Chief Executive Officer's statement

On joining the Company it was imperative to ensure that we had the correct strategy to drive profitable revenue growth. A detailed review undertaken over a period of six months confirmed and clarified the board's view of the business. The key findings were:

- A firm opportunity exists for all of our solution areas; Application Development, Application Modernisation and Application Portfolio Management
- All solution areas combined can support solid growth over the long term
- Our key focus is organic growth; although acquisition opportunities exist
- Our primary opportunity is through sales to larger organisations

Execution

Over the past 12 months, we have strengthened the management team, delivered a strong set of financial results and made our first acquisition to further our strategic aims. Whilst we still have many areas on which to improve, we have successfully executed ahead of our initial expectations.

The sales team has been strengthened and we will continue to invest to drive the business forward. Our marketing and delivery have been refined, including a strong focus on developing senior level contacts within our target customers. All marketing spend is considered to be investment and is measured and monitored as such. We have a clear focus on only making appropriate investments and, with excellence in sales execution as our priority, every other function is aligned to support this.

Our strategy review identified the major growth opportunity around larger value licence fee transactions into the Global 2000 companies. I am encouraged that we signed a number of such deals in the second half year contributing to total revenue growth of 19%, ahead of our expectations. New customer wins included Tesco, TNT, Australia National Tax Office and Nomura Securities. In addition to revenues from new customers, we derived further new revenues from our existing customer base including wins with Oracle, Barclays and JP Morgan.

Our channels to market are through Independent Software Vendors ("ISV"), System Integrators ("SI") distributors and through our own direct sales force. Whilst keeping a firm focus on all channels, we are placing an increasing emphasis on sales to Global 2000 customers through a combination of both direct and SI sales. It is pleasing to note that in the second half year we signed a number of larger value transactions in Global 2000 accounts in conjunction with IBM, Microsoft, EDS, Oracle and Accenture.

The strategy review also highlighted the higher growth rate potential of the APM and Modernisation solution areas. Whilst we achieved growth across all solutions, it was encouraging to see the increase in our Modernisation solution sales. We have invested significantly in the development of this solution over the past three years and we firmly believe that we have a market leading proposition, the full benefits of which are now gaining recognition and traction with our existing and prospective customers.

The vast majority of our growth in both revenues and profits during the year to 30 April 2007 was derived from the core business with limited benefit from the acquisition of HAL Knowledge Solutions SpA ("HAL KS"). The full benefit of the acquisition will be seen in the year ahead.

The Company benefits from having a business model with a high proportion of predictable and recurring revenues. Micro Focus has an enviable customer base with 48% of turnover derived from low risk maintenance revenues. Maintenance 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. An encouraging performance in both of these areas over the past 12 months positions us well for further maintenance growth in the year ahead.

The revenue growth achieved, when combined with a firm control of expenses, has resulted in a significant improvement in operating profit before exceptional items.

Strategy review

Geographically, the picture was strong overall, although some areas call for closer attention in the year ahead. We were pleased with the performance in Japan, the UK rebounded and Continental Europe produced positive improvements. Licence fee sales fell short of expectations in North America. Management changes were made recently and early signs are encouraging.

While organic revenue growth is our key focus, the strategy review highlighted the potential for further profitable revenue growth through acquisitions. With the strategy review completed in September 2006, I am pleased with the speed of execution resulting in the acquisition of HAL KS with effect from 1 November 2006 for $3.5 million before related costs. HAL KS provides us with a strong offering in a growing solution area identified from the strategy review, APM.

The acquisition of HAL KS provides market leading technology for APM. Since the acquisition we have integrated the company successfully into Micro Focus and improved its existing product offering with the launch of Micro Focus Enterprise View on 1 May 2007. Our objective for the year ahead is to leverage our extensive distribution footprint to drive further product sales.

The acquisition of Acucorp, Inc. ("Acucorp"), effective from 4 May 2007, for $40.7 million, provides technology that is highly complementary to Micro Focus' core business in the COBOL Development Tool space as well as providing the opportunity for Micro Focus to expand its reach into small and medium-sized enterprises ("SMEs"). The integration is progressing positively and we expect a meaningful contribution to both revenues and profits in the year ahead as a result of this acquisition.

We have firm financial foundations to support a platform for growth. The cash balance at 30 April 2007 was $85.0 million, up from $56.1 million at 30 April 2006 as a result of improvements in the underlying trading performance.

Outlook

Future revenue growth will be largely dependent on driving licence sales. Whilst encouraged by the performance in the year to 30 April 2007, it would be premature to conclude that we can repeat the number and value of larger transactions achieved in the second half year. A number of such prospective new licence opportunities remain in our pipeline although by their very nature and size they are less predictable. We do expect to continue organic growth in the year ahead.

Following a successful year of licence fee sales we would expect to achieve growth in our maintenance revenues for the year ahead. The smallest proportion of our revenues is derived from our consultancy services and it is intended that these revenues will remain a similar proportion of total revenues for the year ahead.

Chief Executive Officer's statement

During the year to 30 April 2007 we had the benefit of six months of trading from the HAL KS acquisition. On 8 December 2006 we had provided guidance that revenues would be in the range of $4.0 million to $5.0 million and can report that revenues were within this range, although at the lower end. We were disappointed to fall marginally short of our six month goal for the APM business of EBITDA break-even.

Whilst early days, the acquisition of Acucorp is progressing well. This acquisition is anticipated to provide revenues of approximately $17.0 million in the year to 30 April 2008 with margins being consistent with the existing Micro Focus business. The restructuring is progressing as planned. The related restructuring charge is expected to be approximately $8.0 million.

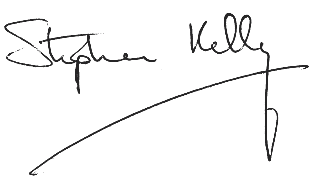
We have been encouraged by the margins achieved in the year to 30 April 2007. Our stated aim is to achieve profitable revenue growth and as such we will look to maintain margins at a consistent level for the year ahead.

In February 2007, we restructured the product group and established development Centres of Excellence for our solutions around Modernisation (United States – Washington), Development Tools (United Kingdom – Newbury), and Application Portfolio Management (Italy – Milan).

In addition, the purchase of HAL KS provided a team of 27 developers in Sofia, Bulgaria. This team has since been expanded to provide a high value development facility in support of the three Centres of Excellence. This development facility is expected to play a pivotal role in improving both our efficiency and productivity.

As a business, we have made encouraging progress over the past 12 months. It was pleasing to return to respectable organic revenue growth although we are fully conscious of the poor performance in the prior year. Looking ahead, the impact of both the acquisitions we have made, combined with further expected organic growth, is expected to provide annual revenue growth similar to the rate achieved in the year to 30 April 2007. Margins are expected to remain at a similar level. We have developed a clearly scoped out strategy and have a firm focus on execution and tight cost control.

Sustainable and profitable revenue growth is the key factor that will determine the long-term success of the Company. Management's emphasis will continue to be on licence fee sales to drive profitable growth.



Stephen Kelly Chief Executive Officer