6 December 2007

Micro Focus International plc
Interim management report for the half-year to 31 October 2007

Micro Focus achieves record H1 revenues and profitability driven by double digit organic growth and acquisitions

Micro Focus International plc ("Micro Focus", "the Company" or “the Group”, LSE: MCRO.L) announces interim results for the half-year to 31 October 2007.

Key financial highlights

- Revenue up 38% to $108.9m (2006: $79.0m)
- Adjusted operating profit* up 34% to $41.0m (2006: $30.4m)
- Adjusted EBITDA* up 34% to $41.8m (2006: $31.3m)**
- Adjusted profit before tax* up 31% to $41.7m (2006: $31.8m)
- Adjusted earnings per share* 14.58 cents (2006: 12.17 cents)***
- Cash balance as at 31 October 2007 of $50.7m (2006: $68.2m)
  - $45.9m cash utilised during H1 to fund the acquisition and restructuring of Acucorp, Inc. (“Acucorp”)
- Cash generated from continuing operations $29.8m (2006: $21.2m)
- Interim dividend increased 20% to 3.6 cents per share (2006: 3 cents per share)

- Expect second half revenues to be broadly similar to those of the first half
- Expect to maintain EBITDA margin at a consistent level in the second half (38.4%)
- Expect continuing double digit near term growth from the core business at constant currencies

- Operating profit $31.9m (2006: $30.0m)
- EBITDA** $34.7m (2006: $30.9m)
- Profit before tax $32.6m (2006: $31.4m)
- Basic earnings per share 11.40 cents (2006: 12.03 cents) ***

Business Highlights

- 21% organic revenue growth achieved for the half-year
- 17% organic revenue growth at constant currencies for the half-year
- 38% total revenue growth including the positive impact of recent acquisitions
- Total North American organic revenue growth of 13%
- Direct sales into Global 2000 targets progressing well with larger value licence fee transactions ahead of expectations in the first half
- Integration of Acucorp now complete

* In assessing the performance of the business the directors use “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 9.

** EBITDA and Adjusted EBITDA is reconciled to operating profit in note 9

*** Earnings per share are detailed in note 7

press release

Stephen Kelly, Chief Executive Officer of Micro Focus, commented:

"Over the past six months, we have delivered a strong set of financial results and made our second acquisition to further our strategic aims. We have again successfully executed ahead of our initial expectations.

Micro Focus benefits from having a business model with a high proportion of predictable and recurring revenues. This robust model, together with the motivation on the part of CIOs and company boards to get more out of their existing IT assets, means we should be well positioned either side of the economic cycle.

Over the past five years our second half-year revenue performance has typically been above that achieved in the first half-year. However, after such a positive start to the year it is appropriate to assume that second half-year revenues will remain broadly similar to those achieved in the first half-year. We aim to achieve profitable revenue growth and, as such, we will look to maintain EBITDA margins at a consistent level for the second half-year.

Following the 2006 strategic review we were confident of achieving single digit organic growth and our stated aim has been to drive for consistent double digit growth. We can now see continuing double digit near term growth at constant currencies from the core business.

A robust and sustainable market exists to support our growth strategy and our key focus remains on organic growth although we continue to review the potential for acquisitions in support of this strategy."

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About Micro Focus

Micro Focus provides innovative software that helps companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernisation software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

Chairman's statement

I am pleased by our performance over the past six months. We have achieved significant organic revenue growth whilst maintaining our margin and increasing our profitability. In addition, we successfully integrated Acucorp, a company acquired in May 2007. We acquired and integrated HAL KS in the second half of last year. Both acquisitions have contributed to our first half-year performance.

Revenue growth combined with a firm control of expenses has resulted in a significant increase in adjusted operating profit. We continue to make investments in the areas of sales and marketing to support future growth whilst not sacrificing margins.

The performance achieved over the past six months reflects well on the entire team and highlights the strong fundamentals of the business. We have first rate technology solutions, a loyal and satisfied customer base and a market leading position in a substantial, sustainable and growing market place.

In line with our strategy, we have now acquired and successfully integrated two acquisitions in the past twelve months. These have enabled us to consolidate our market position and provide further opportunities for profitable growth. While organic growth remains our key focus we have demonstrated that this can be further supplemented with profitable growth through acquisitions.

The Board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus and I am pleased to announce a 20% increase in the interim dividend to 3.6 cents per share. We finished the half-year with cash of $50.7m, and generated $29.8m of cash from continuing operations. Our business model has a low ongoing capital requirement and delivers strong cash generation. During the first half-year, $45.9m of cash was used to fund the acquisition and restructuring of Acucorp, Inc. Should other acquisition opportunities arise that further our strategic aims, we have the financial strength and flexibility to pursue this growth option.

We have a very strong blend of new and long serving talent in the business and are committed to evolving our management and staff base to support the needs of a growing business.

The Board would like to thank all our employees for their continued hard work and commitment throughout the half-year. Our foundations are well established and we are building for the future.

We remain focused on profitable revenue growth and I am confident in the Company's ability to continue to deliver value to all of its stakeholders. Micro Focus is well positioned for the future.

Kevin Loosemore, Chairman

Chief Executive Officer's statement

Strategy

The strong results achieved during the first half-year lend further evidence to the key findings of the strategy review carried out in the six months to October 2006, namely:

- 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; plus acquisition opportunities exist
- Our primary opportunity is through sales to larger organisations

Following the strategic review we were confident of achieving single digit organic growth and our stated aim has been to drive for consistent double digit organic growth. We can now see continuing double digit near term growth at constant currencies from the core business.

For 30 years, Micro Focus has influenced and innovated in the Enterprise Applications market. We now have a leading position in the Enterprise Application Modernisation market. Major corporations are increasingly becoming aware that they have the option of obtaining all of the required business benefits through modernising existing applications rather than taking on the high risk and costly alternatives of rewriting these applications or replacing them with a packaged solution with little business benefit.

Execution

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

The sales team has been further strengthened and we will continue to invest to drive the business forward. It has been particularly encouraging to see the improved performance in our North American operation during the first half-year.

We appointed a new North American leader in February 2007 who has experience of successfully running our North American channel business for many years. Whilst early days, he has now succeeded with his team in achieving a solid performance from our total North America operation in the first half-year and is establishing firm foundations to support future growth. Outside of North America, it was again encouraging to see a solid European performance and we were delighted with the performance from our Japanese operation.

We continue to refine our marketing and delivery capabilities with a strong focus on developing senior level contacts within our target customers. With significant momentum building around the "modernisation message", it has been encouraging to see the company establish thought leadership in this area. All marketing spend is considered to be investment and is measured and monitored as such.

Our strategy review identified the major growth opportunity around larger value licence fee transactions into the Global 2000 ("G2000") companies. I am encouraged that we again signed a number of such deals in the first half-year carrying on from our success in the second half-year last year. In addition to revenues from new customers, new revenues from our existing customer base were very encouraging.

While organic revenue growth is our key focus, the strategy review highlighted the potential for further profitable revenue growth through acquisitions. On 4 May 2007 we made our second acquisition, Acucorp for $40.9m. Acucorp provides technology that is highly complementary to Micro Focus's core business in the COBOL Development Tool space as well as providing the opportunity for Micro Focus to expand its reach into the small and medium-sized enterprise ("SME") markets. The integration is complete and full year revenues are now expected to be approximately 15% ahead of our original expectations (prior guidance approximately $17.0m).

HAL KS, acquired in November 2006 and already fully integrated, provides market leading technology for APM, a market which we remain confident is robust and growing. The performance of the business in the first half was slightly weaker than we had hoped due to the transition from product to solutions sales taking longer than anticipated. Management is firmly focused on enhancing sales execution in this area.

If we are to meet our growth aspirations then it is imperative that staff in all areas of the business see themselves as productive members of the Micro Focus team, not just employees. We continue to work to improve the culture of our organisation and our aim is to continue to build a company for the long term, delivering outstanding results and superior shareholder value.

Summary and Outlook

We are encouraged by the progress made at Micro Focus over the past six months, especially in terms of our progress in North America, reflecting the strong fundamentals of the business.

Micro Focus benefits from having a business model with a high proportion of predictable and recurring revenues. Typically, just under half of Group revenue is derived from low risk maintenance revenues and a significant proportion of licence fee revenue comes from royalties from licences already sold through our network of Independent Software Vendors. This robust model, together with the motivation on the part of CIOs and company boards to get more out of their existing IT assets, means we should be well positioned either side of the economic cycle.

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 in the period positions us well for full-year growth. 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 full-year.

Thus, future revenue growth is largely dependent on driving licence sales. The first half-year results include the benefit of a number of larger value transactions (as was the case in the second half last year). Such prospective new licence opportunities remain in our pipeline for the second half of this year, although by their very nature and size they are less predictable.

The integration of Acucorp is now complete. On 28 June 2007 we had provided guidance that full-year revenues would be approximately $17.0m and can report that revenues are now expected to be approximately 15% ahead of this with margins slightly ahead of those achieved in the existing Micro Focus business. The related restructuring charge was originally expected to be approximately $8.0m and we are pleased that the charge has come in $1.9m lower at $6.1m, predominantly due to lower exit costs on facility leases combined with a faster integration than originally planned.

It should be noted that when referring to core organic growth we are excluding any impact of the results from the acquired business of HAL KS and Acucorp. With both businesses now integrated into Micro Focus, current and future guidance relates to growth for the total business.

We have been encouraged by the Adjusted EBITDA margins achieved in the six months to 31 October 2007 (38.4%), consistent with the full year to April 2007 (38.0%) yet above the margin achieved in the second half-year last year (36.7%). Our stated aim is to achieve profitable revenue growth and as such we will look to maintain EBITDA margins at a consistent level for the second half-year.

As a business, we have made encouraging progress over the past six months delivering results above our original expectations. Over the past five years our second half-year revenue performance has typically been above that achieved in the first half-year. However, after such a positive start to the year it is appropriate to assume that second half-year revenues will remain broadly similar to those achieved in the first half-year.

Following the strategic review we were confident of achieving single digit organic growth at constant currencies and our stated aim has been to drive for consistent double digit growth. We can now see continuing double digit near term growth at constant currencies from the core business.

A robust and sustainable market exists to support our growth strategy and our key focus remains on organic growth although we continue to review the potential for acquisitions in support of this strategy.

Stephen Kelly, Chief Executive

Chief Financial Officer's review

Revenue for the half-year ended 31 October 2007 increased to $108.9m (2006: $79.0m).

Revenue for the half-year by geographic region was as follows:

	31 October 2007 $m	%	30 April 2007 $m	%	31 October 2006 $m	%
North America	46.3	42.5	34.9	37.7	35.7	45.2
Europe and the Middle East	44.3	40.7	41.6	44.9	30.2	38.2
Rest of the World	18.3	16.8	16.1	17.4	13.1	16.6
Total revenue	108.9	100.0	92.6	100.0	79.0	100.0

Our North America operations produced a much improved performance showing solid growth as compared to both the six months to 31 October 2006 and six months to 30 April 2007. A new senior leadership team was established during quarter four last year and a number of new sales hires have since taken place. Approximately 44% of all Acucorp revenues are derived in North America and this has contributed to the first half-year improvement. The existing Micro Focus business achieved double digit organic revenue growth.

Our European operations are managed by an experienced Micro Focus leadership team. We strengthened our UK operation towards the end of 2006 and again it has been encouraging to see the turnaround in this operation since then with the UK significantly increasing licence fees in the half-year as compared to the prior half-year.

Our Rest of the World operations had another positive half-year with our Japanese business producing significant double digit revenue growth half-year on half-year. Our Japanese operation has an experienced team in place which has delivered consistent year-on-year revenue growth over a considerable period of time.

Revenue for the half-year by category was as follows:

	31 October 2007 $m	%	30 April 2007 $m	%	31 October 2006 $m	%
Licence fees	53.1	48.7	44.9	48.5	37.7	47.7
Maintenance fees	50.3	46.2	43.0	46.4	39.1	49.5
Consultancy fees	5.5	5.1	4.7	5.1	2.2	2.8
Total revenue	108.9	100.0	92.6	100.0	79.0	100.0

Revenue improved across all streams for the half-year. As compared to the six month period to 31 October 2006, licence fees increased by $15.4m or 40.8% to $53.1m (2006: $37.7m). As with the half-year to 30 April 2007, in the current half-year we signed a number of larger value transactions, the single largest deal being $1.5m. A number of large contracts remain in our pipeline although, by their very nature, they are unpredictable. The underlying licence fee growth in the core business excluding the impact of HAL KS and Acucorp, and at constant currencies, was approximately 20%.

Maintenance revenues increased by $11.2m or 28.6% to $50.3m (2006: $39.1m). Maintenance revenues are recognised evenly over the life of each contract, which is typically twelve months. As such, the profit and loss account recognition of maintenance revenue lags the initial licence fee sale. The underlying maintenance fee growth in the core business excluding HAL KS and Acucorp, and at constant currency, was approximately 10%.

Consulting revenues showed a positive improvement as against the prior year driven by growth in both the core Micro Focus revenues and the additional consulting revenues as a result of the acquisition of HAL KS, this company and solution having a higher mix of consulting revenues as compared to the Micro Focus Application Development Tools and Modernisation solutions.

The impact of exchange rate movements in the year was to improve revenues by approximately 4%, which forms the basis of the constant currency comparisons above. Improvements in Sterling and the Euro as compared to the US dollar were in part offset by a weakness in the Japanese Yen. It should be noted that with a greater proportion of the cost base outside the US, the movement in exchange rates led to an increase in reported costs of approximately 6%. On a US$ basis the absolute increase in costs due to exchange rates was broadly similar to absolute increase in US$ revenues. Hence profitability was similar on a constant currency or actual US$ basis.

Costs

Cost of sales for the half-year increased by 40% to $11.2m (2006: $8.0m). The costs in this category predominantly relate to our consulting and helpline support operations. Costs within the consulting organisation increased in line with increased revenues. It should be noted that where possible we use external consulting resources to provide consulting services, hence these costs have increased substantially in line with the increase in consulting revenues.

Selling and distribution costs increased by 49% to $29.7m (2006: $19.9m). We have made significant investments in the sales marketing functions to support growth. This cost category also includes $0.9m of amortisation in respect of intangible assets recognised on the acquisition of Acucorp.

Research and development expenses increased to $14.2m (2006: $10.8m). The current year figure includes $1.1m (2006: nil) of amortisation in respect of intangible assets acquired with the acquisitions of HAL KS and Acucorp.

Administrative expenses, excluding exceptional items of $6.1m (2006: nil), reflecting the restructuring of the Acucorp business acquired on 4 May 2007 and stock compensation of $0.9m (2006: $0.3m), increased to $14.7m (2006: $9.7m). 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.

Operating profit

Operating profit was $31.9m (2006: $30.0m). Adjusted operating profit was $41.0m (2006: $30.4m), the improvement being driven by increased revenues and tightly controlled increases in costs.

Adjusted EBITDA

Adjusted EBITDA increased by 33.5% to $41.8m (2006: $31.3m) as a result of the factors described above.

Net finance income

Finance income was $0.8m (2006: $1.4m). Income reduced due to a lower average cash balance in the period following the acquisition of Acucorp.

Taxation

Tax for the period was $9.8m (2006: $7.4m) based on increased profits. The Group's effective tax rate is 30.0% (2006: 23.5%). The effective tax rate has increased due to an increased proportion of profits being earned and taxed in the United States, following the acquisition of Acucorp, at an effective tax rate of 38%. Additionally in the prior half-year a tax deduction had arisen on the stock options in issue. Excluding the effects of this beneficial tax deduction, the effective tax rate in the prior half-year was 26.8%.

Profit after tax

Profit after tax decreased by 4.9% to $22.8m (2006: $24.0m), primarily driven by the one off restructuring charges on the purchase of Acucorp of $6.1m (2006: nil) and the amortisation of purchased intangibles of $2.0m relating to the HAL KS and Acucorp acquisitions (2006: nil).

Cash flow

At 31 October 2007, the Company's cash balance was $50.7m (2006: $68.2m). The Group generated cash from continuing operations of $29.8m (2006: $21.2m) which was offset by outflows of $45.9m in respect of the acquisition and restructuring of Acucorp as well as corporation tax payments of $5.9m (2006: $0.4m) and dividends of $14.0m (2006:$8.0m).

Dividend

The Board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus whilst targeting a level of dividend cover for the financial year ending 30 April 2008 of approximately 2.5 times on a pre-exceptional earnings basis. In line with the above policy, the directors recommend payment of an interim dividend in respect of the half-year to 31 October 2007 of 3.6 cents per share, an increase of 20% above the interim dividend of 3 cents per share for the half-year to 31 October 2006. The interim dividend will be paid on 31 January 2008 to shareholders on the register on 4 January 2008.

Whilst the Group as a whole has a deficit in its profit and loss reserve, the directors of Micro Focus International plc have concluded that the Company has sufficient reserves to enable the payment of the interim dividend.

Dividends will be paid in sterling based on an exchange rate of £ = $2.04, equivalent to 1.76 pence per share, being the rate applicable on 5 December 2007, the date of recommendation of the dividend by the Board.

Principal risks

The directors consider strategic, operational and financial risks and identify action to mitigate those risks. These risk profiles are updated formally at least annually.

The directors consider the principal risks and uncertainties for the remaining six months of the financial year to be the value and timing of customer orders.

Nick Bray, Chief Financial Officer

Micro Focus International plc
Consolidated income statement

	Note	Six months ended 31 October 2007 (unaudited) $'000	Six months ended 31 October 2006 (unaudited) $'000	Year ended 30 April 2007 (audited) $'000
Revenue	5	**108,892**	**78,966**	**171,590**
Cost of sales		**(11,240)**	(8,052)	(18,148)
Gross profit		**97,652**	**70,914**	**153,442**
Selling and distribution costs		**(29,676)**	(19,948)	(45,592)
Research and development expense		**(14,262)**	(10,811)	(23,051)
Administrative expenses		**(21,829)**	(10,133)	(27,532)
Operating profit	5	**31,885**	**30,022**	**57,267**
Analysed as:				
Operating profit before exceptional items		**38,033**	**30,022**	**62,128**
Exceptional items	9	**(6,148)**	-*	(4,861)*
Operating profit		**31,885**	**30,022**	**57,267**
Finance costs		**(9)**	(5)	(70)
Finance income		**768**	1,370	2,810
Profit before tax		**32,644**	**31,387**	**60,007**
Taxation	10	**(9,816)**	(7,377)	(16,143)
Profit after tax		**22,828**	**24,010**	**43,864**
Earnings per share expressed in cents per share	7			
- basic		**11.40**	12.03	21.96
- diluted		**11.01**	11.89	21.37
Earnings per share expressed in pence per share				
- basic		**5.67**	6.43	11.49
- diluted		**5.47**	6.36	11.18

* Stock-based compensation has been reclassified from exceptional to non-exceptional items, as disclosed in note 9.

The accompanying notes are an integral part of these consolidated financial statements.

Micro Focus International plc
Consolidated balance sheet

	Note	31 October 2007 (unaudited) $'000	31 October 2006 (unaudited) $'000	30 April 2007 (audited) $'000
Assets				
Non-current assets				
Goodwill		**70,830**	42,404	42,533
Other intangible assets		**36,310**	7,289	18,245
Property, plant and equipment		**4,169**	2,154	2,543
Deferred tax assets		**10,281**	7,993	10,813
		121,590	**59,840**	**74,134**
Current assets				
Inventories		**247**	305	255
Trade and other receivables	**11**	**57,957**	42,342	44,031
Cash and cash equivalents		**50,709**	68,223	84,971
		108,913	**110,870**	**129,257**
Total assets		**230,503**	**170,710**	**203,391**
Liabilities				
Current liabilities				
Trade and other payables	**12**	**86,432**	62,864	76,612
Current tax liabilities		**20,581**	18,156	17,023
Financial liabilities – borrowings		**-**	118	72
		107,013	**81,138**	**93,707**
Non-current liabilities				
Non-current deferred income		**6,600**	6,585	7,265
Deferred tax liabilities		**14,916**	8,353	10,873
Financial liabilities - borrowings		**-**	41	41
		21,516	**14,979**	**18,179**
Net assets		**101,974**	**74,593**	**91,505**
Shareholders' equity				
Capital and reserves attributable to the Company's equity holders				
Share capital		**36,819**	36,712	36,767
Share premium		**104,125**	103,644	104,054
Profit and loss deficit		**(13,707)**	(38,895)	(23,394)
Foreign currency translation reserve		**1,822**	217	1,163
Other reserves (deficit)		**(27,085)**	(27,085)	(27,085)
Total shareholders' equity		**101,974**	**74,593**	**91,505**

The accompanying notes are an integral part of these consolidated financial statements.

Micro Focus International plc
Consolidated cash flow statement

	Note	Six months ended 31 October 2007 (unaudited) $'000	Six months ended 31 October 2006 (unaudited) $'000	Year ended 30 April 2007 (audited) $'000
Cash flows from operating activities				
Net profit for the period		**22,828**	24,010	43,864
Adjustments for				
Net interest		**(759)**	(1,365)	(2,740)
Taxation		**9,816**	7,377	16,143
Depreciation		**758**	514	1,169
Loss on disposal of property, plant and equipment		**2**	2	26
Amortisation of intangibles		**4,807**	2,834	5,972
Share-based compensation		**946**	390	849
Changes in working capital:				
Inventories		**63**	26	76
Trade and other receivables		**(9,418)**	(4,666)	(5,532)
Payables and other non-current liabilities		**788**	(7,883)	(1,657)
Cash generated from continuing operations		**29,831**	**21,239**	**58,170**
Interest received		**775**	1,321	2,780
Interest paid		**(9)**	(5)	(70)
Tax paid		**(5,903)**	(365)	(7,316)
Net cash from operating activities		**24,694**	**22,190**	**53,564**
Cash flows from investing activities				
Payments for intangible assets		**(2,549)**	(2,486)	(5,456)
Purchase of property, plant and equipment		**(2,016)**	(286)	(830)
Acquisition of subsidiary	**14**	**(41,647)**	-	(4,832)
Net cash acquired with subsidiary	**14**	**678**	-	(1,218)
Net cash used in investing activities		**(45,534)**	**(2,772)**	**(12,336)**
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**52**	71	125
Repayment of borrowings		**(117)**	-	(46)
Dividends paid to shareholders	**8**	**(14,016)**	(7,983)	(13,981)
Net cash used in financing activities		**(14,081)**	**(7,912)**	**(13,902)**
Effects of exchange rate changes		**659**	651	1,579
Net (decrease) increase in cash and cash equivalents		**(34,262)**	**12,157**	**28,905**
Cash and cash equivalents at beginning of period		**84,971**	56,066	56,066
Cash and cash equivalents at end of period		**50,709**	**68,223**	**84,971**

The accompanying notes are an integral part of these consolidated financial statements.

Micro Focus International plc
Consolidated statement of changes in shareholders' equity (unaudited)

	Share capital	Share premium	Foreign currency translation reserve	Other reserves (deficit)	Profit and loss reserve (deficit)	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2006	**36,644**	**103,641**	**(432)**	**(27,085)**	(55,267)	**57,501**
Currency translation differences	-	-	649	-	-	649
Profit for the period	-	-	-	-	24,010	24,010
Dividends	-	-	-	-	(7,983)	(7,983)
Issue of share capital	68	3	-	-	-	71
Movement in relation to share options	-	-	-	-	345	345
Balance as at 31 October 2006	**36,712**	**103,644**	**217**	**(27,085)**	**(38,895)**	**74,593**
Currency translation differences	-	-	946	-	-	946
Profit for the period	-	-	-	-	19,854	19,854
Dividends	-	-	-	-	(5,998)	(5,998)
Issue of share capital	55	-	-	-	-	55
Movement in relation to share options	-	410	-	-	10	420
Deferred tax on share options	-	-	-	-	1,635	1,635
Balance as at 30 April 2007	**36,767**	**104,054**	**1,163**	**(27,085)**	**(23,394)**	**91,505**
Currency translation differences	-	-	659	-	-	659
Profit for the period	-	-	-	-	22,828	22,828
Dividends	-	-	-	-	(14,016)	(14,016)
Issue of share capital	52	-	-	-	-	52
Movement in relation to share options	-	71	-	-	875	946
Deferred tax on share options	-	-	-	-	-	
Balance as at 31 October 2007	**36,819**	**104,125**	**1,822**	**(27,085)**	**(13,707)**	**101,974**

The accompanying notes are an integral part of these condensed financial statements.

Notes to condensed consolidated half-yearly financial information

1. General

Micro Focus International plc is a limited liability company incorporated, domiciled and registered in the United Kingdom. The registered office address is The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN.

The Company has its listing on the London Stock Exchange.

This condensed consolidated half-yearly financial information was approved for issue on 5 December 2007.

These interim financial results do not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the year ended 30 April 2007 were approved by the board of directors on 31 July 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

2. Basis of preparation

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

3. Accounting policies

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 30 April 2008, but have no material impact on the group.

- IFRIC 9, “Reassessment of embedded derivatives”, effective for annual periods beginning on or after 1 June 2006.
- IFRIC 10, “Interims and impairment”, effective for annual periods beginning on or after 1 November 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the group already accounted for such amounts using principles consistent with IFRIC 10.
- IFRS 7, “Financial instruments: Disclosures’, effective for annual periods beginning on or after 1 January 2007.
- IAS 1, “Amendments to capital disclosures, effective for annual periods beginning on or after 1 January 2007.
- IFRIC 11, “IFRS 2 – Group and treasury share transactions”, effective for annual periods beginning on or after 1 March 2007

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 30 April 2008 and have not been early adopted.

- IFRIC 12, “Service concession arrangements”, effective for annual periods beginning on or after 1 January 2008.
- IFRS 8, “Operating segments”, effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement.

4. Functional currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US Dollars, which is the Company's functional currency.

5. Segment information

Geographical segments for the six months ended 31 October 2007:

	North America	Europe and the Middle East	Rest of the world	Total
	$'000	**$'000**	**$'000**	**$'000**
Total segment revenue	**46,292**	**44,273**	**18,327**	**108,892**
Segment operating result before exceptional items	5,734	31,089	1,210	38,033
Exceptional items	(3,114)	(3,034)	-	(6,148)
Segment operating profit	**2,620**	**28,055**	**1,210**	**31,885**

Geographical segments for the six months ended 31 October 2006:

	North America	Europe and the Middle East	Rest of the world	Total
	$'000	**$'000**	**$'000**	**$'000**
Total segment revenue	**35,704**	**30,167**	**13,095**	**78,966**
Segment operating result before exceptional items	1,133	28,592	297	30,022
Exceptional items	-	-	-	-
Segment operating profit	**1,133**	**28,592**	**297**	**30,022**

There is no material difference between revenue by origin and revenue by destination. All revenue is derived from external customers.

The results for the six months to 31 October 2007 include those of Acucorp, Inc. which was acquired on 4 May 2007 (see note 14) and HAL Knowledge Solutions SpA acquired on 2 November 2006.

6. Supplementary 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:

	Six months ended 31 October 2007 (unaudited)	Six months ended 31 October 2006 (unaudited)
	$'000	**$'000**
Licence	**53,035**	37,675
Maintenance	**50,319**	39,115
Consulting	**5,538**	2,176
Total	**108,892**	78,966

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. The weighted average number of shares used in the calculation was 200,164,000 (31 October 2006: 199,558,000; 30 April 2007: 199,744,000).

The diluted earnings per share has been calculated after taking account of the share options. The weighted average number of shares used in the calculation was 207,312,000

(31 October 2006: 201,889,000; 30 April 2007: 205,306,000).

Basic earnings per share, excluding exceptional items, share based compensation and amortisation of purchased intangibles ("adjusted earnings per share") was 14.58 cents (H1 2007: 12.17 cents, FY2007: 24.21 cents) Adjusted earnings per share is calculated after adjusting for the post-tax effect of exceptional items, share based compensation and amortisation of purchased intangibles of $6,347,000 (H1 2007: $273,000; FY2007: $5,019,000).

8. Dividends

A dividend of $14.0 million was paid during the period to 31 October 2007 of 7 cents per share (2006: $8.0 million or 4 cents per share).

In addition, the directors propose an interim dividend of 3.6 cents per share (2006: 3 cents per share) payable on 31 January 2008 to shareholders who are on the register at 4 January 2008. This interim dividend, amounting to $7.2 million (2006: $6.0 million) has not been recognised as a liability in this half-yearly report.

9. Reconciliation of operating profit to EBITDA

	Six months ended 31 October 2007 (unaudited)	Six months ended 31 October 2006 (unaudited)	Year ended 30 April 2007 (audited)
	$'000	$'000	$'000
Operating profit	**31,885**	30,022	57,267
Exceptional items – reorganisation costs	**6,148**	-	4,861
Share-based compensation charge	**946**	390	849
Amortisation of purchased intangibles	**1,973**	-	532
Adjusted operating profit	**40,952**	**30,412**	**63,509**
Depreciation	**758**	514	1,169
Amortisation of software	**77**	364	608
Adjusted EBITDA	**41,787**	**31,290**	**65,286**

EBITDA	**34,693**	30,900	59,576
Exceptional items – reorganisation costs	**6,148**	-	4,861
Share-based compensation charge	**946**	390	849
Adjusted EBITDA	**41,787**	**31,290**	**65,286**

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

In prior periods the directors considered share-based compensation to be of an exceptional nature due to the accelerated payments made at the time of the company's floatation. The directors have reviewed the classification and believe that on an on-going basis these costs are no longer of an exceptional nature and have reclassified the expenditure accordingly.

The impact is to reduce exceptional items by $946,000 (H1 2007: $390,000, FY 2007: $849,000).

10. Taxation

Tax for the half-year ended 31 October 2007 was $9.8 million (2006: $7.4 million). The Group's effective tax rate is 30% (2006: 23.5%).

In accordance with IAS 34 the tax expense recognised in the income statement for the half-year is calculated on the basis of the estimated effective full-year tax rate.

11. Trade and other receivables

	31 October 2007 (unaudited)	31 October 2006 (unaudited)	30 April 2007 (audited)
	$'000	$'000	$'000
Trade receivables	**45,105**	34,500	35,392
Other receivables	**6,617**	2,023	2,270
Prepayments	**4,727**	3,213	4,581
Accrued income	**1,508**	2,606	1,788
Total	**57,957**	**42,342**	**44,031**

12. Trade and other payables - current

	31 October 2007 (unaudited)	31 October 2006 (unaudited)	30 April 2007 (audited)
	$'000	$'000	$'000
Trade payables	**5,562**	1,762	4,374
Other tax and social security payable	**4,214**	2,720	185
Accruals	**21,347**	15,456	21,750
Deferred income	**55,309**	42,926	50,303
Total	**86,432**	**62,864**	**76,612**

13. Related party transactions

As described in the 2007 Annual Report, two non-executive directors of the Company are also directors in Golden Gate Capital who held 35% of the Company's issued share capital at 31 October 2007. There were no related party transactions with this company or with any other company during the half-year ended 31 October 2007.

14. Business combinations

On 4 May 2007, the group acquired 100% of the share capital of Acucorp, Inc., for $40.9 million, 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. The fair values are based on a provisional assessment pending final determination of some assets and liabilities.

The acquired business contributed revenues of $10.7 million and a loss before tax of $1.2 million (after exceptional costs of $6.2 million), to the group for the period from acquisition to 31 October 2007.

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

	Carrying value at acquisition	**Provisional fair value**
	$'000	**$'000**
Intangible assets	70	**20,245**
Property, plant and equipment	445	**445**
Inventories	55	**55**
Trade and other receivables	4,517	**4,517**
Cash and cash equivalents	678	**678**
Tax receivable	1,188	**1,188**
Trade and other payables	(8,371)	**(8,371)**
Net deferred tax assets	262	**262**
Net assets/(liabilities)	(1,156)	**19,019**
Goodwill		**22,628**
Consideration		**41,647**
Consideration satisfied by:		
Cash paid		**41,647**

Outflow of cash to acquire business, net of cash acquired:

Cash consideration	**40,928**
Acquisition costs	**719**
Cash acquired	**(678)**
Total	**40,969**

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

Trade Name	**1,175**
Software	**7,818**
Customer relationships	**10,960**
Non-compete agreements	**292**
Total	**20,245**

Goodwill includes non-identifiable intangible assets which do not meet the separable and reliably measurable criteria including business processes, know-how and work force related industry specific knowledge and technical skills.

Statement of directors' responsibilities

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

The directors of Micro Focus International plc are listed in the Micro Focus International plc Annual Report for 30 April 2007. A list of current directors is maintained on the Company's website: www.microfocus.com

By order of the board

Stephen Kelly
Chief Executive Officer
5 December 2007

Nick Bray
Chief Financial Officer
5 December 2007

Independent review report to Micro Focus International plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2007, which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
5 December 2007

Notes:

(a) The maintenance and integrity of the Micro Focus International plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.