press release

24 June 2010

Micro Focus International plc
Preliminary results for the full year to 30 April 2010

Micro Focus reports solid revenue and adjusted EBITDA growth and completes effective integration of recent acquisitions to expand addressable market opportunity

Micro Focus International plc ("Micro Focus", "the Company" or “the Group”, LSE: MCRO.L) announces unaudited preliminary results for the year to 30 April 2010.

Key highlights

- Revenue up 57% to $432.6 million (2009: $274.7 million)
  - 8% organic revenue growth, 5% on a like for like basis at constant currencies
- Adjusted EBITDA* up 46% to $173.3 million (2009: $118.6 million)**
  - 40% Adjusted EBITDA margin
- Adjusted operating profit* up 45% to $168.0 million (2009: $115.6 million)
- Adjusted profit before tax* up 39% to $160.9 million (2009: $115.9 million)
- Adjusted earnings per share* up 38% to 57.26 cents (2009: 41.51 cents)***
- Cash generated from continuing operations $102.8 million (2009: $105.0 million) after exceptional cash costs of $38.6 million
- Net debt as at 30 April 2010 of $68.2 million (30 April 2009: $71.6 million net cash balance)
- Final proposed dividend of 16.2 cents per share; total proposed dividend for the year up 40% to 21.8 cents per share (2009:15.6 cents per share)
- Borland and the Automated Management & Quality business of Compuware acquisitions completed and integrated in the year (together “AMQ”)

Statutory results

- Operating profit $105.4 million (2009: $91.2 million)
- Profit before tax $98.3 million (2009: $91.4 million)
- Basic earnings per share 37.49 cents (2009: 32.87 cents)***

* In assessing the performance of the business the directors use non GAAP measures “Adjusted EBITDA”, “Adjusted operating profit”, “Adjusted profit before tax” and “Adjusted earnings per share”, being the relevant statutory measures, prior to exceptional items, amortisation of purchased intangibles and share based compensation. Exceptional items, share based compensation and amortisation of purchased intangibles are detailed in note 5.

** Adjusted EBITDA is also used and is reconciled to operating profit in note 5.

*** Earnings per share and Adjusted earnings per share are detailed in note 7.

Nigel Clifford, Chief Executive Officer of Micro Focus, commented:

“Micro Focus has delivered another year of growth against a difficult economic backdrop whilst significantly expanding to address a $6.4 billion market opportunity as a result of the acquisitions of Borland and the Automated Management & Quality business of Compuware in the summer of last year. Now integrated within the Group, these businesses have provided us with greater opportunities for further growth in the future. In addition, we are encouraged by the accelerated growth in our application Modernization & Migration revenues, which now represent approximately 20% of Group revenues. More than half of Group revenues are now derived from the faster growing AMQ and Modernization & Migration markets. Growth going forward will be supported by an operational focus on improving sales productivity and developing the organization for scale.

Current trading is in line with management expectations. Micro Focus' relevance, resilience and strong cash generation gives the Board confidence in the Group's ability to continue to deliver superior total shareholder returns going forward. In the short term the Group expects to deliver mid single digit organic revenue growth with the ambition of returning to double digit growth over the medium term, while maintaining adjusted EBITDA margins at approximately 40 per cent.”

About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that allows companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernization, Testing and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk. For additional information please visit www.microfocus.com.

Directorate Change

Nick Bray, Chief Financial Officer, has informed the Board that he has been in discussions with several companies, one of which is a strategic competitor to Micro Focus, that may or may not lead to him accepting a position with one of them as their Chief Financial Officer. Given the nature of these discussions, Nick has offered his resignation as a Director of the Company which the Board has accepted with immediate effect. Whilst the Board is disappointed with this turn of events, we appreciate Nick's integrity in stepping down at this time. The Board is grateful to Nick for his outstanding contribution to Micro Focus since joining the Company in 2005 and wishes him well in his future career. The Board will be asking Nick to remain on gardening leave for an appropriate period. A search for a successor has begun and a further announcement will be made in due course.

Chairman's statement

2010 was a significant year for the Group. Micro Focus is now a very different business to the one that announced a public listing in 2005.

In the year to April 2006, the Group generated $144 million in revenues and $39 million in adjusted EBITDA. The Group employed 502 employees and served customers directly from offices in a handful of countries. The customer proposition was a strong 'off mainframe' COBOL product offering that gave the business the leading position in a mature market space of approximately $620 million per annum. Group operations were simple and the Company culture was technically oriented.

In the year to April 2010, despite challenging economic conditions, the Group reported revenues of $433 million and adjusted EBITDA of $173 million. Total revenues are up 57% on the prior year including the beneficial impact of acquisitions and have increased 5% on a comparable like for like basis.

Micro Focus completed the acquisition of the Automated Management & Quality business of Compuware for a gross consideration of $80 million on 29 May 2009, and Borland was acquired for a gross consideration of approximately $112 million on 27 July 2009. The acquisitions and integrations were funded by a three year revolving credit facility of $215 million, established in May 2009. We drew down $164 million from this facility and due to strong cash generation from continuing operations net debt at the end of April was $68 million. We expect to be net cash positive by the end of this financial year 2011.

The Borland and Automated Management & Quality business of Compuware transactions were the sixth and seventh acquisitions by Micro Focus in the last four years. During the last two years we have started new direct operations in Brazil, India, Singapore, Spain, Portugal and Mexico and now the Group has more than 1,400 employees working out of 48 offices in 24 countries.

Going into the 2011 financial year, the Group has a broad portfolio of products and services to address a significant market opportunity of approximately $6.4 billion per annum, over ten times the value of Micro Focus' addressable market in 2006. Micro Focus now operates in three interlinked markets – (i) an established and leading position in COBOL Development, (ii) an application Modernization & Migration business, and (iii) the AMQ market. This customer proposition has been developed through 34 years of organic growth, supplemented by seven acquisitions in logically adjacent markets in the last four years. The Group is ideally positioned for future organic growth and will continue to look at inorganic expansion into existing and related markets, applying strategic and strict financial criteria to any potential acquisition opportunities.

On 31 March 2010, we announced the appointment of Nigel Clifford as CEO, who subsequently joined Micro Focus on 1 May 2010. Nigel brings a wealth of leadership experience as CEO of international software companies and his track record ideally equips him to help the Group scale its operations in the next phase of sustainable and profitable growth. Nigel is a great addition to a management team that has proved its strength during a year of leadership change and significant economic challenge.

The Board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of the Group and I am pleased to announce a proposed final dividend of 16.2 cents per share, giving a full year dividend of 21.8 cents per share. This represents a 40% increase when compared to a full year dividend of 15.6 cents last year and reflects the Board's continued confidence in the future for Micro Focus.

I am confident in the Group's ability to continue to deliver value to all of its stakeholders through our growth strategy, compelling customer propositions and the resilient underlying business model. Through both dividend and capital growth we aim to deliver superior total shareholder returns.

The Board would like to thank all of our employees for their continued hard work throughout the year and their commitment to the future growth of the Group.

Kevin Loosemore, Chairman

Chief Executive Officer's statement

Micro Focus has a very attractive market opportunity. The Group has leading products and services, highly skilled employees and a large and growing customer base. The financial model is compelling thanks to a relevant product offering and robust business in three growing markets. We will focus on further strengthening the operations of the enlarged Group in delivering the next phase in Micro Focus' development.

Our marketplace

Business leaders face the twin challenges of reducing operating costs and the need to improve operational capabilities to ensure competitiveness and access to new market opportunities. Such pressures have intensified in the recent uncertain economic climate. This has led many to rethink their historic approach to applications, infrastructure and hardware. However, any rethink must achieve a number of goals: productivity improvements, risk minimization, flexibility to innovate and preservation of unique IP that creates company competitive advantage. Micro Focus is uniquely placed to meet these needs and is addressing a growing market opportunity, valued at $6.4 billion.

Our products and portfolio

To meet these customer needs and capitalize on the $6.4 billion market opportunity, the Group has assembled a set of application management and modernization solutions across three key areas as noted above: COBOL Development products, Modernization & Migration, and AMQ. For the financial year 2010, Modernization & Migration revenues and AMQ contributed more than half of total Group revenues.

The Group's longstanding leading 'off mainframe' COBOL Development products exhibit resilient qualities, cash flow strength and robustness throughout the economic cycle. The second line of business is Micro Focus' fast growing Modernization & Migration solutions which meet the demand from an increasing number of customers to move from expensive proprietary operating environments to more cost effective and flexible 'open systems'. This line of revenues is increasingly material to the Group both in terms of size and growth potential. It is an early stage market characterized by early adopters and low penetration rates. However, more and more business leaders understand the business logic of retaining their business critical applications, rather than 'rip & replace' or rewrite strategies.

During the 12 months to the end of April 2010, the acquisitions of Borland and the Automated Management & Quality business of Compuware, which closed at the start of the financial year in the summer of 2009, were integrated with Borland becoming a Group company. These acquisitions were a logical and complementary extension to our portfolio and now provide the enlarged Group access to an additional growing market space and a third revenue stream, which has higher growth potential than the COBOL Development revenues. Customer feedback to the Borland and Compuware product lines has been very positive. The Group's AMQ customer proposition is becoming a strong challenger proposition in the marketplace, helping customers to test and manage the quality, functionality and security of the applications that run their businesses. With a current 12 month revenue run rate of approximately $164 million, the AMQ solutions are a significant portion of Group revenues. The Group repeated its successful track record of bringing acquisitions quickly into the Micro Focus business model, with minimal disruption to operations. Margins at these operations are in line with levels at the rest of the Group, significantly ahead of initial expectations. Revenues in these two declining businesses have been stabilized and we expect modest growth in the coming financial year.

Our Revenues

Licence fees account for more than 42 percent of total revenues and are an important growth driver for the future. The larger value transactions of more than $500,000 represent 24% of total licence fees from COBOL Development and Modernization & Migration. This figure has grown significantly since the same period last year. We have signed 41 of these transactions compared to 17 in the prior year, with an average project size of approximately $1.3 million (FY2009: $1.4 million). Within the licence fees segment of our COBOL Development and Modernization & Migration business, we saw 22% generated through independent software vendors ("ISVs") which have Micro Focus COBOL embedded in the package solutions they offer their customers. This is a royalty revenue stream based on sales of our customers own applications. The contribution from ISVs was a lower percentage of total licence revenues in 2010 compared to 2009, in line with the general economic challenges affecting the broader sales of technology package solutions. Lastly, 54% of our COBOL Development and Modernization & Migration businesses came from high volume low value orders in the 2010 financial year. This is largely linked to our well established 'off mainframe' Micro Focus COBOL business and consists of multiple customer orders for additional development and deployment licences in existing customer sites. AMQ licence revenues from the two acquisitions stabilized in the financial year 2010 as planned, from a position of declining revenues at the time of acquisition, and we expect modest growth in the coming year.

The Group continues to benefit from resilient and recurring maintenance revenues which account for approximately half the total Group revenues. Maintenance revenue growth is driven by the retention of existing customers as well as the addition of new maintenance revenue associated with the sale of new licences. This provides high levels of revenue visibility going forward as maintenance fees are charged at approximately 20 percent of licence fees sold, and the vast majority of maintenance contracts are renewed annually. Maintenance revenues in the COBOL Development and Modernization & Migration businesses enjoy particularly low levels of churn, and we continue to enjoy renewal rates towards 90%. Existing maintenance renewal rates in the AMQ business are lower, as expected at the time of the acquisitions. A series of measures are in place to bring the AMQ renewal rates up to Group levels over time.

Consulting revenues account for the remaining seven percent of revenue and will continue to be a small contribution to total revenues. Consulting revenues are predominantly derived from services linked to the larger modernization and migration projects.

A focus on execution

The Group has created the portfolio to access an outstanding market opportunity. We are very focused on executing against this opportunity. An experienced executive team works closely to ensure we deliver an excellent experience to our prospective and current customers. In particular we keep the vital activities of sales, marketing and development in plain view and constantly seek to improve. We will continue to focus on improving sales productivity, and optimizing our business models to help scale the organization going forward.

Micro Focus delivers a broad range of products and services to customers across its three lines of business, organized across three international regions. This portfolio has been prioritised, through extensive research into each addressable market to allocate investment and resources with a strong focus on future customer needs such as applications management on cloud-based platforms. In addition, the Group has clearly segmented the market to support effective sales and marketing strategies depending on the nature and scale of the opportunity.

As a result of this work, our sales force is increasingly able to convince senior decision makers at customer organizations to consider the very significant benefits of application modernization and migration, drawing on successful customer examples to demonstrate clear productivity and cost reduction benefits. At the same time, we remain closely connected to developer communities in IT teams at customer organizations through a number of channels.

Our partner strategy continues to be an important element of our business and we continue to deepen our working relationships with organizations such as Accenture, IBM, HP, Microsoft and Oracle. The Micro Focus brand is strengthened by strong partnerships with these well known international technology leaders who provide the Group with important additional reach and access to prospective customers.

Summary and Outlook

Micro Focus' three interlinked lines of business address a $6.4 billion market opportunity and are growing, with the Modernization & Migration business growing at double digit levels and becoming increasingly material at the Group level. Current trading is in line with management's expectations.

In the short term the Group expects to deliver mid single digit organic revenue growth with the ambition of returning to double digit growth over the medium term, while maintaining adjusted EBITDA margins at approximately 40 per cent. We will continue to strengthen our operations to address the opportunity ahead and our growth potential.

Micro Focus' performance in the 12 months to the end of April 2010 has been driven by a combination of organic and acquired revenue and EBITDA growth. While our current primary focus is on organic growth, the Group will continue to review acquisition opportunities that have a strong complementary fit to our stated strategy and which pass our strict financial criteria.

Underpinning a successful 2011 financial year is a focus on flawless execution, to scale the Group for maximum sales productivity and organizational efficiency. Micro Focus has grown fast in the last four years to establish a significant market opportunity, a broad range of leading software solutions, great people and a loyal and substantial customer base. These attributes, coupled with compelling financials from a resilient business model, position the Group for future success.

Nigel Clifford, Chief Executive Officer

Chief Financial Officer's review

Revenue for the year increased by 57.5% to $432.6 million, adjusted operating profit increased by 45.2% to $168.0 million, adjusted profit before tax increased by 38.8% to $160.9 million and adjusted earnings per share increased by 37.9% to 57.26 cents per share.

In table 1 below we have provided detail of total revenue at actual exchange rates by both geography and by type. In addition, to facilitate comparison on a like-for-like basis we have also shown the impact of exchange rate movements on revenue and the impact of acquisitions.

Revenue by geographic region at actual reported $ was as follows:

Table 1:

	2010		2009	
	$m	**%**	$m	%
North America	**200.9**	**46.4**	124.0	45.1
Europe, the Middle East, Latin America and India	**166.7**	**38.5**	113.1	41.2
Rest of the World	**65.0**	**15.1**	37.6	13.7
Total revenue	**432.6**	**100.0**	274.7	100.0

Table 2 below shows the impact of currency and acquisitions on the year on year revenue growth. The Micro Focus organic revenue growth on a comparable like-for-like basis at constant currency was 4.7%. Total organic growth was 7.7%.

Revenues from acquisitions added $137.1m of revenue in the year.

We have been encouraged by the growth in new direct territories including Spain, Portugal and India, which assisted in helping our Europe, Middle East, Latin America and India geographies increase by 9.2%.

Table 2:

	2010	2009	Growth
	$m	$m	%
North America	**127.4**	124.0	2.8
Europe, the Middle East, Latin America and India	**123.3**	112.9	9.2
Rest of the World	**36.5**	37.5	(2.7)
Comparable like for like organic	**287.2**	274.4	4.7
Impact of 2009 acquisitions *	**8.3**		
Total COBOL Development / Modernization & Migration	**295.5**	274.4	7.7
Borland & Compuware AMQ	**137.1**	-	
Total revenue pre currency impact	**432.6**	274.4	57.7
Currency	**-**	0.3	
Total reported revenue	**432.6**	274.7	57.5

* This includes the revenue for the periods in 2010 for which we did not have comparatives for in 2009 from the acquisitions made in 2009 of Relativity, NetManage and Liant.

The leadership and execution capability of the "go to market" team has been continually strengthened. The number of direct quota carrying sales executives has increased by approximately 60%.

Table 3 below shows revenue for the year by category at actual reported $:

Table 3:

	2010		2009	
	$m	**%**	$m	%
Licence fees	**183.7**	**42.5**	130.8	47.6
Maintenance fees	**219.1**	**50.6**	132.3	48.2
Consultancy fees	**29.8**	**6.9**	11.6	4.2
Total revenue	**432.6**	**100.0**	274.7	100.0

Table 4 below shows licence and maintenance growth in the COBOL Development and Modernization & Migration business was 0.7% and 6.9% respectively on a like-for-like basis. Consulting revenues increased by 24.1%, predominantly driven by the increase in the larger value modernization and migration deals.

Table 4:

	2010	2009	Growth
	$m	$m	%
Licence	**131.2**	130.3	0.7
Maintenance	**141.6**	132.5	6.9
Consulting	**14.4**	11.6	24.1
Comparable like for like organic	**287.2**	274.4	4.7
Impact of 2009 acquisitions	**8.3**	-	
Total COBOL Development / Modernization & Migration	**295.5**	274.4	7.7
Borland & Compuware AMQ	**137.1**	-	
Total revenue pre currency impact	**432.6**	274.4	57.7
Currency	**-**	0.3	
Total reported revenue	**432.6**	274.7	57.5

Organic licence fee revenue growth from the COBOL Development and Modernization & Migration businesses at constant currency was driven by our improved sales of larger value transactions to enterprise customers. We define larger value transactions as those in excess of $0.5 million. Both the number and value of these larger value transactions increased year on year.

Organic maintenance revenue growth from the core business at constant currency was 6.9% reflecting the impact of good renewal rates, solid licence fee sales in the second half of financial year 2009 combined with inflationary price increases.

Organic consulting revenue growth at constant currency showed an increase against the prior year as a result of an increase in the number of larger value transactions linked to migration projects.

The acquisitions made in the year comprising Borland and Compuware's Automated Management & Quality business added $137.1 million of revenues. Both businesses were experiencing declining revenues at the time of acquisition. Since acquisition, revenue declines have been arrested and the AMQ revenues have stabilized at a run rate of approximately $164 million.

With an increased market opportunity and an expanding product set we are now moving towards an additional focus in our business on three key product areas; COBOL Development, Modernization & Migration and AMQ. Our primary focus and day to day running of the business continues to be managed by geography. In introducing the three product areas we aim to provide greater understanding of the business, market characteristics and growth drivers. In the year ahead we will look to provide greater clarity and detail in these areas.

In the above analysis, the AMQ revenues are clearly identified as $137 million. The COBOL Development revenues are approximately $204 million and the Modernization and Migration revenues are approximately $92 million providing for total revenues of $433 million.

Costs

All comments below relate to costs at actual reported $.

Cost of sales for the year increased by 133.5% to $52.2 million. The costs in this category predominantly relate to our consulting and helpline support operations and the majority of the cost growth related to Borland and Compuware Automated Management & Quality revenue.

Selling and distribution costs increased by 64.0% to $128.1 million. We will continue to make significant investments in the sales and marketing functions to support growth. This cost category represents approximately 30% of revenue (2009: 28%) and is expected to remain at a similar percentage of revenue for the year ahead.

Research and development expenses increased by 66.4% to $56.8 million, representing 13% of revenue (2009:12%). We have significantly expanded the development capability through our cost effective offshore development facilities and the additional capability from the recent acquisitions. Costs incurred on development projects relating to new computer software are capitalized and amortized over three years and this has resulted in an asset in this financial year of $7.6 million (2009: $2.3 million).

Excluding restructuring charges of $45.1 million (2009: $14.9 million), administrative expenses increased by 32.2% to $44.9 million, representing 10% of revenue (2009:12%). The increase in costs includes costs of the acquired businesses as well as expanding the Group's support functions to facilitate current and future growth. We continue to leverage our back office function to drive margin improvements as we expand the Group.

Currency Impact

An analysis of both revenue and costs as a percentage of the total by US Dollar and other currencies is shown below. As Sterling and the Euro weakened against the US Dollar during the year, our revenues have been negatively impacted by exchange rate movements as compared to the prior year. However, with a higher percentage of costs in non US Dollar denominated currencies than revenues, our expenses have reduced proportionately faster than revenues. As a result, adjusted operating profit as reported in US Dollar was not materially different pre-or post-currency adjustments.

Table 5:

	Revenue analysis by major currency %	Cost analysis by major currency %
US$	49.2	40.8
Other	50.8	59.2
Total	**100.0**	**100.0**

Operating profit

Operating profit for the year was $105.4 million (2009: $91.2 million). Adjusted operating profit increased by 45.2% to $168.0 million (2009: $115.6 million), the improvement being driven by growth in revenue.

Adjusted EBITDA

Adjusted EBITDA increased by 46.2% to $173.3 million (2009: $118.6 million).

Net finance expense

Net finance expense of $7.1 million (2009: income $0.2 million) included amortization of bank fees of $3.9 million and interest paid of $3.8 million on the bank loan drawn down to partly finance the acquisitions made in the year. These expenses were offset by interest received of $0.6 million (2009: $1.0 million) on lower average cash balances and lower interest rates.

Taxation

Tax for the year was $22.0 million (2009: $25.4 million). The Group's effective tax rate is 22.3% being lower than the prior year (2009: 27.8%) and lower than expected in future years due to some one-off credits. Our medium term effective tax rate is expected to be maintained at approximately 26%.

Profit after tax

Profit after tax increased by 15.6% to $76.4 million (2009: $66.0 million).

Cash flow

At 30 April 2010, the Company's net debt was $68.2 million (2009: cash $71.6 million). The Group generated a net cash inflow from continuing operating activities of $102.8 million which was offset by outflows of $199.2 million in respect of the acquisition and restructuring of Borland and Compuware's AMQ business net of cash acquired, a bank loan of $163.5 million, as well as corporation tax payments of $20.9 million and dividends paid of $33.6 million. The Group expects to be net cash positive by the end of the 2011 financial year, ahead of schedule.

Dividend

The Board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus with a level of dividend cover for the financial year ending 30 April 2010 of approximately 2.5 times on a pre-exceptional earnings basis. In line with the above policy, the directors recommend payment of a final dividend in respect of the full year to 30 April 2010 of 16.2 cents per share providing for total dividends in the year of 21.8 cents per share, an increase of 40% above the total dividends of 15.6 cents per share for the full year to 30 April 2009. The dividend will be paid on 28 September 2010 to shareholders on the register on 3 September 2010. The directors of Micro Focus International plc consider that the Company has sufficient reserves to enable the payment of the final dividend.

Dividends will be paid in sterling based on an exchange rate of £ = $1.48, equivalent to 10.95 pence per share, being the rate applicable on 23 June 2010, the date of recommendation of the dividend by the Board.

Acquisitions made in the year

During the year, we made two acquisitions, the Automated Management & Quality business of Compuware in May 2009 and Borland in July 2009. These two acquisitions added $137.1 million of revenues to the current year results and margins were in line with Group levels by the end of April 2010.

To finance the above acquisitions, we arranged a three year revolving credit facility of $215 million through a syndicated loan consortium comprising Barclays, HSBC, Lloyds TSB and RBS, established in May 2009. We drew down $164 million from this facility and due to strong cash generation from continuing operations net debt at the end of April was $68.2 million. We expect to be net cash positive by the end of this financial year 2011.

Nick Bray, Chief Financial Officer

Consolidated statement of comprehensive income (unaudited)
For the year ended 30 April 2010

	Notes	**2010 (unaudited) $'000**	2009 (audited) $'000
Revenue	2,3	**432,579**	274,731
Cost of sales		**(52,244)**	(22,377)
Gross profit		**380,335**	252,354
Selling and distribution costs		**(128,137)**	(78,128)
Research and development expense		**(56,773)**	(34,127)
Administrative expenses		**(90,008)**	(48,888)
Operating profit		**105,417**	91,211
Analysed as:			
Operating profit before exceptional items		**150,505**	106,118
Exceptional items	4	**(45,088)**	(14,907)
Operating profit	2,5	**105,417**	91,211
Finance costs		**(7,726)**	(756)
Finance income		**634**	994
Profit before tax		**98,325**	91,449
Taxation		**(21,967)**	(25,419)
Profit after tax		**76,358**	66,030
Other comprehensive income			
Currency translation differences		**(1,980)**	(4,536)
Other comprehensive expense for the year		**(1,980)**	(4,536)
Total comprehensive income for the year		**74,378**	61,494
Profit attributable to:			
Equity holders of the Company		**74,378**	61,494
		cents	cents
Earnings per share expressed in cents per share			
— basic	7	**37.49**	32.87
— diluted	7	**36.71**	31.92
		pence	pence
Earnings per share expressed in pence per share			
— basic	7	**23.44**	19.93
— diluted	7	**22.95**	19.36

Consolidated statement of financial position (unaudited)
As at 30 April 2010

	Notes	2010 (unaudited) $'000	2009 (audited) $'000
Non-current assets			
Goodwill		**279,533**	119,813
Other intangible assets		**116,827**	66,349
Property, plant and equipment		**10,385**	5,112
Deferred tax assets		**49,792**	17,625
		456,537	208,899
Current assets			
Inventories		**153**	128
Trade and other receivables	8	**126,288**	67,089
Cash and cash equivalents		**32,829**	71,569
		159,270	138,786
Total assets		**615,807**	347,685
Current liabilities			
Trade and other payables	9	**90,769**	41,756
Borrowings	10	**101,000**	-
Current tax liabilities		**24,921**	22,187
Deferred income		**125,652**	79,364
		342,342	143,307
Non-current liabilities			
Deferred income		**10,529**	7,085
Deferred tax liabilities		**43,530**	28,565
		54,059	35,650
Total liabilities		**396,401**	178,957
Net assets		**219,406**	168,728
Equity			
Share capital		**37,583**	37,092
Share premium		**112,700**	106,200
Retained earnings		**102,537**	56,870
Foreign currency translation (deficit)		**(6,329)**	(4,349)
Other reserves (deficit)		**(27,085)**	(27,085)
Total equity		**219,406**	168,728

Consolidated statement of cash flows (unaudited)
For the year ended 30 April 2010

	Notes	**2010 (unaudited) $'000**	2009 (audited) $'000
Cash flows from operating activities			
Net profit		**76,358**	66,030
Adjustments for			
Net interest payable/(receivable)		**7,092**	(238)
Taxation		**21,967**	25,419
Depreciation		**4,202**	1,910
Loss on disposal of property, plant and equipment		**197**	418
Loss on disposal of intangible asset		**-**	7
Amortisation of intangibles		**23,631**	13,729
Share-based compensation		**3,069**	2,407
Exchange movements		**(2,780)**	3,444
Changes in working capital:			
Inventories		**(25)**	64
Trade and other receivables		**(27,703)**	1,567
Payables and other non-current liabilities		**(3,224)**	(9,726)
Cash generated from continuing operations		**102,784**	105,031
Interest received		**634**	994
Interest paid		**(3,776)**	(756)
Tax paid		**(20,856)**	(19,991)
Net cash from operating activities		**78,786**	85,278
Cash flows from investing activities			
Payments for intangible assets		**(18,209)**	(8,609)
Purchase of property, plant and equipment		**(4,950)**	(2,650)
Disposal of property, plant and equipment		**-**	18
Acquisition of subsidiaries	11	**(185,227)**	(92,111)
Net cash acquired with subsidiaries	11	**139,635**	28,444
Repayment of Borland loan notes	11	**(114,984)**	-
Net cash used in investing activities		**(183,735)**	(74,908)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**4,703**	1,517
Bank loan costs		**(6,695)**	-
Repayment of bank borrowings		**(62,500)**	-
Proceeds from bank borrowings		**163,500**	-
Dividends paid to owners	**6**	**(33,599)**	(26,076)
Net cash used in financing activities		**65,409**	(24,559)
Effects of exchange rate changes		**800**	(6,647)
Net decrease in cash and cash equivalents		**(38,740)**	(20,836)
Cash and cash equivalents at 1 May		**71,569**	92,405
Cash and cash equivalents at 30 April		**32,829**	71,569

Consolidated statement of changes in equity (unaudited)
For the year ended 30 April 2010

	Share capital $'000	Share premium $'000	Foreign currency translation reserve (deficit) $'000	Other reserves (deficit) $'000	Profit and loss reserve $'000	Total $'000
Balance as at 1 May 2008	36,837	103,904	187	(27,085)	12,679	126,522
Currency translation differences	-	-	(4,536)	-	-	(4,536)
Profit for the year	-	-	-	-	66,030	66,030
Total comprehensive income	-	-	(4,536)	-	66,030	61,494
Transactions with owners:						
Dividends	-	-	-	-	(26,077)	(26,077)
Issue of share capital	255	2,296	-	-	(1,034)	1,517
Movement in relation to share options	-	-	-	-	2,407	2,407
Current tax on share options	-	-	-	-	1,560	1,560
Deferred tax on share options	-	-	-	-	1,305	1,305
Balance as at 30 April 2009	**37,092**	**106,200**	**(4,349)**	**(27,085)**	**56,870**	**168,728**
Currency translation differences			(1,980)			(1,980)
Profit for the year					76,358	76,358
Total comprehensive income	-	-	(1,980)	-	76,358	74,378
Transactions with owners:						
Dividends	-	-	-	-	(33,599)	(33,599)
Issue of share capital	491	6,500			(2,288)	4,703
Movement in relation to share options	-	-	-	-	3,069	3,069
Current tax on share options	-	-	-	-	3,269	3,269
Deferred tax on share options	-	-	-	-	(1,142)	(1,142)
Balance as at 30 April 2010	**37,583**	**112,700**	**(6,329)**	**(27,085)**	**102,537**	**219,406**

Group accounting policies

a General information

Micro Focus International plc ("the Company") is a public limited company incorporated and domiciled in the UK. The address of its registered office is The Lawn, 22-30 Old Bath Road, Newbury, RG14 1QN.

The Company is listed on the London Stock Exchange.

The statutory accounts of the Company for the year ended 30 April 2010 which include the Group's consolidated financial statements for that year were unaudited at the date of this announcement. These financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2009 were approved by the board of directors on 12 August 2009 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

This preliminary announcement was approved by the Board of Directors on 23 June 2010.

b Basis of preparation

This unaudited preliminary consolidated financial information for the year ended 30 April 2010, has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and International Financial Reporting Standards ("IFRSs") as endorsed by the European Union and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS. The consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 April 2009, which have been prepared in accordance with IFRSs as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, modified by share options measured at fair value through the income statement.

c Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2009, with the exception of the following standards, amendments to and interpretations of published standards adopted during the year:

a) The following standards, amendments to standards or interpretations are effective during the year to 30 April 2010 and have been adopted by the Group:

- IFRS 8 "Operating Segments" - the standard replaces IAS 14 "Segment Reporting" and aligns operating segments reported to those reported internally to senior management. The basis for the segments under IFRS 8 is set out in note 2 below. The standard does not change the recognition, measurement or disclosure of transactions in the consolidated income statements.
- IAS 1 Revised "Presentation of Financial Statements" – the amendment requires "non-owner" and "owner" changes in equity to be presented separately. Entities can also choose whether to present one or two performance statements. The Group has chosen to present one performance statement. A further impact of the amendment is that the primary statements have been renamed.

b) The following standards, amendments to standards or interpretations were effective during the year ended 30 April 2010 but had no material impact on the Group:

- Amendments issued as part of annual improvements to IFRSs (May 2008).
- Amendments to IFRS 7 "Improving Disclosures about Financial Instruments".
- Amendments to IFRIC 9 and IAS 39 "Embedded derivatives".
- IFRIC 13, "Customer loyalty programmes".
- IFRIC 15, "Agreements for construction of real estates".
- IFRIC 16, "Hedges of a net investment in a foreign operation".
- IAS 23 Revised "Borrowing costs" - the amendment requires that borrowing costs incurred in the construction and production of qualifying assets commenced after 1

January 2009 are capitalised.

NOTES TO THE FINANCIAL STATEMENTS (unaudited)
For the year ended 30 April 2010

c Accounting policies continued

- IFRS 2 (Amendment), "Share-based payment" - the amendment to the standard limits vesting conditions to service conditions and performance conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, i.e. acceleration of the expense based on the grant date fair value.

c) The following standards, amendments to standards or interpretations are not yet effective and have not been adopted early by the Group:

- IFRS 3 Revised, "Business combinations", effective for the Group from 1 May 2010. The revised standard requires that all acquisition-related costs are to be expensed to the income statement in the period incurred rather than added to the cost of the investment, that changes to contingent consideration following a business combination are shown in the statement of comprehensive income rather than changing goodwill, and that changes to deferred tax assets relating to business combinations are only reflected within goodwill if they occur within the measurement period. Furthermore, purchase accounting only applies at the point when control is achieved. The financial effect of adopting this standard can only be ascertained when any future transactions are entered into.
- IAS 27 Revised, "Consolidated and Separate Financial Statements", effective on or after 1 July 2009.
- IAS 28, "Investments in Associates", effective on or after 1 July 2009, amended to reflect changes in IFRS 3
- IAS 31, "Interests in Joint Ventures", effective on or after 1 July 2009, amended to reflect changes to IFRS 3.
- IFRIC 17, "Distributions of non-cash assets to owners", applies for periods beginning on or after 1 July 2009, clarifies the accounting where assets other than cash are distributed to shareholders.
- IFRIC 18, "Transfers of Assets from Customers" applies for periods beginning on or after 1 July 2009.
- IAS 39, "Financial Instruments, Recognition and Measurement", effective on or after 1 July 2009, amended to clarify how existing principles should be applied in respect of "a one sided risk in a hedged item" and "inflation in a financial hedged item". Inflation risk can only be hedged if contractually specified and it is possible to use purchased options as a hedging instrument.
- IAS 39, "Financial Instruments, Recognition and Measurement", effective on or after 1 July 2009, amended to clarify the treatment of embedded derivatives where transactions are reclassified from Fair Value through Profit or Loss ("FVTPL"). Where transactions are reclassified embedded derivates may need to be separated from the host and continue to be treated as FVTPL.

d) The following standards, amendments to standards or interpretations are not yet effective, have not yet been endorsed by the EU and have not been adopted early by the Group:

- Amendments issued as part of annual improvements to IFRSs (April 2009).
- IFRS 9, "Financial Instruments", effective on or after 1 January 2013.
- Amendment to IFRIC14, "Prepayments of a Minimum Funding Requirement ", effective on or after 1 January 2011.
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", effective on or after 1 July 2010.
- Amendments to IFRS 2, "Group cash-settled share based payment transactions", effective on or after 1 January 2010.
- Amendments to IFRS 1, "Additional Exemptions for First-time Adopters", effective on or after 1 January 2010.
- Amendment to IAS 32, "Classification of Rights Issues", effective on or after 1 February 2010.
- IAS 24 Revised, "Related Party Disclosures", effective on or after 1 January 2011.

With the exception of the adoption of IFRS 3 Revised, as referred to above, the directors anticipate that the future introduction of those standards, amendments and interpretations listed above will not have a material impact on the consolidated financial statements.

1. Functional and presentational currency

The presentation currency of the Group is US dollars. Items included in the financial statements of each of the Group's entities are measured in the functional currency of each entity.

2. Segmental information

In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its operating segments using the information used by its Chief Operating Decision Maker. The Group has identified the Executive Committee as the Chief Operating Decision Maker as it is responsible for the allocation of resources to operating segments and assessing their performance. Operating segments are consistent with those used in internal management reporting and the profit measure used by the Executive Committee is the adjusted operating profit as set out in note 5. In prior years, costs were reported on a geographical basis. Resources are now managed on a global basis and accordingly the Executive Committee does not measure costs or operating profit by segment, and therefore the Group no longer reports operating profit by segment.

Operating segments for the year ended 30 April 2010:

	North America	Europe, the Middle East, Latin America & India	Rest of the World	AMQ	Total
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	**134,083**	**125,163**	**36,256**	**137,077**	**432,579**
Operating profit					**105,417**
Exceptional items					**45,088**
Share-based compensation					**3,069**
Amortisation of purchased intangibles					**14,399**
Adjusted operating profit					**167,973**

Operating segments for the year ended 30 April 2009:

	North America	Europe, the Middle East, Latin America & India	Rest of the World	AMQ	Total
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	124,034	113,122	37,575	-	274,731
Operating profit					91,211
Exceptional items					14,907
Share-based compensation					2,407
Amortisation of purchased intangibles					7,123
Adjusted operating profit					115,648

2. Segmental information (continued)

The Group is organised on a worldwide basis into three main geographical segments for all operations in place as at 1 May 2009 and a fourth segment called AMQ as above. This segment includes the results for the year to 30 April 2010 of the AMQ business acquired from Compuware on 29 May 2009 and Borland Software Corporation acquired on 27 July 2009 - please refer to note 11.

There is no material difference between revenue by origin above and revenue by destination.

In the year to 30 April 2010, the Group had two business segments being the provision of COBOL Development/Modernization and Migration business and the AMQ business.

3. Supplemental information

Set out below is an analysis of revenue recognised between the principal product categories, which the directors use to assess the future revenue flows from the current portfolio of customers.

	COBOL Development/ Modernization and Migration	**AMQ**	**Total 2010**	COBOL Development/ Modernization and Migration	AMQ	Total 2009
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Licence	**135,286**	**48,382**	**183,668**	130,774	-	130,774
Maintenance	**144,689**	**74,379**	**219,068**	132,334	-	132,334
Consultancy	**15,527**	**14,316**	**29,843**	11,623	-	11,623
Total	**295,502**	**137,077**	**432,579**	274,731	-	274,731

4. Exceptional items

	2010	2009
	$'000	$'000
Reorganisation costs	**45,088**	14,907

Current year reorganisation costs relate to restructuring programmes arising from the acquisitions made during the year. Salaries and related severance costs amounted to $31.1million, facilities costs were $4.7million and project management costs were $9.3million. All exceptional items relate to administrative expenses.

5. Reconciliation of operating profit to EBITDA

	2010 $'000	2009 $'000
Operating profit	**105,417**	91,211
Exceptional items – note 4	**45,088**	14,907
Share-based compensation	**3,069**	2,407
Amortisation of purchased intangibles	**14,399**	7,123
Adjusted operating profit	**167,973**	115,648
Depreciation	**4,202**	1,910
Amortisation of software	**1,166**	1,037
Adjusted EBITDA	**173,341**	118,595

EBITDA	**125,184**	101,281
Exceptional items – note 4	**45,088**	14,907
Share-based compensation	**3,069**	2,407
Adjusted EBITDA	**173,341**	118,595

The directors use EBITDA and EBITDA before exceptional items and share-based compensation ("Adjusted EBITDA") as key performance measures of the business.

6. Dividends

	2010 $'000	2009 $'000
Equity – ordinary		
2009 final paid 11.1 cents (2008: 9.4 cents) per ordinary share	**22,365**	17,592
2010 interim paid 5.6 cents (2009: 4.5 cents) per ordinary share	**11,234**	8,485
Total	**33,599**	26,077

The directors are proposing a final dividend in respect of the year ended 30 April 2010 of 16.2 cents per share which will utilise approximately $33.2 million of shareholders' funds. The final dividend will be paid on 23 September 2010 to shareholders listed on the share register on 3 September 2010. It has not been included as a liability in these financial statements.

7. Earnings per share

The calculation of basic earnings per share has been based on the earnings attributable to ordinary shareholders of the Company and the weighted average number of shares for each period.

	Year ended 30 April 2010			Year ended 30 April 2009		
	Earnings $'000	**Weighted average number of shares '000**	**Per share amount cents**	Earnings $'000	Weighted average number of shares '000	Per share amount cents
Basic EPS						
Earning attributable to ordinary shareholders	**76,358**	**203,697**	**37.49**	66,030	200,905	32.87
Effect of dilutive securities						
Options		**4,319**			5,940	
Diluted EPS						
Earning attributable to ordinary shareholders	**76,358**	**208,016**	**36.71**	66,030	206,845	31.92
Supplementary EPS to exclude adjusted items						
Basic EPS	**76,358**	**203,697**	**37.49**	66,030	200,905	32.87
Adjusted items *	**62,556**			24,437		
Tax relating to above items	**(22,273)**			(7,069)		
Basic EPS - adjusted	**116,641**	**203,697**	**57.26**	83,398	200,905	41.51
Diluted EPS	**76,358**	**208,016**	**36.71**	66,030	206,845	31.92
Adjusted items *	**62,556**			24,437		
Tax relating to above items	**(22,273**			(7,069)		
Diluted EPS - adjusted	**116,641**	**208,016**	**56.07**	83,398	206,845	40.32

* Adjusted items comprise amortisation of acquired intangibles, share based compensation and exceptional costs – see note 5.

Earnings per share expressed in pence has used the exchange rate of $1.60 to £1 (2009: $1.65 to £1).

8. Trade and other receivables

	2010 $'000	2009 $'000
Trade receivables	**100,389**	61,679
Prepayments	**21,540**	4,514
Accrued income	**4,359**	896
Total	**126,288**	67,089

9. Trade and other payables

	2010 $'000	2009 $'000
Trade payables	**10,744**	4,477
Other tax and social security payable	**7,977**	3,876
Accruals	**72,048**	33,403
Total	**90,769**	41,756

10. Borrowings

	2010	2009
	$'000	$'000
Bank loan - secured	**101,000**	-

At 30 April 2010, the Group had a 3 year secured $215 million bank facility in place, denominated in US dollars, which expires on 6 May 2012. Interest on the loan is payable at US Dollar LIBOR plus 2.5% until 30 April 2010 and thereafter at rates from US Dollar LIBOR plus 2.25% depending on covenant ratios. The Group incurred total issue costs of $6.7 million in respect of the loan. These costs are being amortised over the term of the facility using the effective interest method. The loan is guaranteed by principal companies within the Group.

The loan agreement contains certain financial covenants. These include a minimum ratio of adjusted EBITDA to net borrowings, EBIT to net finance costs and total acquisition exceptional costs. These covenants were adhered to during the year.

11. Business combinations

i) **AMQ business acquired from Compuware Corporation** – on 29 May 2009, the Group acquired from Compuware Corporation, its AMQ division for $65.1 million, inclusive of $2.6 million related costs, paid in full on completion.

A fair value review was carried out on the assets and liabilities of the business, resulting in the identification of intangible assets.

Details of the net assets acquired and goodwill are as follows:

	Carrying value at acquisition $'000	**Fair value $'000**
Intangible fixed assets	-	**14,100**
Property, plant and equipment	344	**344**
Receivables	390	**390**
Deferred income	(19,099)	**(18,295)**
Net liabilities	(18,365)	**(3,461)**
Goodwill		**68,605**
Consideration		**65,144**
Consideration satisfied by:		
Cash paid		**65,144**

Outflow of cash to acquire the businesses, net of cash acquired:

	$'000
Cash consideration	**62,508**
Acquisition costs	**2,636**
Total	**65,144**

11. Business combinations (continued)

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

	$'000
Software	**7,200**
Customer relationships	**6,900**
Total	**14,100**

The value of goodwill represents the value of the assembled workforce at the time of acquisition with specific knowledge and technical skills. It also represents the prospective future economic benefits expected to accrue from enhancing the portfolio of products and services available to the Company's existing Customer base with those of the acquired business.

ii**) Borland Software Corporation** – on 27 July 2009, the Group acquired 100% of the share capital of the company for $120.1 million inclusive of $8.4 million related costs, paid in full on completion.

A fair value review was carried out on the assets and liabilities of the business, resulting in the identification of intangible assets.

Details of the net assets acquired and goodwill are as follows:

	Carrying value at acquisition $'000	Fair value $'000
Intangible fixed assets	20,148	**41,800**
Property, plant and equipment	6,996	**4,481**
Receivables	34,670	**31,105**
Cash and cash equivalents	139,635	**139,635**
Payables	(51,536)	**(64,711)**
Deferred income	(39,518)	**(35,606)**
Convertible bonds	(114,984)	**(114,984)**
Deferred tax asset	-	**24,480**
Net assets/(liabilities)	(4,589)	**26,200**
Goodwill		**93,883**
Consideration		**120,083**
Consideration satisfied by:		
Cash paid		**120,083**

Outflow of cash to acquire the businesses, net of cash acquired:

	$'000
Cash consideration	**111,703**
Acquisition costs	**8,380**
Cash acquired	**(139,635)**
Total	**(19,552)**

11. Business combinations (continued)

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

	$'000
Software	25,300
Customer relationships	16,500
Total	**41,800**

The value of goodwill represents the value of the assembled workforce at the time of acquisition with specific knowledge and technical skills. It also represents the prospective future economic benefits expected to accrue from enhancing the portfolio of products and services available to the Company's existing customer base with those of the acquired business.

Contribution of acquisitions

From the date of acquisition, the acquired businesses contributed $137.1 million to revenue. If the businesses had been acquired from the start of the period, they would have contributed $169.4 million to revenue.

The acquired businesses operations have been restructured and therefore it is not practicable to ascertain the profits of these businesses for the period from date of acquisition to 30 April 2010.