

## Chairman's statement



I am delighted to welcome shareholders to this, the first annual report of Micro Focus International Plc.

On 17 May 2005, the share capital of Micro Focus International Limited ("Operating Company") was acquired by Micro Focus International Plc ("Company") in a share-for-share exchange with the previous shareholders of the Operating Company. On 17 May 2005, the ordinary shares of the Company were admitted to the Official List and to the London Stock Exchange to be traded on its main market for listed securities. This annual report concentrates on providing shareholders with consolidated information on the Operating Company and its subsidiaries.

Whilst the Operating Company traces its origins back to 1976 the current strategy has evolved since 2001, when the business was acquired by Golden Gate Capital, a US-based private equity fund. Since that time we have refocused the business on legacy development and deployment, a strategy which has formed the basis of our success over the past four years. We have increased revenues from \$79 million for the nine months ended April 2002, to \$110 million for the comparable nine months ended January 2005, and further to \$151 million for the full year ended 30 April 2005.

### **Our strategy**

Our strategy is to help our customers leverage their legacy assets. We do this by expanding the market for mainframe migration, strengthening existing customer relationships, extending leveraged sales channels, continuing to develop innovative technology and by pursuing selected opportunities for acquisition. This is covered in more detail in the Chief Executive Officer's review of operations on pages 7 to 11.

### **The IPO**

The Company raised \$122 million in the IPO, the net proceeds being used to repay the full balance of the debt outstanding under facilities with Wells Fargo Foothill, Inc. and DB Zwiirn Special Opportunities Fund (including early payment fees). This has left the Company with a strong balance sheet to pursue its strategy.

### **Our people**

Our board comprises two executive and five non-executive directors. Dr Anthony Hill, who has been with the Operating Company or one of its antecedents since 1987, became Chief Executive Officer and President of the Operating Group in August 2001. Richard Lloyd, who has been with the Operating Company or one of its antecedents since 1991, became Chief Financial Officer of the Operating Group in August 2001. I was pleased to accept the role of non-executive Chairman on 4 April 2005. Our other non-executive directors are David Dominik and Prescott Ashe, who are founders and Managing Directors of Golden Gate Capital, David Maloney, who has extensive experience in finance at a number of leading companies, and John Browett who was appointed as a non-executive director on 1 July 2005 (biographies of the board members are shown on page 15).

We are fortunate to have a highly skilled, experienced and loyal family of employees, including a senior management team four of whom have been with the Company for more than 20 years.

I thank my fellow directors, the members of the management team and, indeed, all employees for their energy, commitment and contribution during the past year, which has been a time of immense change and demanding deadlines.

### **The future**

Our business model is continuing to prove its value. Over the past year we have achieved greater penetration of our target markets and, following the IPO and the repayment of loans, we are financially well positioned to maintain profitable growth and to generate cash. I am confident that Micro Focus will continue to prosper and will deliver good value to all its stakeholders.



**Kevin Loosemore** *Chairman*

3 August 2005