate change could impact longer-term economic growth, which may impact long-term growth rates used in the goodwill impairment test. Sensitivity testing demonstrates that all cash-generating units (CGUs) retain sufficient headroom.

Accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and judgements by management. It also requires management to exercise its judgement in the process of applying the accounting policies. We continually evaluate our estimates and judgements based on available information.

Management has determined that there are no areas of estimation uncertainty that could be significant under IAS 1, 'Presentation of Financial Statements', being areas of estimation uncertainty with a significant risk of a material change to the carrying value of assets and liabilities within the next financial year.

Other key estimates are made when preparing the financial statements, which, while not meeting the definition of a significant estimate under IAS 1, involve the measurement of certain material assets or a higher degree of complexity.

Significant judgements are those made by management in applying our accounting policies that have a material impact on the amounts presented in the financial statements.

Management's rationale in relation to these key accounting estimates and significant judgements are regularly assessed and, where material in value or in risk, are discussed with the Audit and Risk Committee. These areas are discussed in further detail below:

Revenue recognition (judgement)

Over a third of the Company's revenue is generated from sales to business 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.

Goodwill impairment (estimate)

The estimates applied in calculating the value in use of the CGUs being tested for impairment are a source of estimation uncertainty. The key estimates considered in the calculation relate to the future performance expectations of the business and include the average medium-term revenue growth rate, the long-term growth rate of net operating cash flows and the discount rate.

Further information on these key estimates, as well as the level at which goodwill is monitored and the results of sensitivity analysis, are disclosed in the annual financial statements for the year ended 30 September 2023.

Business Combinations (judgement and estimate)

During the year, the Group finalised the purchase price accounting for Lockstep Network Holdings Inc (“Lockstep”), for which the Group acquired 100% of the equity capital and voting rights in August 2022. At the end of the prior year, the amounts recognised relating to the acquisition were provisional. During the current year, the purchase price accounting has been finalised, therefore certain adjustments have been recognised in the year. These adjustments include the recognition of intangible assets and deferred tax liabilities, offset by a reduction in the amount of goodwill provisionally recognised in the prior year. Further explanation of the changes are set out in note 11.

Key areas of judgement and estimation include the identification and subsequent measurement of acquired intangible assets, for which an external expert was engaged to support the exercise. The recognised intangible assets included technology and customer relationships. The fair value of the acquired technology was determined using the relief from royalty method and the customer relationship was determined using a discounted cashflow approach. These valuation techniques incorporate several key estimates including revenue forecasts and the application of an appropriate discount rate to state future cash flows at their present value. In addition, the relief from royalty method requires the use of an appropriate royalty rate, which was corroborated against the Group's own royalty rates used for internal transfer pricing purposes as well as external benchmark data.

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 Leadership Team (ELT) 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 Management Performance Reviews. The ELT 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.

The Group is organised into seven key operating segments: North America, UK & Ireland, Central Europe (Germany and Austria), France, Iberia (Spain and Portugal), Africa and the Middle East, and Asia (including Australia). For reporting under IFRS 8, the Group is divided into three reportable segments. These segments are as follows:

- North America
- UK & Ireland
- 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 Africa & APAC. They include the Group's operations in South Africa, the Middle East, Australia, Singapore and Malaysia.

In previous years, the UK & Ireland reportable segment was presented as Northern Europe, the Europe reportable segment was presented as International—Central and Southern Europe, and the Africa & APAC segment was presented as International—Africa & APAC.

The reportable segment 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 customers are in countries within the EU.

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.

Category	Examples
Recurring revenue	Subscription revenue Other recurring revenue
Other revenue	Perpetual software licences Upgrades to perpetual licences Professional services Training

Revenue by segment

	Year ended 30 September 2023					Change		
	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments* £m**	**Organic £m**	Statutory	Underlying	Organic
Recurring revenue by segment								
North America	**944**	**–**	**944**	**(1)**	**943**	20%	16%	15%
UK & Ireland	**466**	**–**	**466**	**–**	**466**	9%	9%	8%
Europe	**541**	**–**	**541**	**–**	**541**	10%	7%	8%
Africa & APAC	**145**	**–**	**145**	**–**	**145**	4%	13%	13%
Recurring revenue	**2,096**	**–**	**2,096**	**(1)**	**2,095**	14%	12%	11%
Other revenue by segment								
North America	**29**	**–**	**29**	**–**	**29**	(11%)	(14%)	(15%)
UK & Ireland	**5**	**–**	**5**	**(1)**	**4**	(20%)	(20%)	(39%)
Europe	**43**	**–**	**43**	**–**	**43**	(19%)	(21%)	(21%)
Africa & APAC	**11**	**–**	**11**	**–**	**11**	(17%)	(12%)	2%
Other revenue	**88**	**–**	**88**	**(1)**	**87**	(16%)	(18%)	(18%)
Total revenue by segment								
North America	**973**	**–**	**973**	**(1)**	**972**	19%	15%	14%
UK & Ireland	**471**	**–**	**471**	**(1)**	**470**	9%	8%	7%
Europe	**584**	**–**	**584**	**–**	**584**	7%	5%	5%
Africa & APAC	**156**	**–**	**156**	**–**	**156**	2%	11%	12%
Total revenue	**2,184**	**–**	**2,184**	**(2)**	**2,182**	12%	10%	10%

Notes:

* Adjustments relate to the acquisitions of Spherics and Corecon (see note 11).

Revenue by segment (continued)

	Year ended 30 September 2022						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic Adjustments* £m	Organic £m
Recurring revenue by segment							
North America	786	1	787	28	815	6	821
UK & Ireland	427	1	428	1	429	5	434
Europe	490	–	490	13	503	(4)	499
Africa & APAC	140	–	140	(12)	128	–	128
Recurring revenue	1,843	2	1,845	30	1,875	7	1,882
Other revenue by segment							
North America	32	–	32	2	34	–	34
UK & Ireland	6	–	6	–	6	–	6
Europe	53	–	53	2	55	(1)	54
Africa & APAC	13	–	13	(1)	12	(2)	10
Other revenue	104	–	104	3	107	(3)	104
Total revenue by segment							
North America	818	1	819	30	849	6	855
UK & Ireland	433	1	434	1	435	5	440
Europe	543	–	543	15	558	(5)	553
Africa & APAC	153	–	153	(13)	140	(2)	138
Total revenue	1,947	2	1,949	33	1,982	4	1,986

Notes:

* Adjustments relate to the acquisition of Brightpearl, Lockstep and Futrli, and disposal of the Group's Swiss business and its payroll outsourcing business in South Africa in the prior year.

Operating profit by segment

	Year ended 30 September 2023					Change		
	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments £m**	**Organic £m**	Change Statutory %	Change Underlying %	Change Organic %
Operating profit by segment								
North America	**127**	**71**	**198**	**–**	**198**	9%	30%	36%
UK & Ireland	**59**	**55**	**114**	**1**	**115**	2%	6%	14%
Europe	**108**	**10**	**118**	**–**	**118**	(29%)	25%	26%
Africa & APAC	**21**	**5**	**26**	**–**	**26**	(49%)	(21%)	(21%)
Total operating profit	**315**	**141**	**456**	**1**	**457**	(14%)	18%	22%

	Year ended 30 September 2022						
	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	116	30	146	6	152	(6)	146
UK & Ireland	58	47	105	1	106	(5)	101
Europe	152	(61)	91	4	95	–	95
Africa & APAC	41	(6)	35	(2)	33	(1)	32
Total operating Profit	367	10	377	9	386	(12)	374

Reconciliation of underlying operating profit to statutory operating profit

	2023 £m	2022 £m
Underlying operating profit by reportable segment		
North America	**198**	152
Northern Europe	**114**	106
Europe	**118**	95
Total reportable segments	**430**	353
Africa & APAC	**26**	33
Underlying operating profit	**456**	386
Impact of movement in foreign currency exchange rates	**–**	(9)
Underlying operating profit (as reported)	**456**	377
Amortisation of acquired intangible assets	**(54)**	(42)
Adjustment to acquired deferred income	**–**	(2)
Other M&A activity-related items	**(49)**	(39)
Non-recurring items	**(38)**	73
Statutory operating profit	**315**	367

3. Adjustments between underlying profit and statutory profit

	2023 Recurring £m	**2023 Non-recurring £m**	**2023 Total £m**	2022 Recurring £m	2022 Non-recurring £m	2022 Total £m
M&A activity-related items						
Amortisation of acquired intangibles	**54**	**–**	**54**	42	–	42
Gain on disposal of subsidiaries	**–**	**–**	**–**	–	(53)	(53)
Adjustment to acquired deferred income	**–**	**–**	**–**	2	–	2
Other M&A activity-related items	**49**	**–**	**49**	39	–	39
Other items						
Property restructuring costs	**–**	**32**	**32**	–	–	–
Employee-related costs	**–**	**9**	**9**	–	–	–
Reversal of restructuring costs	**–**	**(3)**	**(3)**	–	(20)	(20)
Total adjustments made to operating profit	**103**	**38**	**141**	83	(73)	10
Foreign currency movements on intercompany balances	**1**	**–**	**1**	(1)	–	(1)
Total adjustments made to profit before income tax	**104**	**38**	**142**	82	(73)	9

Recurring items

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

The adjustment to acquired deferred income in the prior year represents the additional revenue that would have been recorded in the year had deferred income not been reduced as part of the purchase price allocation adjustment made for business combinations.

Other M&A activity-related items relate to advisory, legal, accounting, valuation, and other professional or consulting services which are related to M&A activity as well as acquisition-related remuneration and directly attributable integration costs. £18m (2022: £14m) of these costs have been paid in the year, while the remainder is expected to be paid in subsequent financial years.

Foreign currency movements on intercompany balances occur due to retranslation of unhedged intercompany balances other than those where settlement is not planned or likely in the foreseeable future and resulted in a loss of £1m (2022: gain £1m).

Non-recurring items

Net charges in respect of non-recurring items amounted to £38m (2022: net credit £73m).

Property restructuring costs relate to the reorganisation of a number of leased properties following a strategic review of the Group's property portfolio, as a result of which certain of the Group's properties were either exited or downsized as part of a consolidated plan. Costs of £32m consist of impairment of £22m of right-of-use assets and other related fixed assets that are no longer in use and therefore fully impaired, as well as a provision of £10m for directly attributable future running costs associated with the properties. The programme was completed in the current year, with no further costs expected to be incurred in the following year.

Employee-related costs of £9m (2022: £nil) relate to a charge for French payroll taxes relating to previous years.

The gain on disposal of subsidiaries in the prior year of £53m relates to the disposal of the Group's Swiss business (£49m) and the Group's payroll outsourcing business in South Africa (£4m).

Reversal of restructuring costs of £3m (2022: £20m) largely relates to unutilised provisions recognised in the year ended 30 September 2021 following the implementation of a business transformation plan. In the prior year, this largely resulted from fewer colleagues leaving the business as they were redeployed into other roles.

4. Income tax expense

The effective tax rate on statutory profit before tax was 25% (2022: 23%), whilst the effective tax rate on underlying profit before tax on continuing operations was 23% (2022: 24%).

The underlying effective tax rate is higher than the UK corporation tax rate applicable to the Group, primarily due to the geographic profile of the Group and the inclusion of local business taxes in the corporate tax expense. This net increase to the rate is offset by innovation tax credits for registered patents and software, and research and development activities which attract government tax incentives in a number of operating territories. The underlying effective tax rate was reduced in the year, principally due to the benefit of increased tax incentive claims in the US, UK, and France, which were partly offset by the impact of an increase in the UK corporate tax rate.

5. Dividends

	2023 £m	2022 £m
Final dividend paid for the year ended 30 September 2022 of 12.10p per share	**123**	–
(2022: final dividend paid for the year ended 30 September 2021 of 11.63p per share)	**–**	119
Interim dividend paid for the year ended 30 September 2023 of 6.55p per share	**67**	–
(2022: interim dividend paid for the year ended 30 September 2022 of 6.30p per share)	**–**	64
	190	183

In addition, the Directors are proposing a final dividend in respect of the financial year ended 30 September 2023 of 12.75p per share. The Company's distributable reserves are sufficient to support the payment of this dividend. If approved at the AGM, it will be paid on 9 February 2024 to shareholders who are on the register of members on 12 January 2024. 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 and held by the Employee Benefit Trust, which are treated as cancelled, until reissued.

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, which 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, where the vesting criteria are achieved at year-end.

	Underlying 2023	Underlying as reported* 2022	Underlying 2022	**Statutory 2023**	Statutory 2022
Earnings attributable to owners of the parent** (£m)					
Profit for the year	**329**	263	269	**211**	260
Number of shares (millions)					
Weighted average number of shares	**1,020**	1,020	1,020	**1,020**	1,020
Dilutive effects of shares	**16**	12	12	**16**	12
	1,036	1,032	1,032	**1,036**	1,032
Earnings per share attributable to owners of the parent** (pence)					
Basic earnings per share	**32.25**	25.74	26.39	**20.75**	25.47
Diluted earnings per share	**31.75**	25.44	26.08	**20.43**	25.17

Note:
* Underlying as reported is at 2022 reported exchange rates.
** All operations in the years relate to continuing operations.

Reconciliation of earnings – continuing operations	**2023 £m**	2022 £m
Underlying earnings attributable to owners of the parent	**329**	269
Impact of movement in foreign currency exchange rates, net of taxation	**–**	(6)
Underlying earnings attributable to owners of the parent (as reported)	**329**	263
Amortisation of acquired intangible assets	**(54)**	(42)
Other M&A activity-related items	**(49)**	(39)
Adjustment to acquired deferred income	**–**	(2)
Property restructuring costs	**(32)**	–
Employee-related costs	**(9)**	–
Reversal of restructuring costs	**3**	20
Gain on disposal of subsidiaries	**–**	53
Foreign currency movements on intercompany balances	**(1)**	1
Taxation on adjustments between underlying and statutory profit before tax	**24**	6
Net adjustments	**(118)**	(3)
Earnings: statutory profit for the year attributable to owners of the parent	**211**	260

7. Non-current assets

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2022 restated*	**2,391**	**320**	**152**	**2,863**
Additions	**–**	**17**	**20**	**37**
Acquisition of subsidiaries	**11**	**15**	**–**	**26**
Impairment	**–**	**–**	**(22)**	**(22)**
Depreciation, amortisation and other movements	**–**	**(69)**	**(40)**	**(109)**
Exchange movement	**(157)**	**(9)**	**(6)**	**(172)**
Closing net book amount at 30 September 2023	**2,245**	**274**	**104**	**2,623**

Note:
*Restated for the finalisation of the fair value of assets acquired and liabilities assumed in the acquisition of Lockstep (see note 11).

	Goodwill £m	Other intangible assets £m	Property, plant and equipment £m	Total £m
Opening net book amount at 1 October 2021	1,877	190	164	2,231
Additions	–	29	18	47
Acquisition of subsidiaries*	230	136	2	368
Depreciation, amortisation and other movements	–	(56)	(41)	(97)
Exchange movement	284	21	9	314
Closing net book amount at 30 September 2022 restated*	2,391	320	152	2,863

Note:
*Restated for the finalisation of the fair value of assets acquired and liabilities assumed in the acquisition of Lockstep (see note 11).

Goodwill is not subject to amortisation but is tested for impairment annually or upon any indication of impairment. At 30 September 2023, there were no indicators of impairment to goodwill.

Impairment of property, plant and equipment of £22m (FY22: £nil) relate to the property restructuring programme in the year, classified within non-recurring adjustments between underlying and statutory results (see note 3).

8. Equity

Ordinary shares and share premium

	Number of shares	Ordinary Shares £m	Share premium £m	Total £m
At 1 October 2022 and 30 September 2023	**1,100,789,295**	**12**	**548**	**560**
At 1 October 2021	1,120,789,295	12	548	560
Cancellation of treasury shares	(20,000,000)	–	–	–
At 30 September 2022	1,100,789,295	12	548	560

At 30 September 2023 the Group held 73,906,470 treasury shares (2022: 81,168,903). During the year, the Group satisfied the vesting of certain share awards utilising 7,262,433 treasury shares (2022: 6,396,278).

At 30 September 2023 the Employee Benefit Trust holds 4,419,478 ordinary shares in the Company (2022: 4,610,875). During the year, the Employee Benefit Trust satisfied the vesting of certain share awards utilising 258,505 ordinary shares (2022: nil).

Other Reserves

All components of other reserves are presented on a consolidated basis on the face of the consolidated statement of changes in equity.

	Translation reserve £m	Hedging Reserve £m	Merger Reserve £m	Total £m
At 1 October 2022	**206**	**–**	**61**	**267**
Exchange differences on translating foreign operations and net investment hedges	**(82)**	**–**	**–**	**(82)**
Cash flow hedges	**–**	**4**	**–**	**4**
At 30 September 2023	**124**	**4**	**61**	**189**

	Translation reserve £m	Merger Reserve £m	Total £m
At 1 October 2021	42	61	103
Exchange differences on translating foreign operations and net investment hedges	177	–	177
Exchange differences recycled through income statement on sale of foreign operations	(13)	–	(13)
At 30 September 2022	206	61	267

9. Cash flow and net debt

	2023 £m	2022 £m
Statutory operating profit	**315**	367
Recurring and non-recurring items	**141**	10
Underlying operating profit (as reported)	**456**	377
Depreciation, amortisation and other non-cash items	**51**	51
Share-based payments	**43**	36
Net changes in working capital	**–**	(40)
Net capital expenditure	**(22)**	(22)
Underlying cash flow from operating activities	**528**	402
Non-recurring items	**(11)**	(23)
Net interest paid	**(24)**	(21)
Income tax paid	**(85)**	(62)
Exchange movement	**(4)**	(1)
Free cash flow	**404**	295
Net debt at 1 October	**(733)**	(247)
Disposals of businesses	**–**	43
Acquisition of businesses	**(26)**	(315)
Acquisition and disposals related items	**(30)**	(22)
Proceeds from issuance of treasury shares	**11**	7
Dividends paid to owners of the parent	**(190)**	(183)
Share buyback programmes	**–**	(249)
Purchase of shares by Employee Benefit Trust	**(1)**	(32)
New leases less disposals	**(14)**	(6)
Exchange movement	**19**	(23)
Other	**(1)**	(1)
Net debt at 30 September	**(561)**	(733)

	2023 £m	2022 £m
Underlying cash flow from operations	**528**	402
Net capital expenditure	**22**	22
Recurring and non-recurring cash items	**(41)**	(55)
Other adjustments including foreign exchange translations	**(4)**	(1)
Statutory cash flow from operations	**505**	368

Analysis of change in net debt

	At 1 October 2021 £m	**At 1 October 2022 £m**	**Cash flow £m**	**Acquisition of subsidiaries £m**	**Non-cash movements £m**	**Exchange movement £m**	**At 30 September 2023 £m**
Cash and cash equivalents	553	**489**	**236**	**1**	**–**	**(30)**	**696**
Cash amounts included in held for sale	14	**–**	**–**	**–**	**–**	**–**	**–**
Cash and cash equivalents including cash as held for sale	567	**489**	**236**	**1**	**–**	**(30)**	**696**
Liabilities arising from financing activities							
Loans due within one year	(47)	**(161)**	**148**	**–**	**–**	**13**	**–**
Loans due after more than one year	(667)	**(966)**	**(235)**	**–**	**(1)**	**31**	**(1,171)**
Lease liabilities due within one year	(18)	**(17)**	**18**	**–**	**(16)**	**1**	**(14)**
Lease liabilities after more than one year	(82)	**(78)**	**–**	**–**	**2**	**4**	**(72)**
	(814)	**(1,222)**	**(69)**	**–**	**(15)**	**49**	**(1,257)**
Total	(247)	**(733)**	**167**	**1**	**(15)**	**19**	**(561)**

The Group's debt is sourced from sterling and euro denominated bond notes, with a syndicated Revolving Credit Facility (RCF) also available.

	Interest coupon*	**2023 £m**	2022 £m
Bonds			
• GBP 350m bond notes	1.63%	**350**	350
• GBP 400m bond notes	2.88%	**400**	400
• EUR 500m bond notes	3.82%	**433**	–
• Unamortised issue and discount costs	N/A	**(10)**	(9)
US private placement			
• USD 150m loan note	3.71%	**–**	135
• USD 50m loan note	3.86%	**–**	45
• EUR 30m loan note	2.07%	**–**	26
• USD 200m loan note	3.73%	**–**	180
Unamortised RCF loan costs	N/A	**(2)**	–
Total		**1,171**	1,127

Note: This does not include the impact of cross currency interest rate swaps entered into in relation to the GBP 350m bond notes and EUR 500m bond notes.

During the year, the Group issued euro denominated bond notes under its newly established Euro Medium Term Note (EMTN) programme, for a nominal amount of EUR 500m and an expiry date of February 2028. Cash proceeds from the issuance, net of transaction costs, were EUR 498m (£442m).

The Group's RCF was refinanced in December 2022, with facility levels of £630m, and maturity in December 2027, with an extension option for up to two further years subject to specific provisions. In November 2023, after the balance sheet date, a one-year extension was agreed, resulting in a new maturity in December 2028. An extension option for a further year remains available subject to specific provisions. At 30 September 2023, £nil of the RCF was drawn down (2022: £nil).

10. Financial instruments

The carrying amounts of the following financial assets and liabilities approximate to their fair values: trade and other payables excluding tax and social security, trade and other receivables excluding prepayments and accrued income, lease liabilities, and short-term bank deposits, and cash at bank and in hand.

The fair value of the sterling and euro denominated bond notes are 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 loan notes held in the prior year is determined by reference to interest rate movements on the USD private placement market and therefore can be considered as a level 2 fair value as defined within IFRS 13.

The fair value of the cross-currency interest rate swaps held by the Group is determined using a discounted cash flow valuation technique at market rates and therefore can be considered as a level 2 fair value as defined within IFRS 13.

The Group does not hold any financial liabilities whose fair value would be considered as a level 3 fair value as defined within IFRS 13.

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

	At 30 September 2023		At 30 September 2022	
	Book Value £m	**Fair Value £m**	Book Value £m	Fair Value £m
Long-term borrowings (excluding lease liabilities)	**(1,171)**	**(1,014)**	(966)	(753)
Short-term borrowing (excluding lease liabilities)	**–**	**–**	(161)	(158)

11. Acquisitions and disposals

Acquisitions made during the current year

Corecon

On 5 May 2023, the Group acquired 100% equity capital and voting rights of Corecon Technologies Inc ("Corecon"), a company based in the US, for total cash consideration of £13m. Corecon is a cloud native subscription-based software company used to streamline and manage project operations focused on the construction industry.

Summary of acquisition	**Total £m**
Acquisition-date fair value of consideration	13
Fair value of identifiable net assets	(12)
Deferred tax liability	2
Goodwill	**3**

Acquired intangible assets comprises technology, at a fair value of £10m, which will be amortised over a useful economic life of 8 years, in line with comparable previously acquired technology and Sage policy range of 3 to 8 years, and customer relationships at a fair value of £1m which will be amortised over a useful economic life of 5 years consistent with Sage policy.

A summary of the acquired intangible assets is set out below:

Acquired intangible assets	Valuation £m	Useful economic life (years)
Customer relationships	**1**	5
Technology	**10**	8
Acquired intangible assets	**11**	

Acquired goodwill of £3m comprises the fair value of the acquired control premium, workforce in place and the expected synergies. The goodwill has been allocated to the Group's geographic CGUs where the underlying benefit arising from the acquisition is expected to be realised. This is predominantly within North America. No goodwill is expected to be deductible for tax purposes. The results of the business are allocated to the North America operating segment in line with the underlying operations.

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

	Total £m
Cash consideration	(13)
Cash and cash equivalents acquired	1
Net cash outflow	**(12)**

Transaction costs of £3m relating to the acquisition have been included in selling and administrative expenses, classified as other M&A activity-related items within recurring adjustments between underlying and statutory results. These costs relate to advisory, legal and other professional services (see note 3).

Arrangements have been put in place for retention payments to remunerate employees of Corecon for future services. The amount recognised to date of £1m is included in selling and administrative expenses, in the consolidated income statement, classified as other M&A activity-related items. The total cost of these arrangements will be recognised in future periods over the retention period, contingent on employment.

The consolidated income statement includes revenue and loss after tax relating to Corecon for the period since the acquisition date, of which both are immaterial.

On an underlying and statutory basis, the impact on revenue and profit after tax would have been immaterial, if Corecon had been acquired at the start of the financial year and included in the Group's results for the year ended 30 September 2023.

Spherics

On 11 October 2022, the Group acquired 100% equity capital and voting rights of Spherics Technologies Limited ("Spherics"), a company based in the UK, for total cash consideration £11m. Spherics provides a carbon accounting software solution to help businesses easily understand and reduce their environmental impact.

Summary of acquisition	Total £m
Acquisition-date fair value of consideration	11
Fair value of identifiable net assets	(4)
Deferred tax liability	1
Goodwill	**8**

Acquired intangible assets comprises technology, at a fair value of £4m, which will be amortised over a useful economic life of 8 years.

Acquired goodwill of £8m comprises the fair value of the acquired control premium, workforce in place and the expected synergies. The goodwill has been allocated to the Group's UK & Ireland CGU where the underlying benefit arising from the acquisition is expected to be realised. No goodwill is expected to be deductible for tax purposes. The results of the business are allocated to the UK & Ireland operating segment in line with the underlying operations.

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

	Total £m
Cash consideration	(11)
Cash and cash equivalents acquired	–
Net cash outflow	**(11)**

Transaction costs of £1m relating to the acquisition have been included in selling and administrative expenses, classified as other M&A activity-related items within recurring adjustments between underlying and statutory results. These costs relate to advisory, legal and other professional services (see note 3).

Arrangements have been put in place for retention payments to remunerate employees of Spherics for future services. The amount recognised to date of £5m is included in selling and administrative expenses, in the consolidated income statement, as other M&A activity-related items. The total cost of these arrangements will be recognised in future periods over the retention period, contingent on employment.

The consolidated income statement reported by Spherics for the period since the acquisition date, includes an immaterial amount of revenue and loss after tax.

On an underlying and statutory basis, the impact on revenue and profit after tax would have been immaterial, if Spherics had been acquired at the start of the financial year and included in the Group's results for the year ended 30 September 2023.

Measurement adjustments to business combinations reported using provisional amounts – Lockstep

On 30 August 2022, the Group acquired 100% equity capital and voting rights of Lockstep Network Holdings Inc ("Lockstep") for total cash consideration of £80m, of which £3m was deferred and paid in the current year.

The acquired net assets as recognised in the financial statements at 30 September 2022 were based on a provisional assessment of their fair value while the Group undertook a valuation of the acquired intangible assets. During the year, the purchase price accounting has been approved and completed. The intangible assets identified and subsequently valued as at the date of acquisition include:

Acquired intangible assets	Valuation £m	Useful economic life (years)
Customer relationships	**3**	8
Technology	**23**	8
Acquired intangible assets	**26**	

The comparative information for the financial year 2022 has been restated to reflect the adjustment to the provisional amounts.

As a result of the recognition of intangible assets of £26m, and net deferred tax liability of £1m, there was a corresponding decrease of £25m to goodwill. The remaining balancing £54m goodwill comprises the fair value of the acquired control premium, workforce in place and the expected synergies. The goodwill has been allocated to the Group's North America CGU where the underlying benefit arising from the acquisition is expected to be realised. No goodwill is expected to be deductible for tax purposes. The results of the business are allocated to the North America operating segment in line with the underlying operations.

No other adjustments have been made to the provisional fair value of assets and liabilities reported at 30 September 2022, as set out below:

Fair value of identifiable net assets acquired	Previously reported provisional fair values £m	Measurement adjustments £m	Final fair values £m
Intangible assets	–	26	26
Deferred tax liability	–	(1)	(1)
Other identifiable net assts	1	–	1
Fair value of identifiable net assets acquired	**1**	**25**	**26**
Goodwill	79	(25)	54
Total consideration	**80**	**–**	**80**

The increased amortisation charge on the intangible assets from the acquisition date to 30 September 2022 was not material and therefore no adjustment has been made for this. No changes have been identified to the directly attributable acquisition related costs which were included during the financial year ended 30 September 2022 in relation to the acquisition.

Discontinued operations and assets and liabilities held for sale

There are no assets or liabilities held for sale at 30 September 2023 (30 September 2022: none).

The Group had no discontinued operations during the year (30 September 2022: none).

12. Related party transactions

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

Key management personnel compensation	2023 £m	2022 £m
Salaries and short-term employee benefits	**10**	10
Share-based payments	**7**	5
	17	15

The key management personnel figures given above include the Executive Leadership Team and the Non-executive Directors of the Group.

13. Events after the balance sheet date

On 21 November 2023, The Sage Group plc approved a share buyback programme of its ordinary shares of up to £350m, which is expected to commence on 22 November 2023 and end no later than 23 April 2024.

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.

Sage continually assesses its principal risks to ensure alignment to our strategy and consideration of where Sage is currently on its journey to transforming into 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 priorities. The management and mitigation actions described below reflect the principal risks and build on those actions previously reported in the Annual Report and Accounts 2022.

KEY

Scale Sage Intacct	Expand medium beyond financials	Build the small business engine	Scale the network	Learn and disrupt

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
Understanding Customer Needs	**Risk Trend: Stable Risk Environment**	
If Sage fails to anticipate, understand, and deliver against the capabilities and experiences of current and future customer needs, then customers will find alternative solution providers. **Strategic alignment:**	Understanding of how to attract new customers while retaining existing customers is essential to building sustainable growth. 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, use key drivers to identify opportunities, influence product and process roadmaps, decrease churn and support 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. • Proactive analysis of customer activity and churn data, to improve customer experience. • Customer Segmentation Framework and the customer market analysis by region to help inform product roadmaps. • Customer Advisory Boards, Customer Design Sessions and closed-loop feedback to constantly gather information on customer needs.
Execution of Product Strategy	**Risk Trend Improving Risk Environment**	
If we fail to offer the capabilities and experiences outlined in our product strategy, we will not meet the needs of our customers or commercial goals. **Strategic alignment:**	We need to execute rapidly, a prioritised product strategy that continues to simplify our product portfolio and focuses on our drive to create the Sage Network that will benefit our customers.	• A robust product organisation supported by a governance model to enable the way we build products. • Migration framework in key countries to support our customers as they move to the cloud. • Continued expansion of Sage Intacct outside of North America and for additional product verticals. • Several successful product launches in key regions (e.g. Sage Active in Europe). • Enhancing accessibility of Sage cloud products to WCAG 2.1 AA standard by the end of 2025. • A strong focus on accountants through a tailored Sage for Accountants proposition. • Launch of Sage Earth, a carbon accounting solution to help small and medium businesses easily understand and reduce their environmental impact.

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
Developing and Exploiting New Business Models	**Risk Trend: Stable Risk Environment**	
Sage is unable to develop, commercialise and scale new business models to diversify from traditional SaaS, especially consumption-based services and those which leverage data. **Strategic alignment:**	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 change and transform our people, processes and technology, and how we differentiate our products and increase customer efficiencies.	• A Business Unit solely focused on scaling the Sage Network. • Continued digitalisation and automation of Sage products through Sage Network and AI services. • Enhanced, consistent digital experience for all Sage Business Cloud users through the Sage Design System. • Strategic acquisition (e.g. Spherics) and collaboration with partners to complement and enable accelerated innovation. • A new Venture Studios Team asked to search for new business models that may align with the Sage vision.
Route to Market	**Risk Trend: Stable Risk Environment**	
If we fail to deliver a globally consistent blend of route to market channels in each market, Sage will miss the opportunity to efficiently deliver the right capabilities and experiences to our current and future customers. **Strategic alignment:**	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 telephone 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 we improve customer retention.	• Market data and intelligence supports decision-making regarding the best routes to market. • Specified 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. • A specific Onboarding Squad enhances user journeys to enable customer conversion. • Acceleration of new partnerships to support the Sage Network. • Centre of Excellence to support our indirect sales and third-party approach.
Customer Experience	**Risk Trend: Stable Risk Environment**	
If we fail to provide 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:**	We must maintain a sharp focus on the relationship we have with our customers, constantly offering the products, services, and experiences they need for success. If we do not, they are likely to find another provider who does. Conversely, if we meet or exceed their expectations, customers will stay with Sage, increasing their lifetime value, and becoming our greatest marketing advocates. While Sage is known for its high-quality customer support, this area requires constant, proactive focus. By helping customers 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 our customers to be successful and, in turn, improve financial performance.	• Customer-journey mapping to ensure appropriate strategy alignment and alignment to Target Operating Model. • Introduction of micromoments, which are customer experiences broken down into moments that matter most to our customers. We use micromoments to prioritise improvements. • '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 us to identify customer challenges rapidly, and respond in a timely manner to emerging trends. • Sage Membership offered to all customers, providing customers with access to curated resources, tools, and a connected community of business leaders.
Third Party Reliance	**Risk Trend: Stable Risk Environment**	
If we do not make our partners an integral and aligned part of Sage's go-to-market strategy,	Sage relies on third-party providers to support the delivery of our products to our customers through the provision of cloud-	• Centre of Excellence for our indirect sales and third- party partners. • Specified colleagues in place to support partners,

PRINCIPAL RISK	**RISK CONTEXT**	**MANAGEMENT AND MITIGATION**
we will fail to deliver the right capabilities and experiences to our customers. **Strategic alignment:**	native products. Sage also has an extensive network of sales partners critical to our success in the market, and suppliers it relies on. 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.	and to help manage the growth of targeted channels. • Managed growth of the API estate, including enhanced product development that enables access by third-party API developers and optimisation of API integrations to improve efficiency. • Enhanced third-party management framework, to support global alignment, execution and oversight of third-party activities. • A specialised Procurement function supporting the business with the selection of strategic third-party suppliers and negotiation of contracts and the implementation of a Sustainable Supply Chain Strategy.
People and Performance	**Risk Trend: Improving 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:**	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 right talent to navigate change, but will also need to provide an environment where colleagues can develop to meet these new expectations. By empowering colleagues and leaders to make decisions, be innovative, and be bold in meeting our commitments, Sage will be able to create an attractive working environment. By addressing what causes colleague voluntary attrition, and embracing the values of successful technology companies, Sage can increase colleague engagement and create an aligned high-performing team.	• Extensive focus on hiring channels to ensure we are attractive in the market through our enhanced employee value proposition and enhanced presence through social media such as Glassdoor, Comparably, Twitter, LinkedIn, and Facebook. • Reward mechanisms designed to incentivise and encourage the right behaviour, with a focus on ensuring fair and equitable pay in all markets. • A series of Learning Academies and talent programmes to support the development of internal talent including sponsorship programmes, new Director, graduate and apprentice programmes. • An improved OKR (Objectives and Key Results) framework to define measurable goals and track outcomes of colleague success. • Implementation of Talent Market Place solution to support identification of capabilities and gaps; talent pipelines; development and career pathways; mentoring. • Adoption of a Strategic Workforce Planning Framework across the business.
Culture	**Risk Trend: Stable Risk Environment**	
If we do not define, shape and proactively manage our culture in line with our brand values, we will risk disengaging colleagues, increasing attrition and affecting our ability to attract and retain diverse talent. **Strategic alignment:**	The development of a shared behavioural competency that encourages colleagues to always do the right thing, put customers at the heart of business, and improve innovation, is critical in Sage's success. Devolution of decision-making, and the acceptance of accountability for those 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 with 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 allowing for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success, and encourage the engagement that results in increased market share.	• Integration of Values and Behaviours into all colleague priorities including talent attraction, selection, and onboarding as well as OKRs. • All colleagues are encouraged to take up to 5 paid Sage Foundation days each year, to support charities and provide philanthropic support to the community. • A DEI strategy focused on building diverse teams, an equitable culture, and fostering inclusive leadership. This is supported by measurable plans and metrics to track progress, ensuring Sage meets its commitments, including no tolerance of discrimination, equal chances for everyone, an inclusive culture, removing barriers, and DEI education. • Refreshed Code of Conduct training for all colleagues (including Anti-Bribery and Corruption requirements) delivered as snippets, allowing Sage to signpost relevant training at colleagues' point of need. • Core eLearning modules rolled out across Sage, with regular refresher training. • Whistleblowing and incident-reporting mechanisms in place to allow issues to be formally reported and investigated.

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
Cyber Security and Data Privacy	**Risk Trend: Improving Risk Environment**	
If we fail to collect, process and store data responsibly, and ensure 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:**	Information is the life blood of a digital company – protecting the confidentiality, integrity and accessibility of this data is critical 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 improve business performance.	• Multi-year cyber security programmes in IT and products to ensure Sage is continuously improving, and reduce cyber risk 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 cyber security, information management and data protection, with a focus on the GDPR requirements. • A Cyber Security Risk Management Methodology is deployed to provide objective risk information on our assets and systems.
Data Strategy	**Risk Trend: Improving Risk Environment**	
If we fail to recognise the value of our data assets, create effective data foundations, and capitalise on their use, we will not be able to realise their full potential to secure strategically aligned outcomes. **Strategic alignment:**	Data is central to the Sage strategy to deliver sustainable growth by expanding the Sage 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.	• A strategy across customer, product, and enterprise data to support the delivery of customer value and solve customer problems, including the use of enhanced AI/ML capabilities. • A global data function to increase focus and alignment across the organization. • A defined set of Data and AI Ethics Principles to ensure we use customer data responsibly to achieve our strategy. • A new Data and AI Ethics Council, which includes members from the Executive Leadership Team and will govern activities relating to Data and AI Ethics. • Plan to increase participation in the Sage Network, which will contribute to more data to support the delivery of real customer value and solve real customer problems. • Governance policies, processes and tooling to enhance and manage the quality and trust in our data. • The implementation of data architecture and associated data models that facilitate data sharing and utilisation. • A data asset register, and associated use case catalogue, to enable effective prioritisation and value creation.
Readiness to Scale	**Risk Trend: Stable Risk Environment**	
As Sage's ambition grows, if it fails to ensure its cloud products can build and operate at an industrial, global scale it will erode its competitive advantage. The hosting of products must achieve economies of scale, aligned to ambition, in parallel with the ability to accelerate to market with quality. Both must be achieved with reduced environmental impact and no customer impact.	As Sage continues to build sustainable growth, we continue to focus on scaling our current and future platform-services environment in a rigorous, agile, and speedy manner to ensure we provide a consistent and healthy cloud platform and associated network. Sage must provide the right infrastructure and operations for all customer products, a hosting platform together with the governance to ensure optimal service availability, performance, security protection, and restoration (if required).	• Migrating of products to public cloud offerings to improve scalability, resilience, and security. • Accountability across product owners, underpinned by ongoing risk assessments and continuous improvement projects. • Migration of products to public cloud offerings to improve scalability, resilience and security. • Accountability across product owners, underpinned by ongoing risk assessments and continuous improvement projects. • Formal onboarding process through ongoing portfolio management • Incident and problem management change processes adhered to for all products and services. • Service-level objectives including uptime,

PRINCIPAL RISK	RISK CONTEXT	MANAGEMENT AND MITIGATION
If not addressed, Sage's cloud products would be less resilient and less able to respond to its customer expectations. **Strategic alignment:**		responsiveness, and mean time to repair. • Defined real-time demand-management processes and controls, and also disaster-recovery capability and operational-resilience models. • A governance framework to optimise operational cost base in line with key metrics. • All new acquisitions are required to adopt Sage cloud operation standards.
Environmental, Social and Governance	**Risk Trend: Improving Risk Environment**	
If Sage fails to fully, and continually, respond to the range of opportunities and risks associated with ESG it will erode its competitive advantage, its reputation, and potentially be denied its licences to operate. Sage would also be less resilient and able to respond to its internal and external expectations and damage stakeholder trust. Sage may also incur higher cost of capital and lose credibility unless it can demonstrate strong ESG credentials to the market. **Strategic alignment:**	We invest in education, technology, and the environment to give individuals, SMBs, and our planet the opportunity to thrive. Internally, it is essential that Sage understands the potential impact of climate change to its strategy and operations and considers appropriate mitigations. Societal and Governance-related issues are integral to Sage's purpose and values and to the achievement of Sage's strategy. You can read more about the work we are doing on ESG in the Sustainability and Society Report.	• Sage's Sustainability and Society strategy, informed by a rigorous materiality assessment, focusing on 3 pillars: Protect the Planet, Tech for Good, Human by Design. • Ensuring adequate executive oversight through the Sustainability and Society Committee. • Enabling accountability through integration on ESG measures within long-term incentive plans. • A strict portfolio governance approach to working cross-functionally to meet sustainability commitments. • An integrated framework for the management of ESG-related risk and, in particular, physical and transitional climate risks, as detailed by TCFD