

SAGE REVENUES RISE 9%* FOR THE HALF-YEAR ENDED 31 MARCH 2008

The Sage Group plc ("Sage"), one of the leading global suppliers of business management software and services for small and medium-sized enterprises ("SMEs"), announces its unaudited results for the half-year ended 31 March 2008.

Financial highlights

- Revenues increased by 9%* to £640.4m (H1 2007: £588.7m*)
- EBITA[†] margin maintained at 24% (H1 2007: 24%*)
- Adjusted pre-tax profit[^] rose by 9% to £138.0m (H1 2007: £126.3m)
- Adjusted earnings per share[^] increased by 9% to 7.30p (H1 2007: 6.72p)
- Operating cash flow of £187.4m, representing 123% of EBITA (H1 2007: 114%)
- Rebased interim dividend increased to 2.43p per share (H1 2007: 1.27p per share)

Operational and strategic highlights

- 8%* organic revenue growth, excluding Sage Healthcare Division, 5%* organic growth overall (H1 2007: 7%*)
- 12%* total growth in subscription revenues[‡]; representing 59% of our business; 5%* total growth in software and software-related services
- Good performance in established product lines across our regions
- Two acquisitions completed in HR and payroll and construction software and services with a total enterprise value of £40.1m

*Foreign currency results for the prior half-year ended 31 March 2007 have been retranslated based on the average exchange rates for the half-year ended 31 March 2008 of \$2.01 and €1.35 to Sterling to facilitate the comparison of results.

[†]Earnings before interest, tax and amortisation of intangible fixed assets.

[^]Pre-tax profit and earnings per share figures stated prior to amortisation of intangible fixed assets and after neutralisation of foreign exchange movements. A table reconciling adjusted pre-tax profit to statutory profit before taxation of £122.6m is shown in Note 2 on page 10.

[‡]Subscription revenues are recurring in nature and include premium support (software combined with support), maintenance and support, transaction revenues (payment and health insurance claims processing) and hosted products.

Regional analysis*

£m	First half revenues		First half EBITA	
	2008	2007	2008	2007
UK	117.6	107.5	44.3	40.0
Mainland Europe	229.4	195.6	53.9	46.0
North America	248.5	249.0	43.6	46.7
Rest of World	42.3	36.6	10.0	9.9
	637.8	588.7	151.8	142.6
Acquisitions - UK	2.6	-	0.6	-
Foreign exchange impact*	-	(14.0)	-	(4.0)
	640.4	574.7	152.4	138.6

Chief Executive Paul Walker commented: "We are pleased to report a good half-year performance, with overall growth in line with management expectations. Our businesses in the UK, Mainland Europe and Rest of World all showed good revenue and profit growth. Our North America business, excluding Sage Healthcare Division, performed in line with expectations in a more challenging economic environment, reflecting the benefit of the investments made in the past six months. As previously explained, Sage Healthcare Division is being restructured and is making progress in meeting its operational targets.

"These results demonstrate the strength and resilience of our business model, based on the high proportion of subscription revenues which underpin our organic growth. Almost 60% of our revenues are derived from subscription contracts, allowing us to grow our business through periods of challenging economic conditions. The predictability of our revenue streams and the high degree of recurring subscription revenues, combined with our large, loyal, geographically diverse, customer base, give us confidence for the full year."

Enquiries:**The Sage Group plc** +44 (0) 191 294 3068

Paul Walker, Chief Executive

Paul Harrison, Group Finance Director

Cynthia Alers, Investor Relations Director

Tulchan Communications +44 (0) 20 7353 4200

Stephen Malthouse

Lizzie Morgan

An analyst presentation will be held at 8.30am today at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. A live webcast of the presentation will be hosted on www.investors.sage.com, dial-in number +44 (0) 1452 568 051, pin code: 44987480.

Overview

We are pleased to report a good half-year performance, with overall growth in line with management expectations. Our businesses in Mainland Europe and Rest of World again experienced excellent growth. Our UK business also performed well compared with a very strong first half in 2007, which had the benefit of legislative stimulus. Our North American business, excluding Sage Healthcare Division, grew in line with our expectations despite a more challenging economic environment. Sage Healthcare Division implemented a number of actions aimed at increasing support retention and improving overall customer satisfaction. As a result, revenues from maintenance and support and network services stabilised. System sales contracted compared to a strong performance in 2007, which saw significant stimulus from changes in legislation relating to insurance claims processing.

Over the period, we maintained the Group EBITA margin, whilst generating strong operating cash flows. Our strong cash generation underpins the rebased dividend payment in the period, as well as on-going strategic investment in our businesses.

These results demonstrate the enduring defensive nature of our business model that underpins our organic revenue growth. Our customers' appetite for value-added support continues to grow, resulting in organic revenue growth of 10%* in maintenance and support revenues (including premium support), which are the largest component within subscription revenues. Half our revenues are now derived from these maintenance and support contracts, with very high average retention rates of 80%. Overall, we have 1.7 million support contracts, of which almost two thirds are now premium contracts, combining software and support. Premium support contracts tend to enjoy high renewal rates and superior pricing. Subscription revenues are highly profitable with attractive, sustainable margins that help to drive our strong profit growth.

Product and services strategy

Our customers view Sage's products and services as an essential part of their business management process. It is a long term relationship built on loyalty, trust and quality advice that helps them run their businesses more effectively. Our strong customer relationships are demonstrated by the 36,000 calls we took on an average daily basis over the period. This on-going dialog with our customers is one of our primary competitive advantages.

We continue to improve our products and services through customer feedback, technological innovation and understanding of the local business environment that allows us to develop products tailored to our customers' needs. Our hosted products and services still represent only a small part of our revenues, but they have shown strong growth in new and established markets, especially in Customer Relationship Management solutions ("CRM"). We anticipate that growth in our hosted products will continue to develop in line with customer demand.

Acquisition review

Acquisitions remain an important part of our growth strategy, and we continue to make strategic acquisitions which expand our product and services offering to new and existing SME customers. We are also actively pursuing opportunities in emerging markets.

Over the period we made two acquisitions in the UK for a total enterprise value of £40.1m, broadening our product offerings in HR and payroll and construction software and services. In October 2007, we acquired KCS Global Holdings Limited ("KCS") for an enterprise value of £20.0m. KCS is one of the UK's leading suppliers of personnel, payroll and time & attendance solutions. Combined with the acquisition last year of HR and payroll specialist Snowdrop, this acquisition represents an excellent opportunity for Sage to fulfil the growing need of SMEs for specialist advice in HR and payroll. In March 2008, we announced the acquisition of the Tekton Group

*Foreign currency results for the prior half-year ended 31 March 2007 have been retranslated based on the average exchange rates for the half-year ended 31 March 2008 of \$2.01 and €1.35 to Sterling to facilitate the comparison of results.

Ltd (“Tekton”), one of the leading suppliers of software products and services to the UK construction industry, for a total enterprise value of £20.1m. Tekton will broaden our offering to the UK construction industry and extend our mid-market construction solutions.

We continue to evaluate a strong pipeline of acquisition opportunities but remain disciplined in our valuation appraisals.

Regional review

UK

UK revenues grew by 12% overall to £120.2m (H1 2007: £107.5m). Organic revenue growth was broadly in line with our expectations at 5%, compared to a very strong first half in 2007, which was boosted by a change in government legislation.

Sage 50, our flagship product, once again recorded excellent, double digit growth. Our product suites, *Sage 50*, *Sage 200* and *Sage 1000*, continue to be well received by the market and experienced strong growth, as customers migrated from older software versions to the new product suites. Protix, the payment solutions provider, showed very strong growth over the period. Payroll solutions experienced slower growth against a strong prior period performance. *ACT!* also showed slower growth, although *SalesLogix* performed very well.

Customers continued to migrate to premium support and subscription software models, which resulted in double digit growth in maintenance and support revenues (including premium support). We anticipate that premium support will continue to increase as a proportion of our revenues in the UK, strengthening the resilience of our business.

The EBITA margin was maintained at 37% (H1 2007: 37%).

The UK made two acquisitions in the period: KCS and Tekton. Both acquisitions are important strategic steps in expanding our portfolio of specialist solutions for our customers.

Mainland Europe

Total revenues in Mainland Europe grew by 17%* overall to £229.4m (H1 2007: £195.6m*) with strong organic revenue growth of 10%*. Mainland Europe is now our largest constituent of Group profits, contributing 35% to Group EBITA.

France showed strong organic revenue growth of 9%*, with good performances in *Cie!!*, our entry-level solution, and in solutions for mid-market. Spain had excellent organic revenue growth of 30%*, driven by the introduction of new accounting standards for Spanish SMEs and high adoption levels of premium support offerings. As forecast, organic revenue in Germany/Switzerland declined by 4%*, following an exceptionally strong performance in the first six months of 2007 after changes in tax legislation. Poland continued to show excellent double digit revenue growth.

The EBITA margin was maintained at 24% (H1 2007: 24%*).

North America

In March 2008, we announced the appointment of Sue Swenson as President and CEO of our North American business. Ms Swenson is a strong leader who brings a wealth of international experience in managing large, customer-led businesses in competitive markets and who has a proven track record in growing businesses and improving customer service.

Total revenue growth in North America was flat at £248.5m (H1 2007: £249.0m*), reflecting the reduced revenues in Sage Healthcare Division, which represents 11% of total Group revenues. Organic revenue growth, excluding Sage Healthcare Division, was 5%*.

The Business Management Division reported organic growth of 3%*, with good performances from *Simply*, *ACCPAC ERP*, and CRM products. *Peachtree* recorded flat growth ahead of a forthcoming upgrade release, although our premium version, *Peachtree Quantum*, had another strong performance with double digit organic revenue growth. Our *MAS* range of solutions in the mid-market were well received by our business partners with good growth in *MAS 500*, although *MAS 90* revenues were flat. The Industry & Specialised Solutions Division

*Foreign currency results for the prior half-year ended 31 March 2007 have been retranslated based on the average exchange rates for the half-year ended 31 March 2008 of \$2.01 and €1.35 to Sterling to facilitate the comparison of results.

grew organically by 6%*, with good performances from *Sage Timberline Office* and Not-for-Profit products. Payment Solutions Division performed well, with 14%* growth.

Revenues for Sage Healthcare Division did not meet management forecasts, although the business continues to be profitable. The business underwent a number of management changes in the prior year, as well as facing disruption resulting from the implementation of government legislation regulating health insurance claims processing. The business focused in this half-year on improving the customer experience in all areas, and we expect to see some improvement in support retention during the remainder of the year. The search for a CEO of this division is well advanced, and we anticipate making an announcement on this appointment in the near future.

The North American EBITA margin was 18% (H1 2007: 19%*), as forecast, reflecting the announced investment in our North American business. The results of this investment are beginning to be seen in both sales and service support. Support response levels, as reflected in call resolution, wait times and overall customer experience, have improved significantly after an increase in headcount. Sales team productivity has also increased with improved customer targeting and new partner engagement strategies. The North American EBITA margin, excluding Sage Healthcare Division, was 23% (H1 2007: 25%*).

Rest of World

Total revenues in Rest of World grew by 16%* to £42.3m (H1 2007: £36.6m*) with overall organic revenue growth of 13%*. South Africa again reported excellent revenue growth, with strong revenue growth in *Paste!* and payroll solutions, as well as continuing customer adoption of support offerings. Australia reported double digit revenue growth. We were satisfied with the performances of our smaller businesses in the Far East, India and the Middle East.

The EBITA margin decreased to 24% (H1 2007: 27%*) due to the dilutive effects of acquisitions made in the prior year and planned investment in our South African business made to meet increasing demand. The investment was made in new office premises, facilities and headcount.

Financial review

Over the period, we saw significant movement in foreign currency exchange rates. In particular, rates for the Euro to Sterling strengthened 13% to €1.25 from €1.43, or an average rate of €1.35 for the half-year. It is Sage's policy to align the currency denominations of our debt with the cash flows arising from our trading activities in those same currencies to hedge our currency exposure. We do not hedge pure translational exposure resulting from conversion for accounting purposes of overseas companies results into Sterling.

The change in the foreign currency exchange rate had a favourable impact on our financial results as they are translated for accounting purposes into Sterling. In order to assess like-for-like performance, regional and Group growth trends are shown on a currency neutral basis throughout this announcement, unless otherwise stated. An indication of the impact of foreign exchange movements is shown in the table in Note 2 on page 10.

Revenues

Revenues increased 9%* to £640.4m (H1 2007: £588.7m*). Organic revenue growth was 8%*, excluding Sage Healthcare Division, and 5%* including Sage Healthcare Division (H1 2007: 7%*). Organic revenue growth excludes the contributions of current year and prior year acquisitions (4% of total revenues) and non-core products (2% of total revenues).

Our customers are increasingly moving towards a subscription software model, where the software licence forms part of the annual support contract. To take into account this changing revenue stream and to facilitate understanding of our underlying business, we are, in these interim results, reporting revenues in two categories: software and software-related services, and subscription revenues. Software and software-related services revenues principally include software licences (where sold separately from a support contract), professional services, training, business forms and hardware. Subscription revenues include premium support (software combined with support), maintenance and support, transaction revenues (payment and health insurance claims processing) and hosted products. We will continue to report these two revenue categories in future.

*Foreign currency results for the prior half-year ended 31 March 2007 have been retranslated based on the average exchange rates for the half-year ended 31 March 2008 of \$2.01 and €1.35 to Sterling to facilitate the comparison of results.

Over the period, total software and software-related services grew 5%* to £259.9m. Organic revenue growth was 3%* excluding Sage Healthcare Division. Total subscription revenues grew 12%* to £380.5m with organic revenue growth of 11%* excluding Sage Healthcare Division.

Profitability

EBITA margins were maintained at 24% (H1 2007 24%*) and adjusted pre-tax profit[^] rose by 9% to £138.0m (H1 2007: £126.3m). Adjusted earnings per share[^] grew 9% to 7.30p (H1 2007: 6.72p). After accounting for the effects of amortisation and currency movements, statutory pre-tax profit rose 13% to £122.6m (H1 2007: £108.6m). A reconciliation of adjusted pre-tax profit to statutory profit before taxation of £122.6m is shown in the table in Note 2 on page 10.

The Group's EBITA margin was maintained at 24% (H1 2007: 24%*).

The Group's effective tax rate for the year is forecast to remain at 31% (H1 2007: 31%).

Cash flow

The Group remains highly cash generative with operating cash flow of £187.4m representing 123% of EBITA (H1 2007: 114%).

At 31 March 2008, net debt stood at £555.8m (30 September 2007: £509.7m). Sage has in place committed syndicated borrowings of £850m (comprising facilities of £650m and £200m), expiring in 2011, of which £614m is drawn. Despite current conditions in the global credit markets, we successfully renewed the terms of our £200m credit facility in January of this year.

Dividend

As announced on 28 November 2007, the Board proposed a rebasing of the dividend, reflecting the Group's strong cash flow and recurring revenue streams. The interim dividend reflects this rebasing and is being raised to 2.43p per share (H1 2007: 1.27p per share). The dividend will be payable on 20 June 2008 to shareholders on the register at close of business on 16 May 2008.

People

In April 2008, Sue Swenson joined Sage as President and CEO of our North American business. She brings excellent operational skills, strategic vision and customer focus that will help lead our North American business in its next important stage of development. We are delighted to welcome Ms Swenson to Sage.

In November 2007, Ian Mason, Chief Executive of Electrocomponents plc, joined the Board as a non-executive director. Mark Rolfe, former Finance Director of Gallaher Group plc, joined the Board in December 2007 as a non-executive director and in April 2008 became chair of the Audit Committee.

Outlook

We are pleased to report a good half-year performance, with overall growth in line with management expectations. Our businesses in the UK, Mainland Europe and Rest of World all showed good revenue and profit growth. Our North America business, excluding Sage Healthcare Division, performed in line with expectations in a more challenging economic environment, reflecting the benefit of the investments made in the past six months. As previously explained, Sage Healthcare Division is being restructured and is making progress in meeting its operational targets.

These results demonstrate the strength and resilience of our business model, based on the high proportion of subscription revenues which underpin our organic growth. Almost 60% of our revenues are derived from subscription contracts, allowing us to grow our business through periods of challenging economic conditions. The predictability of our revenue streams and the high degree of recurring subscription revenues, combined with our large, loyal, geographically diverse, customer base, give us confidence for the full year.

*Foreign currency results for the prior half-year ended 31 March 2007 have been retranslated based on the average exchange rates for the half-year ended 31 March 2008 of \$2.01 and €1.35 to Sterling to facilitate the comparison of results.

[^]Pre-tax profit and earnings per share figures stated prior to amortisation of intangible fixed assets and after neutralisation of foreign exchange movements. A table reconciling adjusted pre-tax profit to statutory profit before taxation of £122.6m is shown in Note 2 on page 10.

Consolidated income statement

For the six months ended 31 March 2008

	Note	Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m	Year ended 30 September 2007 (Audited) £m
Continuing operations				
Revenue	1,2	640.4	574.7	1,157.6
Cost of sales		(47.7)	(53.2)	(103.7)
Gross profit		592.7	521.5	1,053.9
Selling and administrative expenses		(455.7)	(396.6)	(798.7)
Operating profit	1	137.0	124.9	255.2
Finance income		1.8	1.8	3.6
Finance expenses		(16.2)	(18.1)	(35.5)
Net finance expenses		(14.4)	(16.3)	(31.9)
Profit before taxation	2	122.6	108.6	223.3
Taxation	3	(38.0)	(33.7)	(69.2)
Profit for the period		84.6	74.9	154.1
Attributable to:				
Equity shareholders		84.6	74.9	154.1
Profit for the period	8	84.6	74.9	154.1
EBITA*	1	152.4	138.6	283.2
Earnings per share (pence)				
– Basic	5	6.48p	5.78p	11.85p
– Diluted	5	6.46p	5.74p	11.79p

Consolidated statement of recognised income and expense

For the six months ended 31 March 2008

		Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m	Year ended 30 September 2007 (Audited) £m
Profit for the period	8	84.6	74.9	154.1
Net exchange adjustments offset in reserves	8	44.8	(31.9)	(51.6)
Equity movement of deferred tax		–	–	(3.3)
Actuarial loss on employment benefits		–	–	(1.2)
Net profits/(losses) not recognised in income statement		44.8	(31.9)	(56.1)
Total recognised income for the period		129.4	43.0	98.0
Attributable to:				
Equity shareholders		129.4	43.0	98.0
Total recognised income for the period		129.4	43.0	98.0

* EBITA measure (Earnings before interest, tax and amortisation) excludes the effects of:
• Amortisation of acquired intangible assets; and
• Amortisation (or capitalisation) of software development expenditure.

Consolidated balance sheet

As at 31 March 2008

	Note	31 March 2008 (Unaudited) £m	31 March 2007 Restated (Unaudited) £m	30 September 2007 (Audited) £m
Non-current assets				
Goodwill	6	1,697.2	1,536.8	1,572.1
Other intangible assets	6	220.1	185.7	195.5
Property, plant and equipment	6	135.3	127.7	130.5
Deferred tax assets		8.7	25.1	8.3
		2,061.3	1,875.3	1,906.4
Current assets				
Inventories		5.5	6.0	5.5
Trade and other receivables		283.3	234.8	230.3
Cash and cash equivalents	9	76.4	76.5	65.6
		365.2	317.3	301.4
Total assets		2,426.5	2,192.6	2,207.8
Current liabilities				
Trade and other payables		(233.3)	(187.8)	(210.2)
Current tax liabilities		(64.1)	(58.1)	(56.3)
Financial liabilities				
– Borrowings		(0.5)	(0.4)	(0.3)
Deferred consideration		(6.5)	(12.4)	(8.5)
Deferred income		(374.6)	(318.4)	(300.2)
		(679.0)	(577.1)	(575.5)
Non-current liabilities				
Financial liabilities				
– Borrowings		(614.7)	(597.6)	(562.0)
Retirement benefit obligations		(6.5)	(2.1)	(5.3)
Deferred tax liabilities		(13.0)	(11.8)	(14.2)
		(634.2)	(611.5)	(581.5)
Total liabilities		(1,313.2)	(1,188.6)	(1,157.0)
Net assets		1,113.3	1,004.0	1,050.8
Equity				
Share capital	7,8	13.1	13.0	13.0
Share premium account	7,8	481.9	474.2	478.2
Other reserves	8	36.9	11.8	(7.9)
Retained earnings	8	581.4	505.0	567.5
Total parent shareholders' equity	8	1,113.3	1,004.0	1,050.8
Total equity	8	1,113.3	1,004.0	1,050.8

The notes on pages 9 to 17 form an integral part of this condensed consolidated half-yearly financial information.

Consolidated cash flow statement

For the six months ended 31 March 2008

	Note	Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m	Year ended 30 September 2007 (Audited) £m
Cash flows from operating activities				
Cash generated from continuing operations		187.4	157.6	317.1
Interest received		1.8	1.7	3.6
Interest paid		(16.0)	(17.6)	(34.4)
Tax paid		(31.1)	(37.6)	(66.1)
Net cash generated from operating activities		142.1	104.1	220.2
Cash flows from investing activities				
Acquisitions of subsidiaries (net of cash acquired)		(58.6)	(33.0)	(96.2)
Disposal of subsidiaries		–	–	0.9
Purchase of intangible assets		(8.4)	(4.6)	(15.9)
Purchase of property, plant and equipment		(10.6)	(12.1)	(22.1)
Proceeds from sale of property, plant and equipment		0.1	0.2	0.2
Net cash used in investing activities		(77.5)	(49.5)	(133.1)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		3.8	11.0	15.0
Finance lease principal payments		–	(0.1)	(0.2)
Issue costs on loans		(0.3)	(0.2)	(0.2)
Repayment of borrowings		(126.0)	(79.1)	(189.0)
New borrowings		139.1	42.5	122.2
Dividends paid to shareholders	4	(74.5)	(32.5)	(49.0)
Net cash used in financing activities		(57.9)	(58.4)	(101.2)
Net increase/(decrease) in cash and cash equivalents (before exchange rate changes)	9	6.7	(3.8)	(14.1)
Effects of exchange rate changes	9	4.1	(1.7)	(2.3)
Net increase/(decrease) in cash and cash equivalents		10.8	(5.5)	(16.4)
Cash and cash equivalents at 1 October	9	65.6	82.0	82.0
Cash and cash equivalents at period end	9	76.4	76.5	65.6

Notes to financial information

For the six months ended 31 March 2008

Group accounting policies

a General information

The Sage Group plc (“the Company”) and its subsidiaries (together “the Group”) is one of the leading global suppliers of business management software and services to small and medium-sized enterprises. The Group operates in 23 countries worldwide in the UK & Ireland, Mainland Europe, North America, Southern Hemisphere and Asia.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 September 2007 were approved by the Board of directors on 18 January 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

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.

The Group consolidated half-yearly financial information was approved for issue by the Board of directors on 8 May 2008.

b Basis of preparation

This condensed consolidated half-yearly financial information for the half-year ended 31 March 2008 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, “Interim Financial Reporting” as adopted by the European Union. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2007, which have been prepared in accordance with IFRSs as adopted by the European Union.

c Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2007, as described in those annual financial statements.

Adoption of new and revised International Financial Reporting Standards

At the date of approval of this half-yearly information, the following standards, interpretations and amendments were issued but not yet mandatory for the Group and early adoption has not been applied.

International Financial Reporting Standards (“IFRS”)

- IFRS 8 “Operating Segments”
- IFRS 3 (revised) “Business Combinations”

International Financial Reporting Interpretations Committee (“IFRIC”) interpretations

- IFRIC 12 “Service Concession Arrangements”
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 14 “IAS19 – The limit of a defined benefit asset, minimum funding requirements and their interaction”

Amendments to existing standards

- Amendment to IAS 1 “Presentation of Financial Statements: A Revised Presentation”
- Amendment to IAS 23 “Borrowing Costs”
- Amendment to IAS 27 “Consolidated and Separate Financial Statements”
- Amendment to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation”
- Amendment to IFRS 2 “Share-based Payment: Vesting Conditions and Cancellations”

All the IFRSs, IFRIC interpretations and amendments to existing standards are yet to be endorsed by the EU at the date of approval of these consolidated financial statements with the exception of IFRS 8.

We are currently gathering data in order to assess the impact of each of the standards.

Notes to financial information

For the six months ended 31 March 2008

1 Segmental reporting

	Six months ended 31 March 2008			Six months ended 31 March 2007		
	Revenue* (Unaudited) £m	EBITA* (Unaudited) £m	Operating profit* (Unaudited) £m	Revenue* (Unaudited) £m	EBITA* (Unaudited) £m	Operating profit* (Unaudited) £m
UK & Ireland	117.6	44.3	43.1	107.5	40.0	39.5
Mainland Europe	229.4	53.9	47.9	195.6	46.0	41.4
North America	248.5	43.6	35.9	249.0	46.7	38.2
Rest of World	42.3	10.0	9.9	36.6	9.9	9.8
	637.8	151.8	136.8	588.7	142.6	128.9
Acquisitions – UK & Ireland	2.6	0.6	0.2	–	–	–
Foreign exchange impact*	–	–	–	(14.0)	(4.0)	(4.0)
	640.4	152.4	137.0	574.7	138.6	124.9

* The 2008 trading results from businesses located outside the UK were translated into Sterling at the average exchange rates for the period. For our two most significant foreign operating currencies, the US Dollar and the Euro, the resulting rates were £1 = \$2.01 and £1 = €1.35 respectively. Results for the period ended 31 March 2007 have been retranslated at these exchange rates to facilitate the comparison of results.

EBITA includes a charge for share-based payments of £3.8m (H1 2007: £4.5m).

The Board measures Group and regional performance by using EBITA (earnings before interest, tax and amortisation), which excludes the effects of amortisation of acquired intangible assets and the net amortisation or capitalisation of software development expenditure.

Reconciliation of EBITA to operating profit

	Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m
EBITA	152.4	138.6
Net amortisation of software development expenditure	(0.3)	(0.5)
Amortisation of acquired intangible assets	(15.1)	(13.2)
Operating profit	137.0	124.9

2 Reconciliation to statutory revenue and profit before taxation

Reconciliation of revenue

	Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m	Growth (Unaudited) %
Revenue on foreign currency exchange rate neutral basis	640.4	588.7	9%
Impact of movements in foreign currency exchange rates	–	(14.0)	
Statutory revenue	640.4	574.7	11%

Reconciliation of profit before taxation

	Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m	Growth (Unaudited) %
Adjusted pre-tax profit	138.0	126.3	9%
Impact of movements in foreign currency exchange rates	–	(4.0)	
	138.0	122.3	13%
Net amortisation of software development expenditure	(0.3)	(0.5)	
Amortisation of acquired intangible assets	(15.1)	(13.2)	
Statutory profit before taxation	122.6	108.6	13%

Notes to financial information

For the six months ended 31 March 2008

3 Taxation

Income tax for the six months ended 31 March 2008 (Unaudited) is charged at 31% (six months ended 31 March 2007 (Unaudited): 31%; year ended 30 September 2007 (Audited): 31%), representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income for the six months ended 31 March 2008.

4 Dividends

	Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m	Year ended 30 September 2007 (Audited) £m
Final dividend paid for the year ended 30 September 2006 of 2.51 pence per share	–	32.5	32.5
Interim dividend paid for the year ended 30 September 2007 of 1.27 pence per share	–	–	16.5
Final dividend paid for the year ended 30 September 2007 of 5.73 pence per share	74.5	–	–
	74.5	32.5	49.0

The interim dividend of 2.43 pence per share will be paid on 20 June 2008 to shareholders on the register at the close of business on 16 May 2008.

5 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding those held in the employee share trust, which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period and the contingently issuable shares under the Group's long-term incentive plan.

At 31 March 2008, the performance criteria for the vesting of the awards under the incentive scheme had not been met and consequently the shares in question are excluded from the diluted EPS calculation.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Six months ended 31 March 2008 (Unaudited)			Six months ended 31 March 2007 (Unaudited)		
	Earnings £m	Weighted average number of shares millions	Per-share amount pence	Earnings £m	Weighted average number of shares millions	Per-share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	84.6	1,304.8	6.48	74.9	1,297.2	5.78
Effect of dilutive securities						
Options	–	4.2	(0.02)	–	8.2	(0.04)
Diluted EPS	84.6	1,309.0	6.46	74.9	1,305.4	5.74

Notes to financial information

For the six months ended 31 March 2008

Adjusted EPS – non GAAP measure

	Six months ended 31 March 2008 (Unaudited)			Six months ended 31 March 2007 (Unaudited)		
	Earnings £m	Weighted average number of shares millions	Per-share amount pence	Earnings £m	Weighted average number of shares millions	Per-share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	84.6	1,304.8	6.48	74.9	1,297.2	5.78
Non EBITA items:						
Intangible amortisation and net development expenditure	15.4			13.7		
Taxation	(4.8)			(4.2)		
Net EBITA adjustments	10.6	–	0.82	9.5	–	0.73
Adjusted basic EPS	95.2	1,304.8	7.30	84.4	1,297.2	6.51
Exchange adjustments				4.0		
Taxation				(1.2)		
	–	–	–	2.8	–	0.21
Adjusted EPS	95.2	1,304.8	7.30	87.2	1,297.2	6.72

6 Capital expenditure

	Restated (Unaudited) £m
Six months ended 31 March 2007	
Opening net book amount 1 October 2006	1,881.3
Additions	48.4
Disposals	(0.4)
Depreciation, amortisation and other movements (including exchange differences)	(79.1)
Closing net book amount 31 March 2007	1,850.2

	(Unaudited) £m
Six months ended 31 March 2008	
Opening net book amount 1 October 2007	1,898.1
Additions	79.4
Disposals	(0.1)
Depreciation, amortisation and other movements (including exchange differences)	75.2
Closing net book amount 31 March 2008	2,052.6

Non-financial assets that have an indefinite life are not subject to amortisation, but are tested for impairment annually at the year-end (30 September) or whenever there is any indication of impairment. At 31 March 2008, there was no indication of impairment for non-financial assets with indefinite lives.

Financial assets were reviewed for impairment as at 31 March 2008. There was no indication of impairment.

Notes to financial information

For the six months ended 31 March 2008

7 Share capital

Capital	Number of shares (Unaudited)	Ordinary shares (Unaudited) £m	Share premium (Unaudited) £m	Total (Unaudited) £m
Opening balance 1 October 2006	1,294,280,944	12.9	462.8	475.7
Allotted under share option schemes	7,477,208	0.1	11.4	11.5
At 31 March 2007	1,301,758,152	13.0	474.2	487.2
Opening balance 1 October 2007	1,304,160,154	13.0	478.2	491.2
Allotted under share option schemes	2,521,592	0.1	3.7	3.8
At 31 March 2008	1,306,681,746	13.1	481.9	495.0

8 Shareholders' funds and reconciliation of changes in shareholders' equity

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity funds £m	Minority interest £m	Total equity £m
At 1 October 2006	12.9	462.8	43.7	458.1	977.5	0.1	977.6
Exchange adjustments	–	–	(31.9)	–	(31.9)	–	(31.9)
New shares issued	0.1	–	–	–	0.1	–	0.1
Purchase of minority interest	–	–	–	–	–	(0.1)	(0.1)
Net profit	–	–	–	74.9	74.9	–	74.9
Share options							
– proceeds from shares issued	–	11.4	–	–	11.4	–	11.4
– value of employee services	–	–	–	4.5	4.5	–	4.5
Dividends	–	–	–	(32.5)	(32.5)	–	(32.5)
At 31 March 2007 (Unaudited)	13.0	474.2	11.8	505.0	1,004.0	–	1,004.0

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Equity funds £m	Minority interest £m	Total equity £m
At 1 October 2007	13.0	478.2	(7.9)	567.5	1,050.8	–	1,050.8
Exchange adjustments	–	–	44.8	–	44.8	–	44.8
New shares issued	0.1	–	–	–	0.1	–	0.1
Net profit	–	–	–	84.6	84.6	–	84.6
Share options							
– proceeds from shares issued	–	3.7	–	–	3.7	–	3.7
– value of employee services	–	–	–	3.8	3.8	–	3.8
Dividends	–	–	–	(74.5)	(74.5)	–	(74.5)
At 31 March 2008 (Unaudited)	13.1	481.9	36.9	581.4	1,113.3	–	1,113.3

Other reserves relate to the merger reserve which was present under UK GAAP and frozen on transition to IFRS along with the translation reserve. The merger reserve and translation reserves were £61.1m and (£24.2m) respectively at 31 March 2008 (£61.1m and (£69.0m) respectively at 30 September 2007; and £61.1m and (£49.3m) respectively at 31 March 2007).

Notes to financial information

For the six months ended 31 March 2008

9 Net debt

	At 1 October 2006 (Audited) £m	Cash flow (Unaudited) £m	Exchange movement / other (Unaudited) £m	At 31 March 2007 (Unaudited) £m
Analysis of change in net debt				
Cash and cash equivalents	82.0	(3.8)	(1.7)	76.5
Loans due within one year	(0.9)	0.6	–	(0.3)
Finance leases due within one year	(0.1)	–	–	(0.1)
Loans due after more than one year	(661.7)	39.4	25.7	(596.6)
Finance leases due after more than one year	(0.2)	0.1	–	(0.1)
Cash collected from customers	(12.7)	(3.2)	0.6	(15.3)
	(593.6)	33.1	24.6	(535.9)

	At 1 October 2007 (Audited) £m	Cash flow (Unaudited) £m	Exchange movement / other (Unaudited) £m	At 31 March 2008 (Unaudited) £m
Analysis of change in net debt				
Cash and cash equivalents	65.6	6.7	4.1	76.4
Loans due within one year	(0.2)	0.1	(0.1)	(0.2)
Finance leases due within one year	(0.1)	–	(0.2)	(0.3)
Loans due after more than one year	(561.1)	(9.4)	(43.5)	(614.0)
Finance leases due after more than one year	(0.1)	–	–	(0.1)
Cash collected from customers	(13.8)	(3.5)	(0.3)	(17.6)
	(509.7)	(6.1)	(40.0)	(555.8)

Included in cash above is £17.6m (30 September 2007: £13.8m) relating to cash collected from customers, which we are contracted to pay onto another party. A liability for the same amount is included in trade and other payables on the balance sheet and is classified within net debt above.

Notes to financial information

For the six months ended 31 March 2008

10 Business combinations (Unaudited)

KCS

On 26 October 2007 the Group completed the acquisition of KCS Global Holdings Limited ("KCS"), for a consideration of £20.2m (inclusive of £0.3m related costs). Total goodwill arising on the acquisition is £13.8m. The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities.

In the purchase 100% of the voting shares were acquired. From the date of the acquisition to 31 March 2008 the acquisition contributed £2.6m to revenue and £0.2m to profit.

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill.

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
- cash paid	19.9
- direct costs relating to the acquisition	0.3
Total purchase consideration	20.2
- fair value of net identifiable assets acquired (see below)	(6.4)
Goodwill	13.8

Goodwill represents the fair value of the assembled workforce at the time of acquisition and other potential future economic benefit that is anticipated will be derived from the integration of services offered by KCS with existing product and service offerings within our UK business.

The fair value adjustments contain some provisional amounts which will be finalised in the 2008 accounts.

	Carrying values pre-acquisition £m	Provisional fair value £m
KCS acquisition		
Intangible fixed assets	7.3	7.8
Property, plant and equipment	0.2	0.2
Receivables	1.3	1.3
Payables	(1.2)	(1.3)
Deferred income	(1.6)	(1.6)
Taxation – Current	(0.2)	(0.2)
Cash and cash equivalents	0.2	0.2
Net assets acquired	6.0	6.4
Goodwill		13.8
Consideration		20.2
Consideration satisfied by:		
Cash		20.2
		20.2

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

	£m
Cash consideration	20.2
Cash acquired	(0.2)
	20.0

The intangible assets acquired as part of the acquisition of KCS can be analysed as follows:

	£m
Brand	0.5
Customer relationships	4.5
Technology	2.8
	7.8

Notes to financial information

For the six months ended 31 March 2008

Tekton

On 29 March 2008 the Group completed the acquisition Hallco 1390 Ltd which trades under the name of Tekton Group Ltd ("Tekton"), for a consideration of £21.2m (inclusive of £0.2m related costs). Total goodwill arising on the acquisition is £15.6m. The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities.

In the purchase 100% of the voting shares were acquired. From the date of the acquisition to 31 March 2008 the acquisition contributed £nil to revenue and £nil to profit.

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill.

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
- cash paid	20.0
- direct costs relating to the acquisition	0.2
- deferred consideration	1.0
Total purchase consideration	21.2
- fair value of net identifiable assets acquired (see below)	(5.6)
Goodwill	15.6

Goodwill represents the fair value of the assembled workforce at the time of acquisition and other potential future economic benefit that is anticipated will be derived from the integration of services offered by Tekton with existing product and service offerings within our UK business.

The fair value adjustments contain some provisional amounts which will be finalised in the 2009 accounts.

	Carrying values pre-acquisition £m	Provisional fair value £m
Tekton acquisition		
Intangible fixed assets	11.9	6.0
Property, plant and equipment	0.3	0.3
Inventories	0.2	0.2
Receivables	2.5	2.2
Payables	(2.3)	(2.3)
Deferred income	(1.7)	(1.7)
Taxation – Current	(0.2)	(0.2)
Cash and cash equivalents	1.1	1.1
Net assets acquired	11.8	5.6
Goodwill		15.6
Consideration		21.2
Consideration satisfied by:		
Cash		20.2
Deferred consideration		1.0
		21.2

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

	£m
Cash consideration	20.2
Cash acquired	(1.1)
	19.1

Notes to financial information

For the six months ended 31 March 2008

The intangible assets acquired as part of the acquisition of Tekton can be analysed as follows:

	£m
Customer relationships	2.0
Technology	4.0
	6.0

Contribution of acquisitions

The contribution to Group revenue and net profit, had the acquisitions occurred at the beginning of the year, has not been disclosed as it would be impracticable to determine these amounts due to the following reasons:

- Certain of the acquisitions had a different year end to the Group;
- Certain of the acquisitions accounted under a different GAAP to the Group, making accounting information not comparable to the rest of the Group; and
- In certain instances, accounting information is not sufficient to determine accurately the fair value adjustments that would have been made to the balance sheets one year ago.

Other

During the six months to 31 March 2008 adjustments were made in respect of goodwill on prior year acquisitions of £15.5m, due to additional consideration of £15.0m, of which £14.5m related to consideration paid on acquiring the additional 30% share capital of XRT on 7 November 2007, and a decrease in net assets of £0.5m.

When the accounting for acquisitions is provisional at a period end date and is then amended within 12 months, the carrying amount of the assets and associated goodwill is accounted for at the revised level from the original acquisition date. Comparative information presented for the periods before the accounting is complete should be presented as if the initial accounting had been complete from the acquisition date. As a result the consolidated balance sheet for the period ended 31 March 2007 has been restated to reflect the final accounting. The impact of the restatement has been to increase goodwill by £96.4m, reduce deferred tax assets by £91.1m and increase trade and other payables by £5.3m. There is no impact on the consolidated income statement.

11 Contingent liabilities

The Group had no contingent liabilities at 31 March 2008 (31 March 2007 and 30 September 2007: none).

12 Related party transactions

The Group has taken advantage of the exemption available under IAS 24, "Related Party Disclosures", not to disclose details of transactions with its subsidiary undertakings. There are no other external related parties.

	Six months ended 31 March 2008 (Unaudited) £m	Six months ended 31 March 2007 (Unaudited) £m
Key management compensation		
Salaries and short-term employee benefits	2.8	2.9
Post-employment benefits	0.1	0.1
Share-based payments	1.0	1.1
	3.9	4.1

13 Group risk factors

As with all businesses, the Group is affected by certain risks, not wholly within our control, which could have a material impact on the Group's long term performance and could cause actual results to differ materially from forecast and historic results.

The principal risks and uncertainties facing the Group have not changed from those set out in the Annual Report and Accounts 2007. These include: Highly competitive environment; disruption to systems and networks; changes in the economic, political, legal, accounting and business environment; changes in technology; changes to regulatory requirements; changes to legal protection of intellectual property; and changes in foreign currency exchange rates. For a full discussion of the risks to our future business performance, please refer to pages 36-37 in our Annual Report and Accounts 2007, or to www.investors.sage.com.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

On behalf of the Board
P A Walker
Chief Executive
8 May 2008

P S Harrison
Group Finance Director
8 May 2008

Report on review of consolidated half-yearly financial information

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 2008, which comprises the Consolidated income statement, Consolidated statement of recognised income and expense, Consolidated balance sheet, Consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Newcastle upon Tyne
8 May 2008

Notes:

- (a) The maintenance and integrity of The Sage Group plc website 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 statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.