Strong momentum driven by good first half performance

- Organic recurring revenue growth of 4.4%
- Organic operating margin of 20.2%, in line with expectations
- Strategic investment to accelerate growth progressing in line with plan
- Sustained strong cash generation, with underlying cash conversion of 133%
- ARR growth of 4.2%, underpinned by cloud native ARR growth of 36%

Alternative Performance Measures (APMs)[1]	H1 21	H1 20[2]	Change
Organic Financial APMs			
Organic Total Revenue	£890m	£877m	+1%
Organic Recurring Revenue	£811m	£777m	+4%
Organic Operating Profit	£180m	£204m	-12%
% Organic Operating Profit Margin	*20.2%*	*23.2%*	*-3.0 ppts*
Underlying Financial APMs			
EBITDA	£232m	£254m	-9%
Underlying Operating Profit	£191m	£216m	-11%
% Underlying Operating Profit Margin	*20.4%*	*22.5%*	*-2.1 ppts*
Underlying Basic EPS	12.14p	13.57p	-11%
Underlying Cash Conversion	133%	127%	+6 ppts
KPIs			
Annualised Recurring Revenue (ARR)	£1,595m	£1,530m	+4%
Renewal Rate by Value	97%	101%	-4 ppts
% Subscription Penetration	68%	63%	+5 ppts
% Sage Business Cloud Penetration	65%	59%	+6 ppts
Statutory Measures	**H1 21**	**H1 20**	**% Change**
Revenue	£937m	£975m	-4%
Operating Profit	£203m	£289m	-30%
% Operating Profit Margin	*21.7%*	*29.7%*	*-8.0 ppts*
Basic EPS (p)	13.29p	20.56p	-35%
Dividend Per Share (p)	6.05p	5.93p	+2%

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

Commenting on the results, CEO Steve Hare said:

"Sage performed strongly in the first half against tough comparators, with continued recurring revenue growth and increasing levels of new customer acquisition, principally in cloud native solutions. Our deep sense of purpose and experience of supporting small and medium-sized businesses through change has equipped us well to play a vital role throughout the pandemic, and I am proud of the way our colleagues around the world have shown dedication to our customers and partners. We believe that small and medium-sized businesses will lead the recovery, and I am confident that our strategic investment in Sage Business Cloud will continue to accelerate growth, as customers become stronger and more digitally-enabled."

Financial highlights

- Organic recurring revenue increased by 4.4% to £811m, underpinned by software subscription revenue growth of 11% to £608m. This was offset by a 21% decrease in other revenue (SSRS and processing) to £79m. Total organic revenue grew by 1.4% to £890m.
- Growth in recurring revenue reflects Sage's focus on acquiring new customers and migrating existing customers to Sage Business Cloud, supported by strong customer retention.

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

[2] Organic revenue and operating profit for H1 20 have been restated to aid comparability with H1 21. The definition of organic measures can be found in Appendix 1 with a full reconciliation of organic, underlying and statutory measures on page 8. Unless otherwise specified, all references to revenue, profit and margins are on an organic basis.

- Decrease in other revenue (SSRS and processing) is in line with our strategy to transition away from licence sales and low margin professional services implementations.
- Organic operating profit of £180m represents a margin of 20.2% (H1 20: 23.2%). This reflects our planned additional strategic investment to accelerate growth across Sage Business Cloud with a focus on cloud native solutions, as outlined in our full year results announcement on 20 November.
- Statutory operating profit reduced to £203m (H1 20: £289m), principally reflecting a lower net gain on disposal of subsidiaries of £41m (H1 20: £141m, mainly from the disposal of Sage Pay in March 2020).
- Strong underlying cash conversion of 133% (H1 20: 127%) reflects continued growth in subscription revenue and sustained improvements in working capital, including strength in receivables collection.
- Resilient balance sheet, with c. £1.4bn of cash and available liquidity (comprising £718m of cash and cash equivalents, and £656m of undrawn facilities), and net debt to EBITDA of 0.2x.
- Interim dividend up 2% to 6.05p, in line with our policy of maintaining the dividend in real terms.

Strategic and operational highlights

- Annualised recurring revenue (ARR) up 4.2% to £1,595m, driven by £110m of ARR added through new customer acquisition and reactivations, with growth accelerating during the period.
- Renewal by value of 97% (H1 20: 101%) is in line with the second half of last year, reflecting our focus on customer retention, with churn remaining stable and in line with pre-Covid levels.
- Cloud native ARR increased by 36% to £286m, underpinned by growth from new customers and supported by migrations from cloud connected and desktop products.
- Building momentum with Sage Accounting, particularly in the UK where our focus on growth supported by investment in marketing has accelerated new customer acquisition.
- Good progress in growing solutions for medium-sized businesses in North America, led by Sage Intacct.
- Expanded the Sage ecosystem with new partnerships including Tide, BrightPearl and CountingUp.
- Completed the disposal of Sage's Polish business and announced agreements for the disposal of Sage's businesses in Switzerland, Australia and Asia, to increase the focus on core geographies.

Outlook

Following a strong performance in the first half, we now expect organic recurring revenue growth for FY21 to be towards the top end of our guidance range of 3% to 5%. We also expect other revenue (SSRS and processing) to continue to decline, in line with our strategy. As previously communicated, organic operating margin is expected to be up to three percentage points below FY20, reflecting the additional strategic investment we are making in the business.

Looking beyond FY21, we expect margins to trend upwards over time, as this additional investment drives recurring revenue growth and operating efficiencies.

About Sage

Sage is the global market leader for technology that provides small and medium businesses with the visibility, flexibility and efficiency to manage finances, operations and people. With our partners, Sage is trusted by millions of customers worldwide to deliver the best cloud technology and support. Our years of experience mean that our colleagues and partners understand how to support our customers and communities through the good, and more challenging times. We're here to help, with practical advice, solutions, expertise and insight.

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A presentation for investors and analysts will be held at 8.30am UK time. The webcast can be accessed via www.sage.com/investors. Participants may also dial in by calling +44 (0) 20 7192 8338, using pin code 2174815. A replay of the call will also be available for one week after the event on +44 (0) 333 300 9785 using pin code 2174815.

Business Review

Sage performed well during the first half, against the backdrop of the continuing pandemic. We remained resolutely focused on executing the strategic priorities we set out at our FY20 results – including accelerating growth with a focus on cloud native solutions, increasing our strategic investment in sales, marketing and innovation across Sage Business Cloud, and continuing to embed SaaS capabilities and culture throughout the organisation.

The events of the last year have highlighted the importance of our purpose – to transform the way people think and work so their organisations can thrive. Our purpose and our values, the most important of which is to "do the right thing", have guided our actions throughout the pandemic, and we are proud of the steps we've taken to help customers, colleagues and partners adapt to the challenges of Covid.

Increasingly, small and medium-sized businesses are investing in technology that makes them more productive, more resilient and better able to compete in the digital economy. Our strong strategic progress leaves Sage well-positioned for growth as we support customers in their adoption of digital solutions.

Overview of results

In H1 21 the Group achieved organic recurring revenue growth of 4.4% to £811m, and organic total revenue growth of 1% to £890m. The increase in recurring revenue, underpinned by an 11% rise in software subscription revenue to £608m, was driven by growth from new and existing customers, principally in North America, Northern Europe and France.

As a result of our continued focus on growing software subscription revenues, subscription penetration increased to 68%, up 5 percentage points versus H1 20 and up 3 percentage points versus FY20.

Other revenue (SSRS and processing) decreased by 21%, in line with our strategy to transition to subscription revenue and away from licence sales and professional services implementations.

Portfolio View of Revenue

Revenue by Portfolio[3]	**Recurring**			**Total**		
	H1 21	**H1 20**	***Growth***	**H1 21**	**H1 20**	***Growth***
	£m	**£m**	***%***	**£m**	**£m**	***%***
Cloud native[4]	£130m	£100m	*+30%*	£138m	£106m	*+29%*
Cloud connected[5]	£345m	£304m	*+14%*	£352m	£312m	*+13%*
Sage Business Cloud	**£475m**	**£404m**	***+18%***	**£490m**	**£418m**	***+17%***
Products with potential to migrate	£254m	£284m	*-11%*	£300m	£348m	*-14%*
Future Sage Business Cloud Opportunity[6]	**£729m**	**£688m**	***+6%***	**£790m**	**£766m**	***+3%***
Non-Sage Business Cloud[7]	£82m	£89m	*-8%*	£100m	£111m	*-11%*
Organic Total Revenue	**£811m**	**£777m**	***+4%***	**£890m**	**£877m**	***+1%***
Sage Business Cloud Penetration	***65%***	***59%***				

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

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

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

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

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

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

Sage Business Cloud recurring revenue grew by 18% in H1 21, reflecting strength in new customer acquisition together with continued progress in migrations. The focus on driving revenue to cloud solutions has resulted in Sage Business Cloud penetration increasing to 65%, up 6 percentage points versus H1 20 and up 4 percentage points versus FY20.

Recurring revenue from cloud native solutions grew by 30% in H1 21 to £130m, driven by Sage Intacct together with Sage's other cloud native solutions including Sage People and Sage Accounting, primarily through new customer acquisition. Cloud native growth has also been driven by migrations principally to Sage HR, our HR management software for small customers, and to Sage Partner Cloud (formerly SEOS), our managed cloud solution for medium-sized customers.

The increase in cloud connected recurring revenue of 14% to £345m reflects growth in both the Sage 50 and Sage 200 franchises. This has been driven by the migration of existing customers, predominantly in Continental Europe, as well as further growth from new customers acquired in the period.

The decline in products with potential to migrate of 11% to £254m reflects the migrations of customers to both cloud connected and cloud native solutions. Overall, the Future Sage Business Cloud Opportunity, which represents products in, or with a clear pathway to, Sage Business Cloud, continued to perform well, with recurring revenue growth of 6%.

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

ARR growth

Sage's ARR grew by 4.2% to £1,595m (H1 20: £1,530m). Encouragingly, growth strengthened during the period, with sequential ARR growth in the second quarter back to pre-Covid levels.

Sage's ARR growth was underpinned by particularly strong cloud native ARR growth of 36% to £286m (H1 20: £210m). This was driven by a good performance across our cloud native portfolio, including strong new customer acquisition for Sage Intacct and Sage Accounting, together with migrations principally to Sage HR and to Sage Partner Cloud.

Across the Group, renewal rates have been robust, with churn remaining at pre-Covid levels. Renewal rate by value of 97% is in line with the second half of last year and reflects Sage's focus on customer retention rather than on cross-sell and upsell during the pandemic.

In total, Sage has added £110m of ARR through new customer acquisition and reactivations in the last 12 months, driven by an improved customer proposition and supported by increased sales and marketing spend.

Progress in strategic execution

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

Growing in our target markets

Our strategy to accelerate cloud native solutions is focused initially on our largest markets of Northern Europe and North America, which together account for almost two thirds of Sage's recurring revenue.

In Northern Europe, we have enhanced the customer experience for small businesses and invested in sales and marketing to drive the efficient acquisition and retention of new customers. As a result, new customer additions for Sage Accounting through sage.com have doubled in the first half compared to the same period last year. At the same time, our focus on customer satisfaction has resulted in Sage Accounting's Net Promoter Score improving by 24 points.

In North America, our focus has been on growing our cloud native solutions for medium-sized customers, through product enhancements, sales and marketing investment, and broader distribution. As a result, we've added over 700 new Sage Intacct customers in the US during first half, an increase of more than 50% compared to the first half of FY20. Migrations to Sage Intacct from Sage 200 and Sage 50 products have also accelerated. To drive further growth, we are investing to enable Sage Intacct to address additional industry verticals more effectively, including manufacturing and distribution.

We are also focused on growth across the rest of the Group, and recently appointed Stanimira Koleva to lead the new International region, which now includes our businesses in Central and Southern Europe, as well as in Africa and Asia Pacific. Stanimira joins with nearly 30 years of international commercial experience in the technology sector, including at HERE Technologies, Microsoft and Cisco Systems.

Investing in sales and marketing

Our sales and marketing investment is driving new customer acquisition directly through enhanced sales capacity and capability and increased digital marketing spend, as well as helping to promote and build the Sage brand. This is key to driving deeper and broader customer engagement and encouraging new audiences to consider Sage solutions.

Our flagship “Boss It” marketing campaign has spurred demand for our small business solutions in the UK, particularly Sage Accounting, resulting in record website visitors and a significant increase in online conversion. Boss It also featured as the first ever B2B campaign targeting small businesses on TikTok, resulting in over a million video responses which between them have generated almost 7 billion views, and taking the Sage proposition to a new audience. Local versions of the Boss It campaign have now been launched in all our major markets, to increase demand for Sage Business Cloud solutions and drive growth.

Investing in innovation

Our investment in product development (R&D) is focused on recruiting resource to accelerate the development of the Sage Business Cloud digital environment, enrich our cloud solutions, and enhance our AI capabilities.

Sage Business Cloud provides customers with a digital environment of applications and services that makes it easy for them to connect, collaborate and do business. By enhancing the services available through Sage Business Cloud, we are making the environment more compelling to customers, increasing the number of users and growing the value of the network.

Our innovation programme continued at pace in the first half of FY21:

- We’ve enhanced our cloud banking service to provide automated bank reconciliations. Now with over 11,000 banks connected, take up of this service has increased by more than 50% in the last six months.
- We’ve invested in the Service Fabric to create a more scalable and configurable microservices architecture that allows for easier deployment of cloud new services and integrations with third party software.
- We’re enhancing our cloud native products, accelerating time-to-value for Sage Intacct and a creating a renewed experience for accountants using Sage Accounting.
- We’ve substantially increased our team of data scientists and AI engineers, provided upskilling opportunities for colleagues across Sage, and significantly expanded our machine-learning infrastructure.
- We’ve invested in complementary businesses including BrightPearl, an eCommerce solutions provider, and CountingUp, a mobile-based banking and accounting startup.
- In addition, our partnership with Tide will allow us to offer accounting and compliance as a service to small business owners and entrepreneurs.

Embedding SaaS capabilities and culture

Management is committed to further embedding SaaS capabilities, based on a customer-centric, innovative and high-performing culture. Our focus is on enhancing the skills needed to accelerate growth, through both recruitment and upskilling in key areas, including innovation, artificial intelligence and digital marketing.

During the first half, we launched initiatives across the organisation to deepen colleagues’ understanding of customers and their experiences with Sage. Our Customer Connect programme enables colleagues in all regions to read about, listen to and engage directly with our customers and partners, with feedback and learnings used to drive the future development of our services and solutions.

Supporting colleagues while working remotely has been a key priority, through regular communications and networking initiatives. In addition, all colleagues have been given wellbeing days over and above their normal holiday allowance in order to provide a further opportunity to recharge. Looking ahead, as our offices reopen we are taking a flexible approach to the future of work, and intend to adopt a hybrid model, co-designed by colleagues, that will leverage our offices as hubs where people can connect and collaborate.

Sage's credentials as a highly attractive employer continue to be recognised worldwide. In January Sage was recognised as one of Glass Door's "Best Places to Work" in the UK, US, Canada and France, based on colleague reviews, while in December Sage won an employer of choice award in Comparably's "Top 50 Best Companies for Culture" in the US. Our Glass Door score remains stable and in line with our target at 4.3.

Sage's social purpose

Sage plays a long-established role in addressing the challenges faced by our communities, society and the environment. Five years ago, we set up the Sage Foundation to provide opportunities for colleagues and partners to dedicate time and resources to improving the lives of others. So far in FY21, colleagues and partners have contributed more than 10,000 volunteering days, supporting their local communities and environmental causes.

Through Sage Belong, our Diversity, Equity and Inclusion strategy, we are making diversity in its widest sense a greater focus for all colleagues, through awareness, training and transparency. These internal programmes will be complemented by investment to help address inequalities and nurture entrepreneurialism in our communities, for example by supporting programmes that aim to build digital and business skills in under-represented groups.

Our social purpose includes a clear commitment to address the climate crisis. Following a review of our carbon emissions across the entire value chain, Sage intends to commit to science-based targets for emissions reduction together with a full roadmap to Net Zero. Sage has an AA rating in ESG from MSCI, and a low ESG risk rating from Sustainalytics.

Simplifying the business

The non-core business disposals we announced at our FY20 results are progressing well. We have completed the sale of Sage's Polish business, as previously announced. We have also announced separate agreements for the disposal of Sage's business in Switzerland and its business in Australia and Asia (excluding global products). Our South African payroll outsourcing business remained held for sale as at 31 March 2021. These disposals result in a simplified Group structure, with management and capital resources focused on fewer, larger geographies.

Financial Review

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

Change to segmental reporting presentation

Consistent with our focus on simplifying the business, the International segment now includes Central and Southern Europe, in addition to the Africa and Asia-Pacific (APAC) region. In Sage's statutory reporting, these businesses will remain separately reported[9].

Organic Financial Results

In H1 21 Sage achieved organic recurring revenue growth of 4% to £811m and organic total revenue growth of 1% to £890m. The increase in recurring revenue, underpinned by an 11% rise in software subscription revenue to £608m, was driven by growth from new and existing customers, principally in North America, Northern Europe and France.

Other revenue (SSRS and processing) declined by 21% to £79m, in line with our strategy to transition to subscription revenue and away from licence sales and professional services implementations.

The Group's organic operating profit decreased by 12% to £180m, representing an organic operating margin of 20.2% (H1 20: 23.2%). This reflects the Group's additional strategic investment in sales and marketing and product development (R&D) to drive growth in Sage Business Cloud, primarily in cloud native.

The Group achieved underlying basic EPS of 12.14p, strong underlying cash conversion of 133% and free cash flow of £190m. Underlying cash conversion of 133% reflects growth in subscription revenue and sustained improvements in working capital, with continued strength in receivables collection.

Statutory and Underlying Financial Results

Financial Results	Statutory			Underlying[8]		
	H1 21	H1 20	Change	H1 21	H1 20	Change
North America	£340m	£343m	-1%	£340m	£328m	+4%
Northern Europe	£200m	£215m	-7%	£200m	£215m	-7%
International[9]	£397m	£417m	-5%	£397m	£417m	-5%
Group Total Revenue	**£937m**	**£975m**	**-4%**	**£937m**	**£960m**	**-2%**
Operating Profit	£203m	£289m	-30%	£191m	£216m	-11%
% Operating Profit Margin	*21.7%*	*29.7%*	*-8.0 ppts*	*20.4%*	*22.5%*	*-2.1 ppts*
Profit Before Tax	£190m	£275m	-31%	£178m	£203m	-12%
Net Profit	£146m	£224m	-35%	£133m	£148m	-10%
Basic EPS	13.29p	20.56p	-35%	12.14p	13.57p	-11%

The Group achieved statutory total revenue of £937m, a 4% decrease on the prior year, reflecting the disposals of Sage Pay and Sage's Brazilian business in FY20, together with foreign exchange headwinds, principally in North America. Underlying total revenue, which normalises the comparative period for foreign currency movements, decreased by 2%.

Statutory operating profit decreased by 30% to £203m, reflecting a reduction in the non-recurring gain on disposal of subsidiaries from £141m to £41m together with the additional strategic investment made in FY21, partly offset by a reduction in other recurring and non-recurring costs. Underlying operating profit, which excludes recurring and non-recurring items, decreased by 11% to £191m.

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

[9] For reporting under IFRS 8, we continue to report Central and Southern Europe as "International – Central and Southern Europe" and the former International segment as "International – Africa and APAC". See page 25 for further information on Sage's reportable segments.

Statutory basic EPS decreased by 35% to 13.29p, principally reflecting the reduction in non-recurring disposal gains. Underlying basic EPS declined by 11% to 12.14p.

Underlying & Organic Reconciliations to Statutory

	H1 21			H1 20		
	Revenue	**Operating Profit**	**Operating Margin %**	**Revenue**	**Operating Profit**	**Operating Margin %**
Statutory	**£937m**	**£203m**	**21.7%**	**£975m**	**£289m**	**29.7%**
Recurring items[10]	-	£25m	-	-	£21m	-
Non-recurring items:						
- *Net gain on disposal of subsidiaries*	-	(£41m)	-	-	(£141m)	-
- *Asia goodwill impairment*	-	-	-	-	£19m	-
- *Property restructuring costs*	-	-	-	-	£6m	-
- *Reversal of restructuring costs*	-	(£5m)	-	-	-	-
- *Office relocation*	-	£9m	-	-	£24m	-
Impact of FX[11]	-	-	-	(£15m)	(£2m)	-
Underlying	**£937m**	**£191m**	**20.4%**	**£960m**	**£216m**	**22.5%**
Disposals	(£9m)	(£4m)	-	(£45m)	(£8m)	-
Held for sale	(£38m)	(£7m)	-	(£38m)	(£4m)	-
Organic	**£890m**	**£180m**	**20.2%**	**£877m**	**£204m**	**23.2%**

Revenue

The Group achieved statutory and underlying revenue of £937m in H1 21. Underlying revenue in H1 20 of £960m reflects statutory revenue of £975m retranslated at current year exchange rates, resulting in an FX adjustment of £15m.

Organic revenue of £890m (H1 20: £877m) reflects underlying revenue adjusted for £9m of revenue from the Polish business, which was sold during the period, and £38m (H1 20: £38m) from assets held for sale at the end of the period, including Sage's businesses in Switzerland, Australia and Asia, and Sage's South African payroll outsourcing business. In H1 20, revenue from disposals includes £11m of revenue from the Polish business and £34m from Sage Pay and Sage's Brazilian business.

Operating profit

The Group achieved a statutory operating profit in H1 21 of £203m (H1 20: £289m). Underlying operating profit of £191m (H1 20: £216m) reflects statutory operating profit adjusted for recurring and non-recurring items. Recurring items of £25m (H1 20: £21m) comprise £16m amortisation of acquisition-related intangibles (H1 20: £15m) and £9m of M&A related charges (H1 20: £6m).

Non-recurring items include a £41m net gain on disposal of subsidiaries from the sale of the Polish business (H1 20: £141m gain from the disposal of Sage Pay), and a £5m reversal of professional services restructuring costs that had previously been provided for. These gains are partly offset by non-cash accelerated depreciation relating to the relocation of our North Park office in Newcastle of £9m (H1 20: £24m).

Organic operating profit of £180m (H1 20: £204m) reflects underlying operating profit adjusted for £4m of operating profit from the Polish business (H1 20: £3m) and £7m of operating profit from assets held for sale at the end of the period (H1 20: £4m). In H1 20, operating profit from disposals included a further £5m from Sage Pay and Sage's Brazilian business.

[10] Recurring and non-recurring items are detailed in the paragraph below and in note 3 of the financial statements.
[11] Impact of retranslating H1 20 results at H1 21 average rates.

Organic Revenue Overview

Organic Revenue Mix	H1 21		H1 20		% Change
	£m	% of Total	£m	% of Total	
Software Subscription Revenue	£608m	68%	£550m	63%	+11%
Other Recurring Revenue	£203m	23%	£227m	26%	-10%
Organic Recurring Revenue	**£811m**	**91%**	**£777m**	**89%**	**+4%**
Other Revenue	£79m	9%	£100m	11%	-21%
Organic Total Revenue	**£890m**	**100%**	**£877m**	**100%**	**+1%**

Organic total revenue increased by 1% in H1 21 to £890m. Organic recurring revenue grew by 4% to £811m, underpinned by an 11% increase in software subscription revenue to £608m, reflecting the continued focus on attracting new customers and migrating existing customers to subscription and Sage Business Cloud. The decline in other recurring revenue of 10% to £203m reflects the customers migrating to subscription contracts. Other revenue (SSRS and processing) declined by 21% to £79m, in line with our strategy to transition to subscription revenue and away from licence sales and professional services implementations.

In the portfolio view of revenue, the Future Sage Business Cloud Opportunity delivered recurring revenue growth of 6% to £729m and total revenue growth of 3% to £790m, driven by sales to new and existing customers. In the Non-Sage Business Cloud portfolio, recurring revenue decreased by 8% to £82m, and total revenue decreased by 11% to £100m.

North America

Organic Revenue by Category	H1 21	H1 20	% Change
Organic Total Revenue	£340m	£328m	+4%
Organic Recurring Revenue	£316m	£297m	+6%
% Subscription Penetration	65%	59%	+6 ppts
% Sage Business Cloud Penetration	73%	70%	+3 ppts
Organic Recurring Revenue	**H1 21**	**H1 20**	**% Change**
US (excluding Sage Intacct)	£190m	£186m	+2%
Canada	£48m	£46m	+6%
Sage Intacct	£78m	£65m	+19%

North America achieved recurring revenue growth of 6% to £316m and total revenue growth of 4% to £340m. Subscription penetration is now 65%, up from 59% in the prior year, and Sage Business Cloud penetration is 73%, up from 70% in the prior year, driven by growth in cloud native and cloud connected solutions.

Cloud native growth was driven through Sage Intacct, which delivered recurring revenue growth of 19% to £78m reflecting continued strong progress particularly in new customer acquisition.

Excluding Sage Intacct, the US increased recurring revenue by 2% to £190m, with continued growth in small and medium cloud connected products, driven by existing and new customers in both the Sage 50 and Sage 200 franchises. Total revenue for the US (excluding Sage Intacct) decreased by 1% to £208m, reflecting a reduction in non-recurring revenue.

In Canada, recurring revenue increased by 6% to £48m and total revenue by 5% to £51m, driven by growth in Sage 50 cloud and Sage 200 cloud solutions.

Northern Europe

Organic Revenue by Category	H1 21	H1 20	% Change
Organic Total Revenue	£200m	£198m	+1%
Organic Recurring Revenue	£192m	£187m	+3%
% Subscription Penetration	88%	84%	+4 ppts
% Sage Business Cloud Penetration	85%	80%	+5 ppts

Northern Europe (UK & Ireland) achieved recurring revenue growth of 3% to £192m and total revenue growth of 1% to £200m. Subscription penetration is now 88%, up from 84% in the prior year, and Sage Business Cloud penetration is 85%, up from 80% in the prior year.

Recurring revenue growth reflects continued success in Sage 50 cloud connected together with accelerating growth in cloud native solutions.

Cloud native revenue growth in Northern Europe was driven by growth in Sage Accounting, Sage People and AutoEntry, together with strength in migrations particularly to Sage HR. Sage Intacct continues to grow rapidly in the UK, building a good momentum in new contract wins.

International[12]

Organic Revenue by Category	H1 21	H1 20	% Change
Organic Total Revenue	£350m	£351m	-
Organic Recurring Revenue	£303m	£293m	+4%
% Subscription Penetration	60%	54%	+6 ppts
% Sage Business Cloud Penetration	43%	32%	+11 ppts
Organic Recurring Revenue	**H1 21**	**H1 20**	**% Change**
Central and Southern Europe	£243m	£237m	+3%
France	£131m	£124m	+5%
Central Europe	£51m	£49m	+5%
Iberia	£61m	£64m	-4%
Africa & APAC	£60m	£56m	+8%

International achieved recurring revenue growth of 4% to £303m while total revenue was broadly flat compared with the prior year. Subscription penetration is now 60%, up from 54% in the prior year and Sage Business Cloud penetration is 43%, up from 32% in the prior year.

France achieved recurring revenue growth of 5% to £131m, with particular strength in cloud connected products, and growth in cloud native solutions. Total revenue in France increased by 4% to £145m.

Central Europe achieved recurring revenue growth of 5% to £51m while total revenue increased by 3% to £67m. Growth in the region is driven by a combination of cloud connected and local products.

In Iberia, while subscription revenue increased by 17%, overall recurring revenue decreased by 4% to £61m, reflecting a reduction in maintenance and support revenues, as non-subscription customers opted not to renew their maintenance and support contracts during the pandemic. Total revenue decreased by 9% to £71m.

Africa & APAC delivered strong recurring revenue growth of 8% to £60m, driven by a good performance in local products and cloud native solutions, particularly Sage Accounting in Africa, and Sage Intacct and Sage People in Australia. Total revenue in Africa & APAC decreased 3% to £66m.

[12] International now includes Central & Southern Europe, in addition to the Africa and Asia-Pacific (APAC) region. See page 7 for further details.

Operating Profit

The Group achieved organic operating profit of £180m (H1 20: £204m), representing a margin of 20.2% (H1 20: 23.2%). This margin reflects additional strategic investment in sales and marketing and product development (R&D) to drive growth.

Underlying operating profit was £191m (H1 20: £216m), representing a margin of 20.4% (H1 20: 22.5%). The difference between organic and underlying operating profit reflects the operating profit from assets sold during the period (Sage's Polish business in H1 21, and Sage Pay and the Brazilian business in H1 20) and assets held for sale (Sage's businesses in Switzerland, Australia and Asia, and Sage's South African payroll outsourcing business).

EBITDA was £232m (H1 20: £254m) representing an EBITDA margin of 24.8%. The reduction in EBITDA reflects the additional strategic investment made in the first half. While the charge for share based payments increased by £7m to £16m (H1 20: £9m) reflecting the expansion of equity reward schemes, this was largely offset by a £4m reduction in underlying depreciation and amortisation to £25m (H1 20: £29m) as a result of the Group's property rationalisation programme and assets held for sale.

	H1 21	H1 20	H1 21 Margin %
Organic Operating Profit	**£180m**	**£204m**	**20.2%**
Impact of disposals	£4m	£8m	
Impact of held for sale	£7m	£4m	
Underlying Operating Profit	**£191m**	**£216m**	**20.4%**
Depreciation & amortisation	£25m	£29m	
Share based payments	£16m	£9m	
EBITDA	**£232m**	**£254m**	**24.8%**

Net Finance Cost

The statutory net finance cost for the period decreased to £13m (H1 20: £14m), in line with the underlying net finance cost of £13m (H1 20: £13m).

Taxation

The underlying tax expense for H1 21 was £45m (H1 20: £55m), resulting in an underlying tax rate of 25% (H1 20: 27%). The statutory income tax expense for H1 21 was £44m (H1 20: £51m), resulting in a statutory tax rate of 23% (H1 20: 19%).

The difference between the underlying and statutory rate in H1 21 primarily reflects a non-taxable accounting net gain on the disposal of the Polish business, offset by the non-tax-deductible accelerated depreciation charge relating to the relocation of our North Park office in Newcastle.

The H1 21 underlying tax rate has reduced primarily as a result of the new French patent box regime.

Earnings per Share

	H1 21	H1 20	% Change
Statutory Basic EPS	13.29p	20.56p	-35%
Recurring items	2.05p	1.66p	
Non-recurring items	(3.20p)	(8.47)p	
Impact of foreign exchange	-	(0.18p)	
Underlying Basic EPS	**12.14p**	**13.57p**	**-11%**

Underlying basic earnings per share of 12.14p was 11% lower than the prior period (H1 20: 13.57p), reflecting the decrease in underlying operating profit due to additional strategic investment.

Statutory basic earnings per share decreased by 35%, reflecting the reduction in underlying basic earnings per share together with the decrease in non-recurring profit from the disposal of subsidiaries.

Cash Flow

The Group remains highly cash generative with underlying cash flow from operations of £255m (H1 20: £276m), representing an underlying cash conversion of 133% (H1 20: 127%). Importantly, the Group has continued to deliver cash conversion in excess of 100% for more than two years, reflecting sustained improvements in working capital as we transition to a subscription business model.

Cash Flow APMs	**H1 21**	**H1 20 (as reported)**
Underlying operating profit	£191m	£218m
Depreciation, amortisation and non-cash items in profit	£22m	£29m
Share based payments	£16m	£9m
Net changes in working capital	£58m	£36m
Net capital expenditure	(£32m)	(£16m)
Underlying Cash Flow from Operations	**£255m**	**£276m**
Underlying cash conversion %	*133%*	*127%*
Non-recurring cash items	(£6m)	(£2m)
Net interest paid	(£11m)	(£12m)
Income tax paid	(£46m)	(£39m)
Profit and loss foreign exchange movements	(£2m)	£4m
Free Cash Flow	**£190m**	**£227m**

Statutory Reconciliation of Cash Flow from Operations	**H1 21**	**H1 20 (as reported)**
Statutory Cash Flow from Operations	£266m	£292m
Recurring and non-recurring items	£22m	£6m
Net capital expenditure	(£32m)	(£16m)
Other adjustment including foreign exchange translations	(£1m)	(£6m)
Underlying Cash Flow from Operations	**£255m**	**£276m**

This continued strong cash conversion reflects continued growth in subscription revenue and sustained improvements in working capital, with continued strength in receivables collection. Underlying cash conversion is expected to trend down towards 100% in the second half.

Free cash flow was £190m (H1 20: £227m), largely reflecting continued strong underlying cash conversion, offset by an increase in income tax paid and FX adjustments.

Net debt and liquidity

Group net debt was £96m at 31 March 2021 (30 September 2020: £151m), comprising cash and cash equivalents of £718m (30 September 2020: £848m) and total debt of £814m (30 September 2020: £999m). The decrease in net debt in the period is summarised in the table below.

	H1 21	**H1 20**
Net debt at 1 October	**(£151m)**	**(£529m)**
Free cash flow	£190m	£227m
New leases	(£4m)	(£16m)
Net proceeds from disposal of subsidiaries	£61m	£217m
M&A and equity investments	(£32m)	(£4m)
Dividends paid	(£124m)	(£121m)
Share buyback	(£47m)	(£7m)
FX movement and other	£11m	(£5m)
Net debt at 31 March	**(£96m)**	**(£238m)**

The Group's debt is sourced from a syndicated multi-currency Revolving Credit Facility (RCF), US private placement (USPP) loan notes, and sterling denominated bond notes. The Group's RCF expires in February 2025 with facility levels of £656m (split between US$719m and £135m tranches). At 31 March 2021, the RCF was undrawn (H1 20: £302m).

The Group's USPP loan notes at 31 March 2021 totalled £362m (US$400m and EUR 85m) (H1 20: US$550m and EUR 85m). The remaining USPP loan notes have a range of maturities between January 2022 and May 2025.

The Group issued a debut £350m 10-year bond in February 2021, maturing February 2031 with a coupon of 1.625%. This issuance enables the Group to extend the maturity of its debt portfolio and to diversify its funding sources. Net cash proceeds from the issuance were £344m. Funds were used to repay an existing £200m syndicated Term Loan that was due to expire in September 2022 and for general corporate purposes.

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

Maturities within the next 18 months comprise EUR 55m (£47m) of the Group's US private placement loan notes in January 2022.

The Group had £1,374m of cash and available liquidity at 31 March 2021, comprising cash and cash equivalents of £718m and undrawn facilities of £656m.

Capital allocation

Sage's disciplined approach to capital allocation remains unchanged. The Group's primary focus remains on organic investment in order to accelerate the execution of the strategy as outlined above.

Sage continues to consider acquisitions of complementary technology and partnerships that will further accelerate the strategy and enhance Sage Business Cloud, and has made several small but strategically significant acquisitions and investments in the recent past. In line with management's focus on core businesses, Sage's Polish business was sold during the first half, and sale agreements were announced for the disposal of Sage's Swiss business and its business in Australia and Asia.

Our policy is to maintain the dividend in real terms. In line with our policy, and reflecting the Group's strong business performance and cash generation during the year, and continued strong liquidity position, we have increased the interim dividend by 2% to 6.05p.

The Group also considers returning surplus capital to shareholders. On 4 March 2021 Sage launched a share buy-back programme of up to £300m, expected to end no later than 4 September 2021. The share buyback programme reflects the sale proceeds from recent disposals and strong ongoing cash generation. As at 11 May 2021, 19m shares had been purchased for a total cash consideration of £118m, and are held as treasury shares.

	H1 21	**H1 20 (as reported)**
Net debt	£96m	£238m
EBITDA (Last Twelve Months)	£474m	£518m
Net debt/EBITDA Ratio	**0.2x**	**0.5x**

Group net debt as at 31 March 2021 was £96m and EBITDA over the last 12 months was £474m, resulting in a net debt to EBITDA leverage ratio of 0.2x. Group return on capital employed (ROCE) for H1 21 was 20.3% (H1 20 as reported: 20.5%).

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

Going concern

The Directors have robustly tested the going concern assumption in preparing these financial statements, taking into account the Group's strong liquidity position at 31 March 2021 and a number of downside sensitivities, and remain satisfied that the going concern basis of preparation is appropriate. Further information is provided in note 1 of the financial statements on pages 22 and 23.

Foreign exchange

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

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

AVERAGE EXCHANGE RATES (EQUAL TO GBP)	H1 21	H1 20	Change
Euro (€)	1.13	1.16	-3%
US Dollar ($)	1.35	1.28	5%
Canadian Dollar (C$)	1.73	1.71	1%
South African Rand (ZAR)	20.62	19.27	7%
Australian Dollar (A$)	1.80	1.92	-6%

Appendix 1 – Alternative Performance Measures

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

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

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

Consolidated income statement
For the six months ended 31 March 2021

	Note	**Six months ended 31 March 2021 (Unaudited) Underlying £m**	**Six months ended 31 March 2021 (Unaudited) Adjustments* £m**	**Six months ended 31 March 2021 (Unaudited) Statutory £m**	Six months ended 31 March 2020 (Unaudited) Underlying as reported £m	Six months ended 31 March 2020 (Unaudited) Adjustments* £m	Six months ended 31 March 2020 (Unaudited) Statutory £m	Year ended 30 September 2020 (Audited) Statutory £m
Revenue	2	**937**	–	**937**	975	–	975	1,903
Cost of sales		**(72)**	–	**(72)**	(64)	–	(64)	(126)
Gross profit		**865**	–	**865**	911	–	911	1,777
Selling and administrative expenses		**(674)**	**12**	**(662)**	(693)	71	(622)	(1,373)
Operating profit	2	**191**	**12**	**203**	218	71	289	404
Finance income		**1**	–	**1**	2	–	2	3
Finance costs		**(14)**	–	**(14)**	(15)	(1)	(16)	(34)
Profit before income tax		**178**	**12**	**190**	205	70	275	373
Income tax expense	4	**(45)**	**1**	**(44)**	(55)	4	(51)	(63)
Profit for the period		**133**	**13**	**146**	150	74	224	310

* Adjustments are detailed in note 3.

Earnings per share attributable to the owners of the parent (pence)								
Basic	6	**12.14p**		**13.29p**	13.75p		20.56p	28.38p
Diluted	6	**12.05p**		**13.19p**	13.66p		20.42p	28.15p

Consolidated statement of comprehensive income
For the six months ended 31 March 2021

	Six months ended 31 March 2021 (Unaudited) £m	Six months ended 31 March 2020 (Unaudited) £m	Year ended 30 September 2020 (Audited) £m
Profit for the period	**146**	224	310
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations	**(86)**	(22)	(43)
Exchange differences recycled through income statement on sale of foreign operations	**(1)**	43	43
	(87)	21	–
Other comprehensive (expense)/income for the period, net of tax	**(87)**	21	–
Total comprehensive income for the period	**59**	245	310

The notes on pages 22 to 40 form an integral part of this condensed consolidated half-yearly report.

Consolidated balance sheet
As at 31 March 2021

	Note	**31 March 2021 (Unaudited) £m**	31 March 2020 (Unaudited) £m	30 September 2020 (Audited) £m
Non-current assets				
Goodwill	7	**1,843**	2,059	1,962
Other intangible assets	7	**188**	216	212
Property, plant and equipment	7	**165**	198	173
Equity investments		**19**	–	–
Other financial assets		**1**	3	1
Trade and other receivables		**101**	83	86
Deferred income tax assets		**36**	26	35
		2,353	2,585	2,469
Current assets				
Trade and other receivables		**290**	329	302
Current income tax asset		**13**	15	5
Cash and cash equivalents (excluding bank overdrafts)	10	**693**	912	831
Assets classified as held for sale	11	**95**	–	108
		1,091	1,256	1,246
Total assets		**3,444**	3,841	3,715
Current liabilities				
Trade and other payables*		**(529)**	(242)	(297)
Current income tax liabilities		**(24)**	(46)	(13)
Borrowings		**(65)**	(149)	(20)
Provisions		**(14)**	(9)	(19)
Deferred income		**(638)**	(691)	(593)
Liabilities classified as held for sale	11	**(52)**	–	(73)
		(1,322)	(1,137)	(1,015)
Non-current liabilities				
Borrowings		**(742)**	(1,001)	(970)
Post-employment benefits		**(23)**	(26)	(23)
Deferred income tax liabilities		**(10)**	(27)	(14)
Provisions		**(29)**	(13)	(31)
Trade and other payables		**(3)**	(6)	(3)
Deferred income		**(11)**	(7)	(7)
		(818)	(1,080)	(1,048)
Total liabilities		**(2,140)**	(2,217)	(2,063)
Net assets		**1,304**	1,624	1,652
Equity attributable to owners of the parent				
Ordinary shares	9	**12**	12	12
Share premium	9	**548**	548	548
Translation reserve		**36**	144	123
Merger reserves		**61**	61	61
Retained earnings		**647**	859	908
Total equity		**1,304**	1,624	1,652

*Includes £253m at 31 March 2021 (£nil at 31 March 2020 and 30 September 2020) in relation to the Group's commitment for the purchase of its own shares. See note 9.

Consolidated statement of changes in equity
For the six months ended 31 March 2021

	Ordinary shares £m	Share premium £m	Translation reserve £m	Merger reserves £m	Retained earnings £m	Total equity £m
	Attributable to owners of the parent					
At 1 October 2020	**12**	**548**	**123**	**61**	**908**	**1,652**
Profit for the period	**–**	**–**	**–**	**–**	**146**	**146**
Other comprehensive expenses						
Exchange differences on translating foreign operations	**–**	**–**	**(86)**	**–**	**–**	**(86)**
Exchange differences recycled through income statement on sale of foreign operations (see note 11)	**–**	**–**	**(1)**	**–**	**–**	**(1)**
Total comprehensive income for the period ended 31 March 2021 (Unaudited)	**–**	**–**	**(87)**	**–**	**146**	**59**
Transactions with owners						
Employee share option scheme - Value of employee services, net of deferred tax	**–**	**–**	**–**	**–**	**15**	**15**
Proceeds from issuance of treasury shares	**–**	**–**	**–**	**–**	**2**	**2**
Share buyback programme*	**–**	**–**	**–**	**–**	**(300)**	**(300)**
Dividends paid to owners of the parent	**–**	**–**	**–**	**–**	**(124)**	**(124)**
Total transactions with owners for the period ended 31 March 2021 (Unaudited)	**–**	**–**	**–**	**–**	**(407)**	**(407)**
At 31 March 2021 (Unaudited)	**12**	**548**	**36**	**61**	**647**	**1,304**

	Ordinary shares £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
	Attributable to owners of the parent					
At 1 October 2019 as originally presented	12	548	123	61	760	1,504
Adjustment on initial application of IFRS 16	–	–	–	–	(7)	(7)
At 1 October 2019 as adjusted	12	548	123	61	753	1,497
Profit for the period	–	–	–	–	224	224
Other comprehensive income/(expenses)						
Exchange differences on translating foreign operations	–	–	(22)	–	–	(22)
Exchange differences recycled through income statement on sale of foreign operations	–	–	43	–	–	43
Total comprehensive income for the period ended 31 March 2020 (Unaudited)	–	–	21	–	224	245
Transactions with owners						
Employee share option scheme - Value of employee services, net of deferred tax	–	–	–	–	10	10
Share buyback programme	–	–	–	–	(7)	(7)
Dividends paid to owners of the parent	–	–	–	–	(121)	(121)
Total transactions with owners for the period ended 31 March 2020 (Unaudited)	–	–	–	–	(118)	(118)
At 31 March 2020 (Unaudited)	12	548	144	61	859	1,624

*The repurchase of shares recognised through retained earnings is the maximum consideration that The Sage Group plc is contractually bound under the share buyback programme including costs of purchase. See note 9.

Consolidated statement of cash flows
For the six months ended 31 March 2021

	Notes	**Six months ended 31 March 2021 (Unaudited) £m**	Six months ended 31 March 2020 (Unaudited) £m	Year ended 30 September 2020 (Audited) £m
Cash flows from operating activities				
Cash generated from continuing operations		**266**	292	527
Interest paid		**(11)**	(14)	(28)
Income tax paid		**(46)**	(39)	(93)
Net cash generated from operating activities		**209**	239	406
Cash flows from investing activities				
Proceeds on settlement of non-current asset		**3**	–	–
Disposal of subsidiaries, net of cash disposed	11	**60**	222	216
Purchases of equity investments		**(19)**	–	–
Purchases of intangible assets	7	**(8)**	(10)	(16)
Purchases of property, plant and equipment	7	**(24)**	(11)	(24)
Interest received		**–**	2	3
Net cash generated from investing activities		**12**	203	179
Cash flows from financing activities				
Proceeds from issuance of treasury shares	9	**2**	–	9
Proceeds from borrowings		**344**	302	302
Repayments of borrowings		**(481)**	(45)	(167)
Capital element of lease payments		**(13)**	(14)	(38)
Borrowing costs		**–**	(1)	(1)
Share buyback programme	9	**(47)**	(7)	(7)
Dividends paid to owners of the parent	5	**(124)**	(121)	(186)
Net cash (used in)/generated from financing activities		**(319)**	114	(88)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts (before exchange rate movement)		**(98)**	556	497
Effects of exchange rate movement	10	**(32)**	(16)	(21)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(130)**	540	476
Cash, cash equivalents and bank overdrafts at 1 October	10	**848**	372	372
Cash, cash equivalents and bank overdrafts at period end	10	**718**	912	848

Notes to the financial information
For the six months ended 31 March 2021

1 Group accounting policies

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

This condensed consolidated half-yearly financial report was approved for issue by the board of directors on 14 May 2021.

The financial information set out above does not constitute the Company's Statutory Accounts. Statutory Accounts for the year ended 30 September 2020 have been delivered to the Registrar of Companies. The auditor's report was unqualified and did not contain statements under section 498 (2), (3) or (4) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and IFRSs as issued by the International Accounting Standards Board ("IASB"), this announcement does not in itself contain sufficient information to comply with IFRSs. The financial information has been prepared on the basis of the accounting policies and critical accounting estimates and judgements as set out in the Annual Report and Accounts for 2020.

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

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

Basis of preparation
The financial information for the six months ended 31 March 2021 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union ("EU") and as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated half-yearly financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2020, which have been prepared in accordance with IFRSs as adopted by the EU and IFRSs as issued by the IASB.

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

- High quality recurring and subscription based revenue;
- Resilient cash generation and robust liquidity position which is supported by strong underlying cash conversion of 133%, reflecting the strength of the subscription business model; and
- A well diversified small and medium customer base.

The Directors have reviewed liquidity and covenant forecasts for the Group for the period to 30 September 2022, which reflect the expected impact of COVID-19 on trading. Stress testing has been performed with the impact of severe increases in churn and significantly reduced levels of new customer acquisitions and sales to existing customers being considered. In these severe stress scenarios, the Group continues to have sufficient resources to continue in operational existence. In the event that more severe impacts occur, controllable mitigating actions are available to the Group should they be required.

The Directors performed reverse stress testing to provide an illustration of the level of churn and deterioration in new customer acquisition and sales to existing customers which would be required to trigger a breach in the Group's covenants or exhaust cash down to minimum working capital requirements. The scenarios required to trigger such an outcome are considered highly unlikely, far beyond those considered in the severe stress scenarios, as a result of the resilient nature of the subscription-based business model, robust balance sheet and continued strong cash conversion of the Group.

After making enquiries, the Directors have a reasonable expectation that Sage has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements, in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2020 as described in those annual financial statements, except for the treatment of equity investments, which the Group did not hold at 30 September 2020. The Group initially recognises its equity investments at cost on the balance sheet as a non-current asset. The Group has irrevocably elected to measure the equity investments currently held at fair value through other comprehensive income, as they are not held for trading. The investments will be measured at fair value at each reporting date (as required under IFRS 9), with changes in fair value of the investments recognised within other comprehensive income. Only dividend income will be recognised within the income statement.

Adoption of new and revised IFRSs

There are no new accounting standards which are currently issued but not yet effective which the management expects would have a material impact on the Group.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates and assumptions by management. It also requires management to exercise its judgement in the process of applying the accounting policies. We continually evaluate our estimates, assumptions and judgements based on available information. The areas involving a higher degree of judgement or complexity are described below.

Revenue recognition

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

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

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

Goodwill impairment

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

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

Management has performed a review for indicators of impairment of goodwill as at 31 March 2021. As a result of this review, no indicators of impairment have been identified.

The carrying value of goodwill and the key assumptions used in performing the annual impairment assessment are disclosed in the 30 September 2020 financial statements.

Trade receivables

Due to the continuing impact of COVID-19, the timing and level of impact of business failures is uncertain. Therefore, the expected credit loss allowance against trade receivables is a source of estimation uncertainty. Current and expected collection of trade receivables since the start of the COVID-19 pandemic has been modelled on a region specific basis, taking into account macroeconomic factors, such as revised GDP outlooks and government support available and other regional specific microeconomic factors. As a consequence management provided an additional £17m expected credit loss provision as at 30 September 2020. This provision has been reassessed to take into account the evolving micro and macro economic factors, and the gross receivables amount as at 31 March 2021. It has been concluded that the additional expected credit loss provision as at 30 September 2020, revalued at current exchange rates, remains appropriate against the 31 March 2021 gross receivables amount.

Website

This condensed consolidated half-yearly financial report for the six months ended 31 March 2021 can also be found on our website: www.sage.com/investors/investor-downloads.

2 Segment information

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

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

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

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

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

Previously, the operating segment International – Central and Southern Europe was reported as Central and Southern Europe, and the operating segment International – Africa & APAC was reported as International.

The revenue analysis in the table below is based on the location of the customer, which is not materially different from the location where the order is received and where the assets are located.

Revenue by segment (Unaudited)

	Six months ended 31 March 2021					
	Statutory and Underlying £m	**Organic adjustments* £m**	**Organic £m**	Change Statutory %	Change Underlying %	Change Organic %
Recurring revenue by segment						
North America	**316**	**–**	**316**	1.5%	6.1%	6.1%
Northern Europe	**192**	**–**	**192**	3.1%	2.9%	2.9%
International – Central and Southern Europe	**262**	**(19)**	**243**	4.6%	1.6%	2.5%
International – Africa & APAC	**80**	**(20)**	**60**	(20.2%)	(13.2%)	7.7%
Recurring revenue	**850**	**(39)**	**811**	0.2%	1.9%	4.4%
Other revenue by segment						
North America	**24**	**–**	**24**	(22.7%)	(19.0%)	(19.0%)
Northern Europe	**8**	**–**	**8**	(73.4%)	(73.5%)	(33.6%)
International – Central and Southern Europe	**43**	**(2)**	**41**	(10.3%)	(12.9%)	(11.5%)
International – Africa & APAC	**12**	**(6)**	**6**	(38.6%)	(36.0%)	(51.3%)
Other revenue	**87**	**(8)**	**79**	(31.9%)	(31.5%)	(21.5%)
Total revenue by segment						
North America	**340**	**–**	**340**	(0.7%)	3.8%	3.8%
Northern Europe	**200**	**–**	**200**	(7.0%)	(7.2%)	0.8%
International – Central and Southern Europe	**305**	**(21)**	**284**	2.3%	(0.7%)	0.3%
International – Africa & APAC	**92**	**(26)**	**66**	(23.2%)	(17.1%)	(3.4%)
Total revenue	**937**	**(47)**	**890**	(3.9%)	(2.5%)	1.4%

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

Revenue by segment (Unaudited)

	Six months ended 31 March 2020				
	Statutory and Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments* £m	Organic £m
Recurring revenue by segment					
North America	311	(14)	297	–	297
Northern Europe	187	–	187	–	187
International – Central and Southern Europe**	250	8	258	(21)	237
International – Africa & APAC***	100	(8)	92	(36)	56
Recurring revenue	848	(14)	834	(57)	777
Other revenue by segment					
North America	32	(1)	31	–	31
Northern Europe	28	–	28	(17)	11
International – Central and Southern Europe**	47	1	48	(3)	45
International – Africa & APAC***	20	(1)	19	(6)	13
Other revenue	127	(1)	126	(26)	100
Total revenue by segment					
North America	343	(15)	328	–	328
Northern Europe	215	–	215	(17)	198
International – Central and Southern Europe**	297	9	306	(24)	282
International – Africa & APAC***	120	(9)	111	(42)	69
Total revenue	975	(15)	960	(83)	877

* Adjustments relate to the disposal of the Group's Polish business and assets held for sale in the current year (note 11) and the disposal of Sage Pay and the Group's Brazilian business in the prior year.
** Previously reported as Central and Southern Europe.
*** Previously reported as International.

Operating profit by segment (Unaudited)

	Six months ended 31 March 2021							
	Statutory £m	**Underlying adjustments £m**	**Underlying £m**	**Organic adjustments £m**	**Organic £m**	**Change Statutory %**	**Change Underlying %**	**Change Organic %**
Operating profit by segment								
North America	**55**	**11**	**66**	**–**	**66**	(1.1%)	0.8%	0.8%
Northern Europe	**42**	**19**	**61**	**–**	**61**	(82.1%)	(18.2%)	(12.9%)
International - Central and Southern Europe	**90**	**(43)**	**47**	**(7)**	**40**	65.4%	(24.1%)	(28.0%)
International - Africa & APAC	**16**	**1**	**17**	**(4)**	**13**	(127.2%)	27.4%	4.5%
Total operating profit	**203**	**(12)**	**191**	**(11)**	**180**	(29.9%)	(11.3%)	(11.6%)

	Six months ended 31 March 2020						
	Statutory £m	Underlying adjustments £m	Underlying as reported £m	Impact of foreign exchange £m	Underlying £m	Organic adjustments £m	Organic £m
Operating profit by segment							
North America	56	13	69	(3)	66	–	66
Northern Europe	236	(162)	74	–	74	(4)	70
International - Central and Southern Europe*	54	6	60	2	62	(6)	56
International - Africa & APAC**	(57)	72	15	(1)	14	(2)	12
Total operating profit	289	(71)	218	(2)	216	(12)	204

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

Reconciliation of underlying operating profit to statutory operating profit

	Six months ended 31 March 2021 (Unaudited) £m	Six months ended 31 March 2020 (Unaudited) £m
North America	**66**	66
Northern Europe	**61**	74
International – Central and Southern Europe*	**47**	62
Total reportable segments	**174**	202
International - Africa & APAC**	**17**	14
Underlying operating profit	**191**	216
Impact of movement in foreign currency exchange rates	**–**	2
Underlying operating profit (as reported)	**191**	218
Amortisation of acquired intangible assets	**(16)**	(15)
Other acquisition-related items	**(9)**	(6)
Non-recurring items	**37**	92
Statutory operating profit	**203**	289

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

3 Adjustments between underlying profit and statutory profit (Unaudited)

	Six months ended 31 March 2021 Recurring £m	Six months ended 31 March 2021 Non-recurring £m	Six months ended 31 March 2021 Total £m	Six months ended 31 March 2020 Recurring £m	Six months ended 31 March 2020 Non-recurring £m	Six months ended 31 March 2020 Total £m
M&A activity-related items						
Amortisation of acquired intangibles	**(16)**	–	**(16)**	(15)	–	(15)
Net gain on disposal of subsidiaries	–	**41**	**41**	–	141	141
Other M&A activity-related items	**(9)**	–	**(9)**	(6)	–	(6)
Other items						
Reversal of restructuring costs	–	**5**	**5**	–	–	–
Impairment of goodwill	–	–	–	–	(19)	(19)
Property restructuring costs	–	–	–	–	(6)	(6)
Office relocation	–	**(9)**	**(9)**	–	(24)	(24)
Total adjustments made to operating profit	**(25)**	**37**	**12**	(21)	92	71
Fair value adjustment	–	–	–	(1)	–	(1)
Total adjustments made to profit before income tax	**(25)**	**37**	**12**	(22)	92	70

Recurring items

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

Other M&A activity-related items relate to advisory, legal, accounting, valuation and other professional or consulting services which is related to M&A activity as well as acquisition-related remuneration, directly attributable integration costs and any required provision for future selling costs for assets held for sale.

The fair value adjustment in the prior year comprises a charge of £1m in relation to an embedded derivative asset which relates to contractual terms agreed as part of the US private placement debt.

Non-recurring items

Net credit in respect of non-recurring items amounted to £37m (H1 FY20: credit of £92m).

The net gain on disposal of subsidiaries relates to the disposal of the Group's Polish business. Further details can be found in note 11. In the prior year, the £141m net gain on disposal of subsidiaries related to the disposal of Sage Pay (gain: £193m) and the Brazilian business (loss: £52m).

Reversal of restructuring costs of £5m (H1 FY20: £nil) relates to unutilised Professional Service provisions created in H2 FY20 as the business continues to de-prioritise low margin professional services. The reversal is a result of fewer colleagues leaving the business as they are redeployed into other roles.

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

In the prior year, property restructuring costs of £6m related to the reorganisation of the Group's properties and consist of net lease exit costs following consolidation of office space and impairment of leasehold and other related assets that are no longer in use.

Office relocation costs of £9m (H1 FY20: £24m) relate to the incremental depreciation charge resulting from accelerated depreciation following the previously announced UK office move.

4 Income tax expense

The effective tax rate on statutory profit before tax was 23% (six months ended 31 March 2020: 19%) whilst the effective tax rate on underlying profit before tax for continuing operations was 25% (six months ended 31 March 2020: 27%). The effective income tax rate represents the best estimate of the average annual effective income tax rate expected for the full year, applied to the profit before income tax for the six months ended 31 March 2021.

The difference between the underlying and statutory rate in H1 21 primarily reflects the non-taxable disposal of our Polish business, offset by non-tax-deductible charges relating to the accelerated depreciation of North Park and M&A activity-related items.

EU State Aid

The Group continues to monitor developments following the EU Commission's decision published on 25 April 2019 in respect of its State Aid investigation into the UK's Controlled Foreign Company regime. The EU Commission's decision concluded that UK legislation did not comply with EU State Aid rules in certain circumstances.

The UK Government has submitted an appeal to the European Court seeking to annul the EU Commission's findings. The Group, in line with a number of UK corporates, has made a similar appeal.

The UK Government is required to continue the process of recovering the State Aid whilst the decision is under appeal. HMRC issued the Group with a charging notice for £10m in February 2021. Whilst the Group has lodged an appeal against the charging notice this does not defer the payment of the tax assessed.

The issuance and settlement of the charging notice does not however change the Group's view that no provision is required at this time. This judgement is based on management's own internal view on the matter, and is supported by the appeals that have been made by the UK Government and other PLCs (including the Group). Additionally, and in accordance with the provisions of IFRIC 23, the Group has recognised a £10m receivable against HMRC on the expectation that the charge will be repaid in due course.

As previously disclosed, the Group still considers that the maximum potential tax liability, excluding interest, to be approximately £35m. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on current interpretation of legislation, management experience and professional advice.

5 Dividends

	Six months ended 31 March 2021 (Unaudited) £m	Six months ended 31 March 2020 (Unaudited) £m	Year ended 30 September 2020 (Audited) £m
Final dividend paid for the year ended 30 September 2019 of 11.12p per share	**–**	121	121
Interim dividend paid for the year ended 30 September 2020 of 5.93p per share	**–**	–	65
Final dividend paid for the year ended 30 September 2020 of 11.32p per share	**124**	–	–
	124	121	186

The interim dividend of 6.05p per share will be paid on 18 June 2021 to shareholders on the register at the close of business on 28 May 2021. The Company's distributable reserves are sufficient to support the payment of this dividend.

6 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period, excluding those held as treasury shares, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has one class of dilutive potential ordinary shares. They are share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period.

	Underlying Six months ended 31 March 2021 (Unaudited)	Underlying as reported Six months ended 31 March 2020 (Unaudited)	Underlying Six months ended 31 March 2020 (Unaudited)	**Statutory Six months ended 31 March 2021 (Unaudited)**	Statutory Six months ended 31 March 2020 (Unaudited)
Earnings attributable to owners of the parent					
Profit for the period	**133**	150	148	**146**	224
Number of shares (millions)					
Weighted average number of shares	**1,094**	1,090	1,090	**1,094**	1,090
Dilutive effects of shares	**8**	8	8	**8**	8
	1,102	1,098	1,098	**1,102**	1,098
Earnings per share attributable to owners of the parent (pence)					
Basic earnings per share	**12.14**	13.75	13.57	**13.29**	20.56
Diluted earnings per share	**12.05**	13.66	13.47	**13.19**	20.42

Reconciliation of earnings	**Six months ended 31 March 2021 (Unaudited) £m**	Six months ended 31 March 2020 (Unaudited) £m
Underlying earnings attributable to owners of the parent	**133**	148
Impact of movement in foreign currency exchange rates	**–**	2
Underlying earnings attributable to owners of the parent (as reported)	**133**	150
Office relocation	**(9)**	(24)
Property restructuring costs	–	(6)
Impairment of goodwill	–	(19)
Reversal of restructuring costs	**5**	–
Amortisation of acquired intangible assets	**(16)**	(15)
Fair value adjustments to debt-related financial instruments	**–**	(1)
Other M&A related items	**(9)**	(6)
Net gain on disposal of subsidiaries	**41**	141
Taxation on adjustments	**1**	4
Net adjustments	**13**	74
Earnings – statutory profit for period attributable to owners of the parent	**146**	224

7 Non-current assets

	Goodwill (Unaudited) £m	Other intangible assets (Unaudited) £m	Property, plant and equipment (Unaudited) £m	Total (Unaudited) £m
Opening net book amount at 1 October 2020	**1,962**	**212**	**173**	**2,347**
Additions	**–**	**8**	**25**	**33**
Disposal of subsidiary*	**(9)**	**–**	**–**	**(9)**
Transfer to HFS**	**(4)**	**–**	**–**	**(4)**
Depreciation, amortisation and other movements	**–**	**(22)**	**(27)**	**(49)**
Exchange movement	**(106)**	**(10)**	**(6)**	**(122)**
Closing net book amount at 31 March 2021	**1,843**	**188**	**165**	**2,196**

*Finalisation of the sale of the Group's Polish business. See note 11.

**Reassessment of goodwill allocated to HFS entities. See note 11.

	Goodwill (Unaudited) £m	Other intangible assets (Unaudited) £m	Property, plant and equipment (Unaudited) £m	Total (Unaudited) £m
Opening net book amount at 1 October 2019	2,098	228	117	2,443
Impact of adoption of IFRS 16	–	–	113	113
Additions	–	11	26	37
Impairment	(19)	–	–	(19)
Depreciation, amortisation and other movements	–	(21)	(53)	(74)
Exchange movement	(20)	(2)	(5)	(27)
Closing net book amount at 31 March 2020	2,059	216	198	2,473

Goodwill is not subject to amortisation but is tested for impairment annually and whenever there is any indication of impairment. At 31 March 2021, there were no indicators of impairment to goodwill.

In the prior year, following challenging trading and economic conditions, management reassessed the expected future business performance of the Asia CGU, leading to an impairment charge of £19m. Details of the 2020 goodwill impairment review are provided in the 2020 consolidated financial statements.

8 Financial instruments

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

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

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

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

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

	At 31 March 2021		At 31 March 2020	
	Book Value (Unaudited) £m	**Fair Value (Unaudited) £m**	Book Value (Unaudited) £m	Fair Value (Unaudited) £m
Long term-borrowings (excluding lease liabilities)	**659**	**674**	898	904
Short term-borrowings (excluding lease liabilities)	**47**	**48**	121	121

9 Ordinary shares and share premium

	Number of shares (Unaudited)	**Ordinary Shares (Unaudited) £m**	**Share premium (Unaudited) £m**	**Total (Unaudited) £m**
At 1 October 2020 and 31 March 2021	**1,120,789,295**	**12**	**548**	**560**

	Number of Shares (Unaudited)	Ordinary Shares (Unaudited) £m	Share Premium (Unaudited) £m	Total (Unaudited) £m
At 1 October 2019 and 31 March 2020	1,120,789,295	12	548	560

In the current period, the Group transferred 3,776,601 (H1 FY20: 2,567,873) of treasury shares to employees in order to satisfy vested awards.

On 4 March 2021, the Group entered into a non-discretionary share buyback programme ending no later than 4 September 2021, to purchase £300m of its own shares. During the period, the Group bought back a total of 8,750,986 Ordinary shares, held as treasury shares. The total consideration for those shares purchased in the current period amounted to £52m, of which £47m had been paid as at 31 March 2021.

In the prior period, the Group also acquired 1,101,918 Ordinary shares, held as treasury shares, as part of the share buyback programme announced on 11 March 2020 and suspended on 18 March 2020. Cash paid in the prior period under this share buyback programme amounted to £7m.

At 31 March 2021 the Group held 32,818,496 (2020: 30,233,215) treasury shares.

10 Cash flow and net debt

	Six months ended 31 March 2021 (Unaudited) £m	Six months ended 31 March 2020 (Unaudited) £m
Statutory operating profit	**203**	289
Recurring and non-recurring items	**(12)**	(71)
Underlying operating profit (as reported)	**191**	218
Depreciation/amortisation/impairment/profit on disposal of non-current assets/non-cash items	**22**	29
Share-based payments	**16**	9
Net changes in working capital	**58**	36
Net capital expenditure	**(32)**	(16)
Underlying cash flow from operations	**255**	276
Net interest paid	**(11)**	(12)
Income tax paid	**(46)**	(39)
Non-recurring items	**(6)**	(2)
Exchange movement	**(2)**	4
Free cash flow	**190**	227
Net debt at 1 October	**(151)**	(529)
Disposal of subsidiaries or similar transactions, net of cash and lease liabilities disposed	**61**	217
Acquisitions and disposals related items	**(16)**	(4)
Purchases of equity investments	**(19)**	–
Proceeds on settlement of non-current asset	**3**	–
Dividends paid to owners of the parent	**(124)**	(121)
Proceeds from issuance of treasury shares	**2**	–
New leases	**(4)**	(16)
Share Buyback Programme	**(47)**	(7)
Exchange movement	**10**	(7)
Other	**(1)**	2
Net debt at 31 March	**(96)**	(238)

	Six months ended 31 March 2021 (Unaudited) £m	Six months ended 31 March 2020 (Unaudited) £m
Underlying cash flow from operations	**255**	276
Net capital expenditure	**32**	16
Recurring and non-recurring cash items	**(22)**	(6)
Other adjustments including foreign exchange translations	**1**	6
Statutory cash flow from operations	**266**	292

Analysis of change in net debt (inclusive of leases)	At 1 October 2020 £m	Cash flow £m	Disposal of subsidiary £m	Non-cash movement £m	Exchange movement £m	At 31 March 2021 (Unaudited) £m
Cash and cash equivalents	831	**(168)**	**61**	**–**	**(31)**	**693**
Cash amounts included in held for sale	17	**10**	**(1)**	**–**	**(1)**	**25**
Cash, cash equivalents and bank overdrafts	848	**(158)**	**60**	**–**	**(32)**	**718**
Liabilities arising from financing activities						
Loans due within one year	–	**–**	**–**	**(49)**	**2**	**(47)**
Loans due after more than one year	(877)	**137**	**–**	**45**	**36**	**(659)**
Lease liabilities due within one year	(20)	**12**	**–**	**(13)**	**1**	**(20)**
Lease liabilities after more than one year	(93)	**–**	**–**	**9**	**3**	**(81)**
Lease liabilities included in held for sale	(9)	**1**	**1**	**–**	**–**	**(7)**
	(999)	**150**	**1**	**(8)**	**42**	**(814)**
Total	(151)	**(8)**	**61**	**(8)**	**10**	**(96)**

The Group's debt is sourced from a syndicated multi-currency Revolving Credit Facility ("RCF"), US private placements ("USPP"), and sterling denominated bond notes ("bond notes").

The Group's RCF expires in February 2025 with facility levels of £656m (US$719m and £135m tranches). At 31 March 2021, £nil (H1 2020: £302m) of the multi-currency revolving debt facility was drawn.

Total USPP loan notes at 31 March 2021 were £362m (US$400m and EUR€85m) (H1 2020: £519m, US$550m and EUR€85m).

The bond notes were issued in February 2021 for a nominal amount of £350m and expire in February 2031. Net cash proceeds from the issuance were £344m. A portion of the proceeds were used to repay the previously held £200m Term Loan which was due to expire in September 2022.

11 Acquisitions and disposals

Disposals and discontinued operations

Disposals made during the period

On 1 March 2021, the Group completed the sale of its Polish business for gross consideration of £70m. The Polish business was held for sale at 30 September 2020. The gain on disposal is calculated as follows:

	Total 2021 (Unaudited) £m
Cash consideration	62
Loan consideration	7
Working capital receivable	1
Gross consideration	**70**
Transaction costs	(4)
Net consideration	**66**
Net assets disposed	(19)
Intercompany loan receivable disposed	(7)
Cumulative foreign exchange differences reclassified from other comprehensive income to the income statement	1
Gain on disposal	**41**

The loan consideration of £7m was offset against an intercompany loan receivable outstanding in the Polish business at the time of disposal.

Net assets disposed comprise:

	Total 2021 (Unaudited) £m
Goodwill	21
Property, plant and equipment	2
Customer acquisition costs	3
Deferred income tax asset	3
Trade and other receivables	3
Cash and cash equivalents	1
Total assets	**33**
Trade and other payables	(4)
Borrowings	(1)
Deferred income	(9)
Total liabilities	**(14)**
Net assets	**19**

The gain on disposal of £41m is reported within continuing operations, as an adjustment between underlying and statutory results.

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

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

	Total 2021 (Unaudited) £m
Cash consideration	62
Transaction costs	(1)
Net consideration received	**61**
Cash disposed	(1)
Inflow of cash and cash equivalents on disposal	**60**

As at 31 March 2021, transaction costs of £3m remain unpaid.

During the six-month period ended 31 March 2020, the Group completed the sale of Sage Pay, the Group's European payments processing business, and its Brazilian business. Net assets divested were £47m, and the transactions resulted in a net gain on disposal of £141m.

Discontinued operations and assets and liabilities held for sale

The Group had no discontinued operations during the six-month period ended 31 March 2021 or 31 March 2020 and had no assets or liabilities held for sale at 31 March 2020. Assets and liabilities held for sale at 31 March 2021 reflect three disposal groups which comprise part of the Group's businesses in the Asia Pacific region, Switzerland, and the payroll processing business in South Africa. As at 30 September 2020, these three disposal groups were also classified as held for sale alongside the Group's business in Poland which was sold on 1 March 2021.

The Group's operations in the Asia Pacific region, which includes its subsidiaries in Australia, Malaysia and Singapore, form part of the International – Africa & APAC reportable segment. Switzerland forms part of the International – Central and Southern Europe reportable segment. Where applicable, these disposal groups exclude certain global strategic product lines, such as Sage Intacct, Sage People and Sage X3. The payroll processing business in South Africa forms part of the International – Africa & APAC reportable segment.

Agreements for the sale of the disposal groups in the Asia Pacific region and Switzerland have been reached but have not yet completed. It is expected that the sale of the payroll processing business in South Africa is finalised during the year ended 30 September 2021.

Assets and liabilities held for sale at 31 March 2021 comprise:

	Asia Pacific £m	Switzerland £m	Payroll processing business (South Africa) £m	Total 2021 (Unaudited) £m
Goodwill	28	10	1	39
Other intangible assets	1	–	–	1
Property, plant and equipment	10	2	–	12
Deferred income tax asset	3	–	–	3
Customer acquisition costs	5	1	–	6
Current income tax asset	3	–	–	3
Trade and other receivables	5	1	–	6
Cash and cash equivalents	14	11	–	25
Total assets	**69**	**25**	**1**	**95**
Trade and other payables	(8)	(3)	–	(11)
Borrowings	(6)	(1)	–	(7)
Current income tax liabilities	–	(1)	–	(1)
Post-employment benefits	–	(4)	–	(4)
Provisions	(1)	–	–	(1)
Deferred income	(20)	(8)	–	(28)
Total liabilities	**(35)**	**(17)**	**–**	**(52)**
Net assets	**34**	**8**	**1**	**43**

The aggregate income included in other comprehensive income relating to the disposal groups cumulative foreign exchange differences amounted to £31m. Upon disposal, the income will be recycled to the income statement.

12 Related party transactions

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

Key management compensation	**Six months ended 31 March 2021 (Unaudited) £m**	Six months ended 31 March 2020 (Unaudited) £m
Salaries and short-term employee benefits	**4**	**5**
Post-employment benefits	**–**	**–**
Share-based payments	**1**	**4**
	5	**9**

Key management personnel are deemed to be members of the Executive Committee, as defined in the Group's Annual Report and Accounts 2020 and the Non-executive Directors. Since the signing of the Group's Annual Report and Accounts 2020, Rob Reid has retired from his role as Chairman, Mid-Market Solutions with effect from 31 March 2021. There have been no other changes to the composition of the Executive Committee. Changes in the non-executive directors are explained in the Statement of Directors' Responsibilities.

13 Events after the balance sheet date

On 6 April 2021, the Group announced that it had entered into an agreement for the sale of its Swiss business to Infoniqa, a provider of HR software solutions majority-owned by Warburg Pincus. The Swiss business was held for sale as at 31 March 2021 (see note 11). The sale consideration is approximately CHF 50m (£39m), payable in cash on completion (subject to adjustment for net debt and working capital). The transaction is subject to certain closing conditions and is expected to complete within the next twelve months.

As at 11 May 2021 and subsequent to 31 March 2021, as part of the Share buyback programme announced on 4 March 2021, the Group has purchased an additional 10,276,693 common shares for total consideration of £66m. At 11 May 2021, the Group held in treasury an aggregate of 42,890,579 common shares.

Managing Risk

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

Sage continually assesses its principal risks to ensure continued and enhanced alignment to our strategy and consideration of where Sage is currently on its journey to becoming a great SaaS business. In FY21 we have to date monitored and reported against 11 principal risks. The COVID-19 pandemic continues to bring significant change to the global economic, social, political and business landscape. In response, we have continually reviewed the actual, emerging and potential impacts of the pandemic on our principal risks to identify any new risks or changes to existing risks and opportunities that may have arisen, with a specific lens on what could change the risk profile materially. In addition, climate change and sustainability issues remain a Management and Board priority. Reflecting this, we will be creating an additional Principal Risk which covers Environmental, Social, and Corporate Governance risks and opportunities. We will report on this in detail in our FY21 annual report. Furthermore, we have amended, as appropriate, some of our mitigating actions, as set out in the table below.

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

As above, the principal risks continue to evolve, reflecting the organisation's strategic focus on becoming a cloud-led SaaS 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 three strategic lenses of customer success, colleague success and innovation. The management and mitigation actions described below reflect the refreshed principal risks and build on those actions previously reported in our FY20 Annual Report.

Principal risk	Risk context	Management and mitigation
Understanding Customer Needs	**Stable risk environment**	
If we fail to anticipate, understand and deliver against the capabilities and experiences our current and future customers need in a timely manner, they will find alternative solution providers. *Strategic alignment:* ***Customer Success***	Sage is the leader in key global markets, and this assists us in gathering valuable insights into what our current and future customers want and need. It also helps us to better understand the strengths, weaknesses and appetite of our products and services, and better develop and position those products and services to meet the needs of our current and future customers. By understanding the specific needs of these customer groups in each country and region, we will be better positioned to efficiently manage our products, marketing efforts and support services. This in turn will allow us to maximise our return on investment and retain a loyal customer and partner base over the long term.	• Brand health surveys are used to provide us with an understanding of customer perception of the Sage brand and its products, which we use to inform and enhance our market offerings • Detailed customer segment analysis is used to develop segment-specific playbooks that support customer-focused development • A Market and Competitive Intelligence team provides insights that Sage uses to win in the market • Utilisation of customer usage data and churn data, to understand their appetite for products, and features • The interlock between our Customer Success teams, marketing teams, and product teams to ensure that the right solutions and products are provided to our customers • Master repository of customer MI by region and by product which supports the identification of trends such as time in product, seasonal trends and usage

Principal risk	Risk context	Management and mitigation
		• Ongoing refinement and improvement of market data through feedback from the business, partners and customers, including specific focus upon COVID-19 and the ongoing impact on SMBs • Customer Advisory Boards, Customer Design Sessions and NPS detractor call-back channels are used to constantly gather information on customer needs • A Partner Centre of Excellence supports our Indirect Sales and Third-Party Partner approach
Execution of Product Strategy If we fail to deliver the capabilities and experiences outlined in our product strategy in a timely manner, we will not meet the needs of our customers or our commercial goals. *Strategic alignment:* ***Customer Success Innovation***	**Stable risk environment** A key component of Sage's transition to a Software as a Service (SaaS) company is the delivery of cloud-native products and solutions. To achieve this, we need to execute, in a sound and methodical manner at pace, a prioritised product strategy that moves our product portfolio to cloud-native solutions. This may include a transitional period of cloud-connected products, with a clear path to the cloud-native products for our current and future customers' requirements.	• Following a product rationalisation and prioritisation exercise Sage's product strategy was updated to ensure that native cloud products are delivered in line with customer expectations • A licencing model transition strategy is in place, anchored on the Sage Business Cloud, with an emphasis on selling subscription • Sage Business Cloud is available in the United Kingdom and Ireland, North America, France, Spain, and South Africa • Recent cloud-native products (Sage Intacct and Sage People) are available in Sage Business Cloud in North America, United Kingdom and Ireland, Australia, and South Africa with further international delivery continuing to be developed • Prioritisation of core product and service delivery in key territories, including responding to the impact of COVID-19 in specific territories, aligned with specific government and policy changes • An assessment of the key dependencies within the segment and regional plans has been completed, to ensure that plans meet the minimal viability thresholds • The continued enhancement of the Governance, reporting and planning framework, to ensure that strategic bets and plans align, are executable, and for on-demand strategy performance reporting • A new Partner Model framework is in place across small and medium segments to ensure strategic objectives are being met
Innovation If we fail to identify and leverage disruptive technologies and invest in modern development practices and tools in a timely manner, we will not meet the needs of our customers or our commercial goals. *Strategic alignment:* ***Customer Success Innovation***	**Improving risk environment** As Sage transitions into a SaaS business powered by a subscription licence model, we must be able to rapidly deploy new innovations to our customers and partners. This innovation could relate to new technologies, services, or new ways of working. Innovation requires us to address how we encourage innovation across our people, processes and technology, and how we make this innovation sustainable. By building innovation into our collective DNA, we can empower our colleagues to improve the customer experience,	• Creation and growth of Sage AI Labs to focus and drive AI/ML development including to enhance the capability of our products, starting with Sage Intacct • Focused colleague engagement to accelerate innovation across the organisation through Continuous Innovation Community, and in partnership with Learning and Development. • Enhanced, consistent digital experience for all Sage Business Cloud users through the Sage Design System • Acquisition of AutoEntry provides automation of data entry through AI and Optical Character Recognition Technology for our accounting products

Principal risk	Risk context	Management and mitigation
	and drive efficiencies in how we deliver our products and services. By strategically investing in platforms and relationships, we can also harness the innovation of our partners. By providing opportunities for our partners to interact with our products we can drive scalable growth and improve the customer experience.	• Objectives integrated into the planning of each segment and region to drive AI Transformation, Sage Business Cloud adoption and innovation of product features based on identified needs of customers • Integration of the Pegg chat-bot with Sage Accounting, to enhance the product experience using artificial intelligence In progress: • Simple, smart and open technology strategy to provide API and microservices through a Sage Developer Platform • Strategic acquisition and collaboration with partners to complement and enable accelerated innovation • Platform Services delivered to Sage Business Cloud to enhance value proposition for cloud adoption • Leveraging Sage ID and the Sage Business Cloud network to deliver a unified and highly personalised experience for each customer across the entirety of Sage Business Cloud • Development of an incubation framework to guide how Sage interacts with its innovation partners • Enhancement of the Pegg AI capability, and increased use of machine learning to support new areas and operations • Continuing development of Sage's service fabric to support the development of cloud solutions
Route to Market If we fail to deliver a bespoke blend of route to market channels in each country, based upon common components, we will not be able to efficiently deliver the right capabilities and experiences to our current and future customers. *Strategic alignment:* ***Customer Success***	**Stable risk environment** By offering our current and potential customers the right information on the right products and services at the right time, we can maximise the value we can obtain from our marketing and customer engagement activities. This can shorten our sales cycle and ensure that customer retention is improved. It can also use new products and services, such as payments and banking technologies, to draw new customers into the Sage family.	• Market data and intelligence is disseminated internally to support decision makers in the best routes to market • Dedicated colleagues are in place to support partners, and to help manage the growth of targeted channels • The Sage Partner Programme has been moved into the marketing organisation to drive increased alignment of the indirect channel to market • New routes to market are being opened through our partnerships with payment and banking technology providers • A Partner Centre of Excellence supports our Indirect Sales and Third-Party Partner approach • A new framework to support indirect channel partners for cloud delivery has been implemented in North America and the United Kingdom and Ireland as part of our drive to cloud
Customer Success If we fail to effectively identify and deliver ongoing value to our customers by focusing on their needs over the lifetime of their customer journey, we will not be able to achieve	**Stable risk environment** In becoming a true SaaS business, we must maintain a sharp focus on the relationship we have with our customers, constantly focusing on delivering the products, services and experiences our customers need to be successful. If we do not do this, they will likely find another	• A Product Delivery team develops and delivers those products needed by our customers to support their success • Battlecards are in place for key products in all countries, setting out the strengths and weaknesses of competitors and their products • Defined 'customer for life' roadmaps are in place, detailing how products fit together, any

Principal risk	Risk context	Management and mitigation
sustainable growth through renewal. *Strategic alignment:* ***Customer Success*** ***Colleague Success***	provider who does give them these things. Conversely, if we do these things well these customers will stay with Sage, increasing their lifetime value, becoming our greatest marketing advocates. While Sage is renowned for its quality customer support, a focus on customer success requires more proactive engagement as well. By proactively helping customers to recognise and fully realise the value of Sage's products we can help increase the value of these relationships over time and reduce the likelihood of customer loss. By aligning our people, processes and technology with this focus in mind, all Sage colleagues can help support our customers to be successful and in turn drive increased financial performance.	interdependencies, and migration pathways for current and potential customers • A data-driven Customer Success Framework was designed and piloted in UKI and is being rolled out in phases to other major markets to enhance the customer experience and ensure that Sage is better positioned to meet the current and future needs of the customer • Continuous Net Promoter Score (NPS) surveying allows Sage to identify customer challenges rapidly, and respond in a timely manner to emerging trends • Customer Journey mapping and mapping of the core customer processes to ensure appropriate strategy alignment and alignment to Target Operating Model • The new Customer Connect programme gives all Sage colleagues the opportunity to better understand our customers In progress: • Consolidation of CRM systems continues to provide an efficient single view of the customer across all markets
Third Party Reliance	**Stable risk environment**	
If we do not embed our partners as an integral and aligned part of Sage's go-to-market strategy in a timely manner, we will fail to deliver the right capabilities and experiences to our customers. *Strategic alignment:* ***Customer Success***	Sage places reliance on third-party providers to support the delivery of our products to our customers. 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. Sage has an extensive network of sales partners critical to our success in the market, and suppliers upon whom it places reliance. Carefully selecting, managing and supporting these partners and suppliers is critical to how we grow our business, as well as ensuring that we only engage with those people and organisations that share Sage's values and aspirations.	• Dedicated colleagues are in place to support partners, and to help manage the growth of targeted channels • Standardised implementation plans for Sage products that facilitate efficient partner implementation • A specialised Procurement function supports the business with the selection of strategic third-party suppliers and negotiation of contracts • Clear roles and responsibilities for colleagues are outlined in the Procurement Lifecycle Policy and Procedures, which includes delegated levels of authority for investment approval • A Partner Centre of Excellence supports our Indirect Sales and Third-Party Partner approach In progress: • Managed growth of the API estate, including enhanced product development that enables access by third-party API developers
People and Performance	**Stable risk environment**	
If we fail to ensure we have engaged colleagues with the critical skills, capabilities and capacity we need to deliver on our strategy, we will not be successful. *Strategic alignment:* ***Customer Success*** ***Colleague Success***	As Sage transitions into a SaaS business, the capacity, knowledge and leadership skills we need will change. Sage will not only need to attract the talent and experience we will need to help navigate this change, we will also need to provide an environment where colleagues can develop to meet these new expectations, an environment where everyone can perform at their very best. By empowering colleagues and leaders to make decisions, be	• Extensive focus on our hiring channels ensuring we are attractive in the market through our enhanced employee value proposition, enhanced presence through social media such as Glassdoor, Comparably, Twitter, LinkedIn, and Facebook • Identifying new hiring channels, for example our pathways programme which enables talented returners who are struggling to find a route back into work • Focusing on entry level hiring through apprentice and graduate programmes

Principal risk	Risk context	Management and mitigation
	innovative, and be bold in delivering on our commitments, Sage will be able to create an attractive working environment. By addressing drivers of colleague voluntary attrition, and embracing the values of successful SaaS businesses, Sage can increase colleague engagement and create an aligned high performing team.	• Ensuring our reward mechanisms incentivise and drive the right behaviour with a focus on ensuring fair and equitable pay in all markets • Using a range of mechanisms – including digital platforms to recognise great performance and outstanding achievements • Focusing on the development of our leaders to ensure they create the environment which enables colleagues to thrive and perform at their very best • Through our Sage Belong programme ensuring we are supporting all colleagues to be successful at Sage regardless of age, gender, sexual orientation, ethnic origin or social background • Encouraging collaboration across the organisation through internal media channels, hackathon, collaboration jams and Sage Foundation • Placing colleagues (and customers) at the heart of our response to the COVID-19 pandemic, including the availability of 'Headspace', our 'Always Listening' portal and 'Your Voice' Hub In progress: • Sage-wide reward and capability review ensuring we have in place the SaaS skills and reward mechanisms we need • Design for emerging talent programme (including VP development programmes) • We are developing a principles-based framework that drives a consistent approach and experience for Sage colleagues, enabling flexibility of place and time, as they navigate a return to the office and the future of work
Culture	**Stable risk environment**	
If we do not fully empower our colleagues and enable them to take accountability in line with our shared Values and Behaviours, we will be challenged to create a SaaS culture, that meets Sage's business ambitions. *Strategic alignment:* ***Customer Success*** ***Colleague Success***	The development of a shared behavioural competency that encourages colleagues to always do the right thing, put customers at the heart of business, and drive innovation will be critical in Sage's successful transition to a SaaS business. Devolution of decision making, and the acceptance of accountability for these decisions, will need to go hand in hand as the organisation develops and sustains its shared Values and Behaviours, and develops a true SaaS culture. Sage will also need to create a culture of empowered leaders that support the development of ideas, and that provides colleagues with a safe environment that allows for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success and drive the engagement that results in increased market share.	• A culture framework and specific metrics to drive Sage's Values and Behaviours into the core of the business including, performance management, talent attraction, selection and development, leadership development and onboarding • Code of Conduct communicated to all colleagues, and subject to annual certification • Alignment of personal objectives across Sage, with direct cascade from the CEO • Formal assessment against personal objectives for each colleague as part of established performance management process, which also considers personal application of Sage's Values and Behaviours • Core eLearning modules rolled out across Sage, with annual refresher training • Whistleblowing and Incident Reporting mechanisms in place to allow issues to be formally reported and investigated • All colleagues are actively encouraged to take up to five paid Sage Foundation days each year, to support charities and provide philanthropic support to the community. Support for Sage Foundation included in bonus goals for our most senior leaders

Principal risk	Risk context	Management and mitigation
		• Placing colleagues (and customers) at the heart of our response to the COVID-19 pandemic, including the availability of 'Headspace', our 'Always Listening' portal and 'Your Voice' Hub • All colleagues provided three Wellbeing Days in addition to annual leave • Sage Business Integrity team has the mandate to guide, support and challenge the business to own and enhance its Values and Behaviours
Cyber Security and Data Privacy	**Improving risk environment**	
If we fail to responsibly collect, process and store data, together with ensuring an appropriate standard of cyber security across the business, we will not meet our regulatory obligations, and will lose the trust of our stakeholders. *Strategic alignment:* ***Customer Success*** ***Innovation***	Information is the life blood of a SaaS business – protecting the confidentiality, integrity and accessibility of this data is table stakes for a data-driven business, and failure to do so can have significant financial and regulatory consequences in the General Data Protection Regulation (GDPR) era. In addition, we also need to use our data efficiently and effectively to drive improved business performance.	• Accountability is established 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 supported by a Global Data Privacy and Governance Forum oversees information protection and development for Sage • A network of country-level data champions and product security champions support the business in embedding Sage practices across the organisation, with a particular focus on the requirements of the GDPR and Sage's Secure Software Development Lifecycle • Formal certification schemes are maintained, across appropriate parts of the business, and include internal and external validation of compliance • An incident management framework is in place, which includes rating of incidents and requirements for notification and escalation, and online incident reporting to Sage Risk • All colleagues are required to undertake awareness training for information management and data protection, with a focus on the GDPR requirements. Colleagues who frequently handle personal data also undertake role-based training • The Information Security Risk Management Methodology continues to be deployed to provide objective risk information on our assets and systems • Ongoing assessment of the impact of working from home, and any potential additional risks and required enhancement in controls. In progress: • Group-wide cyber security programmes to make corporate IT systems more cyber resilient and introduce enhanced security standards for critical products • A comprehensive security culture programme to improve awareness of cyber security risks at all levels of the organisation
Data Strategy	**Stable risk environment**	
If we fail to identify, maximise and utilise the value of our data and customer data in a timely manner in accordance	Information is the life blood of a SaaS business – it tells us how we create revenue, how we can improve the customer experience,	• IT and Product have been consolidated under a single leader to drive alignment of data management practice across the business

Principal risk	Risk context	Management and mitigation
with our data principles, we will not be able to realise the full potential of our assets. *Strategic alignment:* ***Customer Success*** ***Innovation***	and how we can meet our obligations and commitments. Analysed using manual and machine learning, it provides us with the intelligence we need to run and build our business.	• Formation of a data strategy across customer, product, and enterprise data to support the delivery of customer value and solve customer problems, including the use of enhanced Artificial Intelligence /Machine Learning capabilities • Data principles have been created In progress: • Customer consent service is being initiated to support product telemetry • Establishment of a common data platform.
Live Services Management If we fail to maintain a reliable, scalable and secure live services environments, we will be unable to deliver the consistent cloud experience expected by our customers. *Strategic alignment:* ***Customer Success*** ***Innovation***	**Stable risk environment** As Sage continues to transition into a great SaaS business, there is a greater focus on ensuring that we are able to continue to scale our services environment in a robust, agile, and speedy manner to ensure the delivery of a consistent and robust cloud experience. This delivery could relate to new technologies, operating practices, and services. Live Services Management must provide the right Infrastructure and Operations for all of our customer products, a platform to host customer products, the governance to insure they are adhering to best practices, and the oversight that ensures optimal service availability, performance, security protection and restoration (if required).	• Formal onboarding process established and executed including ongoing management in Portfolio Management processes • Incident and problem management supported by a change management process adhered to for all products and services. • Report hosting and tool costs per product • Published established tool standards • Attained service level objectives including uptime, responsiveness, and mean time to repair objectives • An established forum for continuous assessment and refinement • Real Time Demand Management processes and controls • Disaster Recovery Capability and operational resilience models Continuous enhancement and delivery framework for our robust security programmes • Future state live services environment Transformation Plan has been implemented In progress: • Implementation of a Service Centre with dedicated expert incident and change management capabilities

Statement of Directors' Responsibilities

The condensed consolidated half-yearly financial report for the six months ended 31 March 2021 includes the following responsibility statement.

Each of the Directors confirms that, to the best of their knowledge:

- the Group consolidated condensed financial statements, which have been prepared in accordance with IAS34, "Interim Financial Reporting" as adopted by the EU and as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors also confirm that the Interim Management Report herein includes a fair review of information required by 4.2.8R of the DTR (Disclosure and Transparency Rules).

The Directors of The Sage Group plc are consistent with those listed in the Group's 2020 Annual Report and Accounts, except for the appointments of Derek Harding and Andy Duff to its Board as independent Non-executive Directors with effect from 2 March 2021 and 1 May 2021 respectively. A list of current directors is maintained on the Group's website: www.sage.com.

On behalf of the Board

J Howell
Chief Financial Officer
14 May 2021

Independent review report to The Sage Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2021 which comprises Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated statement of cash flows and the related explanatory notes 1 to 13. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
13 May 2021

Notes: **[1]** The maintenance and integrity of the Sage Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.
[2] Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.