3 December 2013

MICRO FOCUS

Micro Focus International plc
Interim results for the six months ended 31 October 2013

Micro Focus International plc ("Micro Focus", "the Company" or "the Group", LSE: MCRO.L), the international software product group, announces unaudited interim results for the six months ended 31 October 2013 after a further period of solid progress.

Results at a glance	Six months ended 31 Oct 2013	Six months ended 31 Oct 2012 restated *	Change	Year ended 30 Apr 2013 restated *
Revenue				
Constant Currency				
- Total	$207.5m	$202.7m	+2.4%	$406.1m
- Licence	$83.7m	$82.2m	+1.8%	$163.6m
- Maintenance	$118.7m	$112.1m	+5.9%	$227.0m
- Consultancy	$5.1m	$8.4m	-39.3%	$15.5m
Reported	$207.5m	$206.6m	+0.4%	$412.2m
NON GAAP MEASURES				
Adjusted EBITDA**				
Constant Currency	$89.9m	$88.5m	+1.6%	$182.2m
Reported	$89.9m	$91.5m	-1.7%	$186.3m
Underlying Adjusted EBITDA**				
Constant Currency	$93.0m	$85.9m	+8.3%	$180.0m
Reported	$93.0m	$88.9m	+4.6%	$184.1m
STATUTORY MEASURES				
Pre-tax profit				
Constant Currency	$70.5m	$72.7m	-3.0%	$147.5m
Reported	$70.5m	$75.8m	-7.0%	$151.5m
Earnings per share				
Basic	38.85c	36.66c	+6.0%	77.83c
Diluted	37.52c	35.31c	+6.3%	75.23c
Adjusted	45.53c	41.27c	+10.3%	87.81c
Adjusted diluted	43.98c	39.74c	+10.7%	84.87c
Dividend per share	14.00c	11.90c	+17.6%	40.00c
Net debt	$164.5m	$96.2m	+71.0%	$177.7m

Key highlights

- Revenue growth of 2.4% at constant currency (CCY) in line with guidance *
    - Iona, acquired in February 2013, performed strongly delivering $11.0m
    - Excluding Iona and the impact of the declining Niche and consulting business, the remaining revenues were broadly flat at $185.0m (2012 CCY: $186.1m)
- Revising full-year revenue guidance from 0% to 5% growth to 3% to 6% at CCY
- Licence revenue growth in Visual COBOL, Borland, CORBA and Mainframe Solutions, contributed to licence and maintenance growth of 4.2%
- Acquisition of SoforTe during the period. In November 2013, OpenFusion CORBA assets were acquired from PrismTech and agreement to acquire the application life-cycle solution company AccuRev Inc.
- Interim dividend increased by 17.6% to 14.0 cents per share (2012: 11.9 cents per share)
- Return of Value of 60 pence per share (equivalent to 93.3 cents per share) on 12 November 2013 at total cost of $140.2m
- Cash generated from operations as a percentage of Adjusted EBITDA less exceptional items was 96.1% (2012: 93.2% restated)

* The results for prior periods have been restated to reflect the impact of a misstatement of revenue caused by invalid orders within our sales channel network in India. The total amount of revenue impacted is $3.1m and constant currency revenue growth in the period prior to making the $3.1m restatement was 2.3%. The impact of the restatement is to reduce revenues and Adjusted EBITDA by $1.8m in the year to 30 April 2013 (of which $0.7m relates to the six months ended 31 October 2012) and by $0.7m in the year ended 30 April 2012. The remaining $0.6m of revenue was initially recognized in the current period and has now been reversed. The current period has also been impacted by related costs of $1m. Further details are provided in note 5. An investigation has been initiated and a Micro Focus sales representative has been suspended whilst the

investigation is taking place.

** In assessing the performance of the business, the directors use non GAAP measures "Adjusted EBITDA", "Adjusted operating profit", "Adjusted pre-tax profit" and "Adjusted earnings per share", being the relevant statutory measures, prior to exceptional items, amortization of purchased intangibles and share based compensation. Exceptional items, share based compensation and amortization of purchased intangibles are detailed in note 8. Earnings per share are detailed in note 10.

*** EBITDA and Adjusted EBITDA are reconciled to operating profit in note 8.

Kevin Loosemore, Executive Chairman of Micro Focus, commented:

"The first half of this year has seen the solid progress of last year continue. We ended the first half on plan with results demonstrating the strength of our portfolio approach, the successful integration of the purchased CORBA assets and the robustness of our financial model.

At the same time we have commenced initiatives to improve our sales execution, have seen initial delivery from the assets purchased from Progress Software in February 2013 and completed the acquisition of SoforTe. Since the period end we have completed the acquisition of the OpenFusion CORBA assets from PrismTech and signed a merger agreement to acquire the application life cycle solution company AccuRev Inc which will augment our Borland product portfolio.

On a constant currency basis our revenues in the period were up 2.4% compared with the restated prior period and were in line with our guidance of growth of between 0% and 5%. Excluding Niche revenues, growth was 4.7%. Revenues from consulting declined by $3.3m compared with the prior period and licence and maintenance revenues grew by $8.1m.

As a result of this mix of revenues and our continued management of costs as we streamline our processes, our Underlying Adjusted EBITDA grew 8.3% on a constant currency basis. During the period we have invested over $9m in a combination of our Sales Academy, investigating and executing acquisitions, implementing a new CRM front end, restructuring parts of the sales organization and filing patent applications.

While we continue to work on improving the operation of the business, we also remain focused on delivering shareholder value. In the half-year shareholders approved the return of $140.2m through a D share scheme and a further $43.1m was paid as a normal dividend. Since 31 October 2012, our total cash returns to shareholders amount to $329.5m. We have also completed or will shortly complete four acquisitions at a cost of $48.5m on a cash and debt free basis. After this $378.0m outlay our net debt will have increased by only $235.4m (including the recent Return of Value and completion of the OpenFusion and AccuRev Inc acquisitions) from $96.2m to $331.6m on a pro-forma basis. This demonstrates the strong cash generative nature of the business. Absent a significant acquisition, share buy-back opportunity or unforeseen circumstances the Board's intention would be to make a further similar Return of Value in November 2014, consistent with our intention of moving to a Net Debt to RCF EBITDA multiple of 1.5 times at 30 April 2015.

We are increasing our interim dividend by 17.6% to 14.0 cents per share (2012: 11.9 cents per share) reflecting our robust financial position and our confidence in the future prospects of the business.

This leaves us well on track to deliver our planned financial model and significant shareholder returns over a sustained period. Our business profile was more balanced in the first half and whilst markets remain challenging we are seeing a strong pipeline of opportunities. We have laid the foundations on which Micro Focus will grow in the second half. As a result and following completion of the recent acquisitions we are revising our full year revenue guidance from 0% to 5% to growth of 3% to 6% on a constant currency basis."

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About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that helps companies to improve dramatically 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

Forward-looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

INTERIM MANAGEMENT REPORT

Overview and Corporate Developments

Micro Focus is a software product group with strong franchises and a robust and sustainable core business. Our key value proposition to our clients is that we enable them to achieve significant incremental benefits from their prior investments in IT by addressing the technical challenges of linking the old and the new.

Our expectations for the current financial year were that on a constant currency basis overall revenue would be in the range of flat to 5% when compared to the prior year with growth weighted to the second half of the year. At the half year we are on plan.

During the six months to 31 October 2013, Micro Focus delivered revenues of $207.5m (2012: $206.6m) which compared with constant currency ("CCY") revenue for the comparable period of $202.7m, an increase of 2.4%. Prior year comparatives have been restated as set out in note 5. Licence fees were $83.7m, (2012: CCY $82.2m); maintenance fees were $118.7m (2012: CCY $112.1m) and consultancy revenues were $5.1m (2012: CCY $8.4m). The sum of licence and maintenance fees delivered of $202.4m (2012: CCY $194.3m) was a growth of 4.2%. The reduction in consultancy was consistent with our strategic objective of reducing consulting contracts that do not meet our target profile.

Operating costs before share based payments and amortization of purchased intangibles ("Adjusted Operating Costs") increased to $119.8m from $116.3m on a CCY basis. As a result Adjusted Operating Profit was $87.8m (2012: $86.4m CCY). Included with these costs are a charge for net amortization of development costs of $0.6m (2012: net capitalization credit of $1.8m) and a foreign exchange loss of $2.5m (2012: gain $0.8m). Consequently the Underlying Adjusted Operating Costs have decreased to $116.7m from $118.9m on a CCY basis with the largest reduction in our Adjusted Operating Costs being from those associated with delivery of consultancy revenues. During the period we have invested in excess of $9m in a combination of our Sales Academy, investigating and executing acquisitions, implementing a new CRM front end, restructuring parts of the sales organization and filing patents. After these investments, Adjusted EBITDA in the period still increased by 1.6% to $89.9m (2012: CCY $88.5m) and Underlying Adjusted EBITDA increased by 8.3% to $93.0m (2012: CCY $85.9m) at a margin of 44.8% (2012: 42.4% CCY).

In February 2013 we completed the acquisition of the Iona CORBA assets from Progress Software. During the period $11.0m (2012: CCY Nil) of revenue was delivered from these products, which was ahead of the guidance that we had given. $6.6m of these revenues arose in North America, $2.6m in International and $1.8m in Asia Pacific and Japan.

North American revenues increased by 4.9% to $95.6m (2012: CCY $91.1m) and represent 46.1% of Group revenues (2012: CCY 44.9%). Changes were made to the sales organization in North America at the beginning of the year which has resulted in improved focus and execution. Sales productivity, measured as licence fee per sales representative, was up by 29% compared to the prior period.

Overall revenues in our International region increased by 4.5% to $82.8m (2012: CCY $79.2m) and represented 39.9% of the revenue for the Group (2012: CCY 39.1%).

Asia Pacific and Japan declined by 10.2% to $29.1m (2012: CCY $32.4m) and represented 14.0% of the Group's revenue (2012: CCY 16.0%). Last year the region benefitted from one large transaction of approximately $4m that was not repeated.

The average employee headcount during the period ended 31 October 2013 was 1,205 (2012: 1,199). At 31 October 2013 headcount was 1,207 having hired 54 new graduate sales trainees in the period.

We would like to thank our employees for their continued dedication, commitment and hard work in delivering the half year results. For the half year ended 31 October 2013 bonuses will be paid to non-commissioned staff.

Product Portfolio and go-to-market

Our business comprises a number of Product Portfolios. Within each Portfolio there are multiple products. The way we view the portfolios is analogous to an Investor looking at a 'fund of funds'.

The IT industry can be viewed as serving three main domains; mainframe, distributed and multi-device/cloud. Micro Focus products predominantly serve the distributed IT environment (i.e. running on servers deploying UNIX,

LINUX and Windows). During 2013 we made significant developments in some of our key products to consolidate our position in the distributed market while also enabling us to address mainframe and multi-device/cloud market opportunities.

We focus on five Product Portfolios; COBOL Development (CD), Mainframe Solution (MS), Borland (Test), CORBA and Niche.

COBOL Development (CD) – 52.7% (FY 2013: 56.4% CCY) of revenues

We have continued to invest in and strengthen our core product portfolio of CD. The CD portfolio delivers products that enable programmers to develop and deploy applications written in COBOL across distributed platforms including Windows, UNIX and LINUX and the Cloud. We have introduced further developments to Visual COBOL and have received a positive response from customers and the partner community. Visual COBOL provides the fastest way for customers to move to Java Virtual Machine ("JVM"), .net or Cloud environments whilst protecting their investments and intellectual property. Despite the overall decline in CD revenues, Visual COBOL revenues continued to grow strongly in the period contributing $7.0m in licence fees (2012: $3.9m). We have seen a significant number of customers commit to Visual COBOL to take advantage of the opportunities provided by operating COBOL applications in a modern language format in an industry standard Integrated Development Environment ("IDE").

COBOL applications continue to be at the heart of the world's business transactions and power the majority of large organizations' key business operations. Maintaining our leadership position in CD is at the core of our value proposition. By embedding our products in industry standard IDE's and addressing the perceived skill issues, COBOL will provide a stable base and strong cash flow for the Group over the coming decades.

Mainframe Solution (MS) – 17.6% (FY 2013:18.4% CCY) of revenues

Our MS product set addresses a customer's need to get the most value out of their mainframe environment. The primary focus historically within MS has been on Enterprise Server, delivering solutions for application deployment, and in the first half we saw continued growth in our Enterprise Server revenues.

In April 2013 we announced Enterprise Developer for z Enterprise. This product takes our core Visual COBOL technology and, by delivering it in an Eclipse environment, makes the capabilities available to the mainframe user. On 9 October 2013 we completed the acquisition of SoforTe GmbH - a small technology company based near Frankfurt, Germany, for an initial $6.6m plus up to a further $1.3m based on achievement of certain revenue targets. This acquisition improves our time to market and offsets future development and royalty costs.

SoforTe has extensive experience in helping customers optimise the IBM mainframe environment. Specifically they have developed innovative technology to enable tight integration between mainframe applications and the Eclipse IDE. Although SoforTe’s revenues are not currently material, the potential of its technologies has generated a promising pipeline of customer sales opportunities. Micro Focus recognized the value of their technology and have integrated elements of this capability into our Enterprise Developer portfolio.

Enterprise Developer addresses a much broader opportunity in providing a solution for the challenge of mainframe application maintenance, which accounts for approximately 70% of the development work undertaken by customers today.

With a fully integrated Enterprise Developer and SoforTe combination we can offer an end to end development solution for customers, from routine maintenance tasks through to fully offloaded development processes. This functionality positions Enterprise Developer very well against competitive products.

Borland (Test) – 15.1% (FY2013: 14.4% CCY) of revenues

Borland's Test products (Silk, Caliber and StarTeam) have a large addressable market. Overall this market continues to evolve rapidly presenting opportunities for us to re-establish a leading position in our focus areas.

The challenge for our Borland business has been the significant maintenance drag it suffers due to the balance between licence and maintenance in its overall revenues. We have made progress on beginning to correct this situation. Our product portfolio has been enhanced across the board with updates delivered to every product and our improved capabilities recognised by industry analysts, notably in June 2013 when we were again placed in the leaders' quadrant of the Gartner Magic Quadrant for Integrated Quality Suites.

In the current period we have continued to focus on delivering products that solve specific customer pain points, underpinned by easier deployment and implementation, delivered through tighter integration and leverage of technology between individual products, and simplified product architectures. In October 2013 we conducted a Customer Advisory Board for many of our top customers and received strong validation of our approach overall and product roadmap content specifically. In addition to our organic development focus we have signed a merger agreement for the acquisition of the application life cycle solution company AccuRev Inc. This transaction is due to complete on 31 December 2013 and will augment our existing Source Code Control Management (“SCCM”) offerings. AccuRev will provide critical mass to improve our ability to execute, a stable customer base where the

rest of our portfolio could be leveraged and technology synergies in both our existing and acquired SCCM capabilities.

Sales execution has been more tightly aligned to our product initiatives. Specifically, we have focused on delivering stable maintenance revenues, driving increased adoption of the latest versions of products and driving licence growth through additional product sales to existing customers and more precise targeting of new customer acquisition activities.

Initial progress across both the product portfolio and sales execution is encouraging and provides a foundation to build from.

CORBA – 11.4% (FY2013: 6.2% CCY) of revenues

In February 2013, we purchased the Iona CORBA assets from Progress Software strengthening our position in this market. We now own the two leading CORBA products: Visibroker and Orbix as well as the Orbacus mainframe product. These products provide excellent functionality and performance to companies with installed networks with a requirement for high speed, secure transfer of data between systems. As a result of the acquisition we have seen a significant increase in the proportion of our business coming from CORBA. Following the period end we have completed the acquisition of the CORBA assets from PrismTech, further consolidating our position as the leading supplier of CORBA solutions.

Niche – 3.2% (FY2013: 4.6% CCY) of revenues

Our Niche business comprises mature products that are expected to see ongoing revenue decline but that provide good margins and strong cash flow. We continue to focus on supporting our installed customer base, but expect this product category to continue to decline as a proportion of our business. Niche, as a percentage of group revenues, has declined as expected.

Go to Market

We continue to believe that we have significant room for improvement in sales productivity and have begun to shift the balance between direct and inside sales in favour of the latter, whilst appointing more Enterprise Business Representatives to improve our lead qualification.

As we entered FY2014, our priority was to ensure that we invest in the organic development of the business. We have hired 54 new trainee sales representatives in the first half of the year and have upgraded our CRM system to assist with sales force effectiveness.

We aim to increase sales productivity and predictability further by continuing to improve Product Management and by generating closer interaction between Sales, Product Management & Marketing and Product Development. Significant investment has been made in creating product playbooks, sales collateral and enhanced demonstrations to aid selling of our products.

We continue to invest in Product Development and are excited by the new products that we will be releasing in the next year. Micro Focus will maintain its leadership position in CD by continuing innovation of products as is evidenced by Visual COBOL. We will work with our independent software vendors and customers to ensure that they can reap the benefits of this new development environment. MS revenue growth will be achieved by leveraging our partner relationships and ensuring that our direct sales force targets the right opportunities. We will continue to stabilize and improve the Borland business performance by focusing on clear communication of our strengths in automated, mobile and Cloud Testing.

Delivering value to shareholders

The board has adopted a very clear plan of value creation.

Our priority is to improve the business in order to maximize the opportunity to return to growth. At the same time we have created flexibility to allow value creation to shareholders through cash distributions or acquisitions as appropriate. We will do nothing that will constrain our ability to achieve organic growth and we are currently investing significant amounts on activities designed to enhance growth.

Following the successful acquisition of the CORBA assets, Orbix and Artix, from Progress Software in February 2013 we have completed the acquisitions of the OpenFusion CORBA assets from PrismTech. We have also acquired unique technology from SoforTe GmbH to accelerate our positioning in mainframe COBOL development and signed a merger agreement for the acquisition of AccuRev Inc to extend our position in SCCM. SoforTe, OpenFusion and AccuRev Inc will be acquired for a total consideration of $33.5m on a cash and debt free basis. In the current year we expect revenue of $4m from these acquisitions and in a full year of approximately $15m.

In August we replaced our $275m Revolving Credit Facility ("RCF") taken out in December 2011 with an increased RCF of $420m with an enlarged group of banks comprising Barclays Bank plc, Clydesdale Bank plc, HSBC Bank plc, Lloyds TSB Bank plc, Santander UK plc and The Royal Bank of Scotland plc. The RCF is for a four year period and has lower margins over US$ LIBOR than the previous RCF, ranging from 1.65% to 2.9% depending on the level of Net Debt to RCF EBITDA. The financial covenants for the RCF are: (1) EBIT to interest

cover ratio of a minimum of 4 to 1 and (2) Net Debt to RCF EBITDA ratio not to exceed 3 times for the duration of the facility. Where a special dividend or a share buy-back is to be made, the Company must certify that the projected ratio of Net Debt to RCF EBITDA on both a 12 month look forward and 12 month look back basis will not exceed 2.5 times.

In November 2013 we made a Return of Value to all shareholders amounting to $140.2m in cash (60 pence per share, equivalent to approximately 93.3 cents per share), by way of a D share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving the cash in the form of income or capital. The Return of Value was accompanied by a 12 for 13 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the D shares.

Taking account of the Return of Value made in November 2013, and completion of OpenFusion and AccuRev Inc, on a pro-forma basis our Net Debt at 31 October 2013 would have been $331.6m and based on the reported RCF EBITDA in the twelve months to 31 October 2013 of $203.0m this would have represented a Net Debt to RCF EBITDA multiple of 1.63 times.

This is a modest level of gearing for a company with the cash generating qualities of Micro Focus. We are confident that this level of debt will not reduce our ability to deliver growth, invest in products and / or make appropriate acquisitions. The Board's intention would be to make a further similar Return of Value in November 2014, consistent with our intention of moving to a net debt to RCF EBITDA multiple of 1.5 times at our financial year end in 2015.

We are announcing an increase in our interim dividend of 17.6% to 14.0 cents per share, (2012: 11.9 cents per share) reflecting our robust financial position and confidence in the future prospects of the business. This will be paid in sterling equivalent of 8.56 pence per share, based on an exchange rate of £ = $1.6362, being the rate applicable on 2 December 2013, the date on which the Board resolved to propose the interim dividend.

Outlook

We have laid the foundations on which Micro Focus will grow in the second half. Absent significant external events and taking into account the acquisitions of SoforTe, OpenFusion and AccuRev Inc we now anticipate revenue growth for the full year of between 3% and 6% on a constant currency basis.

This leaves us well on track to deliver our planned financial model and significant shareholder returns over a sustained period.

Kevin Loosemore
Executive Chairman
3 December 2013

Operational and Financial review

Micro Focus' primary reporting segments are its three geographic regions (i) North America, (ii) International (comprising Europe, Middle East, Latin America and Africa) and (iii) Asia Pacific and Japan and Micro Focus discloses profitability by these reporting segments. The regional presidents are responsible for directly controllable costs and are then allocated central costs to arrive at a regional Adjusted EBITDA. The segmental analysis is detailed in note 6. Product Portfolios are sold into these regions via a combination of direct sales, partners and independent software vendors.

Revenue for the half-year by geographic region at actual reported and CCY is shown in the table below:

	Six months ended 31 October 2013	Six months ended 31 October 2012 as reported restated	Six months ended 31 October 2012 CCY restated	Year ended 30 April 2013 CCY restated
	$m	$m	$m	$m
North America	95.6	91.3	91.1	191.5
International	82.8	77.9	79.2	159.0
Asia Pacific and Japan	29.1	37.4	32.4	55.6
Total revenue	**207.5**	**206.6**	**202.7**	**406.1**

In line with the guidance for the current financial year, on a CCY basis, revenues have increased by 2.4%. The CORBA software assets acquired from Progress Software delivered $11.0m of revenue in the period consisting of $2.2m of licence fee and $8.8m of maintenance revenue. Adjusting for this acquired revenue, on a like for like basis, revenues have declined by 3.1% from $202.7m to $196.5m.

The results for prior periods have been restated to reflect the impact of a misstatement of revenue caused by invalid orders within our sales channel network in India. The total amount of revenue impacted is $3.1m and constant currency revenue growth in the period prior to making the restatement was 2.3%. The impact of the restatement is to reduce revenues and Adjusted EBITDA by $1.8m in the year to 30 April 2013 (of which $0.7m relates to the six months ended 31 October 2012) and by $0.7m in the year ended 30 April 2012. The remaining $0.6m of revenue was initially recognized in the current period and has now been reversed. The current period has also been impacted by related costs of $1m. Further details are provided in note 5.

In North America, on a CCY basis, total revenues increased by 4.9% with licence fees and maintenance revenues growing offset by a decline in consultancy revenues. Once Niche revenues are excluded, the remaining product portfolios delivered an increase of 6.1%. Licence fees and maintenance revenue for these portfolios grew by 8.6% and 9.1% respectively whilst consultancy was down by 61.1%. The Iona product portfolio contributed $6.6m of revenue consisting of $0.9m of licence revenue and $5.7m of maintenance revenues. Revenues excluding Niche and Iona declined from $87.6m to $86.3m with licence fees growing by 5.6%, maintenance down by 1.5% and consultancy down by 61.1%.

In International our total revenues on a CCY basis increased by 4.5% with growth in licence and maintenance revenues being offset by declines in consultancy. Excluding the Niche product portfolio, which had declined from $5.3m to $2.4m, the growth in revenues was $6.5m (8.8%). The Iona products contributed $2.6m of revenue in the period and so the revenues excluding Niche and Iona had increased by 5.3% from $73.9m to $77.8m. Growth in Mainframe Solutions and Borland was offset by declines in CORBA (excluding Iona) with COBOL Development flat.

In Asia Pacific and Japan our total revenues on a CCY basis declined by 10.2% from $32.4m to $29.1m, however, the prior period benefitted from a large one off transaction that delivered approximately $4m in Mainframe Solutions. Excluding the Niche product portfolio, the decline in revenue is reduced to 9.2% or $2.8m. Iona contributed $1.8m of revenue in the period consisting of $0.6m of licence and $1.2m of maintenance, so the revenues excluding Niche and Iona have declined by 15.1% from $30.4m to $25.8m, largely accounted for by the absence of the large transaction.

Revenue for the half-year by category at actual reported and CCY was as follows:

	Six months ended 31 October 2013 $m	Six months ended 31 October 2012 as reported restated $m	Six months ended 31 October 2012 CCY restated $m	Year ended 30 April 2013 CCY restated $m
Licence	83.7	84.7	82.2	163.6
Maintenance	118.7	113.4	112.1	227.0
Consultancy	5.1	8.5	8.4	15.5
Total revenue	**207.5**	**206.6**	**202.7**	**406.1**

Revenue by Product Portfolio on a CCY basis is shown:

	Six months ended 31 October 2013 As reported $m	Six months ended 31 October 2012 restated CCY $m	Change %	Year ended 30 April 2013 restated CCY $m
COBOL				
Licence	48.8	53.5	-8.8	108.9
Maintenance	60.0	58.1	3.3	118.9
Consultancy	0.5	0.7	-28.6	1.4
	109.3	112.3	-2.7	229.2
Mainframe Solutions				
Licence	13.8	13.0	6.2	26.3
Maintenance	20.6	20.6	0.0	40.1
Consultancy	2.1	3.9	-46.2	8.2
	36.5	37.5	-2.7	74.6
Borland (Test)				
Licence	9.9	8.0	23.8	15.3
Maintenance	19.8	20.6	-3.9	40.7
Consultancy	1.8	1.1	63.6	2.5
	31.5	29.7	6.1	58.5
CORBA				
Licence	9.8	6.6	48.5	10.6
Maintenance	13.3	5.7	133.3	14.2
Consultancy	0.5	0.1	400.0	0.3
	23.6	12.4	90.3	25.1
Sub-total excluding Niche				
Licence	**82.3**	**81.1**	**1.5**	**161.1**
Maintenance	**113.7**	**105.0**	**8.3**	**213.9**
Consultancy	**4.9**	**5.8**	**-15.5**	**12.4**
	200.9	**191.9**	**4.7**	**387.4**
Niche				
Licence	1.4	1.1	27.3	2.5
Maintenance	5.0	7.1	-29.6	13.1
Consultancy	0.2	2.6	-92.3	3.1
	6.6	10.8	-38.9	18.7
Total revenue				
Licence	**83.7**	**82.2**	**1.8**	**163.6**
Maintenance	**118.7**	**112.1**	**5.9**	**227.0**
Consultancy	**5.1**	**8.4**	**-39.3**	**15.5**
Revenue at CCY	**207.5**	**202.7**	**2.4**	**406.1**

Following the acquisition of the Iona CORBA assets in February 2013, we now focus on five Product Portfolios; COBOL Development (CD), Mainframe Solution (MS), Borland (Test), CORBA and Niche. Visibroker, our own CORBA based product, was combined with the acquired Orbix and Orbacus products to form the CORBA Product Portfolio. We transferred some of the products acquired from Compuware in 2009 that were previously included within Borland (Test) to Niche as their characteristics are closer to this Product Portfolio. During the year ended 30 April 2013 we exited the Java related Consultancy business in Brazil and these revenues were included in

Niche. We also transferred TM ART from Niche to Borland (Test). As a result of the above, the comparatives for Borland (Test), Niche and CORBA at 31 October 2012 have been restated.

As expected the Niche Product Portfolio has declined as a percentage of our business and now represents 3.2% of total revenues (2012: CCY 4.6%). This percentage is expected to decline further in coming years. Absent the Niche Portfolio Micro Focus revenues grew 4.7% in the first half of 2014 compared to the first half of 2013 on a CCY basis.

The performance of the COBOL Development portfolio was mixed with International growing revenues by 0.4%, Asia Pacific and Japan being flat whilst North America revenues were down by 6.9%. Overall revenues declined by 2.7% to $109.3m (2012: CCY $112.3m). Sales of Visual COBOL licences increased from $3.9m in the six months to 31 October 2012 to $7.0m in the current period.

Mainframe Solutions revenues declined by 2.7%. However, licence fees grew by 6.2% and maintenance revenues were flat with consultancy revenue decline causing the overall reduction in portfolio revenues. Strong licence fee growth in International offset the reduction in Asia Pacific and Japan due to the large one off transaction in the previous period. In North America, licence and maintenance revenues were flat with a reduction in consultancy revenues causing the decline in overall revenues for Mainframe Solutions in that region.

The Borland (Test) Product Portfolio now consists of the Caliber, StarTeam and Silk Product Brands. Portfolio revenues grew by 6.1% with growth in licence and consultancy revenues partially offset by a decline in maintenance revenues. Our International region provided all of the growth whilst North America and Asia Pacific and Japan were broadly flat.

The Iona products have delivered a better than anticipated performance in the period with maintenance performing ahead of the guidance given at the time of acquisition and incremental licence fees being achieved. Revenues of $11.0m in the period from Iona consisting of $2.2m of licence and $8.8m of maintenance provide almost all of the growth within the CORBA Product portfolio. Excluding Iona and Niche revenues the remaining revenues have declined by 1.0% from $191.9m to $189.9m. Maintenance revenues were flat whilst licence and consultancy revenues show a small decline.

Maintenance revenues increased by 5.9% to $118.7m (2012: CCY $112.1m) and represent 57.2% of the Group's revenues. Once the impact of the Iona and Niche maintenance revenues are removed the remaining product portfolios delivered flat maintenance revenues overall. Growth in COBOL Development and flat Mainframe Solutions are offset by declines in Borland (Test) and the remaining CORBA maintenance revenues.

The renewal rates in the period by Product Portfolios were CD 91%, MS 85%, Borland (Test) 82%, CORBA 82% and Niche 61%.

Costs

The costs for the year compared to last year at actual reported and CCY are shown below:-

	Six months ended 31 October 2013 as reported	Six months ended 31 October 2012 as reported	Six months ended 31 October 2012 CCY	Year ended 30 April 2013 as reported	Year ended 30 April 2013 CCY
	$m	$m	$m	$m	$m
Cost of Sales	14.5	17.3	17.0	34.1	33.5
Selling & Distribution	59.5	62.6	62.0	117.6	116.3
Research & Development	27.4	24.7	25.0	52.6	52.9
Administrative expenses	32.2	23.6	23.5	48.5	48.0
Total costs	**133.6**	**128.2**	**127.5**	**252.8**	**250.7**

Cost of sales for the period decreased by 14.7% on a CCY basis to $14.5m (2012 CCY: $17.0m). The costs in this category predominantly relate to our consulting and helpline support operations. The majority of the cost reduction came from decreased consulting costs to deliver the Consultancy revenues that had reduced by $3.3m (39.3%) on a CCY basis.

Selling and distribution costs decreased on a CCY basis by 4.0% to $59.5m (2012 CCY: $62.0m) as a result of the lower cost of incentive plans, a reduction in marketing costs and a change in the cost mix of sales resource.

Research and development expenses on a CCY basis increased by 9.6% to $27.4m (2012 CCY: $25.0m), equivalent to approximately 13.2% of revenue (2012 CCY: 12.3%). The charge to the consolidated statement of comprehensive income in the period is after taking account of the net amortisation of development costs in the period. Additions to capitalized development costs in the period were $8.3m (2012: $10.7m) less amortization of previously capitalized development costs of $8.9m (2012: $8.9m) resulting in a net charge to the consolidated statement of comprehensive income of $0.6m (2012: $1.8m credit). The amount spent on a CCY basis on research and development prior to the impact of net capitalization of development costs was $26.7m (2012: $26.5m) representing 31.9% of licence fee revenue (2012: 32.2%). At 31 October 2013 the net book value of

capitalized development costs on the balance sheet was $30.9m (2012: $31.6m).

Administrative expenses excluding share based compensation of $5.0m (2012: $3.3m) and exchange losses of $2.5m (2012: gain of $0.8m), increased by 17.6% to $24.7m (2012: $21.0m). During the period administrative expenses included costs of executing and researching acquisitions of $2.5m and a provision of $1.0m for the India issue (note 5).

Currency impact

54.0% of our revenue is contracted in US dollars, 21.8% in Euros, 9.1% in Yen and 15.1% in other currencies. In comparison, 30.1% of our costs are US dollar denominated, 30.3% in Sterling, 20.2% in Euros, 2.9% in Yen and 16.5% in other currencies.

This weighting of revenue and costs means that if the US$: Euro or US$: Yen exchange rates move during the year, the revenue impact is far greater than the cost impact, whilst if US$: Sterling rate moves during the year the cost impact far exceeds the revenue impact. Consequently, reported US$ profit before tax can be impacted by significant movements in US$ to Euro, Yen and Sterling exchange rates. The impact of these movements can be seen by the changes to prior year reported numbers when they are stated at CCY. For the six months ended 31 October 2012 CCY revenue is 1.9% lower at $202.7m and profit before tax before the exchange gain above of $0.8m is 4.1% lower than the reported numbers at $75.0m.

The greatest volatility in exchange rates has been the US$: Yen exchange rate following the economic action taken by the Japanese government. The average US$:Yen exchange rate in the six months to 31 October 2013 was Y10.01012:$1 which is 20.1% lower than the average for the six months to 31 October 2012 and 9.5% lower than the six months to 30 April 2013. Consequently, if this rate was maintained for the remainder of the year ending 30 April 2014, then the impact on reported revenues for the year ended 30 April 2013 when converted to CCY would be to reduce revenue by $6.1m to $406.1m and Adjusted EBITDA by $4.1m to $182.2m.

Intercompany loan arrangements within the Group are denominated in the local currency of the borrower. Consequently, any movement in the respective local currency and US$ will have an impact on converted US$ value of the loans. This foreign exchange movement is taken to the consolidated statement of comprehensive income. The Group's UK Corporation Tax liability is denominated in sterling and any movement of the US$: sterling rate will give rise to a foreign exchange gain or loss which is also taken to the consolidated statement of comprehensive income. The foreign exchange loss for the period is approximately $2.5m (2012: gain of $0.8m).

Adjusted EBITDA and Underlying Adjusted EBITDA

Adjusted EBITDA in the period was $89.9m (2012: $91.5m) and Underlying Adjusted EBITDA was $93.0m (2012: $88.9m) at a margin of 44.8% (2012: 43.0%).

	Six months ended 31 October 2013 $m	Six months ended 31 October 2012 as reported restated $m	Year ended April 2013 as reported restated $m
Reported Revenue	207.5	206.6	412.2
Adjusted EBITDA	89.9	91.5	186.3
Foreign Exchange Charge/(Credit)	2.5	(0.8)	(0.5)
Net Amortization/ (Capitalization) of Development Costs	0.6	(1.8)	(1.7)
Underlying Adjusted EBITDA	**93.0**	**88.9**	**184.1**
Underlying Adjusted EBITDA Margin	**44.8%**	**43.0%**	**44.7%**

Underlying Adjusted EBITDA for the period is after charging the $3.5m aggregate costs relating to acquisitions and the India issue detailed above (2012: $Nil m).

Operating profit

Operating profit was $73.9m (2012: $78.4m). Adjusted operating profit was $87.8m (2012: $89.5m).

Net finance costs

Net finance costs were $3.5m (2012: $2.6m), including the amortization of $1.4m of loan arrangement and facility fees incurred on the Group's RCF (2012: $1.1m), RCF interest of $2.0m (2012: $1.1m) and other interest costs of $0.2m (2012: $0.5m) were offset by $0.1m of interest received (2012: $0.1m). The increased charges in the six months to October 2013 when compared to the six months to 31 October 2012 reflect the interest on the increased bank borrowings arising from the Return of Value of $129.3m in November 2012. Unamortized prepaid facility arrangement fees were $3.9m at 31 October 2013.

Taxation

Tax for the period was $12.5m (2012: $15.6m) with the Group's effective tax rate being 17.7% (2012: 20.7%). The Group's medium term effective tax rate is currently expected to be between 17% and 19%.

With effect from 1 April 2013, the UK Government introduced Patent Box legislation which provides a reduced rate of tax on profits arising from qualifying IP rights. Whilst there is no certainty that the Group will be able to obtain patents resulting in qualifying IP rights, the Patent Box presents a potentially significant opportunity for the Group. At the start of the year we anticipated spending up to $500k in the year ended 30 April 2014 to further explore the regime and applying for relevant patents. Applications have been made for a number of patents and the Group is progressing these applications.

As previously disclosed, since 1 May 2009 the Group has benefited from a lower cash rate of tax as a result of an ongoing claim with HMRC in the UK, based on tax legislation, impacting its tax returns for the year ended 30 April 2009 and subsequent years. The Group is one of a number of companies that have submitted similar claims and it is anticipated that HMRC will choose a test case to establish the correct interpretation of the legislation. Further details on this claim are provided in note 11. When the tax position relating to the claim is agreed with HMRC then, to the extent that the tax liability is lower than that provided in the balance sheet, there would be a positive benefit to the tax charge in the consolidated statement of comprehensive income in the year of settlement. If the Group is unsuccessful in any element of its claim then interest on overdue tax would be payable and charged as interest payable in the consolidated statement of comprehensive income. As at 31 October 2013 the current estimate of the maximum benefit is $25.0m equivalent to 17.3 cents per share on a fully diluted basis and the estimate of the maximum interest cost is $1.6m equivalent to 1.1 cents per share on a fully diluted basis.

With effect from the current year, the group intends to elect in to the newly introduced UK "Above the Line" R&D tax credit regime. The impact of this is that R&D tax credits previously reported within the corporation tax expense, will now be recorded directly against the relevant R&D expense as a grant. This has resulted in an increase in the period to Adjusted EBITDA of $0.3m and to Underlying Adjusted EBITDA of $0.9m and an increase in the corporation tax expense of $0.7m, which no longer includes the credit.

Profit after tax

Profit after tax decreased by 3.7% to $58.0m (2012: $60.2m).

Goodwill

The largest item on the consolidated statement of financial position is goodwill at $288.3m (2012: $274.3m) arising from acquisitions made by the Group. In the current period goodwill has increased due to the acquisition of the SoforTe business in October 2013 and adjustments have been made in the period to the goodwill relating to the acquisition of the Iona CORBA assets from Progress Software in February 2013 (note 21).

Return of Value

During the period, the Group announced and completed a Return of Value to shareholders of 60 pence per ordinary share amounting to $140.2m, by way of a D share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving cash in the form of income or capital. The Return of Value was approved by shareholders on 24 September 2013.

The Group entered into forward exchange contracts to hedge the US dollar amount of the liability and the Return of Value was paid to shareholders on 12 November 2013 at a total cost of $140.2m. The Return of Value was accompanied by a 13 for 12 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the D shares.

Cash flow

The Group's operating cash flow from continuing operations was $86.4m (2012: $85.4m). This represented a cash conversion ratio when compared to Adjusted EBITDA less exceptional items of 96.1% (2012: 93.2%).

At 31 October 2013, the Group's net borrowings balance was $164.5m (2012: $96.2m). During the half-year, the Group reduced its net borrowings by $13.2m from $177.7m at 30 April 2013. The most significant cash outflows in the period, other than loan repayments, were the payment of the final dividend for last year of $43.1m and the acquisition of the SoforTe business for $6.6m.

Taking account of the Return of Value made in November 2013, on a pro-forma basis our Net Debt at 31 October 2013 would have been $304.7m.

Group risk factors

As with all businesses, the Group is affected by certain risks, not wholly within our control, which could have a material impact on the Group's long-term performance and cause actual results to differ materially from forecast and historic results.

The principal risks and uncertainties facing the Group have not changed from those set out in the Annual Report and Accounts 2013. These include retention and recruitment of employees, successful ‘go to market’ models, continuing success of the Group’s research and development activities, changes in market conditions and adequate investment in systems and infrastructure.

Please refer to pages 14 – 15 in the Annual Report and Accounts 2013 for more detailed analysis on the key risks relevant to the Group.

The key financial risks facing the Group have not changed from those set out in the Annual Report and Accounts 2013. These include changes in risk management, changes in foreign exchange rates and changes in capital risk management.

Please refer to pages 59 – 61 in the Annual Report and Accounts 2013, note 21, for more detailed analysis on the key financial risks relevant to the Group.

As well as the foregoing, the primary risk and uncertainty related to the Group’s performance for the remainder of the year is the challenging macro-economic environment, which could have a material impact on the Group’s performance over the remaining six months of the financial year and could cause results to differ materially from expected and historic results.

Mike Phillips
Chief Financial Officer
3 December 2013

Going concern

The directors, having made enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore it is appropriate to maintain the going concern basis in preparing the condensed consolidated interim financial statements.

Directors' responsibilities

The directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Micro Focus International plc are as listed in the Micro Focus International plc Annual Report and Accounts 2013. A list of current directors is maintained on the Company's website: www.microfocus.com.

By order of the Board

Kevin Loosemore	Mike Phillips
Executive Chairman	Chief Financial Officer
3 December 2013	

Micro Focus International plc
Consolidated statement of comprehensive income (unaudited)

	Note	**Six months ended 31 October 2013 (unaudited)**	Six months ended 31 October 2012 (unaudited) restated	Year ended 30 April 2013 (audited) restated
		$'000	$'000	$'000
Revenue	**6,7**	**207,541**	206,638	412,167
Cost of sales		**(14,484)**	(17,329)	(34,069)
Gross profit		**193,057**	189,309	378,098
Selling and distribution costs		**(59,513)**	(62,573)	(117,558)
Research and development expenses		**(27,384)**	(24,715)	(52,599)
Administrative expenses		**(32,243)**	(23,638)	(48,503)
Operating profit	**6**	**73,917**	78,383	159,438
Finance costs		**(3,584)**	(2,702)	(8,307)
Finance income		**118**	96	413
Profit before tax		**70,451**	75,777	151,544
Taxation	**11**	**(12,464)**	(15,627)	(29,767)
Profit for the period		**57,987**	60,150	121,777
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss				
Currency translation differences		**1,737**	(2,630)	(2,458)
Other comprehensive income for the period, net of tax		**1,737**	(2,630)	(2,458)
Total comprehensive income for the period		**59,724**	57,520	119,319
Attributable to:				
Owners of the parent		**59,724**	57,520	119,319
Earnings per share expressed in cents per share		cents	cents	cents
- basic	**10**	**38.85**	36.66	77.83
- diluted	**10**	**37.52**	35.31	75.23
Earnings per share expressed in pence per share		pence	pence	pence
- basic	**10**	**24.97**	22.80	49.43
- diluted	**10**	**24.12**	21.96	47.78

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

Micro Focus International plc
Consolidated statement of financial position (unaudited)

	Note	**31 October 2013 (unaudited)**	31 October 2012 (unaudited) restated	30 April 2013 (audited) restated
		$'000	$'000	$'000
ASSETS				
Non-current assets				
Goodwill	**12**	**288,269**	274,270	284,661
Other intangible assets	**13**	**87,952**	91,383	93,644
Property, plant and equipment	**14**	**21,086**	22,384	21,157
Deferred tax assets		**37,113**	36,375	38,134
		434,420	424,412	437,596
Current assets				
Inventories		**269**	801	144
Trade and other receivables	**15**	**82,101**	78,199	92,496
Derivative financial instruments	**20**	**4,223**	2,393	-
Cash and cash equivalents		**30,648**	30,558	37,943
		117,241	111,951	130,583
Total assets		**551,661**	536,363	568,179
Liabilities				
Current liabilities				
Trade and other payables	**16**	**199,719**	188,595	56,939
Borrowings	**17**	**195,100**	126,742	215,634
Provisions	**18**	**7,002**	2,708	8,992
Current tax liabilities	**11**	**44,607**	35,925	41,795
Deferred income		**123,162**	118,423	138,306
		569,590	472,393	461,666
Non-current liabilities				
Deferred income		**8,902**	10,265	9,646
Long-term provisions	**18**	**1,458**	6,358	2,009
Deferred tax liabilities		**34,691**	38,920	37,042
		45,051	55,543	48,697
Total liabilities		**614,641**	527,936	510,363
Net (liabilities) / assets		**(62,980)**	8,427	57,816
EQUITY				
Equity attributable to owners of the parent				
Ordinary shares		**37,799**	37,797	37,797
Share premium account		**18,013**	15,061	16,083
Retained earnings		**(190,078)**	(114,038)	(65,613)
Foreign currency translation reserve (deficit)		**(5,612)**	(7,521)	(7,349)
Other reserves		**76,898**	77,128	76,898
Total (deficit) / equity attributable to owners of the parent		**(62,980)**	8,427	57,816

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

Micro Focus International plc
Consolidated statement of cash flow (unaudited)

	Note	**Six months ended 31 October 2013 (unaudited)**	Six months ended 31 October 2012 (unaudited) restated	Year ended 30 April 2013 (audited) restated
		$'000	$'000	$'000
Cash flows from operating activities				
Net profit for the period		**57,987**	**60,150**	121,777
Adjustments for				
Net interest payable		**3,466**	**2,606**	7,894
Taxation		**12,464**	**15,627**	29,767
Depreciation		**1,856**	**1,669**	3,483
Loss / (profit) on disposal of property, plant and equipment		**35**	**(428)**	370
Amortization of intangibles		**18,042**	**17,192**	35,122
Share-based compensation		**5,004**	**3,251**	6,639
Exchange movements		**(46)**	**2,689**	50
Provisions		**(3,730)**	**(115)**	(780)
Changes in working capital:				
Inventories		**(125)**	**(341)**	316
Trade and other receivables		**10,517**	**13,370**	2,379
Payables and other liabilities		**(19,112)**	**(30,318)**	(14,577)
Net cash generated from operating activities		**86,358**	**85,352**	192,440
Interest paid		**(2,202)**	**(1,588)**	(5,076)
Tax paid		**(10,508)**	**(11,836)**	(22,072)
Net cash from operating activities		**73,648**	**71,928**	165,292
Cash flows from investing activities				
Payments for intangible assets	**13**	**(8,510)**	**(10,745)**	(20,327)
Purchase of property, plant and equipment	**14**	**(1,374)**	**(1,522)**	(3,312)
Interest received		**118**	**96**	413
Payment for acquisition of business	**21**	**-**	**-**	(15,000)
Payment for acquisition of company	**21**	**(6,578)**	**-**	-
Net cash used in investing activities		**(16,344)**	**(12,171)**	(38,226)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**520**	**730**	730
Return of Value paid to shareholders		**-**	**-**	(131,171)
Foreign exchange gain on hedging contracts related to the Return of Value		**-**	**-**	2,393
Costs associated with the Return of Value		**(205)**	**(281)**	(491)
Proceeds from sale of fractional shares		**-**	**1**	3
Repayment of bank borrowings	**17**	**(62,000)**	**(53,000)**	(142,307)
Proceeds from bank borrowings	**17**	**45,000**	**36,000**	212,307
Bank loan costs		**(4,915)**	**(876)**	(1,210)
Dividends paid to owners	**9**	**(43,072)**	**(39,665)**	(57,160)
Net cash used in financing activities		**(64,672)**	**(57,091)**	(116,906)
Effects of exchange rate changes		**73**	**(2,518)**	(2,627)
Net (decrease) / increase in cash and cash equivalents		**(7,295)**	**148**	7,533
Cash and cash equivalents at beginning of period		**37,943**	**30,410**	30,410
Cash and cash equivalents at end of period		**30,648**	**30,558**	37,943

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

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

	Ordinary shares	Share premium account	Foreign currency translation reserve (deficit)	Other reserves (deficit)	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2012 – as previously reported	**37,787**	**61,311**	**(4,891)**	**29,819**	**(6,480)**	**117,546**
Prior year adjustment (note 5)	**-**	**-**	**-**	**-**	**(554)**	**(554)**
Balance as at 1 May 2012 - restated	**37,787**	**61,311**	**(4,891)**	**29,819**	**(7,034)**	**116,992**
Currency translation differences	-	-	(2,630)	-	-	(2,630)
Profit for the period	-	-	-	-	60,150	60,150
Total comprehensive income	-	-	(2,630)	-	60,150	57,520
Transactions with owners:						
Dividends	-	-	-	-	(39,665)	(39,665)
Issue of share capital	10	1,861	-	-	(1,141)	730
Return of Value to shareholders	-	-	-	-	(131,711)	(131,711)
Issue and redemption of B shares	-	(47,309)	-	47,309	-	-
Sales of fractional shares	-	3	-	-	-	3
Expenses and foreign exchange relating to Return of Value	-	-	-	-	2,112	2,112
Movement in relation to share options	-	(805)	-	-	3,251	2,446
	10	(46,250)	-	47,309	(167,154)	(166,085)
Balance as at 31 October 2012	**37,797**	**15,061**	**(7,521)**	**77,128**	**(114,038)**	**8,427**
Balance as at 1 May 2013 – as previously reported	**37,797**	**16,083**	**(7,349)**	**76,898**	**(63,672)**	**59,757**
Prior year adjustment – year ended 30 April 2012 (note 5)	**-**	**-**	**-**	**-**	**(554)**	**(554)**
Prior year adjustment – year ended 30 April 2013 (note 5)	**-**	**-**	**-**	**-**	**(1,387)**	**(1,387)**
Balance as at 1 May 2013 - restated	**37,797**	**16,083**	**(7,349)**	**76,898**	**(65,613)**	**57,816**
Currency translation differences	**-**	**-**	**1,737**	**-**	**-**	**1,737**
Profit for the period	**-**	**-**	**-**	**-**	**57,987**	**57,987**
Total comprehensive income	**-**	**-**	**1,737**	**-**	**57,987**	**59,724**
Transactions with owners:						
Dividends	**-**	**-**	**-**	**-**	**(43,072)**	**(43,072)**
Issue of share capital	**2**	**21**	**-**	**-**	**497**	**520**
Return of Value to shareholders	**-**	**-**	**-**	**-**	**(144,453)**	**(144,453)**
Expenses and foreign exchange relating to Return of Value	**-**	**-**	**-**	**-**	**4,017**	**4,017**
Movement in relation to share options	**-**	**1,909**	**-**	**-**	**559**	**2,468**
	2	**1,930**	**-**	**-**	**(182,452)**	**(180,520)**
Balance as at 31 October 2013	**37,799**	**18,013**	**(5,612)**	**76,898**	**(190,078)**	**(62,980)**

The accompanying notes are an integral part of these condensed consolidated interim financial statements. Other reserves includes a capital redemption reserve of $104.2m (2012 $104.2m) and a merger deficit reserve of $27.1m (2012 $27.1m).

Micro Focus International plc
Notes to the consolidated interim 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.

These condensed consolidated interim financial statements were approved by the Board on 2 December 2013 for issue on 3 December 2013.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2013 were approved by the board of directors on 18 June 2013 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 498 of the Companies Act 2006.

These condensed interim consolidated financial statements have been reviewed, not audited.

2. Basis of preparation

These condensed consolidated interim financial statements for the half-year ended 31 October 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 30 April 2013, which have been prepared in accordance with IFRSs as adopted by the European Union.

The comparatives for the six months to 31 October 2012 and the year ended 30 April 2013 have been restated as set out in note 5.

3. Accounting policies

Other than as described below, the accounting policies adopted are consistent with those of the Annual Report and Accounts for the year ended 30 April 2013, as described in those financial statements.

(a) The following standards, interpretations and amendments to existing standards are now effective and have been adopted by the Group:

- Amendment to IFRS 7, "Financial instruments: Disclosures" on offsetting financial assets and financial liabilities for periods beginning on or after 1 January 2013.
- Amendment to IAS 12, "Income Taxes" applies for periods beginning on or after 1 January 2013.
- Amendment to IAS 19, "Employee Benefits", for periods beginning on or after 1 January 2013.
- IFRS 13, "Fair Value Measurement", applies for periods beginning on or after 1 January 2013.
- Amendment to IAS 32, "Financial Instruments: Presentation" applies to periods beginning on or after 1 January 2013.

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

- IFRS 9, "Financial Instruments", for periods beginning on or after 1 January 2015.
- Amendment to IAS 1 "Financial Statement Presentation" applies for periods beginning on or after 1 July 2013.
- IFRS 10, "Consolidated Financial Statements" applies for periods beginning on or after 1 January 2014.
- IFRS 11, "Joint Arrangements" applies for periods beginning on or after 1 January 2014.
- IFRS 12, "Disclosures of Interests in Other Entities" applies for periods beginning on or after 1 January 2014.
- IAS 27 (Revised 2011), "Separate Financial Statements", applies for periods beginning on or after 1 January 2014.
- IAS 28 (Revised 2011), "Associates and Joint Ventures" applies for periods beginning on or after 1 January 2014.

The directors anticipate that the future introduction of these standards, amendments and interpretations listed above will not have a material impact on the consolidated financial statements.

Notes to the consolidated interim financial information

4. Functional currency

The presentational 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 being the current of the territory in which it operates.

5. Restatement of comparative figures for the six months to 31 October 2012 and the year ended 30 April 2013

On 29 October 2013, Group management was made aware by our Country General Manager in India of a claim by a partner in India that in July 2012 the partner entered into a transaction with what the partner believed to be a genuine customer introduced to them by a Micro Focus sales representative for the sale of Micro Focus software. The partner's invoice for the sale had been due to be settled in December 2012 but as at 29 October 2013 was and still remains outstanding. Micro Focus had no record of the end user transaction nor of the involvement of the partner in the transaction and the Country General Manager was not contacted by the partner until October 2013.

Group management immediately appointed KPMG, the Group's Internal Auditors, to conduct an investigation into all sales in India within the current and the preceding two financial years and suspended the Micro Focus sales representative whilst the investigation is taking place. The investigation has revealed further transactions initiated by the sales representative for which Micro Focus has received payment either directly or indirectly from the partner network in India for which no end user contract exists. The total amount of revenue impacted by the actions of the sales representative is $3.1m and covers a period dating back to October 2011. $2.5m relates to periods prior to 30 April 2013 and $0.6m impacts the current period. Micro Focus had received cash payments for $2.5m of these transactions. The current period Adjusted EBITDA is adversely impacted by $1.6m being the $0.6m of revenue and $1.0m provision (note 18).

Considering the current year revenue guidance provided by Micro Focus to the market, the cumulative impact on the current period revenue of reversing the misstatement would have had a material qualitative impact on the relative revenue performance. Consequently, the directors have decided to restate the prior period reported and CCY revenues to reflect the period in which the original transactions took place.

The impact on the reported revenues is as follows:

	12 months to 30 April 2013	6 months to 30 April 2013	6 months to 31 October 2012	**12 months to 30 April 2012**	6 months to 30 April 2012	6 months to 31 October 2011
Total revenue – as reported	**$'000**	$'000	$'000	**$'000**	$'000	$'000
Licence	**168,549**	83,228	85,321	**176,572**	89,027	87,545
Maintenance	**229,691**	116,248	113,443	**230,903**	113,957	116,946
Consultancy	**15,749**	7,208	8,541	**27,363**	12,752	14,611
	413,989	**206,684**	**207,305**	**434,838**	**215,736**	**219,102**
Adjustment for India						
Licence	**(1,619)**	(1,037)	(582)	**(674)**	-	(674)
Maintenance	**(203)**	(118)	(85)	**(72)**	(71)	(1)
Total adjustment	**(1,822)**	**(1,155)**	**(667)**	**(746)**	**(71)**	**(675)**
Total revenue – as restated						
Licence	**166,930**	82,191	84,739	**175,898**	89,027	86,871
Maintenance	**229,488**	116,130	113,358	**230,831**	113,886	116,945
Consultancy	**15,749**	7,208	8,541	**27,363**	12,752	14,611
	412,167	**205,529**	**206,638**	**434,092**	**215,665**	**218,427**

Notes to the consolidated interim financial information

5. Restatement of comparative figures for the six months to 31 October 2012 and the year ended 30 April 2013 (continued)

The impact on the reported results for the Group, including tax, is as follows:

	12 months to 30 April 2013 $'000	6 months to 30 April 2013 $'000	6 months to 31 October 2012 $'000	**12 months to 30 April 2012 $'000**	6 months to 30 April 2012 $'000	6 months to 31 October 2011 $'000
Profit after tax - reported	**123,164**	**62,506**	**60,658**	**120,620**	**58,207**	**62,413**
Revenue adjustment	**(1,822)**	(1,155)	(667)	**(746)**	(71)	(675)
Corporation tax adjustment	**435**	276	159	**192**	18	174
Total prior period adjustments	**(1,387)**	(879)	(508)	**(554)**	(53)	(501)
Profit after tax - restated	**121,777**	**61,627**	**60,150**	**120,066**	**58,154**	**61,912**

The impact on the Earnings per share for the Group is as follows:

	12 months to 30 April 2013 as reported cents	12 months to 30 April 2013 adjustment cents	**12 months to 30 April 2013 restated cents**	**6 months to 31 October 2012 as reported cents**	6 months to 31 October 2012 adjustment cents	**6 months to 31 October 2012 restated cents**
Basic	**78.72**	(0.89)	**77.83**	**36.97**	(0.31)	**36.66**
Diluted	**76.09**	(0.86)	**75.23**	**35.60**	(0.29)	**35.31**
Adjusted	**88.69**	(0.88)	**87.81**	**41.58**	(0.31)	**41.27**
Adjusted diluted	**85.73**	(0.86)	**84.87**	**40.04**	(0.30)	**39.74**

The impact on the consolidated statement of financial position for the Group is as follows:

	As at 30 April 2013 $'000	**As at 31 October 2012 $'000**	As at 30 April 2012 $'000	As at 31 October 2011 $'000
Net assets – reported	**59,757**	**9,489**	**117,546**	**200,043**
Increase in trade and other payables	(2,568)	(1,413)	(746)	(675)
Reduction in current tax liability	627	351	192	174
Total prior period adjustments	(1,941)	(1,062)	(554)	(501)
Net assets - restated	**57,816**	**8,427**	**116,992**	**199,542**

The investigation into the issues created in our Indian sales channel network continues including the process by which the cash can be returned to the appropriate parties.

In addition to the above, the consolidated statement of cash flow has been restated for the six months to 31 October 2012 and the year ended 30 April 2013 to reflect the exclusion of prepayment releases from bank loan cost incurred in the period. The effect is to reduce bank loan costs and increase the inflow from trade and other receivables (31 October 2012: $238,000, 30 April 2013 $2,021,000).

Notes to the consolidated interim financial information

6. Segmental reporting

In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker ('the Executive Committee'). Operating segments are consistent with those used in internal management reporting and the measure used by the Executive Committee is the adjusted operating profit for the Group as a whole as set out in note 8.

Operating segments for the half-year ended 31 October 2013:

	North America	International	Asia Pacific and Japan	Total
	$'000	$'000	$'000	$'000
Segment revenue	**95,602**	**82,754**	**29,185**	**207,541**
Directly managed costs	(13,640)	(23,930)	(6,851)	(44,421)
Allocation of centrally managed costs	(35,715)	(29,362)	(10,277)	(75,354)
Total segment costs	**(49,355)**	**(53,292)**	**(17,128)**	**(119,775)**
Adjusted operating profit (note 8)	46,247	29,462	12,057	87,766
Share based compensation charge				(5,004)
Amortization of purchased intangibles				(8,845)
Operating profit				**73,917**
Total assets				**551,661**
Total liabilities				**614,641**

Operating segments for the half-year ended 31 October 2012:

	North America	International	Asia Pacific and Japan restated	Total restated
	$'000	$'000	$'000	$'000
Segment revenue	**91,295**	**77,961**	**37,382**	**206,638**
Directly managed costs	(15,787)	(25,217)	(9,251)	(50,255)
Allocation of centrally managed costs	(32,687)	(25,855)	(8,356)	(66,898)
Total segment costs	**(48,474)**	**(51,072)**	**(17,607)**	**(117,153)**
Adjusted operating profit (note 8)	42,821	26,889	19,775	89,485
Share based compensation charge				(3,251)
Amortization of purchased intangibles				(7,851)
Operating profit				**78,383**
Total assets				**536,363**
Total liabilities				**527,936**

Comparative figures for the Asia Pacific and Japan region have been restated as set out in note 5.

Notes to the consolidated interim financial information

7. Analysis of revenue by product

Set out below is an analysis of revenue recognized between the principal product categories for the six months ended 31 October 2013.

	CD	MS	Borland (Test)	CORBA	Niche	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Licence	**48,751**	**13,756**	**9,930**	**9,789**	**1,481**	**83,707**
Maintenance	**60,051**	**20,634**	**19,775**	**13,330**	**4,988**	**118,778**
Consulting	**543**	**2,096**	**1,789**	**472**	**156**	**5,056**
Total	**109,345**	**36,486**	**31,494**	**23,591**	**6,625**	**207,541**

Set out below is an analysis of revenue recognized between the principal product categories for the six months ended 31 October 2012.

	CD	MS	Borland (Test)	CORBA	Niche	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Licence	55,058	13,466	8,093	6,823	1,299	**84,739**
Maintenance	59,125	20,463	20,678	5,825	7,267	**113,358**
Consulting	710	3,852	1,439	157	2,383	**8,541**
Total	**114,893**	**37,781**	**30,210**	**12,805**	**10,949**	**206,638**

Following the acquisition of the Iona products from Progress Software in February 2013, Micro Focus now has five Product Portfolios; COBOL Development (CD), Mainframe Solution (MS), Borland (Test), CORBA and Niche. Visibroker, our own CORBA based product, was previously reported in the Niche portfolio with revenues of $12.8m in the six months ended 31 October 2012. As part of establishing the CORBA portfolio we reviewed all of the products and determined that some had characteristics that were closer to the Niche portfolio. Consequently, products acquired from Compuware in 2009 with 2012 revenue of $4.6m and Java related Consultancy business in Brazil with 2012 revenues of $2.9m that were previously included within Borland (Test) were transferred to Niche. We also transferred TM ART revenues of $0.1m in 2012 from Niche to Borland (Test).

The comparative figures for revenue for the six months to 31 October 2012 have also been restated as set out in note 5.

Notes to the consolidated interim financial information

8. Reconciliation of operating profit to EBITDA

	Six months ended 31 October 2013 (unaudited)	Six months ended 31 October 2012 restated (unaudited)	Year ended 30 April 2013 restated (audited)
	$'000	$'000	$'000
Operating profit	**73,917**	78,383	159,438
Share-based compensation charge	**5,004**	3,251	6,639
Amortization of purchased intangibles	**8,845**	7,851	16,123
Adjusted operating profit	**87,766**	89,485	182,200
Depreciation	**1,856**	1,669	3,483
Amortization of software	**254**	387	643
Adjusted EBITDA	**89,876**	91,541	186,326
Amortization of development costs	**8,943**	8,954	18,356
RCF EBITDA	**98,819**	100,495	204,682
Operating profit	**73,917**	78,383	159,438
Amortization of intangible assets	**18,042**	17,192	35,122
Depreciation of property, plant and equipment	**1,856**	1,669	3,483
EBITDA	**93,815**	97,244	198,043
Amortization of capitalized development costs	**(8,943)**	(8,954)	(18,356)
Share-based compensation charge	**5,004**	3,251	6,639
Adjusted EBITDA	**89,876**	91,541	186,326
Foreign exchange loss / (credit)	**2,464**	(806)	(543)
Net amortization/(capitalization) of development costs	**642**	(1,809)	(1,662)
Underlying Adjusted EBITDA	**92,982**	88,926	184,121

The directors use EBITDA and EBITDA before exceptional items and share based compensation charge ("Adjusted EBITDA") as key performance measures of the business. RCF EBITDA is the measure used under the Group's $420m Revolving Credit Facility to determine the Net Debt to RCF EBITDA covenant calculation. The RCF EBITDA for the twelve months ended 31 October 2013 was $203.0m.

9. Dividends

A dividend of $43.1m was paid during the period to 31 October 2013 of 28.1 cents per share (2012: $39.7m or 23.4 cents per share).

The directors announce an interim dividend of 14.0 cents per share (2012: 11.9 cents per share) payable on 24 January 2014 to shareholders who are on the register at 3 January 2014. This interim dividend, amounting to $19.4m (2012: $17.8m) has not been recognized as a liability in this half-yearly report.

Notes to the consolidated interim financial information

10. Earnings per share

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

	Six months ended 31 October 2013 (unaudited)				Six months ended 31 October 2012 (unaudited)			
	Earnings	**Weighted average number of shares**	**Per share amount**	**Per share amount**	Earnings restated	Weighted average number of shares	Per share amount restated	Per share amount restated
	$'000	**'000**	**cents**	**pence**	$'000	'000	cents	pence
Basic EPS								
Earnings attributable to ordinary shareholders	**57,987**	**149,278**	**38.85**	**24.97**	60,150	164,067	36.66	22.80
Effect of dilutive securities								
Options		**5,258**				6,303		
Diluted EPS								
Earnings attributable to ordinary shareholders	**57,987**	**154,536**	**37.52**	**24.12**	60,150	170,370	35.31	21.96
Supplementary adjusted EPS								
Basic EPS	**57,987**	**149,278**	**38.85**	**24.97**	60,150	164,067	36.66	22.80
Adjusted items[1]	**13,849**				11,102			
Tax relating to above items	**(3,868)**				(3,544)			
Basic EPS – adjusted	**67,968**	**149,278**	**45.53**	**29.27**	67,708	164,067	41.27	25.67
Diluted EPS	**57,987**	**154,536**	**37.52**	**24.12**	60,150	170,370	35.31	21.96
Adjusted items[1]	**13,849**				11,102			
Tax relating to above items	**(3,868)**				(3,544)			
Diluted EPS – adjusted	**67,968**	**154,536**	**43.98**	**28.27**	67,708	170,370	39.74	24.72

[1] Adjusted items comprise amortization of acquired intangibles $8,845,000 (2012: $7,851,000) and share-based compensation $5,004,000 (2012: $3,251,000). Estimated tax relief on these items is as shown above.

Earnings per share expressed in pence has used the average exchange rate for the period of $1.56 to £1 (2012: $1.61 to £1).

Notes to the consolidated interim financial information

11. Taxation

In accordance with IAS 34 the tax expense recognized in the income statement for the half-year is calculated on the basis of the estimated effective full-year tax rate, with the exception that "discrete" items are recognized in the period to which they relate.

Tax for the period was $12.5m (2012: $15.6m) resulting in the Group's effective tax rate being 17.7% (2012: 20.7%).

Changes to the UK Corporation tax system were included in Finance Act 2013 to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. The effect of these changes have been included in these financial statements.

The effective tax rate for the full year to 30 April 2014 is expected to be between 17% to 19%. The Group's medium term effective tax rate is currently expected to be between 17% and 19%.

As at 31 October 2013 the outstanding current tax liability of the Group was $44.6m (2012: $35.9m). Of this amount, $25.0m (2012: $17.0m) related to the ongoing claim that the Group has made with HM Revenue & Customs which impacts its tax returns for the year ended 30 April 2009 and subsequent years. The Group has taken no benefit to the consolidated statement of comprehensive income but has paid reduced cash tax payments in line with its claim. The cash tax benefit in the six months to 31 October 2013 was $2.4m (2012: $2.4m). Due to the nature of the claim and the advice the Group has received, if HMRC were successful then it is unlikely that any penalties would be payable by the Group but there would be interest on any overdue tax.

When the tax position relating to the claim is agreed with HMRC then, to the extent that the tax liability is lower than that provided in the balance sheet, there would be a positive benefit to the tax charge in the consolidated statement of comprehensive income in the year of settlement. If the Group is unsuccessful with any of its claim then interest on overdue tax would be payable and charged as interest payable in the consolidated statement of comprehensive income. As at 31 October 2013 the current estimate of the maximum benefit is $25.0m equivalent to 17.3 cents per share on a fully diluted basis and the estimate of the maximum interest cost is $1.6m equivalent to 1.1 cents per share on a fully diluted basis.

12. Goodwill

Cost and net book amount	**31 October 2013 (unaudited) $'000**	31 October 2012 (unaudited) $'000	30 April 2013 (audited) $'000
At 1 May	**284,661**	274,270	274,340
Acquisitions	**3,608**	-	10,321
At 31 October / 30 April	**288,269**	274,270	284,661

The movement in goodwill in the period relates to hindsight period adjustments of the Iona business acquired on 15 February 2013 ($361,000) and goodwill arising on the acquisition of SoforTe GmbH on 9 October 2013 ($3,247,000) (note 21).

Notes to the consolidated interim financial information

13. Other intangible assets

	Purchased software	Development costs	Purchased intangibles: Technology	Purchased intangibles: Customer relationships	Purchased intangibles: Non-compete agreements	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Net book value						
At 1 May 2012	1,644	29,842	35,948	29,957	420	97,811
Additions	14	10,745	-	-	-	10,759
Disposals	(39)	-	-	-	-	(39)
Charge for the period	(387)	(8,954)	(4,211)	(3,471)	(169)	(17,192)
Exchange adjustments	44	-	-	-	-	44
At 31 October 2012	**1,276**	**31,633**	**31,737**	**26,486**	**251**	**91,383**
Net book value						
At 1 May 2012	1,644	29,842	35,948	29,957	420	97,811
Additions	309	20,018	3,426	7,759	-	31,512
Disposals	(33)	-	-	-	-	(33)
Charge for the year	(643)	(18,356)	(8,561)	(7,257)	(305)	(35,122)
Exchange adjustments	(524)	-	-	-	-	(524)
At 30 April 2013	**753**	**31,504**	**30,813**	**30,459**	**115**	**93,644**
Net book value						
At 1 May 2013	753	31,504	30,813	30,459	115	93,644
Additions	209	8,301	3,942	-	-	12,452
Disposals	(1)	-	-	-	-	(1)
Charge for the period	(254)	(8,943)	(4,598)	(4,247)	-	(18,042)
Exchange adjustments	(101)	-	-	-	-	(101)
At 31 October 2013	**606**	**30,862**	**30,157**	**26,212**	**115**	**87,952**

Expenditure totaling $12.5m (2012: $10.8m) was made in the period, including $8.3m in respect of development costs, $0.2m of purchased software and $3.9m on an acquisition (note 21).

14. Property, plant and equipment

Capital expenditure of $1.4m (2012: $1.5m) was made in the period.

15. Trade and other receivables

	31 October 2013 (unaudited)	31 October 2012 (unaudited)	30 April 2013 (audited)
	$'000	$'000	$'000
Trade receivables	**73,701**	69,665	82,227
Prepayments	**7,909**	8,291	9,973
Other receivables	**485**	226	267
Accrued income	**6**	17	29
Total	**82,101**	78,199	92,496

Notes to the consolidated interim financial information

16. Trade and other payables - current

	31 October 2013 (unaudited)	31 October 2012 (unaudited) restated	30 April 2013 (audited) restated
	$'000	$'000	$'000
Trade payables	**3,926**	5,212	5,715
Other tax and social security payable	**8,455**	7,376	8,449
Accruals	**42,885**	44,296	42,775
Return of Value – C shares (note 20)	**-**	84,402	-
Return of Value – B Shares (note 20)	**-**	47,309	-
Return of Value – D Shares (note 20)	**144,453**	-	-
Total	**199,719**	188,595	56,939

17. Borrowings

	31 October 2013 (unaudited)	31 October 2012 (unaudited)	30 April 2013 (audited)
	$'000	$'000	$'000
Bank loan unsecured	**199,000**	129,000	216,000
Unamortized prepaid facility arrangement fees	**(3,900)**	(2,258)	(366)
	195,100	126,742	215,634

At 31 October 2013, the Group had an unsecured $420m revolving credit facility in place, denominated in US dollars, which expires on 16 July 2017. Interest on the facility is payable at US Dollar Libor plus 1.65% from 16 July 2013 for a period of approximately four months. The rate then payable is dependent upon the Group's net debt to RCF EBITDA ratio on a periodic basis. The range payable is 1.65% to 2.90% over US Dollar LIBOR.

The facility can be used on an ongoing basis for the payment of distributions to shareholders, acquisitions and general corporate purposes.

Borrowings are stated after deducting unamortized prepaid facility costs. Facility arrangement costs are being amortized over three years.

Notes to the consolidated interim financial information

18. Provisions

	31 October 2013 (unaudited)	31 October 2012 (unaudited)	30 April 2013 (audited)
	$'000	$'000	$'000
Onerous leases and dilapidations	**2,121**	3,715	2,589
Restructuring	**161**	1,333	513
Other	**6,178**	4,018	7,899
Total	**8,460**	9,066	11,001
Current	**7,002**	2,708	8,992
Non-current	**1,458**	6,358	2,009
Total	**8,460**	9,066	11,001

	Onerous leases and dilapidations $'000	**Restructuring $'000**	**Other $'000**	**Total $'000**
At 1 May 2013	**2,589**	**513**	**7,899**	**11,001**
Additional provision in the period	**282**	**-**	**1,027**	**1,309**
Utilization of provision	**(734)**	**(248)**	**(2,748)**	**(3,730)**
Released	**(47)**	**(119)**	**-**	**(166)**
Unwinding of discount	**44**	**-**	**-**	**44**
Exchange adjustments	**(13)**	**15**	**-**	**2**
At 31 October 2013	**2,121**	**161**	**6,178**	**8,460**

	Onerous leases and dilapidations $'000	**Restructuring $'000**	**Other $'000**	**Total $'000**
At 1 May 2012	4,128	2,369	4,018	10,515
Additional provision in the period	22	-	-	22
Utilization of provision	(482)	(853)	-	(1,335)
Released	-	(164)	-	(164)
Unwinding of discount	62	(2)	-	60
Exchange adjustments	(15)	(17)	-	(32)
At 31 October 2012	3,715	1,333	4,018	9,066

The onerous lease and dilapidations provision relates to leased Group properties and this position is expected to be fully utilized within six years.

Restructuring provisions relates to the restructuring and property rationalization that was undertaken during the year ended 30 April 2011. Restructuring provisions as at 31 October 2013 included $0.2m (2012: $1.2m) for property costs incurred as part of the restructuring and $nil (2012: $0.1m) for other miscellaneous costs associated with the restructuring.

Other provisions as at 31 October 2013 include $0.1m (2012: $0.1m) of costs relating to a rationalization of non-trading subsidiaries, $3.8m (2012: $3.8m) relating to potential liabilities acquired with the Iona acquisition, $1.3m (2012: $4.0m) relating to tax due for pension and bonus payments prior to July 2011 for our subsidiary in Brazil and $1.0m (2012: $nil) relating to the resolution of the India issue that resulted in the restatement of comparative figures as explained in note 5.

Notes to the consolidated interim financial information

19. Related party transactions

The Group has taken advantage of the exemption available under IAS 24, "Related Party Disclosures", not to disclose details of transactions with its subsidiary undertakings. There are no other external related parties.

20. Return of value to shareholders

During the period ended 31 October 2013, the Group announced a Return of Value to shareholders of 60 pence per ordinary share by way of a D share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving cash in the form of income or capital. The Return of Value was approved by shareholders on 26 September 2013. The Group entered into a forward exchange contract to protect the company from any foreign exchange movement and so the resulting payment to shareholders in November 2013 of $144.7m was offset by a gain of $4.5m on the foreign exchange forward contract such that the net cost to the company of the Return of Value was $140.2m. The Return of Value was accompanied by a 12 for 13 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the D shares.

During the year ended 30 April 2013, the Group announced a Return of Value to shareholders of 50 pence per ordinary share by way of a B and C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving cash in the form of income or capital. The Return of Value was approved by shareholders on 26 September 2012. The Group entered into a forward exchange contract to protect the company from any foreign exchange movement and so the resulting payment to shareholders of $131.2m was offset by a gain of $2.4m on the foreign exchange forward contract such that the net cost to the company of the Return of Value was $128.8m. The Return of Value was accompanied by a 10 for 11 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the B and C shares.

21. Business combinations

Acquisition of Iona division of Progress Software Corporation

On 15 February 2013, the Group acquired from Progress Software Corporation, the CORBA related assets and liabilities of its Iona division for $15.6m, inclusive of $0.6m of acquisition related costs. The division had three product lines: Orbix, Orbacus and Artix. The acquisition costs of $0.6m were expensed through the Income Statement. The consideration of $15.0m was paid in full on completion.

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

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

	Carrying value at acquisition	Initial fair value	Hindsight period adjustments	Revised fair value
	$'000	$'000	$'000	$'000
Intangible assets	-	11,185	-	11,185
Tangible assets	3	-	-	-
Trade and other receivables	3,782	2,852	248	3,100
Provisions	(3,750)	(3,750)	-	(3,750)
Deferred income	(5,904)	(5,608)	(609)	(6,217)
Net (liabilities) / assets	(5,869)	4,679	(361)	4,318
Goodwill		10,321	361	10,682
Consideration		15,000	-	15,000

Consideration satisfied by :	
Cash	15,000

The hindsight period adjustments above relate to amendments to trade receivables and deferred income. Trade receivables adjustments relate to bad debt provision changes and additional trade receivables identified. The deferred income adjustment relates to invoices recorded as pre-acquisition now identified as relating to future periods.

Notes to the consolidated interim financial information

21. Business combinations (continued)

Acquisition of SoforTe GmbH

On 9 October 2013, the Group acquired SoforTe GmbH for $6.7m, inclusive of $0.1m of acquisition related costs. The acquisition costs of $0.1m were expensed through the consolidated statement of comprehensive income. The consideration of $6.6m was paid in full on completion.

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

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

	Carrying value at acquisition	Initial fair value	Provisional fair value
	$'000	$'000	$'000
Intangible assets	206	3,736	3,942
Tangible assets	17	-	17
Trade and other receivables	48	(46)	2
Trade and other payables	(404)	393	(11)
Deferred tax liability	-	(619)	(619)
Net (liabilities) / assets	(133)	3,464	3,331
Goodwill			3,247
Consideration			6,578
Consideration satisfied by :			
Cash			6,578

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

	Fair value
	$'000
Developed technology	3,942
	3,942

The value of the goodwill represents the value of the assembled workforce at the time of the acquisition with specific knowledge and technical skills. It also represents the prospective future economic benefits that are expected to accrue from enhancing the portfolio of products available to the Company's existing customer base with those of the acquired business. This acquisition strengthens the Group's capabilities in the Mainframe Solutions marketplace and complements our existing Enterprise Developer products well.

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $3.2m has been capitalized. If certain revenue targets are achieved then a maximum of Euro 1.0m can be paid as deferred consideration to the previous shareholder of the SoforTe business. Any retention bonuses have been expensed through the consolidated statement of comprehensive income.

The estimated results of the above acquisition if it had been made at the beginning of the accounting period to 31 October 2013 would have been as follows:

Continuing	$'000
Revenue	238
Loss for the period	(184)
Adjusted EBITDA	(172)

The above figures are based on information provided to Micro Focus by SoforTe GmbH and the results since acquisition.

From the date of acquisition to 31 October 2013, the acquisition has contributed $nil to revenue and $49,000 loss to Adjusted EBITDA.

Notes to the consolidated interim financial information

22. Post balance sheet events

On 29 November 2013, the Group acquired the OpenFusion CORBA assets from PrismTech Group Limited, a UK based company, for an initial consideration of £4.18m (equivalent to $6.8m) with up to £1.12m (equivalent to $1.8m) of deferred consideration. The initial consideration has been satisfied in cash using Micro Focus' existing banking facilities.

On 30 November 2013, the Group signed a merger agreement for the acquisition of the application life cycle solutions company AccuRev Inc., a US company based in Concord, Massachusetts. The initial consideration of $17.0m will be settled on completion on 31 December 2013, using Micro Focus' existing banking facilities.

The consideration on both acquisitions is on a cash and debt free basis with normalized working capital.

Notes to the consolidated interim financial information

Independent review report to Micro Focus International plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements in the interim financial report for the six months ended 31 October 2013, which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flow, consolidated statement of changes in equity and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct 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 consolidated set of financial statements included in this interim financial report have 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 consolidated interim financial statements in the interim 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 Conduct Authority and for no other purpose. 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 consolidated interim financial statements in the interim financial report for the six months ended 31 October 2013 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 Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading

3 December 2013

Notes:

(a) The maintenance and integrity of Micro Focus International plc's website 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 financial statements since they were initially presented on the website.

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