FOR IMMEDIATE RELEASE **30 November 2005**

SAGE PRE-TAX PROFIT UP 13% TO £205.4 MILLION FOR YEAR ENDED 30 SEPTEMBER 2005

The Sage Group plc (“Sage”), a leading supplier of accounting and business management software solutions and related services for small to medium-sized enterprises (“SMEs”), announces its unaudited results (prepared under UK GAAP) for the year ended 30 September 2005.

Financial highlights

- Turnover increased by 14%* to £776.6m (2004: £682.6m*)
- Operating profit increased by 14%* to £211.1m (2004: £184.5m*)
- Pre-tax profit increased by 13% to £205.4m (2004: £181.1m)
- Earnings per share increased by 13% to 11.18p (2004: 9.90p)
- Operating cash flow represented 114% of operating profit (2004: 120%)
- Proposed total dividend raised to 2.875p per share (2004: 2.33p), consistent with our dividend policy announced in December 2004

Operational and strategic highlights

- Organic revenue growth of 6%*, with growth in all regions and in both software licences and services
- Customer base expanded to 4.7m businesses (30 September 2004: 4.4m)
- Strong revenue growth and improved margins from 2004 acquisitions - SP, Softline and ACCPAC - which contributed 17% of Group revenue
- Established global CRM organisation to focus on development of our CRM products
- £101.0m invested in acquisitions in new and existing territories. Acquisition of Adonix after the year-end significantly expanded the French mid-market business
- Operating margin maintained at 27%*

Regional analysis*

	2005		2004	
£m	**Turnover**	**Operating profit**	**Turnover**	**Operating profit**
UK	195.8	74.5	185.8	71.7
Mainland Europe	189.3	46.5	172.6	40.6
North America	312.0	72.9	278.5	60.5
Rest of World	59.8	14.9	45.7	11.7
	756.9	208.8	682.6	184.5
Acquisitions:				
Mainland Europe	15.9	1.4	-	-
North America	3.8	0.9	-	-
	19.7	2.3	-	-
Foreign exchange impact*	-	-	5.0	1.1
	776.6	**211.1**	**687.6**	**185.6**

Chief Executive, Paul Walker, commented: “Our organic revenue growth continues to demonstrate the value of our key assets - our expanding customer base of 4.7 million businesses, our locally-developed software solutions and our network of 23,000 reseller partners.

Future growth will be based upon continued investment in locally-developed business software solutions to meet the evolving needs of SMEs; supporting our reseller partners; enhancing support for our customers with locally-delivered services; and acquisitions in both existing and new geographic markets.

The start to 2006 has been encouraging and we therefore view 2006 with confidence.”

A presentation for analysts will be held at 9.30am today at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. The presentation will also be available at www.sage.com. A live audio broadcast of the presentation will also be available for analysts. The dial-in number is +44 (0) 20 7162 0025.

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**Foreign currency results for the year ended 30 September 2004 have been retranslated based on the average exchange rates for the year ended 30 September 2005 to facilitate the comparison of results.*

Overview

We are pleased to report a strong performance, with turnover increasing 14%* and earnings per share increasing 13%. These results demonstrate that our businesses have responded well to the competitive challenges they face. We maintained our strong market positions by providing locally-developed solutions, by working closely with our high quality reseller partner channel and by supporting customers with locally-based services. This enabled us to increase our customer base to 4.7 million businesses (30 September 2004: 4.4 million).

Fulfilling customers' needs

As a supplier of business software solutions to SMEs, our growth strategy has been based on meeting their evolving business requirements with localised software and related services. Our SME customers buy business software to address a variety of needs, ranging from basic book-keeping for small businesses, to business-wide solutions for larger, mid-market customers. As these needs change, our customers continue to enhance their solutions by selecting more advanced software from the broad range of products we offer. During the year, 70,000 customers purchased new mid-market solutions from Sage - either as new customers or by migrating from our small business solutions. This provides a significant opportunity to increase revenues from these customers, since they are more likely to enhance their solution over time and so subscribe to our support and service offerings.

In addition to providing more advanced "back office" software, we also offer our customers a range of software to help them manage processes elsewhere in their businesses. Our customers have exhibited increasing demand for customer relationship management ("CRM") software and, as a result, CRM, with organic revenue growth of 9%*, was our fastest-growing category of solutions in the year. Other software solutions - including payroll, human resources and industry-specific products - also contributed to our growth. This was stimulated by country-specific evolution of both government legislation and other business rules, which has increased the level of information that businesses are required to produce.

As our customers purchase more complex solutions, they increasingly opt to buy more of our services in order to run their systems more efficiently and produce useful business information. These additional services include both new support for added software and higher levels of support for existing software. In addition, more customers are choosing our combined subscriptions to both software and services, including feature upgrades, technical and advisory support and data transmission to accountants and government bodies.

Investing for growth

We continued our annual programme of upgrading our product portfolio in response to customer needs, releasing new and improved products in all of our markets. New product releases included improved integration with other Sage products and more consistent and intuitive user interfaces. We also invested in new applications that will enable customers to expand their solutions in future, such as business intelligence and payroll services. Our total investment in research and development grew by £8m*, or 11%*, and represented 28% of software revenue (2004: 28%*).

During the year, our CRM business delivered a product that enables customers to choose freely between software that is either rented, and provided via the web, or purchased as a traditional desktop PC application. In recognition of the growth potential of CRM, a global organisation has been established within Sage to increase our focus on this market and to direct the development of all CRM products. We have established new global branding for all CRM products and have set up a localisation centre to ensure advances in our CRM solutions are responsive to local needs. These initiatives will accelerate the development of CRM opportunities in new regions, whilst also adding focus to the development of our existing CRM businesses in North America and the UK.

Our investment activity also extended to our network of high-quality reseller and recommender partners. We provided more support for the sales and marketing activities of our 23,000 reseller partners. We also extended our sales activities with key influencers such as accountants and sales consultants.

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Acquisition in high-growth segments of the SME market remains an important part of Sage's growth strategy. As part of this strategy, we made a number of acquisitions during the year. These acquisitions took us into new markets and also enhanced our position in existing markets.

Financial review

Revenue and profitability
Revenues grew 14%* to £776.6m (2004: £682.6m*). Operating profit rose by 14%* to £211.1m (2004: £184.5m*) and pre-tax profit increased by 13% to £205.4m (2004: £181.1m). Earnings per share grew 13% to 11.18p (2004: 9.90p).

Organic revenue growth was 6%*. Organic revenue growth excludes the contributions of current- and prior-year acquisitions (together, 21% of revenues) and non-core products (3% of revenues).

Software revenues were £290.0m (2004: £258.2m*), showing organic growth of 6%*. During the year, over 300,000 businesses purchased Sage products for the first time. In addition, our existing customers continued either to upgrade their products or migrate to more sophisticated Sage solutions.

Services revenues, principally related to the provision of support services, were £486.6m (2004: £424.4m*), representing organic growth of 6%*. Support revenue grew by £48.9m*, or 14%*, to £391.4m and represented 50% of Group revenues. On an organic basis, support revenue grew 6%*, principally as a result of an increase in spend per customer. This increase resulted both from new support contracts associated with migration to more sophisticated software and from further take-up of premium support provided with existing contracts. The number of support contracts remained at 1.3 million (2004: 1.3 million). This included a growing proportion of recurring high-value mid-market contracts associated with continuous support subscriptions.

The Group's operating margin was maintained at 27% (2004: 27%*).

Acquisitions
During the year, we completed a number of significant acquisitions, for a total consideration of £101.0m. Details of the principal acquisitions are shown below.

Date	Business	Country	Enterprise Value (£m)
November 2004	Federal Liaison Services, Inc.	US	10.4
December 2004	C2G Informatique S.A.	France	5.3
January 2005	Simultan AG	Switzerland	9.5
April 2005	Symfonia	Poland	10.5
July 2005	Logic Control S.A.	Spain	54.7
September 2005	Cogestib	France	7.3
	Other small acquisitions		3.3
	TOTAL		101.0

After the end of the financial year, the acquisition of Adonix S.A. (enterprise value £78.4m, November 2005) extended our presence in France.

The three principal acquisitions completed in the prior year showed improved results against comparable prior-year periods. SP (Spain) showed revenue growth of 5%* and improved its operating margin to 31% (2004: 23%). ACCPAC (principally North America) showed revenue growth of 13%* and improved its operating margin to 23% (2004: 14%*). Softline (principally South Africa and Australia) showed revenue growth of 16%* and improved its operating margin to 23% (2004: 21%*).

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Cash flow
The Group remains highly cash generative with operating cash flow of £240.3m representing 114% of operating profit. This strong cash flow meant that, after expenditure on acquisitions of £101.0m, net debt stood at £106.9m at the year end (30 September 2004: £131.3m).

Dividend
In line with the Group's policy, announced in December 2004, of reducing dividend cover, over time, to 3.5 times, the proposed final dividend is being raised to 1.953p per share (2004: 1.719p), giving dividend growth for the full year of 23% to 2.875p (2004: 2.33p). Dividend cover will therefore reduce to 3.9 times and it is the Board's intention to move this cover to 3.5 times for the year ending 30 September 2006. The dividend will be payable on 8 March 2006 to shareholders on the register at close of business on 10 February 2006.

International Financial Reporting Standards
The Group will report for the first time under International Financial Reporting Standards (IFRS) for the half-year ending 31 March 2006. In early 2006, results for 2005, restated under IFRS, will be reported, together with the Group's IFRS accounting policies. The principal impacts of IFRS on the Group were illustrated in a presentation on 22 September 2005 (available at www.sage.com), by way of an unaudited restatement of 2004 results. This showed estimated reductions in revenue of 2%, pre-tax profit of 3% and earnings per share of 4%.

Regional review

UK
UK revenues were £195.8m (2004: £185.8m). Organic revenue growth of 5% resulted principally from the sale of upgrades of accounting and payroll products to existing customers. In addition, sales of both software and support were increased in key industry-specific solutions such as those for accountants.

The UK CRM business contributed revenues of £12m. Its 10% growth reflects increased adoption of Sage CRM products by our UK reseller partners. This has enabled our under-penetrated UK customer base to be targeted more effectively.

The operating margin improved in the second half of the year to 39% through effective cost management. The operating margin for the full year was 38% (2004: 39%).

Mainland Europe
Revenues in Mainland Europe were £205.2m (2004: £172.6m*). Organic revenue growth of 7%* resulted from customers migrating to more sophisticated software and from increased take-up of both premium support services and continuous subscriptions combining software and support. Sales of both software and support were also favourably impacted by changes in payroll legislation.

The acquisition of Simultan significantly expanded coverage of the mid-market in Switzerland. The acquisition of Logic Control, a leading mid-market vendor, complemented our existing small business division in Spain. The acquisition of Symfonia established a leading presence in the attractive Polish market. Two French acquisitions, C2G Informatique and Cogestib, established leading industry-specific presences in the distribution sector.

After the end of the financial year, the acquisition of Adonix extended our presence in the French mid-market. For the year ended 31 December 2004, its last full year prior to acquisition, its revenue was £42.6m** and its operating profit was £9.6m**. Adonix will provide advanced solutions for our mid-market customers, including industry-specific software for real estate and manufacturing.

*** All financial information calculated on the basis of £1 = Euro 1.480.*

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The overall operating margin in Mainland Europe was 23% (2004: 24%*), having been reduced by the initial impact of acquisitions completed during 2005.

North America
Revenues in North America were £315.8m (2004: £278.5m*). Organic revenue growth was 6%*.

Revenues from the small business division were £100.9m (2004: £90.8m*), including the impact of acquisitions. Organic revenue growth of 4%* resulted from new and existing customers adopting premium versions of existing products, together with support services for these products. These products include industry-specific and multi-user features. Sales of all these products benefited from the development of sales channels comprising recommenders and consultants.

Revenues from the mid-market division were £214.9m (2004: £187.7m*), including the impact of acquisitions. Organic revenue growth of 7%* resulted from customers purchasing both new solutions and adding to existing solutions, including new and renewed support services. These results reflected increased support for the sales and marketing activity of our reseller partners.

We introduced a range of additional payroll services, including full payroll outsourcing, for our 270,000 North American payroll customers. During the year, 5,000 customers subscribed to these services. This business was enhanced by the acquisition of Federal Liaison Services, a payroll services supplier, in November 2004.

The operating margin increased to 23% (2004: 22%*) as a result of profitable growth in the core businesses and of improving margins in 2004's ACCPAC acquisition.

Rest of World
This region contributed revenues of £59.8m (2004: £45.7m*). The two largest businesses, in South Africa and Australia, showed strong revenue growth and raised margins through increased support penetration, improved payroll solutions and migration of customers to mid-market solutions. In Asia, investments in marketing within the ACCPAC businesses acquired in 2004 reduced margins in comparison with the prior year. The overall operating margin for the region was 25% (2004: 26%*)

People
We now employ nearly 10,000 people (2004: 8,000), the increase resulting principally from acquisitions. The successful integration of acquired businesses into our local operations has ensured that this year's acquisitions are already combining effectively with our existing activities. In all our businesses, our people have demonstrated commitment to meeting the needs of our customers and their achievements have been reflected in numerous industry awards for product quality and customer service. We have also benefited from new ideas on business processes and products, thanks to the innovative approach of our people. We thank our people for their contribution to the year's performance.

During the year, two non-executive directors, John Constable and Kevin Howe, retired from the Group Board. John Constable joined the Board in 1995 and chaired its Audit Committee from 1996. John played a key role in facilitating and challenging the development of the Group's strategic vision. Kevin Howe joined the Board in 1992 as an executive director with responsibility for our US businesses. On retirement from his executive role in 2001, Kevin became a non-executive director. Kevin was an early and expert advocate of customer base marketing. We thank John and Kevin for their valuable contributions to the Board.

In December 2004, Tamara Ingram joined the Board as a non-executive director. Tamara, a senior executive of WPP, has a wide range of experience in brand marketing within service businesses.

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Outlook

Our organic revenue growth continues to demonstrate the value of our key assets - our expanding customer base of 4.7 million businesses, our locally-developed software solutions and our network of 23,000 reseller partners.

Future growth will be based upon continued investment in developing localised business software solutions to meet the evolving needs of SMEs; supporting our reseller partners; enhancing support for our customers with locally-delivered services; and acquisitions in both existing and new geographic markets.

The start to 2006 has been encouraging and we therefore view 2006 with confidence.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2005

	Note	Year ended 30 September 2005 (Unaudited) £'000	Year ended 30 September 2004 (Audited) £'000
Turnover	1	**776,621**	**687,585**
Operating profit	1	**211,056**	**185,607**
Net interest payable		(5,699)	(4,463)
Profit on ordinary activities before taxation		**205,357**	**181,144**
Taxation on profit on ordinary activities	3	(61,769)	(54,343)
Profit on ordinary activities after taxation		**143,588**	**126,801**
Equity minority interest		(84)	(65)
Profit for the financial year		**143,504**	**126,736**
Equity dividends	6	(36,946)	(29,876)
Retained profit transferred to reserves		**106,558**	**96,860**
Earnings per share (pence) – basic	5	**11.18p**	**9.90p**
Earnings per share (pence) – diluted	5	**11.10p**	**9.85p**
Dividend per share (pence)	6	**2.875p**	**2.33p**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 September 2005

	Year ended 30 September 2005 (Unaudited) £'000	Year ended 30 September 2004 (Audited) £'000
Profit for the financial year	**143,504**	**126,736**
Translation of foreign currency net investments and related borrowings	13,422	(39,278)
Total recognised gains and losses relating to the year	**156,926**	**87,458**

CONSOLIDATED BALANCE SHEET
As at 30 September 2005

	30 September 2005 (Unaudited) £'000	30 September 2004 (Audited) £'000
Fixed assets		
Intangible assets	1,127,722	994,804
Tangible assets	123,300	123,998
	1,251,022	**1,118,802**
Current assets		
Stocks	3,549	3,217
Debtors	149,866	121,597
Deferred tax asset	8,959	9,028
Cash at bank and in hand	69,066	74,341
	231,440	**208,183**
Creditors: amounts falling due within one year	(228,348)	(204,018)
Net current assets	**3,092**	**4,165**
Total assets less current liabilities	**1,254,114**	**1,122,967**
Creditors: amounts falling due after more than one year	(176,257)	(199,675)
Deferred income	(219,994)	(190,926)
Equity minority interest	(200)	(178)
Net assets	**857,663**	**732,188**
Capital and reserves		
Called up equity share capital	12,853	12,818
Share premium account	450,978	446,284
Merger reserve	61,111	61,111
Profit and loss account	332,721	211,975
Equity shareholders' funds	**857,663**	**732,188**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2005

	Note	Year ended 30 September 2005 (Unaudited) £'000	Year ended 30 September 2004 (Audited) £'000
Net cash inflow from operating activities		240,298	221,812
Returns on investments and servicing of finance			
Interest received		2,821	2,539
Interest paid		(8,086)	(6,510)
Issue cost of loans		-	(1,428)
Net cash outflow from returns on investments and servicing of finance		(5,265)	(5,399)
Taxation			
Corporation tax paid		(57,331)	(23,818)
Capital expenditure			
Payments to acquire fixed assets		(20,747)	(47,088)
Receipts from sales of fixed assets		3,503	5,614
Net cash outflow from capital expenditure		(17,244)	(41,474)
Acquisitions and disposals			
Purchase of subsidiary undertakings:			
Net cash consideration - current year acquisitions		(100,646)	(159,771)
- prior year acquisitions		(323)	(10,897)
Net cash outflow from acquisitions and disposals		(100,969)	(170,668)
Equity dividends paid		(33,885)	(21,843)
Cash inflow/(outflow) before financing and management of liquid resources		25,604	(41,390)
Management of liquid resources			
Reduction/(increase) in short term deposits		1,115	(3,756)
Financing			
Shares issued		4,582	3,064
Movement in loan funding		(35,438)	15,479
Net cash (outflow)/inflow from financing		(30,856)	18,543
Decrease in cash in the year	**2**	**(4,137)**	**(26,603)**

NOTES
For the year ended 30 September 2005

1. Analysis of results*

	2005		2004	
	Turnover £'000	**Operating profit £'000**	**Turnover* £'000**	**Operating profit* £'000**
UK	195,744	74,529	185,728	71,665
Mainland Europe	189,281	46,464	172,615	40,623
North America	312,033	72,892	278,527	60,498
Rest of World	59,823	14,929	45,699	11,768
	756,881	**208,814**	**682,569**	**184,554**
Acquisitions:				
Mainland Europe	15,933	1,392	-	-
North America	3,807	850	-	-
	19,740	**2,242**	**-**	**-**
Impact of foreign exchange	-	-	5,016	1,053
	776,621	**211,056**	**687,585**	**185,607**

*The 2005 trading results for businesses located outside the UK were translated into Sterling at the average exchange rates for the year. For our two most significant foreign operating currencies, the US Dollar and the Euro, the resulting rates were £1=$1.85 and £1=€1.45 respectively. Results for the year ended 30 September 2004 have been retranslated at these exchange rates to facilitate the comparison of results. The Group does not hedge this translational exposure.

2. Analysis of change in net debt

	At 1 October 2004 £'000	**Cash flow £'000**	**Exchange movement/ other £'000**	**At 30 September 2005 £'000**
Net cash at bank and in hand	69,543	(4,137)	-	**65,406**
Short term deposits	4,798	(1,115)	(23)	**3,660**
Loans due within one year	(6,184)	6,451	(488)	**(221)**
Loans due after more than one year	(199,475)	28,987	(5,254)	**(175,742)**
	(131,318)	**30,186**	**(5,765)**	**(106,897)**

3. Taxation

The taxation charge for the year comprises:

	Year ended 30 September 2005 £'000	**Year ended 30 September 2004 £'000**
Current taxation		
UK taxation	24,892	23,018
Overseas taxation	31,242	19,517
	56,134	42,535
Deferred taxation	5,635	11,808
	61,769	**54,343**

The taxation charge gives an effective rate of 30% (2004: 30%).

4. The unaudited financial information set out above does not constitute the Company's statutory accounts for the year ended 30 September 2005. The accounting policies used as a basis for this results announcement are consistent with the Company's statutory accounts for the year ended 30 September 2004, which have been delivered to the Registrar of Companies.

The Group results for the year ended 30 September 2004 have been extracted from those statutory accounts. The Auditors' Report on the accounts to 30 September 2004 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985. Accounts to 30 September 2005 will be delivered in due course.

5. Earnings per share

The calculation of basic earnings per ordinary share is based on earnings of £143,504,000 (2004: £126,736,000) being the profit for the year and on 1,283,347,008 ordinary 1p shares (2004: 1,280,276,310) being the weighted average number of ordinary shares in issue during the year.

The diluted earnings per ordinary share is based on profit for the year of £143,504,000 (2004: £126,736,000) and on 1,292,449,612 ordinary 1p shares (2004: 1,286,153,099).

6. Dividends

The final dividend of 1.953 pence per share will be paid on 8 March 2006 to shareholders on the register at the close of business on 10 February 2006.

7. Annual report

The annual report and accounts will be posted to shareholders shortly and thereafter copies will be available from the Secretary, The Sage Group plc, North Park, Newcastle upon Tyne, NE13 9AA.