10 December 2015

Micro Focus International plc
Interim results for the six months ended 31 October 2015

Micro Focus International plc ("the Company" or "the Group", LSE: MCRO.L), the international software product group, announces unaudited interim results for the six months ended 31 October 2015 after a further period of solid progress.

In September 2014 the Company announced the transformational $2.5bn acquisition of The Attachmate Group, Inc. ("TAG") which was subsequently completed on 20 November 2014. Trading results of TAG are included in the results for the six months ended 31 October 2015 set out below.

Revenues in the period were $604.5m which are more than 3 times that of the prior year's constant currency ('CCY') figures and Underlying Adjusted EBITDA of $263.8m is 2.9 times that delivered in the comparable period at CCY.

Compared with the pro-forma* CCY revenue performance in the comparable period of $616.6m, $604.5m is a reduction of 2% at the top of the range of management guidance for FY16 of minus 2% to minus 4%. Adjusted Diluted EPS in the period increased by 25.6% to 74.01 cents (2014: 58.92 cents).

The table below shows the reported results for the Group at actual exchange rates with CCY comparatives except where stated otherwise.

Results at a glance	**Six months ended 31 Oct 2015**	**Six months ended 31 Oct 2014**	**Change**	**Year ended 30 Apr 2015**
Revenue				
Total Revenue				
Constant Currency	**$604.5m**	**$192.5m**	**+214.0%**	**$809.1m**
- Licence	$134.5m	$70.5m	+90.8%	$253.1m
- Maintenance	$327.4m	$116.4m	+181.3%	$426.7m
- Subscription	$118.7m	-	N/A	$96.5m
- Consultancy	$23.9m	$5.6m	+326.8%	$32.8m
Reported	**$604.5m**	**$208.3m**	**+190.2%**	**$834.5m**
NON GAAP MEASURES				
Adjusted EBITDA**				
Constant Currency	$270.6m	$95.1m	+184.5%	$347.5m
Reported	$270.6m	$102.5m	+164.0%	$357.6m
Underlying Adjusted EBITDA**				
Constant Currency	$263.8m	$90.9m	+190.2%	$338.2m
Reported	$263.8m	$98.3m	+168.4%	$348.3m
STATUTORY MEASURES				
Pre-tax profit				
Constant Currency	$98.8m	$51.6m	+91.5%	$82.3m
Reported	$98.8m	$57.1m	+73.0%	$91.4m
Earnings per share ***				
Basic	40.17c	36.17c	11.1%	58.54c
Diluted	38.58c	35.07c	10.0%	56.71c
Adjusted	77.06c	60.77c	+26.8%	133.58c
Adjusted Diluted	74.01c	58.92c	+25.6%	129.43c
Dividend per share	16.94c	15.40c	+10.0%	48.40c
Net debt	$1,454.3m	$258.9m	+461.7%	$1,403.5m

Key highlights

- Revenue, Underlying Adjusted EBITDA and EPS at the top end of management expectations, driven by:
  - o Strong performance by the SUSE Product Portfolio where revenues grew by 14.1% on a pro-forma CCY basis (and by 17.8% excluding the impact of the deferred revenue haircut), offset by anticipated reductions in the Micro Focus Portfolio
  - o Integration benefits resulting in a $42.0m decrease in Adjusted Operating Costs ($34.8m excluding the impact of capitalized R&D)
  - o Introduction of quarterly rather than annual sales targets is leading to reduced second half weighting of revenues, especially in Host Connectivity

- Full year revenue guidance maintained at minus 2% to minus 4% pro-forma CCY

- On a CCY basis:
  - o Total revenues of $604.5m (2014: CCY $192.5m), an increase of 214.0%
  - o Adjusted EBITDA of $270.6m (2014: CCY $95.1m), an increase of 184.5%
  - o Underlying Adjusted EBITDA increased by 190.2% to $263.8m (2014: CCY $90.9m), at a margin of 43.6%

- On a pro-forma CCY basis to provide a better comparison of performance
  - o Total revenues of $604.5m (2014: pro-forma CCY $616.6m), a reduction of 2.0%, at the top of management's guidance range of minus 2% to minus 4%, with growth in SUSE subscription and licence revenues largely offsetting declines in maintenance and consultancy revenues
  - o Adjusted EBITDA of $270.6m (2014: pro-forma CCY $242.6m), an increase of 11.5%
  - o Underlying Adjusted EBITDA of $263.8m (2014: pro-forma CCY $235.3m), an increase of 12.1%

- Growth in Adjusted diluted earnings per share of 25.6% to 74.01 cents (2014: 58.92 cents)***

- Strong cash generation in the period
  - o Cash generated from operations was $162.1m (2014: $68.4m) representing 62.4% (2014: 88.4%) of Adjusted EBITDA less exceptional costs. The decline in the ratio is mainly related to negative working capital impacts of the change in period end for TAG, change in approach to multi-year maintenance deals and cash payments related to FY15 provisions
  - o Net debt at 31 October 2015 increased to $1,454.3m (30 April 2015: $1,403.5m). Significant items increasing net debt included payment of final dividend of $70.0m, cash restructuring costs of $25.1m, the acquisition of Authasas for $10.0m and seasonal movement in deferred revenues impacting working capital together with the move away from multi-year maintenance contracts
  - o Net debt to pro-forma Facility EBITDA for 12 month period to 31 October 2015 is a multiple of 2.62 times; medium-term target remains 2.5 times

- Proposed interim dividend increased by 10.0% to 16.94 cents per share (2014: 15.40 cents per share)

Statutory results

- Operating profit of $150.4m (2014: $63.7m)
- Profit before tax of $98.8m (2014: $57.1m)
- Basic earnings per share of 40.17 cents (2014: 36.17 cents) an increase of 11.1%***

* Due to the significant size of the TAG acquisition the directors believe that the interim results are better understood by comparing the results in the period with the pro-forma CCY results of the combination of TAG and Base Micro Focus in the comparable period. In arriving at pro-forma CCY results for the six months ended 31 October 2014 the directors have combined the unaudited internal management information for TAG for the period from 1 May 2014 to 31 October 2014 with the unaudited Base Micro Focus results for the six months ended 31 October 2014 converted at the same exchange rates as experienced in the current period.

** In assessing the performance of the business, the directors use non GAAP measures "Adjusted operating profit" and "Adjusted earnings per share", being the relevant statutory measures, prior to exceptional items, amortization of purchased intangibles and share based compensation. "Adjusted EBITDA" is the Adjusted Operating Profit prior to depreciation and amortization of purchased software. Underlying Adjusted EBITDA removes the impact of net capitalization/amortization of development costs and foreign currency gains and losses from Adjusted EBITDA whilst Facility EBITDA is Adjusted EBITDA before amortization of capitalized development costs. A reconciliation of these profit measures is given in note 8.

*** Earnings per share are detailed in note 11.

Kevin Loosemore, Executive Chairman of Micro Focus, commented:

"Revenues in the period ended 31 October 2015 were up 214.0% in total on a constant currency basis demonstrating the increased scale of the Company following the TAG acquisition. Underlying Adjusted EBITDA on a constant currency basis was up 190.2% and we generated $162.1m of operating cash in the period. We have made further progress on the integration of the businesses and our goal of building a solid base for further expansion.

Our first half performance was at the top end of management expectations and is a testament to the dedication and hard work of our employees and partners at a time of significant change.

As the Company has grown we are taking significant action to develop our management capability both internally through training and promotions and through external hires with 12 of the top hundred management positions being held by managers hired in the past 12 months.

Today in a separate announcement we are announcing changes to our Board to enable appropriate leadership and governance as we evolve the business. I will continue as Executive Chairman until at least April 2018 responsible for the delivery of our strategy, M&A activities, shareholder returns and Investor Relations. I am delighted to announce that Stephen Murdoch and Nils Brauckmann will be joining the Board effective 1st February 2016 as CEO of Micro Focus and CEO of SUSE respectively. It also gives me great pleasure to announce that Steve Schuckenbrock will join the Board as an independent non-executive director on 1st February 2016. David Golob and Prescott Ashe who have been representing Wizard on the Board have both agreed to step down on 1st February 2016 to enable the Board to have an appropriate balance of independent and non-independent directors.

Our goal, which the Board is confident of delivering, remains to achieve returns to shareholders of 15% - 20% per annum over the long term based on efficient execution in the mature infrastructure software market. By continuing to leverage our strong capital discipline, skill base and executing appropriate acquisitions we believe this can be achieved with modest organic revenue growth which remains our medium-term objective.

In line with our progressive dividend policy, we are increasing our interim dividend by 10.0% to 16.94 cents per share (2014: 15.4 cents per share)."

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About Micro Focus

Micro Focus (LSE: MCRO.L) is a global enterprise software Company supporting the technology needs and challenges of the Global 2000. Our solutions help organizations leverage existing IT investments, enterprise applications and emerging technologies to address complex, rapidly evolving business requirements while protecting corporate information at all times. Our Product Portfolios are Micro Focus and SUSE. Within Micro Focus our solution portfolios are COBOL Development and Mainframe Solutions, Host Connectivity, Identity and Access Security, IT Development and Operations Management Tools, and Collaboration and Networking. For more information, visit: www.microfocus.com. SUSE, a pioneer in open source software, provides reliable, interoperable Linux, cloud infrastructure and storage solutions that give enterprises greater control and flexibility. For more information, visit www.suse.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 new and the old.

The underlying premise behind the Company's business strategy is that the Company should consistently and over the long-term deliver shareholder returns of at least 15% to 20% per annum. To deliver this objective the Company has adopted an operational and financial strategy underpinned by consistent and effective management and reward systems. This strategy is capable of execution over the long-term and has resulted over the last 13 months in significant scaling of the business which could be repeated should appropriate opportunities arise.

Following the acquisition of TAG we operated the two businesses separately until the end of their respective financial years (March for TAG and April for the Company). During April 2015, following completion of an Integration Review, we undertook a major restructuring to create a global product group with geographic Go to Market ("GTM") sales organisations. This series of changes was far reaching and has affected every part of the business. The effects of these changes will continue to be felt for the next 2 to 3 years. Initially we had anticipated that the standardization of back end systems would be completed by the end of April 2016. We now believe that due to our desire to have a single scalable platform across the Group that this work will continue through FY17 and FY18. The purpose is to position the Company for future growth and delivery.

Fundamental to this approach was a detailed analysis of the individual products, their markets, customers and growth potential. This approach has served us well since 2011 and, as part of the Integration Review, has been applied to the portfolio of products in the Enlarged Group.

With effect from 1 May 2015, the Enlarged Group has operated as two Product Portfolios: Micro Focus and SUSE.

As the Linux market and Open Source business have unique characteristics, we have dedicated focus on the SUSE product portfolio headed by Nils Brauckmann as President and General Manager of SUSE. Nils will become CEO of SUSE and join the Micro Focus Board effective 1st February 2016. This focus is essential if we are to capitalize on the growth potential of these offerings and be responsive to the Open Source community and strong heritage of SUSE. We are continuing to increase the headcount dedicated to development, customer care and sales and marketing of the SUSE product portfolio.

The rest of our products are managed as a portfolio led by Stephen Murdoch, Chief Operating Officer of Micro Focus. Stephen will become CEO of Micro Focus and re-join the Micro Focus Board effective 1st February 2016. This portfolio comprises products that were in the Group before the TAG acquisition together with products from NetIQ, Attachmate and Novell from within TAG. This approach of managing on a portfolio basis is consistent with how we have managed the Group successfully since April 2011 and we believe that by adopting this model we can serve our customers and partners better. Within this portfolio, each product will have a defined strategy, target market and growth profile and we will make investments accordingly. We are operating a geographic GTM organization with dedicated sales teams by portfolio but with management targeted on the sales of both the Micro Focus and SUSE product portfolios.

Our performance in the half year

Due to the significant size of the TAG acquisition the directors believe that the interim results are better understood by comparing the actual results in the period with the pro-forma CCY results of the combination of TAG and Base Micro Focus in the comparable period. In arriving at pro-forma CCY results for the comparable period of the six months ended 31 October 2014 the directors have combined the unaudited internal management information for TAG for the period from 1 May 2014 to 31 October 2014 and then added in the Base Micro Focus results for the six months ended 31 October 2014, converted at the same exchange rates experienced in the six months ended 31 October 2015.

During the six months to 31 October 2015, the Company delivered revenues of $604.5m which compared with pro-forma CCY revenues for the comparable period of $616.6m, representing a decrease of 2.0%.

Operating costs before exceptional items, share based payments and amortization of purchased intangibles ("Adjusted Operating Costs") decreased to $340.6m from $382.5m on a pro-forma CCY basis. As a result Adjusted Operating Profit was $263.9m (2014: pro-forma CCY $234.1m). Included within these profits are a credit for net capitalization of development costs of $6.4m (2014: pro-forma CCY net amortization charge of $0.8m) and a foreign exchange gain of $0.4m (2014: pro-forma CCY gain $8.1m). The Underlying Adjusted Operating Costs have decreased to $333.8m from $375.2m on a pro-forma CCY basis.

Underlying Adjusted EBITDA has grown by 12.1% compared with the pro-forma CCY results for the six months to 31 October 2014.

The average employee headcount during the period ended 31 October 2015 was 4,204 (2014: pro-forma 4,571). At 31 October 2015 headcount was 4,199 (30 April 2015: 4,240). We have hired 395 new employees in the period. Micro Focus hired 319 staff of which 117 were in Go to Market ("GTM") and 112 in development with the remainder being in other support functions. SUSE hired 76 staff with 43 in development, 32 in GTM and 1 in other support functions.

Our business by product portfolio

As announced at our preliminary results we are reporting two product portfolios: Micro Focus and SUSE.

The Micro Focus products have been grouped into portfolios based on industrial logic and are the basis on which we will provide further breakdown of Micro Focus revenues. This is a level of simplification of the description of the Micro Focus product portfolio which is a broad portfolio of products and not a single product business with a single set of drivers.

The table below provides the proportion of revenue delivered during the six months ended 31 October 2015 and the pro-forma CCY revenues for the comparable period to 31 October 2014 and for the year ended 30 April 2015.

	Percentage of reported H1 2016 revenues (unaudited)	Percentage of pro-forma H1 2015 revenues (unaudited)	Percentage of pro-forma FY 2015 revenues (unaudited)
COBOL development and mainframe solutions	**19.2%**	19.8%	20.1%
Host connectivity	**17.2%**	13.5%	16.1%
Identity, access and security	**17.0%**	17.9%	17.1%
Development and IT operations management tools	**12.8%**	14.6%	14.3%
Collaboration and networking	**13.8%**	17.0%	15.5%
Micro Focus Portfolio	**80.0%**	82.8%	83.1%
SUSE Portfolio	**20.0%**	17.2%	16.9%
Micro Focus Group	**100.0%**	100.0%	100.0%

Micro Focus Product Portfolio

Micro Focus
The Micro Focus product portfolio comprises:

- **COBOL Development and Mainframe Solutions (CDMS)**
  This portfolio combines the COBOL Development and Mainframe Solutions product portfolios from Base Micro Focus with the exception of Rumba, which has been moved into the Host Connectivity portfolio.

- **Host Connectivity**
  We have combined TAG's Attachmate product portfolio and Rumba from Base Micro Focus to target the Host Connectivity solutions area.

- **Identity, Access and Security (IAS)**
  This is a subset of the NetIQ product portfolio addressing Identity, Access Management and Security Management.

- **Development and IT Operations Management Tools**;
  Here we have combined the Borland and Niche portfolios from Base Micro Focus, the balance of the NetIQ portfolio not incorporated into IAS and the Zenworks Endpoint Management software from the Novell product portfolio.

- **Collaboration and Networking;**
  This portfolio has the balance of the Novell product portfolio together with the CORBA portfolio from Base Micro Focus.

The Micro Focus product portfolio revenues in the period declined by 5.3% to $483.3m (2014: pro-forma CCY $510.4m) and represents 80.0% of Group revenues (2014: pro-forma CCY 82.8%). The revenue by geography for the portfolio is broken down as follows:

- North America region declined by 4.2% to $260.8m (2014: pro-forma CCY $272.1m) and represented 54.0% of Micro Focus revenues (2014: pro-forma CCY 53.3%).

- International region declined by 6.0% to $180.1m (2014: pro-forma CCY $191.6m) and represented 37.3% of the revenue for Micro Focus (2014: pro-forma CCY 37.5%).

- Asia Pacific and Japan region revenues declined by 9.2% to $42.4m (2014: pro-forma CCY $46.7m) and represented 8.8% of the Micro Focus revenue (2014: pro-forma CCY 9.1%).

We are providing profitability metrics for our portfolios for the first time and these are included in notes 5 and 8. The Micro Focus portfolio delivered Adjusted Operating Profit in the period of $220.9m and Underlying Adjusted EBITDA of $219.5m at a margin of 45.4%. No pro-forma comparatives are provided.

SUSE

SUSE, a pioneer in Linux and Open Source software, provides reliable, interoperable Linux and cloud infrastructure solutions that help enterprises increase agility, manage complexity, and reduce cost. With a portfolio centered on SUSE Linux Enterprise and SUSE OpenStack Cloud, SUSE products power thousands of organizations around the world across physical, virtual and Cloud environments.

For the SUSE Product Portfolio revenues grew by 14.1% to $121.2m (and by 17.8% on an underlying basis excluding the impact of the deferred revenue haircut) (2014: pro-forma CCY $106.2m) and represented 20.0% of Group revenues (2014: pro-forma CCY 17.2%). The revenue by geography for the portfolio is broken down as follows:

- North America region grew by 18.9% to $50.9m (2014: pro-forma CCY $42.8m) and represent 42.0% of SUSE revenues (2014: pro-forma CCY 40.3%).
- International region grew by 16.1% to $56.2m (2014: pro-forma CCY $48.4m) and represented 46.4% of the SUSE revenue (2014: pro-forma CCY 45.6%).
- Asia Pacific and Japan region revenues declined by 6.0% to $14.1m (2014: pro-forma CCY $15.0m) and represented 11.6% of the SUSE revenue (2014: pro-forma CCY 14.1%).

The SUSE portfolio delivered Adjusted Operating Profit of $43.0m and Underlying Adjusted EBITDA of $44.3m at a margin of 36.6%.

Leverage and leverage ratio

At 31 October 2015 we had gross debt of $1,593.6m out of available facilities of $1,818.6m and net debt of $1,454.3m representing a net debt to pro-forma Facility EBITDA for the 12 month period to 31 October 2015 of 2.62 times.

The Board is targeting a net debt to Facility EBITDA multiple of approximately 2.5 times. This is a modest level of gearing for a company with the cash generating qualities of the Group. We are confident that this level of debt will not reduce our ability to deliver growth, invest in products and/or make appropriate acquisitions. As the business evolves the Board will continue to consult with shareholders and keep the appropriate level of debt under review.

Linkage of management incentive to shareholder returns

The Company has deployed a simple model to link management incentives to the delivery of shareholder returns. This model has worked successfully in motivating management to deliver exceptional returns to shareholders and is well understood and supported by our investment manager population.

The annual cash bonus applies to all members of staff (excluding those on sales incentives). If the Group's Underlying Adjusted EBITDA is no greater than the prior year's CCY comparative there is no bonus. The bonus for executive directors and executive committee members is maximized on achieving 10% growth over the prior year CCY Underlying Adjusted EBITDA with a straight line between the two points and for other staff there is no maximum. The recipients neither benefit nor lose from elements outside of their control such as exchange rates with the Board taking a view that these items balance out over the business cycle.

The normal stock plan starts to vest at EPS annual growth over the performance period of RPI plus 3%, with maximum vesting at RPI plus 9%. With RPI over the last three years averaging approximately 1.85% per annum and dividends approximately 2% to 3% this means that full vesting is aligned to the overall objective of 15% to 20% returns.

Key performance indicators to check that we are on track are Underlying Adjusted EBITDA (absolute amount and growth %), cash generation (absolute amount and conversion %) and earnings per share.

Delivering value to shareholders

We are announcing an increase in our interim dividend of 10.0% to 16.94 cents per share (2014: 15.40 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 11.29 pence per share, based on an exchange rate of £ = $1.50, being the rate applicable on 9 December 2015, the date on which the Board resolved to propose the interim dividend.

The Board continues to evaluate the most effective way to deliver the target returns whether organically, by Returns of Value or through selective acquisitions.

Board Changes

On 15 April 2014, the Board announced an intention to transition back to the separate roles of a Chairman and a Chief Executive Officer over the following 12 to 24 months. When the TAG acquisition was announced we said this would be kept under review. Today in a separate announcement we are announcing changes to our Board to enable appropriate leadership and governance as we evolve the business.

I will continue as Executive Chairman until at least April 2018 responsible for the delivery of our strategy, M&A activities, shareholder returns and Investor Relations. I am delighted to announce that Stephen Murdoch and Nils Brauckmann will be joining the Board effective 1st February 2016 as CEO of Micro Focus and CEO of SUSE respectively. It also gives me great pleasure to announce that Steve Schuckenbrock will join the Board as an independent non-executive director on 1st February 2016. David Golob and Prescott Ashe who have been representing Wizard on the Board have both agreed to step down to enable the Board to have an appropriate balance of independent and non-independent directors.

Outlook

During FY16 in accordance with our four phase plan, we intend to reduce revenues to a solid core from which we aim to grow in FY18. As a result we continue to anticipate revenues in the year declining between 2% and 4% on a pro-forma CCY basis.

We believe we have a strong operational and financial model that can continue to provide excellent returns to shareholders. The model requires low single digit revenue growth in the medium-term and we are confident that this can be delivered.

After 10 and a half years of approximately 26% compound annual returns to investors we believe that the Group is now well positioned for the next phase in its evolution.

Kevin Loosemore
Executive Chairman
10 December 2015

OPERATIONAL AND FINANCIAL REVIEW

Due to the significant size of the TAG acquisition the directors believe that the interim results are better understood by comparing the actual results in the period with the pro-forma CCY results of the combination of TAG and Base Micro Focus in the comparable period. In arriving at pro-forma CCY results for the comparable period of the six months ended 31 October 2014 the directors have combined the unaudited internal management information for TAG for the period from 1 May 2014 to 31 October 2014 and then added in the Base Micro Focus results for the six months ended 31 October 2014 converted at the same exchange rates experienced in the six months ended 31 October 2015.

From 1 May 2015 the Group has operated with distinct leadership of its two product portfolios (i) Micro Focus and (ii) SUSE and these are the reporting segments for the Group going forward.

The Micro Focus product portfolio contains our mature infrastructure software products that are managed on a portfolio basis akin to a “fund of funds” investment portfolio. This portfolio is being managed with a single product group that makes and maintains the software, whilst the software is sold and supported through a geographic GTM organisation. As part of the Integration Review we have grouped the products together into five sub portfolios based on industrial logic. There was significant organisational change in the Micro Focus product portfolio in bringing together the prior organisations and we anticipated that this disruption would have an impact on sales during the period.

In comparison, the SUSE product portfolio experienced much less change at the beginning of the financial year in the way that it operated. SUSE’s characteristics are different due to the Open Source nature of its offerings and the growth profile of those offerings.

Our revenue guidance at the beginning of the year was for revenues to decline between 2% and 4% when compared to the pro-forma CCY revenues of the comparable period with growth in SUSE expected to partially offset the anticipated decline in the Micro Focus product portfolios based on the revenue trends in the sub-portfolios. We also expected to see poorer performance in the first half of the year due to the disruption introduced to the business following the Integration Review. The guidance took account of the fair value deferred revenue accounting haircut taken at the time of the acquisition of TAG.

The performance in the half year is at the top of management’s guidance with overall revenues declining by 2.0% when compared to pro-forma CCY revenues. We believe that changes in commission plans contributed to the performance being stronger than anticipated in the period. This effect is not likely to be repeated in the second half.

The table below shows revenues for the half-year by reporting segments and the pro-forma CCY revenue for the six months to 31 October 2014 and for the year ended 30 April 2015:

	Six months ended 31 October 2015 As Reported $m	Six months ended 31 October 2014 Pro-forma CCY $m	Six months ended 31 October 2015 Pro-forma CCY Growth %	Year ended 30 April 2015 Pro-forma CCY $m
Micro Focus				
North America	260.8	272.1	(4.2%)	562.0
International	180.1	191.6	(6.0%)	400.8
Asia Pacific & Japan	42.4	46.7	(9.2%)	98.6
Total	483.3	510.4	(5.3%)	1,061.4
SUSE				
North America	50.9	42.8	18.9%	87.5
International	56.2	48.4	16.1%	99.4
Asia Pacific & Japan	14.1	15.0	(6.0%)	28.8
Total	121.2	106.2	14.1%	215.7
Group				
North America	311.7	314.9	(1.0%)	649.5
International	236.3	240.0	(1.5%)	500.2
Asia Pacific & Japan	56.5	61.7	(8.4%)	127.4
Total revenue	**604.5**	**616.6**	**(2.0%)**	**1,277.1**

The breakdown in revenue within the two Product Portfolios by revenue type compared to the pro-forma CCY revenues in the six months to 31 October 2014 and the year ended 30 April 2015 is shown in the table below with Micro Focus broken out into the sub-portfolios:

	Six months ended 31 October 2015 As Reported $m	Six months ended 31 October 2014 Pro-forma CCY $m	Six months ended 31 October 2015 Pro-forma CCY Growth %	Year ended 30 April 2015 Pro-forma CCY $m
Micro Focus Product Portfolio				
CDMS				
Licence	40.0	47.6	(16.0%)	106.1
Maintenance	71.9	70.8	1.6%	142.5
Consultancy	4.0	3.9	2.6%	8.2
	115.9	122.3	(5.2%)	256.8
Host Connectivity				
Licence	48.5	26.9	80.3%	95.1
Maintenance	54.2	54.5	(0.6%)	106.4
Consultancy	1.2	1.8	(33.3%)	4.0
	103.9	83.2	24.9%	205.5
Identity, Access and Security				
Licence	20.4	22.7	(10.1%)	43.2
Maintenance	70.5	74.2	(5.0%)	148.0
Consultancy	11.7	13.2	(11.4%)	27.5
	102.6	110.1	(6.8%)	218.7
Development & IT Operations Management Tools				
Licence	13.4	17.8	(24.7%)	41.9
Maintenance	62.8	70.6	(11.0 %)	137.6
Consultancy	1.5	1.6	(6.3%)	2.9
	77.7	90.0	(13.7 %)	182.4
Collaboration & Networking				
Licence	12.2	18.2	(33.0%)	34.9
Maintenance	68.0	82.0	(17.1%)	156.2
Consultancy	3.0	4.6	(34.8%)	6.9
	83.2	104.8	(20.6%)	198.0
Micro Focus Product Portfolio				
Licence	134.5	133.2	1.0%	321.2
Maintenance	327.4	352.1	(7.0%)	690.7
Consultancy	21.4	25.1	(14.7%)	49.5
	483.3	510.4	(5.3%)	1,061.4
SUSE Product Portfolio				
Licence	-	-	-	-
Maintenance	-	-	-	-
Subscription	118.7	104.8	13.3%	211.5
Consultancy	2.5	1.4	78.6%	4.2
	121.2	106.2	14.1%	215.7
Total Revenue				
Licence	134.5	133.2	1.0%	321.2
Maintenance	327.4	352.1	(7.0%)	690.7
Subscription	118.7	104.8	13.3%	211.5
Consultancy	23.9	26.5	(9.8%)	53.7
Revenue	**604.5**	**616.6**	**(2.0%)**	**1,277.1**

Micro Focus Product Portfolio
Licence revenue grew by 1.0% on a pro-forma CCY basis compared with the six months to 31 October 2014 as a result of strong licence performance of Host Connectivity in North America. Maintenance revenues declined by 7.0% on a pro-forma CCY basis. This was primarily in Development and ITOM Tools and Collaboration and Networking. The fair value deferred revenue haircut reduced maintenance by $7.3m in the current period. Excluding this, underlying maintenance revenues fell by 4.9%.

Consultancy revenues declined by 14.7% on a pro-forma CCY basis as we implemented the Micro Focus policy of focusing only on consulting business that supports our licence business.

As previously mentioned there were significant changes to the organization on the Micro Focus portfolio at the beginning of the period and these can be seen to impact the performance in the period. We changed the sales compensation plan of the former TAG organization away from bookings as the primary target towards revenue and introduced quarterly targets compared to the former TAG approach of annual targets. Within Host Connectivity the split of licence revenue between the first half and second half of last year in the pro-forma CCY numbers was 28.3% and 71.7% respectively whereas we now expect that the change in compensation structure will lead to a more balanced half-on-half performance in the current year especially given favourable deal timings in the first half. This also reflects the generally shorter sales cycle in this portfolio.

In Identity, Access and Security (IAS) there have been some significant changes in the approach to the product portfolio and also an acquisition of technology into that portfolio. There is also a longer sales cycle on these transactions. We acquired Authasas, a Dutch Company, in the period for $10.0m. Authasas provides Multi Factor Authentication for the security market and TAG had previously embedded the Authasas offering in their products on an Original Equipment Manufacturer (OEM) basis. Micro Focus has a preference for owning its Intellectual Property wherever possible and when we had the opportunity to acquire the Authasas technology we did so. We believe that IAS has the potential for growth as the market it operates in is growing and we will continue to drive for this growth but it will take time to be delivered.

CDMS revenues were $115.9m; a decline of 5.2% on a pro-forma CCY basis compared with the six months to 31 October 2014. The reduction in licence revenues of 16.0% ($7.6m) was the main reason and resulted largely from deal timing. Maintenance revenues were healthy with a growth of 1.6%.

Development and IT Operations Management Tools revenues were $77.7m; a 13.7% ($12.3m) decline on pro-forma CCY basis. $7.8m of the decline was in maintenance revenues which declined by 11.0%, which is line with management expectations. Licence revenues declined in the period by $4.4m partly due to lower sales of our testing related products.

Collaboration and Networking revenues were $83.2m; a 20.6% ($21.6m) decline on pro-forma CCY basis. Maintenance declined by 17.1% ($14.0m) in the period which was in line with management expectations and consistent with prior period trends.

SUSE Product Portfolio
SUSE provides technical support and rights to patches for its Open Source solutions on a subscription basis with revenues being recognised rateably over the period of the contract. As with any subscription based business the key metrics are Revenue, Total Contract Value ("TCV"), and Annual Contract Value ("ACV") of the TCV. The ACV represents the value of the first 12 months of each contract reported as TCV. We will provide details on the metrics and the growth rate for the full year. SUSE sells to its customers both directly or indirectly with the indirect sales channel being through partners, Independent Hardware Vendors ("IHV"), Independent Software Vendors ("ISVs") and System Integrators ("SIs"). In the case of IHV's a royalty is paid to SUSE at the time of sale of the hardware to the end customer in return for shipping SUSE subscriptions alongside the related hardware. In the case of ISVs and SIs, SUSE subscriptions are embedded within the solution offering of the ISV or SI. ISV and SI pay SUSE a royalty in respect to subscriptions embedded and shipped with their respective solutions.

SUSE continued to perform strongly with revenues of $121.2m in the period, a 14.1% growth on a pro-forma CCY basis. Subscription revenues grew by 13.3% after the fair value deferred revenue haircut in the period of $3.9m and without this the growth in subscription revenue would have been 17.0%.

At the end of March 2015 direct headcount in SUSE was approximately 500 heads and by 31 October 2015 this had increased to 585 and our target is to increase this headcount to approximately 650 heads by the year end. The increased headcount is primarily in Sales, Marketing, Product Marketing and Engineering to address the opportunity we see in the market for SUSE's existing offerings together with new opportunities in Open Stack, Software Defined Distributed Storage based on Ceph technology and Public Cloud Service Providers.

Just after the period end SUSECon took place in Amsterdam. This is the annual customer and partner event for SUSE. It involves both an update on the product portfolio, training and accreditation sessions and key note addresses by customers and partners. This year's event, which was held in Europe for the first time, was attended by over 750 non-employee participants from customers, partners and sponsors.

There were a number of announcements made as part of SUSECon. Of particular interest were those related to Open Stack and Software Defined Distributed Storage.

SUSE announced it has joined the Cloud Foundry Foundation to further advance the leading open source and open standards approach to cloud application development and management. In addition, SUSE announced it will collaborate with SAP (NYSE: SAP) on the Cloud Foundry Foundation's BOSH OpenStack Cloud Provider Interface (CPI) project to help enable

Cloud Foundry users to more easily run applications of their choice on public or private clouds.

SUSE also announced the general availability of SUSE Enterprise Storage 2, the latest version of its self-managing, self-healing, distributed software-based storage solution for enterprise customers. SUSE Enterprise Storage 2 is the first and only Ceph-based solution with heterogeneous operating system support, giving customers the ability to deploy software-defined storage with less cost. SUSE is also collaborating with partners to bring SUSE Enterprise Storage to devices powered by 64-bit ARM technology.

Renewal rates

TAG and the Company had different methodologies for calculating renewal rates on maintenance and subscription contracts. In bringing the Group together whilst at the same time changing the organisation, we have started to calculate renewal rates on a consistent basis. However, due to the limited amount of renewal information available from 1 May 2015 and the lack of consistent comparatives we are not providing renewal information at this time.

Operating Costs

The operating costs (including exceptional costs of $10.7m) for the period compared to the prior period at actual exchange rates and CCY are shown below:

	Six months ended 31 October 2015 As Reported	Six months ended 31 October 2014 Pro-forma CCY	Six months ended 31 October 2015 Pro-forma CCY (Growth)/Decline	Year ended 30 April 2015 Pro-forma CCY
	$m	$m	%	$m
Cost of goods sold	66.5	78.8	15.6%	162.1
Selling and distribution	198.8	190.7	(4.2%)	463.9
Research and development	122.7	108.9	(12.6 %)	254.7
Administrative expenses	66.1	92.1	28.2%	267.9
Total costs	**454.1**	**470.5**	**3.5%**	**1,148.6**

On a pro-forma CCY basis, Cost of goods sold for the period decreased by $12.3m to $66.5m (2014: pro-forma CCY $78.8m) of which the exceptional costs incurred on severance were $0.9m (2014: pro-forma-CCY $nil). The reduction is partly as a result of lower consulting revenues and cost saving actions taken in the second half of the prior year. The costs in this category predominantly relate to our consulting and helpline support operations.

Selling and distribution costs, excluding the amortization of purchased intangible assets of $53.4m (2014: pro-forma CCY $29.0m), were $145.4m (2014: pro-forma CCY $161.7m). Within these costs were exceptional items relating to severance costs of $4.2m (2014: pro-forma CCY $nil), thus the underlying costs were $141.2m, a reduction of 12.7% on the prior year on a pro-forma CCY basis (2014: pro-forma CCY $161.7m). The reduction was due mostly to cost saving actions taken in the second half of last year.

Research and development expenses, excluding the amortization of purchased intangible assets of $37.6m (2014: pro-forma CCY $13.0m), was $85.1m (2014: pro-forma CCY $95.9m), a reduction of 11.3% on the prior year on a pro-forma CCY basis. This figure is equivalent to approximately 14.1% of revenue (2014: pro-forma CCY 15.6%). Severance costs were $0.7m (2014: pro-forma CCY $nil). The impact of net capitalization of development costs was $6.4m (2014: net amortization pro-forma CCY $0.8m). Research and development costs prior to amortization of purchased intangibles, exceptional items and the capitalization and amortization of development costs were $90.7m (2014: pro-forma CCY $95.1m) being a decline of 4.6% as a result of the cost saving actions taken in the second half of last year. At 31 October 2015 the net book value of capitalized development costs on the consolidated statement of financial position was $37.7m (2014: $30.7m).

Administrative expenses were $66.1m (2014: pro-forma CCY $92.1m). Excluding share based compensation of $11.9m (2014: pro-forma CCY $4.0m), exceptional costs of $4.8m (2014: pro-forma CCY $45.5m), exchange gain of $0.4m (2014: gain of $8.1m) administrative expenses decreased by 1.8% to $49.8m (2014: pro-forma CCY $50.7m). The decrease has arisen mostly from the reduction in managers following the integration of TAG with Base Micro Focus and fewer properties.

Overall, therefore, Adjusted Operating Costs fell by $42.0m, of which $7.2m relates to increased R&D capitalization relative to the prior year period.

The exceptional costs of $10.7m (2014: pro-form CCY $45.5m) were acquisition costs of $0.5m (2014: pro-forma CCY $43.3m), severance and legal costs of $0.7m (2014: pro-forma CCY $nil), property costs of $1.0m (2014: pro-forma CCY $nil), impairment of intangible assets $nil (2014: pro-forma CCY $2.1m) and integration costs of $8.5m (2014: pro-forma CCY $0.1m).

Currency impact

During the six months to 31 October 2015, 62.3% of our revenues are contracted in US Dollars, 19.7% in Euros, 4.9% in Sterling, 3.5% in Yen and 9.6% in other currencies. In comparison, 53.9% of our costs are US Dollar denominated, 12.8% in

Sterling, 17.3% in Euros, 1.5% in Yen and 14.4% in other currencies.

This weighting of revenue and costs means that if the US$: Euro or US$: Yen exchange rates move during the period, the revenue impact is far greater than the cost impact, whilst if US$: Sterling rate moves during the period the cost impact far exceeds the revenue impact. Consequently, actual US$ EBITDA can be impacted by significant movements in US$ to Euro, Yen and Sterling exchange rates. The impact of these currency movements can be seen by the changes to comparative period reported numbers when they are restated at CCY. For the six months ended 31 October 2014 CCY revenue is 8.2% lower at $192.5m compared to the reported number of $208.3m and Underlying Adjusted EBITDA of $90.9m is 7.5% lower than the reported number of $98.3m.

The currency movement for the US Dollar against Sterling, Yen and Euro was a strengthening of 7.1%, 14.6% and 16.0% respectively when looking at the average exchange rates in the six months ended 31 October 2015 compared to those in the six months ended 31 October 2014. In order to provide CCY comparatives, we have restated the pro-forma results of the Enlarged Group for the 12 months ended 30 April 2015 at the same average exchange rates as those used in reported results for the six months to 31 October 2015. Consequently, revenues reduce from $1,320.7m to $1,277.1m, a reduction of 3.3%, and Underlying Adjusted EBITDA reduces from $503.0m to $489.9m a reduction of 2.6%.

Intercompany loan arrangements within the Group are typically denominated in the local currency of the overseas affiliate. Consequently, any movement in the respective local currency and US$ will have an impact on the 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 gain for the period is approximately $0.4m (2014: pro-forma CCY gain of $8.1m).

Adjusted EBITDA and Underlying Adjusted EBITDA

Adjusted EBITDA in the period was $270.6m (2014: pro-forma CCY $242.6m) and Underlying Adjusted EBITDA was $263.8m (2014: pro-forma CCY $235.3m) at a margin of 43.6% (2014: pro-forma CCY 38.2%).

	Six months ended 31 October 2015 As Reported	Six months ended 31 October 2014 Pro-forma CCY	Six months ended 31 October 2015 Pro-forma CCY Growth	Year ended 30 April 2015 Pro-forma CCY
	$m	$m	%	$m
Revenue	604.5	616.6	(2.0%)	1,277.1
Adjusted EBITDA	270.6	242.6	11.5%	502.5
Foreign exchange (gain) / loss	(0.4)	(8.1)		(12.7)
Net (capitalization)/amortization of development costs	(6.4)	0.8		0.1
Underlying Adjusted EBITDA	**263.8**	**235.3**	**12.1%**	**489.9**
Underlying Adjusted EBITDA Margin	**43.6%**	**38.2%**	**5.4%**	**38.4%**

Both revenue and EBITDA in the current period are after taking account of the fair value deferred revenue haircut whilst there was none in the comparative six month pro-forma CCY numbers. The full year to 30 April 2015 pro-forma CCY numbers also take this into account from the date of acquisition of TAG. The amounts involved are $11.2m in the current period and $17.0m in the year to 30 April 2015.

We are providing profitability metrics for our two product portfolios for the first time in this set of results for the current period only. The portfolios have directly controlled costs and then an allocation of costs of the functions that are managed within the Micro Focus portfolio and provide services to both portfolios together with centrally managed support function costs. Note 5 provides the breakdown to Adjusted Operating profit for the period and the table below summarises the reconciliation between

Adjusted Operating Profit and Adjusted EBITDA and Underlying Adjusted EBITDA and is also in note 8:

	Six months ended 31 October 2015		
	Micro Focus	SUSE	Group
	$m	$m	$m
Adjusted Operating Profit	**220.9**	**43.0**	**263.9**
Depreciation of property, plant and equipment	4.7	1.1	5.8
Amortization of software intangibles	0.7	0.2	0.9
Adjusted EBITDA	**226.3**	**44.3**	**270.6**
Foreign exchange credit	(0.4)	-	(0.4)
Net capitalization of development costs	(6.4)	-	(6.4)
Underlying Adjusted EBITDA	**219.5**	**44.3**	**263.8**

Operating profit

Operating profit was $150.4m (2014: pro-forma CCY $146.1m). Within the operating profit is $10.7m (2014: pro-forma CCY $45.5m) of exceptional costs. Adjusted operating profit was $263.9m (2014: pro-forma CCY $234.1m).

Net finance costs

Net finance costs were $50.4m (2014: pro-forma CCY $61.7m) including the amortization of $8.1m of prepaid facility arrangement, original issue discounts and facility fees incurred on the Group's loan facilities (2014: pro-forma CCY $3.7m), loan interest and commitment fees of $42.1m (2014: pro-forma CCY $58.6m) interest on pension liability $0.2m (2014: pro-forma CCY $nil) and other interest costs of $0.4m (2014: pro-forma CCY $0.1m) offset by $0.4m of interest received (2014: pro-forma $0.7m).

Profit before tax and adjusted profit before tax

Profit before tax was $98.8m (2014: pro-forma CCY $83.8m). The profit before tax has primarily increased in the period as a result of improved Adjusted EBITDA ($28.0m) and a reduction in exceptional costs of $34.8m offset by an increase in the amortization of purchased intangibles following the TAG acquisition of $52.5m, lower finance costs of $11.3m and an increase in the share based compensation charge of $7.9m.

Adjusted profit before tax was $212.3m (2014: pro-forma CCY $171.8m):

	Six months ended 31 October 2015 As Reported $m	Six months ended 31 October 2014 Pro-forma CCY $m	Six months ended 31 October 2015 Pro-forma CCY Growth / (Decline) %	Year ended 30 April 2015 Pro-forma CCY $m
Profit before tax	**98.8**	83.8	17.9%	46.5
Share based compensation	**11.9**	4.0	197.5%	16.0
Amortization of purchased intangibles	**90.9**	38.5	136.4%	123.4
Exceptional costs	**10.7**	45.5	(76.5%)	190.5
Adjusted profit before tax	**212.3**	**171.8**	**23.6%**	**376.4**

Taxation

Tax for the period was $11.3m (2014: $6.6m) with the Group's effective tax rate ("ETR") being 11.4% (2014: 11.6%).

The tax charge on adjusted profit before tax for the period was $44.6m (2014: $10.6m), which represents an ETR on adjusted profit of 21.0% (2014: 11.1%) as set out in note 12.

The Group's medium-term effective tax rate is currently expected to be between 21% and 25% of adjusted profit before tax.

The Group's cash taxes paid in the period were $47.7m. With the exception of the UK tax payment referred to below, the level of tax payments is expected to be significantly lower in the second half of the year.

As previously disclosed, the Group has benefited from a lower cash rate of tax in recent years as a result of an on-going 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. HMRC has chosen a test case to

establish the correct interpretation of the legislation and we await the outcome of this tribunal hearing. The Group has taken no benefit to the consolidated statement of comprehensive income during the periods affected and the potential tax liability is recognized on the Group's consolidated statement of financial position, but has paid reduced cash tax payments in line with its claim. The cash tax benefit as at 31 October 2015 was $28.5m based on the difference between the Group's claimed tax liability and the tax liability in the consolidated statement of financial position. No cash tax benefit has been recognised in the current period and no further cash tax benefits will arise in future periods. 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. During the period interest of $0.4m has been accrued in the consolidated statement of comprehensive income in relation this item.

The current maximum benefit including accrued interest of $3.0m is $31.5m, which equates to 13.9 cents per share on a fully diluted basis.

On 26 November 2015 HMRC issued an Accelerated Payment Notice, which requires that $26.6m of the total liability be paid by 29 February 2016. It is anticipated that a further notice will be received requiring payment of the remainder of the outstanding liability, excluding accrued interest within the next 12 months. The accrued interest will only become payable in the event that the Group is not successful with its claim.

When the tax position is agreed with HMRC then to the extent that the tax liability is lower than that provided in the consolidated statement of financial position, there would be a positive benefit to the tax charge in the consolidated statement of comprehensive income in the year of settlement and a refund of any amounts paid under the Accelerated Payment notice in excess of the agreed liability.

Profit after tax

Profit after tax increased by 73.3% to $87.5m (2014: $50.5m reported).

Goodwill

The largest item on the consolidated statement of financial position is goodwill at $2,436.2m (2014: $308.5m) arising from acquisitions made by the Group. In the current period goodwill has increased due to the acquisition of Authasas BV ($8.8m) and hindsight adjustments from acquisition of TAG ($5.6m) (note 13).

Capital structure of the Group

As at the 31 October 2015 the market capitalization of the Group was £2,732.8m, equivalent to $4,235.9m at an exchange rate of $1.55 to £1. The net debt of the Group was $1,454.3m resulting in an Enterprise Value of $5,690.2m. The Board believes that this capital structure is appropriate for the Group's requirements.

The debt facilities of the Group were put in place at the time of the acquisition of TAG on 20 November 2015 and totaled $2,000.0m under a credit agreement comprising a $1,275.0m seven year term loan B, a $500.0m five year term loan C and a $225.0m Revolving Facility (together "the New Facilities").

A voluntary repayment of $150.0m was made in March 2015. The repayment of the $75.0m revolving facility drawn down at 30 April 2015 and mandatory repayments of $31.4m were made in the first half of the year. At 31 October 2015, $1,593.6m of the New Facilities were drawn down. Including the undrawn $225.0m of the Revolving Facility, the total facilities available to the Group at 31 October 2015 was $1,818.6m.

The only financial covenant attaching to these New Facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. At the 31 October 2015 there was no balance outstanding on the Revolving Facility.

Total equity

The total equity of the Group is $1,312.1m with a merger reserve of $1,168.1m

Cash flow and net debt

The Group's cash generated from operating activities was $162.1m (2014: $68.4m). This represented a cash conversion ratio when compared to Adjusted EBITDA less exceptional items of 62.4% (2014: 88.4%). The decline in the ratio is mainly related to negative working capital impacts of the change in the period for TAG, change in approach to multi-year maintenance deals and cash payments related to FY15 provisions.

As at 31 October 2015 the net debt of the Enlarged Group was $1,454.3m (2014: $258.9m) comprising gross debt of $1,593.6m (2014: $289.0m), cash balances of $91.6m (2014: $30.0m) and pre-paid loan arrangements fees of $47.8m (2014: $0.1m). The most significant cash outflows during the period were the payment of the final dividend for last year of $70.0m, $10.0m in respect of the acquisition of Authasas BV, bank loan net repayments of $106.4m, corporate taxes of $47.7m and interest of $52.2m.

Dividend

The Board will continue to adopt a progressive dividend policy whilst the net debt to Facility EBITDA is above 2.5 times. The proposed interim dividend is 16.94 cents per share (2014: 15.40 cents per share) a 10% increase in line with this policy.

The Dividend will be paid in Sterling equivalent to 11.29 pence per share, based on an exchange rate of £1 = $1.50 being the rate applicable on 9 December 2015, the date on which the Board resolved to propose the dividend. The dividend will be paid on 22 January 2016 to shareholders on the register at 4 January 2016.

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 2015. The principal risks and uncertainties were:

- Products;
- Go to Market models;
- Competition; and
- Employees.

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
10 December 2015

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.

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.

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 current directors of the Company are Kevin Loosemore, Mike Phillips, Karen Slatford, Richard Atkins, Karen Geary, Tom Virden, Prescott Ashe and David Golob. Biographies for each director are included on pages 36 and 37 of the Annual Report and on the Company’s website: www.microfocus.com.

By order of the Board

Kevin Loosemore	Mike Phillips
Executive Chairman	Chief Financial Officer

10 December 2015

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

		Six months ended 31 October 2015 (unaudited)			Six months ended 31 October 2014 (unaudited)	Year ended 30 April 2015 (audited)
	Note	Before exceptional items	Exceptional items	Total	Total	Total
		$'000	$'000	$'000	$'000	$'000
Revenue	5,6	604,523	-	604,523	208,319	834,539
Cost of sales		(65,578)	(932)	(66,510)	(14,699)	(91,490)
Gross profit		538,945	(932)	538,013	193,620	743,049
Selling and distribution costs		(194,600)	(4,202)	(198,802)	(54,596)	(290,475)
Research and development expenses		(121,977)	(682)	(122,659)	(29,171)	(162,349)
Administrative expenses		(61,314)	(4,835)	(66,149)	(46,192)	(142,989)
Operating profit		161,054	(10,651)	150,403	63,661	147,236
Analyzed as:						
Adjusted Operating profit		263,868	-	263,868	99,629	347,773
Share based compensation		(11,856)	-	(11,856)	(3,953)	(15,561)
Amortization of purchased intangibles	14	(90,958)	-	(90,958)	(6,925)	(88,298)
Exceptional items	7	-	(10,651)	(10,651)	(25,090)	(96,678)
Operating profit	5	161,054	(10,651)	150,403	63,661	147,236
Share of results of associates		(1,129)	-	(1,129)	-	(788)
Finance costs		(50,887)	-	(50,887)	(6,791)	(56,231)
Finance income		448	-	448	263	1,210
Profit before tax		109,486	(10,651)	98,835	57,133	91,427
Taxation	12	(14,593)	3,296	(11,297)	(6,609)	10,024
Profit for the period		94,893	(7,355)	87,538	50,524	101,451
Other comprehensive income:						
Items that will not be reclassified to profit or loss						
Actuarial gain / (loss) on pension liabilities	20	6,260	-	6,260	-	(4,196)
Actuarial gain on long-term pension assets	20	1,205	-	1,205	-	-
Deferred tax movement on pensions		(2,344)	-	(2,344)	-	1,301
Items that may be subsequently reclassified to profit or loss						
Currency translation differences		(1,774)	-	(1,774)	(1,666)	(8,375)
Other comprehensive income/ (expense) for the period		3,347	-	3,347	(1,666)	(11,270)
Total comprehensive income for the period		98,240	(7,355)	90,885	48,858	90,181
Attributable to:						
Equity shareholders of the parent		98,023	(7,355)	90,668	48,858	90,483
Non-controlling interests		217	-	217	-	(302)
		98,240	(7,355)	90,885	48,858	90,181
Earnings per share expressed in cents per share				cents	cents	cents
- basic	11			40.17	36.17	58.54
- diluted	11			38.58	35.07	56.71
Earnings per share expressed in pence per share				pence	pence	pence
- basic	11			25.96	21.66	36.64
- diluted	11			24.94	21.00	35.50

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 2015 (unaudited) $'000**	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Non-current assets				
Goodwill	**13**	**2,436,168**	308,524	2,421,745
Other intangible assets	**14**	**1,050,581**	84,602	1,132,221
Property, plant and equipment	**15**	**42,525**	20,398	42,896
Investments in associates		**13,772**	-	14,901
Long-term pension assets	**20**	**19,114**	-	14,076
Other non-current assets		**3,515**	-	3,909
Deferred tax assets		**219,343**	43,382	249,886
		3,785,018	456,906	3,879,634
Current assets				
Inventories		**78**	108	110
Trade and other receivables	**16**	**215,224**	84,784	218,645
Cash and cash equivalents		**91,566**	29,993	241,324
Assets classified as held for sale		**888**	-	888
		307,756	114,885	460,967
Total assets		**4,092,774**	571,791	4,340,601
Current liabilities				
Trade and other payables	**17**	**137,020**	67,367	161,365
Borrowings	**18**	**50,600**	288,908	125,733
Provisions	**19**	**27,784**	1,452	49,334
Current tax liabilities	**12**	**27,515**	42,219	67,895
Deferred income		**537,280**	124,588	583,703
		780,199	524,534	988,030
Non-current liabilities				
Deferred income		**171,407**	10,958	194,863
Borrowings	**18**	**1,495,272**	-	1,519,130
Retirement benefit obligations	**20**	**26,695**	-	32,742
Long-term provisions	**19**	**16,634**	5,453	17,919
Other non-current liabilities		**4,039**	-	5,264
Deferred tax liabilities		**286,450**	33,641	304,592
		2,000,497	50,052	2,074,510
Total liabilities		**2,780,696**	574,586	3,062,540
Net assets / (liabilities)		**1,312,078**	(2,795)	1,278,061

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

	Note	**31 October 2015 (unaudited) $'000**	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Capital and reserves				
Share capital		**39,558**	37,863	39,555
Share premium account		**16,559**	14,785	16,087
Merger reserve		**1,168,104**	(27,085)	1,168,104
Capital redemption reserve		**163,363**	103,983	163,363
Accumulated losses		**(61,380)**	(125,502)	(96,479)
Foreign currency translation reserve (deficit)		**(15,322)**	(6,839)	(13,548)
Total equity / (deficit) attributable to owners of the parent		**1,310,882**	(2,795)	1,277,082
Non-controlling interests		**1,196**	-	979
Total equity / (deficit)		**1,312,078**	(2,795)	1,278,061

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 2015 (unaudited) $'000	Six months ended 31 October 2014 (unaudited) $'000	Year ended 30 April 2015 (audited) $'000
Cash flows from operating activities				
Net profit for the period		**87,538**	50,524	101,451
Adjustments for:				
Net interest		**50,439**	6,528	55,021
Taxation		**11,297**	6,609	(10,024)
Share of results of associates		**1,129**	-	788
Operating profit		**150,403**	63,661	147,236
Research and development tax credits		**(936)**	(1,131)	(2,135)
Depreciation		**5,770**	1,965	7,674
Loss on disposal of property, plant and equipment		**7**	15	41
Gain on disposal of intangible assets		**-**	-	(1,603)
Amortization of intangibles	**14**	**100,644**	17,256	109,092
Impairment of intangibles	**14**	**-**	984	984
Impairment of long-term assets	**14**	**-**	-	11,642
Share-based compensation		**11,856**	3,953	15,561
Exchange movements		**719**	(406)	(87)
Provisions movements	**19**	**(22,835)**	1,555	46,485
Changes in working capital:				
Inventories		**44**	25	39
Trade and other receivables		**4,276**	22,477	40,127
Payables and other liabilities		**(17,993)**	(14,742)	(108,558)
Deferred income		**(69,879)**	(27,251)	21,657
Pension funding in excess of charge to operating profit		**(22)**	-	586
Cash generated from operations		**162,054**	68,361	288,741
Interest paid		**(52,200)**	(3,114)	(50,482)
Tax (paid)/received		**(47,707)**	(5,161)	1,798
Net cash generated from operating activities		**62,147**	60,086	240,057
Cash flows from investing activities				
Payments for intangible assets	**14**	**(15,786)**	(10,525)	(21,240)
Purchase of property, plant and equipment	**15**	**(5,917)**	(1,762)	(4,972)
Costs associated with relisting on the LSE	**23**	**-**	-	(723)
Interest received		**448**	255	320
Payment for acquisition of business	**23**	**(9,960)**	-	-
Net cash acquired with acquisitions	**23**	**106**	-	165,946
Short term investments		**-**	-	(2)
Net cash (outflow) / inflow in investing activities		**(31,109)**	(12,032)	139,329
Cash flows from financing activities				
Proceeds from issue of ordinary share capital		**475**	(146)	1,647
Return of Value paid to shareholders	**22**	**-**	-	(131,565)
Costs associated with the Return of Value	**22**	**-**	-	(55)
Repayment of bank borrowings	**18**	**(126,375)**	(58,000)	(522,000)
Repayment of bank borrowings on the acquisition of TAG	**23**	**-**	-	(1,294,726)
Net proceeds from bank borrowings	**18**	**20,000**	50,000	1,903,625
Bank loan costs		**(753)**	(590)	(40,174)
Dividends paid to owners	**10**	**(70,015)**	(40,215)	(72,707)
Net cash used in financing activities		**(176,668)**	(48,951)	(155,955)
Effects of exchange rate changes		**(4,128)**	(1,910)	(14,907)
Net (decrease) / increase in cash and cash equivalents		**(149,758)**	(2,807)	208,524
Cash and cash equivalents at beginning of period	**18**	**241,324**	32,800	32,800
Cash and cash equivalents at end of period	**18**	**91,566**	29,993	241,324

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

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

	Notes	Share capital	Share premium account	Accumulated losses	Foreign currency translation reserve (deficit)	Capital redemption reserves	Merger reserve	Equity / (deficit) attributable to the parent	Non-controlling interests	Total equity / (deficit)
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2014		**37,802**	**14,546**	**(140,324)**	**(5,173)**	**103,983**	**(27,085)**	**(16,251)**	**-**	**(16,251)**
Currency translation differences		-	-	-	(1,666)	-	-	(1,666)	-	(1,666)
Profit for the period		-	-	50,524	-	-	-	50,524	-	50,524
Total comprehensive income		-	-	50,524	(1,666)	-	-	48,858	-	48,858
Transactions with owners:										
Dividends	**10**	-	-	(40,215)	-	-	-	(40,215)	-	(40,215)
Issue of share capital		61	239	(447)	-	-	-	(147)	-	(147)
Movement in relation to share options		-	-	3,813	-	-	-	3,813	-	3,813
Deferred tax on share options		-	-	1,147	-	-	-	1,147	-	1,147
Balance as at 31 October 2014		**37,863**	**14,785**	**(125,502)**	**(6,839)**	**103,983**	**(27,085)**	**(2,795)**	**-**	**(2,795)**
Balance at 1 May 2015		**39,555**	**16,087**	**(96,479)**	**(13,548)**	**163,363**	**1,168,104**	**1,277,082**	**979**	**1,278,061**
Currency translation differences		**-**	**-**	**-**	**(1,774)**	**-**	**-**	**(1,774)**	**-**	**(1,774)**
Profit for the year		**-**	**-**	**87,321**	**-**	**-**	**-**	**87,321**	**217**	**87,538**
Remeasurement on defined benefit pension schemes	**20**	**-**	**-**	**6,260**	**-**	**-**	**-**	**6,260**	**-**	**6,260**
Remeasurement on long-term pension assets	**20**	**-**	**-**	**1,205**	**-**	**-**	**-**	**1,205**	**-**	**1,205**
Deferred tax movement pensions		**-**	**-**	**(2,344)**	**-**	**-**	**-**	**(2,344)**	**-**	**(2,344)**
Total comprehensive income		**-**	**-**	**92,442**	**(1,774)**	**-**	**-**	**90,668**	**217**	**90,885**
Transactions with owners:										
Dividends	**10**	**-**	**-**	**(70,015)**	**-**	**-**	**-**	**(70,015)**	**-**	**(70,015)**
Share options:										
Issue of share capital		**3**	**472**	**(1,935)**	**-**	**-**	**-**	**(1,460)**	**-**	**(1,460)**
Movement in relation to share options		**-**	**-**	**12,287**	**-**	**-**	**-**	**12,287**	**-**	**12,287**
Deferred tax on share options		**-**	**-**	**2,320**	**-**	**-**	**-**	**2,320**	**-**	**2,320**
Balance as at 31 October 2015		**39,558**	**16,559**	**(61,380)**	**(15,322)**	**163,363**	**1,168,104**	**1,310,882**	**1,196**	**1,312,078**

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

Micro Focus International plc

Notes to the consolidated interim financial statements (unaudited)

1. General

Micro Focus International plc ('the Company') is a public limited 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.

Micro Focus International plc and its subsidiaries (together 'the Group') provide innovative software to clients around the world enabling them to dramatically improve the business value of their enterprise applications. The Group has a presence in 36 countries worldwide and at 31 October 2015 employed approximately 4,200 people.

The Company is listed on the London Stock Exchange.

These condensed consolidated interim financial statements were approved by the Board on 9 December 2015 for issue on 10 December 2015.

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 2015 were approved by the Board of directors on 7 July 2015 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 2015 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 2015, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 2015, 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:

- IFRS 10, 'Consolidated financial statements' (endorsed as effective annual periods beginning on or after 1 January 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.

- IFRS 11, 'Joint arrangements' (endorsed as effective annual periods beginning on or after 1 January 2014) provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- IFRS 12, 'Disclosures of interests in other entities' (endorsed as effective annual periods beginning on or after 1 January 2014) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance-sheet vehicles.

- Amendments to IFRS 10, 11 and 12 on transition guidance (endorsed as effective annual periods beginning on or after 1 January 2014) provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

- IAS 27 (revised 2011) 'Separate financial statements' (endorsed as effective annual periods beginning on or after 1 January 2014) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised 2011) 'Associates and joint ventures' (endorsed as effective annual periods beginning on or after 1 January 2014) includes the requirements for joint ventures, as well as associates to be equity accounted following the issue of IFRS 11.

- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective annual periods on or after 1 January 2014) updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective annual periods on or after 1 January 2014) address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3. Accounting policies (continued)

- Amendment to IAS 19 regarding defined benefit plans applies for periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans.

- Annual Improvements 2012 includes amendments to IFRS 2 ‘Share-based Payment’, IFRS 3 ‘Business Combinations’, IFRS 8 ‘Operating Segments’, IFRS 13 ‘Fair Value Measurement’, IAS 16 ‘Property, Plant and Equipment’, IAS 38 ‘Intangible Assets’, IFRS 9 ‘Financial Instruments’, IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ and IAS 39 ‘Financial Instruments - Recognition and Measurement’ applies for periods beginning on or after 1 July 2014.

- Annual Improvements 2013 includes amendments to IFRS 1 ‘First Time Adoption’, IFRS 3 ‘Business Combinations’, IFRS 13 ‘Fair Value Measurement’ and IAS 40 ‘Investment Property’ applies for periods beginning on or after 1 July 2014.

(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:

- Amendment to IFRS 11, ‘Joint Arrangements’ on acquisition of an interest in a joint operation applies for periods beginning on or after 1 January 2016 subject to EU endorsement. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortization applies for periods beginning on or after 1 January 2016 subject to EU endorsement. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- Amendments to IAS 27, ‘Separate financial statements’ on the equity method applies to periods beginning on or after 1 January 2016 subject to EU endorsement. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10, ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’ applies to periods beginning on or after 1 January 2016 subject to EU endorsement. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvements 2014 includes amendments to IFRS 5, ‘Non-current Assets Held for Sale and Discontinued Operations’, IFRS 7, ‘Financial Instruments: Disclosures’, IAS 19, ‘Employee Benefits’ and IAS 34, ‘Interim Financial Reporting’ applies for periods beginning on or after 1 January 2016.

- Amendment to IAS 1, ‘Presentation of financial statements’ as part of the IASB initiative to improve presentation and disclosure in financial reports, effective for annual periods beginning on or after 1 January 2016, subject to EU endorsement.

- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception applies to periods on or after 1 January 2016, subject to EU endorsement. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- IFRS 15 ‘Revenue from Contracts with Customers’ establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards (pending EU endorsement). Earlier application is permitted. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The Group is currently assessing the impact of IFRS 15 but it is too early to determine how significant the effect on reported results and financial position will be.

- IFRS 9 ‘Financial instruments’. This standard replaces the guidance in IAS 39 applies to periods beginning on or after 1 January 2018, subject to EU endorsement. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Apart from IFRS 15, the directors anticipate that the future introduction of those standards, amendments and interpretations listed above will not have a material impact on the consolidated financial statements.

Notes to the consolidated interim financial statements (unaudited)

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 principal currency of the territory in which it operates.

5. 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'). Following the Company reorganization on 1 May 2015, the Group has two operating segments: Micro Focus and SUSE and previously it had Base Micro Focus (North America, International and Asia Pacific and Japan) and TAG. Operating segments are consistent with those used in internal management reporting and the profit measure used by the Executive Committee is the Adjusted Operating Profit for the Group as a whole as set out in note 8.

Operating segments for the six months ended 31 October 2015:

	Note	Micro Focus	SUSE	Total
		$'000	$'000	$'000
Segment revenue		**483,291**	**121,232**	**604,523**
Directly managed costs		(96,762)	(62,018)	(158,780)
Allocation of centrally managed costs		(165,607)	(16,268)	(181,875)
Total segment costs		**(262,369)**	**(78,286)**	**(340,655)**
Adjusted operating profit	**8**	220,922	42,946	263,868
Exceptional items	**7**			(10,651)
Share based compensation charge				(11,856)
Amortization of purchased intangibles				(90,958)
Operating profit				**150,403**
Total assets				**4,092,774**
Total liabilities				**2,780,696**

Operating segments for the six months ended 31 October 2014 restated for the new operating segments:

	Note	Micro Focus	SUSE	Total
		$'000	$'000	$'000
Segment revenue		208,319	-	208,319
Directly managed costs		(48,122)	-	(48,122)
Allocation of centrally managed costs		(60,568)	-	(60,568)
Total segment costs		(108,690)	-	(108,690)
Adjusted operating profit	8	99,629	-	99,629
Exceptional items	7			(25,090)
Share based compensation charge				(3,953)
Amortization of purchased intangibles				(6,925)
Operating profit				63,661
Total assets				571,791
Total liabilities				574,586

These comparative figures are based on the way the Group operated prior to the acquisition of TAG. In the current period, TAG products contributed $427.8m of revenue so that on a like for like basis the Group excluding TAG delivered $176.7m which compares to CCY revenues of $192.5m ($208.3m on a reported basis).

6. Analysis of revenue by product

Set out below is an analysis of revenue recognized between the principal product portfolios for the six months ended 31 October 2015.

	Micro Focus							
	CDMS	Host Connectivity	Development & IT Operations Management Tools	Identity, Access Security	Collaboration & Networking	Total Micro Focus	SUSE	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Licence	39,984	48,450	13,467	20,412	12,210	134,523	-	134,523
Maintenance`	71,910	54,205	62,798	70,489	68,015	327,417	-	327,417
Subscription	-	-	-	-	-	-	118,732	118,732
Consulting	4,025	1,210	1,411	11,723	2,982	21,351	2,500	23,851
Total	115,919	103,865	77,676	102,624	83,207	483,291	121,232	604,523

Set out below is an analysis of revenue recognized between the principal product portfolios for the six months ended 31 October 2014.

	Micro Focus							
	CDMS	Host Connectivity	Development & IT Operations Management Tools	Identity, Access Security	Collaboration & Networking	Total Micro Focus	SUSE	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Licence	52,372	5,655	8,471	-	10,215	76,713	-	76,713
Maintenance	76,970	8,452	26,911	-	12,764	125,097	-	125,097
Subscription	-	-	-	-	-	-	-	-
Consulting	4,325	-	2,005	-	179	6,509	-	6,509
Total	133,667	14,107	37,387	-	23,158	208,319	-	208,319

7. Exceptional items

The exceptional costs of $10.7m shown in the consolidated statement of comprehensive income relate to costs incurred as part of the integration of TAG and the acquisition of Authasas BV (note 23). The total cash outflow of exceptional items during the period was $8.0m.

	Six months ended 31 October 2015 $'000	Six months ended 31 October 2014 $'000
Reported within operating profit:		
Acquisition costs	**531**	25,090
Property costs	**1,073**	-
Severance and legal costs	**653**	-
Integration costs	**8,394**	-
	10,651	25,090
Reported within finance costs:		
Accelerated amortization of facility fees	**-**	2,384
	-	2,384
	10,651	27,474

The acquisition costs are external costs in evaluating and completing the acquisition of the Authasas BV. This mostly relates to due diligence work, legal work on the acquisition agreements and professional advisors on the transaction.

The property costs relate to the cost of exiting entire buildings or floors of buildings which we are leasing following the integration of TAG. The majority of the costs relate to TAG properties in North America. Severance and legal costs arose from integrating with TAG. Integration costs arose from the work done in bringing together the Base Micro Focus and TAG organizations into one organization with two product portfolios.

The accelerated amortization of facility fees relates to costs that were expensed early as a result of taking on new borrowings to finance the acquisition of TAG.

8. Reconciliation of operating profit to EBITDA

	Note	**Six months ended 31 October 2015 (unaudited) $'000**	Six months ended 31 October 2014 (unaudited) $'000	Year ended 30 April 2015 (audited) $'000
Operating profit	**5**	**150,403**	63,661	147,236
Exceptional items	**7**	**10,651**	25,090	96,678
Share-based compensation charge		**11,856**	3,953	15,561
Amortization of purchased intangibles	**14**	**90,958**	6,925	88,298
Adjusted operating profit		**263,868**	99,629	347,773
Depreciation of property, plant and equipment		**5,770**	1,965	7,674
Amortization of software intangibles	**14**	**918**	859	2,189
Adjusted EBITDA		**270,556**	102,453	357,636
Amortization and impairment of development costs	**14**	**8,768**	9,472	19,589
Facility EBITDA		**279,324**	111,925	377,225
Operating profit	**5**	**150,403**	63,661	147,236
Amortization of intangible assets	**14**	**100,644**	17,256	110,076
Depreciation of property, plant and equipment		**5,770**	1,965	7,674
EBITDA		**256,817**	82,882	264,986
Amortization and impairment of development costs	**14**	**(8,768)**	(9,472)	(19,589)
Share-based compensation charge		**11,856**	3,953	15,561
Exceptional items	**7**	**10,651**	25,090	96,678
Adjusted EBITDA		**270,556**	102,453	357,636
Foreign exchange credit		**(355)**	(4,871)	(9,445)
Net (capitalization) / amortization of development costs	**14**	**(6,360)**	754	99
Underlying Adjusted EBITDA		**263,841**	98,336	348,290

The table below provides the operating segments split for the six months ended 31 October 2015 (comparative data is not available):

	Note	**Micro Focus $'000**	**SUSE $'000**	**Total $'000**
Adjusted operating profit	**5**	220,922	42,946	263,868
Depreciation of property, plant and equipment		4,691	1,079	5,770
Amortization of software intangibles		746	172	918
Adjusted EBITDA		**226,359**	**44,197**	**270,556**
Foreign exchange credit		(355)	-	(355)
Net (capitalization) / amortization of development costs		(6,360)	-	(6,360)
Underlying Adjusted EBITDA		**219,644**	**44,197**	**263,841**

The directors use EBITDA, EBITDA before exceptional items and share based compensation charge but after amortization and impairment of development costs ('Adjusted EBITDA') and Adjusted EBITDA before foreign exchange gains and losses and net amortization/capitalization of development costs ('Underlying Adjusted EBITDA') as key performance measures of the business.

Facility EBITDA was the measure used under the Group's $420m Revolving Credit Facility to determine the Net Debt to Facility EBITDA covenant calculation. Whilst the $420m facility was repaid and cancelled as part of the refinancing on the acquisition of TAG, for consistency, the directors have decided to continue to use the metric Net Debt to Facility EBITDA.

These measures are not defined in IFRS and thus may not be comparable to similarly titled measures by other companies.

9. Share-based payments

The share-based compensation charge for the six months to 31 October 2015 was $11.9m (2014: $4.0m). The increase in the period is as a result of the Additional Share Grants awarded to Senior Managers on the acquisition of TAG and the additional employer taxes that would be payable as a result of the increase in the share price.

10. Dividends

A dividend of $70.0m was paid during the period to 31 October 2015 of 33.0 cents per share (2014: $40.2m or 30.0 cents per share).

The directors announce an interim dividend of 16.94 cents per share (2014: 15.4 cents per share) payable on 22 January 2016 to shareholders who are registered at 4 January 2016. This interim dividend, amounting to $36.9m (2014: $33.4m) has not been recognized as a liability in this half-year report.

11. Earnings per share

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

	Six months ended 31 October 2015 (unaudited)				Six months ended 31 October 2014 (unaudited)			
	Total Earnings $'000	**Weighted average number of shares '000**	**Per share amount Cents**	**Per share amount Pence**	Total earnings $'000	Weighted average number of shares '000	Per share amount Cents	Per share amount Pence
Basic EPS								
Earnings attributable to ordinary shareholders [1]	**87,321**	**217,402**	**40.17**	**25.96**	50,524	139,699	36.17	21.66
Effect of dilutive securities								
Options		**8,938**				4,373		
Diluted EPS								
Earnings attributable to ordinary shareholders	**87,321**	**226,340**	**38.58**	**24.94**	50,524	144,072	35.07	21.00
Supplementary EPS								
Basic EPS	**87,321**	**217,402**	**40.17**	**25.96**	50,524	139,699	36.17	21.66
Adjusted items[2]	**113,465**				38,352			
Tax relating to above items	**(33,262)**				(3,982)			
Basic EPS – adjusted	**167,524**	**217,402**	**77.06**	**49.81**	84,894	139,699	60.77	36.39
Diluted EPS	**87,321**	**226,340**	**38.58**	**24.94**	50,524	144,072	35.07	21.00
Adjusted items[2]	**113,465**				38,352			
Tax relating to above items	**(33,262)**				(3,982)			
Diluted EPS – adjusted	**167,524**	**226,340**	**74.01**	**47.84**	84,894	144,072	58.92	35.28

[1] Earnings attributable to ordinary shareholders are the profit for the year of $87,538,000 (2014: $50,524,000) excluding amount attributable to non-controlling interests of $217,000 (2014: $nil).

[2] Adjusted items comprise amortization of acquired intangibles $90,958,000 (2014: $6,925,000), share-based compensation $11,856,000 (2014: $3,953,000), exceptional items $10,651,000 (2014: $25,090,000) and exceptional interest costs of $nil (2014: $2,384,000). 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 $1.55 to £1 (2014: $1.67 to £1).

12. 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.

Profit before tax and adjusted profit before tax

Profit before tax was $98.8m (2014: $57.1m). Adjusted profit before tax was $212.3m (2014: $93.1m):

	Six months ended 31 October 2015 (unaudited) $’000	Six months ended 31 October 2014 (unaudited) $’000	Year ended 30 April 2015 (audited) $’000
Profit before tax	**98,835**	57,133	91,427
Share based compensation	**11,856**	3,953	15,561
Amortization of purchased intangibles	**90,958**	6,925	88,298
Exceptional costs	**10,651**	25,090	96,678
Exceptional finance costs	**-**	-	2,384
Adjusted profit before tax	**212,300**	93,101	294,348

Tax for the period was $11.3m (2014: $6.6m) with the Group’s effective tax rate (“ETR”) being 11.4% (2014: 11.6%). The tax charge on adjusted profit before tax for the period was $44.6m (2014: $10.6m), which represents an ETR on adjusted profit of 21.0% (2014: 11.1%) as set out below:

	Six months ended 31 October 2015 (actual) (unaudited)			Six months ended 31 October 2014 (actual) (unaudited)			Year ended 30 April 2015 (actual) (audited)			
	Actual $m	**Adjusts $m**	**Adjusted measures $m**	Actual $m	Adjusts $m	Adjusted measures $m	Actual $m	Adjusts $m	Other tax items $m	Adjusted measures $m
Profit before tax	**98,835**	**113,465**	**212,300**	57,133	38,352	95,485	91,427	202,921	-	294,348
Taxation	**(11,297)**	**(33,262)**	**(44,559)**	(6,609)	(3,982)	(10,591)	10,024	(62,528)	(9,939)	(62,443)
Profit after tax	**87,538**	**80,203**	**167,741**	50,524	34,370	84,894	101,451	140,393	(9,939)	231,905
Effective tax rate	**11.4%**		**21.0%**	11.6%		11.1%	(11.0%)			21.2%

In computing adjusted profit before tax, $113.5m of adjustments have been made for the items shown in the adjusted profit before tax section above, of which the associated tax is $33.3m. The adjusted measure for profit after tax of $167.7m includes $0.2m of non-controlling interests which are excluded when calculating earnings per share in note 11.

As a result of the acquisition of TAG, a larger proportion of the Group’s profits are now in the USA where they are taxed at an effective rate of approximately 38% (including State taxes), resulting in a higher ETR than the rate applicable prior to the acquisition.

On 26 October, future reductions to the UK corporation tax rate from 20% currently to 19% (from 1 April 2017) and 18% (from 1 April 2020) were substantively enacted in the UK. The impact of these rate changes is to reduce the value of UK net deferred tax balances by $0.4m. Of this movement, $0.8m has been credited to the consolidated statement of comprehensive income and $0.4m relating to deferred tax on share options has been debited to equity.

The Group’s cash taxes paid in the period were $47.7m. With the exception of the UK tax payment referred to below, the level of tax payments is expected to be significantly lower in the second half of the year.

As previously disclosed, the Group has benefited from a lower cash rate of tax in recent years as a result of an on-going 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. HMRC has chosen a test case to establish the correct interpretation of the legislation and we await the outcome of this tribunal hearing. The Group has taken no benefit to the consolidated statement of comprehensive income during the periods affected and the potential tax liability is recognized on the Group’s consolidated statement of financial position, but has paid reduced cash tax payments in line with its claim. The cash tax benefit as at 31 October 2015 was $28.5m based on the difference between the Group’s claimed tax liability and the tax liability in the consolidated statement of financial position. No cash tax benefit has been recognised in the current period and no further cash tax benefits will arise in future periods. 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. During the period interest of $0.4m has been accrued in the consolidated statement of comprehensive income in relation this item.

Notes to the consolidated interim financial statements (unaudited)

12. Taxation (continued)

The current maximum benefit including accrued interest of $3.0m is $31.5m, which equates to 13.9 cents per share on a fully diluted basis.

On 26 November 2015 HMRC issued an Accelerated Payment Notice, which requires that $26.6m of the total liability be paid by 29 February 2016. It is anticipated that a further notice will be received requiring payment of the remainder of the outstanding liability, excluding accrued interest with the next 12 months. The accrued interest will only become payable in the event that the Group is not successful with its claim.

When the tax position is agreed with HMRC then to the extent that the tax liability is lower than that provided in the consolidated statement of financial position, there would be a positive benefit to the tax charge in the consolidated statement of comprehensive income in the year of settlement and a refund of any amounts paid under the Accelerated Payment notice in excess of the agreed liability.

13. Goodwill

	31 October 2015 (unaudited)	31 October 2014 (unaudited)	30 April 2015 (audited)
Cost and net book amount	**$'000**	$'000	$'000
At 1 May	**2,421,745**	308,182	308,182
Hindsight adjustments (note 23)	**5,583**	342	213
Acquisitions (note 23)	**8,840**	-	2,113,350
At 31 October / 30 April	**2,436,168**	308,524	2,421,745

The movement in goodwill in the period relates to hindsight period adjustments for the TAG acquisition during the year ended 30 April 2015 and the acquisition of Authasas BV on 17 July 2015 (note 23).

14. Other intangible assets

			Purchased intangibles			
	Purchased software	Development costs	Technology	Trade names	Customer relationships	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Net book value						
At 1 May 2014	482	31,468	27,854	-	32,729	92,533
Additions	823	9,702	-	-	-	10,525
Disposals	(1)	-	-	-	-	(1)
Charge for the period	(859)	(9,472)	(3,352)	-	(3,573)	(17,256)
Impairment	-	(984)	-	-	-	(984)
Exchange adjustments	(215)	-	-	-	-	(215)
At 31 October 2014	**230**	**30,714**	**24,502**	**-**	**29,156**	**84,602**
Net book value						
At 1 May 2014	482	31,468	27,854	-	32,729	92,533
Acquisition of TAG	11,763	-	225,064	216,335	686,233	1,139,395
Additions	1,750	19,490	-	-	-	21,240
Disposals	1,122	-	-	-	-	1,122
Charge for the year	(2,189)	(18,605)	(30,452)	(6,639)	(51,207)	(109,092)
Impairment	(11,642)	(984)	-	-	-	(12,626)
Exchange adjustments	(351)	-	-	-	-	(351)
At 30 April 2015	**935**	**31,369**	**222,466**	**209,696**	**667,755**	**1,132,221**
Net book value						
At 1 May 2015	935	31,369	222,466	209,696	667,755	1,132,221
Acquisition of Authasas BV (note 23)	-	-	2,545	-	811	3,356
Additions	658	15,128	-	-	-	15,786
Charge for the period	(918)	(8,768)	(37,599)	(7,520)	(45,839)	(100,644)
Exchange adjustments	(138)	-	-	-	-	(138)
At 31 October 2015	**537**	**37,729**	**187,412**	**202,176**	**622,727**	**1,050,581**

Expenditure totaling $15.8m (2014: $10.5m) was made in the year, including $15.1m in respect of development costs and $0.7m of purchased software.

The acquisition of Authasas BV resulted in an addition of $3.4m to purchased intangibles (note 23).

14. Other intangible assets (continued)

At 31 October 2015, the unamortized lives of technology assets were in the range of two to six years, trade names were in the range three to twenty years and customer relationships were in the range of one to seven years.

Amortization of $53.4m (2014: $3.6m) is included in selling and distribution costs, $46.4m (2014: $12.80m) is included in research and development expense and $0.9m (2014: $0.9m) is included in administrative expenses in the consolidated statement of comprehensive income.

15. Property, plant and equipment

Capital expenditure of $5.9m (2014: $1.8m) was made in the period.

16. Trade and other receivables

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Trade receivables	**201,568**	79,916	199,775
Less: provision for impairment of trade receivables	**(2,998)**	(2,206)	(2,520)
Trade receivables net	**198,570**	77,710	197,255
Prepayments	**14,690**	6,658	20,841
Other receivables	**1,647**	390	523
Accrued income	**317**	26	26
Total	**215,224**	84,784	218,645

At 31 October 2015, 31 October 2014 and 30 April 2015, the carrying amount approximates to the fair value.

17. Trade and other payables – current

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Trade payables	**13,158**	3,615	18,580
Tax and social security	**5,588**	9,189	8,962
Accruals	**118,274**	54,563	133,823
Total	**137,020**	67,367	161,365

At 31 October 2015, 31 October 2014 and 30 April 2015, the carrying amount approximates to the fair value.

18. Borrowings

The Group entered into new debt facilities of $2,000.0m on completion of the TAG acquisition comprising:

- syndicated senior secured tranche B term loan facility of $1,275.0m ('Term Loan B'), with an interest rate of 4.25% above LIBOR (subject to a LIBOR floor of 1.00%), amortizing at 1.00% per annum, with an original issue discount of 1.00% and a 7 year term;
- a syndicated senior secured tranche C term loan facility of $500.0m ('Term Loan C'), with an interest rate of 3.75% above LIBOR (subject to a LIBOR floor of 0.75%), amortizing at 10.00% per annum, with an original issue discount of 1.5% and a 5 year term; and
- a senior secured revolving credit facility of $225.0m ('Revolving Facility'), with an interest rate of 3.50% above LIBOR on amounts drawn (and 0.50% on amounts undrawn) thereunder and an original issue discount of 0.50%.

The only financial covenant affecting the new facilities is an aggregate net leverage covenant which is applicable in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. This did not apply at 31 October 2015.

In March 2015 a voluntary repayment of $150.0m of the Term Loan B was made. The repayment of the $75.0m revolving facility drawn down at 30 April 2015 and mandatory repayments of $31.4m were made in the first half of the year.

Notes to the consolidated interim financial statements (unaudited)

18. Borrowings (continued)

The borrowings of the Group are shown in the table below:

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Bank loans secured	**1,593,625**	289,000	1,700,000
Unamortized prepaid facility arrangement fees and original issue discounts	**(47,753)**	(92)	(55,137)
Net Borrowings	**1,545,872**	288,908	1,644,863
Reported within:			
Current liabilities	**50,600**	288,908	125,733
Non-current liabilities	**1,495,272**	-	1,519,130
Net Borrowings	**1,545,872**	288,908	1,644,863
Less: Cash at bank and in hand	**(91,566)**	(29,993)	(241,324)
Net debt	**(1,454,306)**	(258,915)	(1,403,539)

As at 31 October 2015, there was $1,593.6m of the gross new facilities outstanding comprising $1,118.6m Term Loan B, $475.0m Term Loan C and $nil of the Revolving Facility. Borrowings are stated after deducting unamortized prepaid facility fees and original issue discounts. Facility arrangement costs and original issue discounts are amortized between four and six years.

The fair value of borrowings equals their carrying amount.

19. Provisions

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Onerous leases and dilapidations	**21,422**	1,701	22,630
Restructuring and integration	**9,095**	53	30,921
Legal	**3,264**	-	3,065
Other	**10,637**	5,151	10,637
Total	**44,418**	6,905	67,253
Current	**27,784**	1,452	49,334
Non-current	**16,634**	5,453	17,919
Total	**44,418**	6,905	67,253

	Onerous leases and dilapidations $'000	Restructuring and integration $'000	Legal $'000	Other $'000	Total $'000
At 1 May 2015	**22,630**	**30,921**	**3,065**	**10,637**	**67,253**
Additional provision in the period	**2,575**	**5,201**	**-**	**-**	**7,776**
Hindsight adjustment (note 23)	**-**	**-**	**677**	**-**	**677**
Provision releases in the period	**(991)**	**(4,548)**	**-**	**-**	**(5,539)**
Utilization of provision	**(2,598)**	**(22,328)**	**(188)**	**-**	**(25,114)**
Unwinding of discount	**6**	**-**	**-**	**-**	**6**
Exchange adjustments	**(200)**	**(151)**	**(290)**	**-**	**(641)**
At 31 October 2015	**21,422**	**9,095**	**3,264**	**10,637**	**44,418**
Current	**9,464**	**8,856**	**3,264**	**6,200**	**27,784**
Non-current	**11,958**	**239**	**-**	**4,437**	**16,634**
Total	**21,422**	**9,095**	**3,264**	**10,637**	**44,418**

19. Provisions (continued)

	Onerous leases and dilapidations $'000	Restructuring and integration $'000	Legal $'000	Other $'000	Total $'000
At 1 May 2014	2,252	107	-	6,943	9,302
Additional provision in the period	402	-	-	-	402
Utilization of provision	(795)	(54)	-	(1,792)	(2,641)
Released	(147)	-	-	-	(147)
Unwinding of discount	26	-	-	-	26
Exchange adjustments	(37)	-	-	-	(37)
At 31 October 2014	1,701	53	-	5,151	6,905
Current	1,399	53	-	-	1,452
Non-current	302	-	-	5,151	5,453
Total	1,701	53	-	5,151	6,905

The onerous lease and dilapidations provision relates to leased Group properties and this position is expected to be fully utilized within 9 years. The provision was increased by $2.0m due to a lengthening in the estimated time to sublease certain properties and reduced by $1.0m due to the shortening in the estimated time to sublease another property .

Restructuring and integration provisions relate mostly to severance and integration work undertaken during the year ended 30 April 2015. The provisions are expected to be fully utilized within 12 months.

Legal provisions include management's best estimate of the likely outflow of economic benefits associated with ongoing legal matters.

Other provisions include primarily:

- $3.8m relating to potential liabilities acquired with the Iona acquisition (2014: $3.8m),
- $0.6m relating to tax due for pension and bonus payments prior to July 2011 for a subsidiary in Brazil (2014: $1.3m).
- $3.0m provision that was inherited relating to potential software licencing issues (2014: $nil); and
- $3.2m was created for potential customer claims (2014: $nil).

Of the additions to provisions in the period, $7.3m was included in exceptional items.

20. Retirement benefit obligations

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Within Non-current assets :			
Long term pension assets	**19,114**	-	14,076
Within Non-current liabilities:			
Retirement benefit obligations	**(26,695)**	-	(32,742)

The acquisition of TAG, on 20 November 2014, added three defined benefit plans in Germany under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life in the case of retirement, disability and death. The level of benefits provided depends not only on the final salary but also on member's length of service, social security ceiling and other factors. Final pension entitlements are calculated by our Actuary in Swiss Life. They also complete calculations for in cases of death in service and disability. There is no requirement for the appointment of Trustees in Germany. The schemes are administered locally with the assistance of German pension experts. All three plans were closed for new membership.

Notes to the consolidated interim financial statements (unaudited)

20. Retirement benefit obligations (continued)

Long-term pension assets

The movement on the long-term pension asset is as follows:

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited)	30 April 2015 (audited)
As at 1 May	**14,076**	-	-
Acquisition of TAG (note 23)	**-**	-	15,472
Hindsight adjustment (note 23)	**3,917**	-	-
Return on non-plan assets	**168**	-	-
Benefits paid	**(40)**	-	-
Actuarial gain on non-plan assets included within other comprehensive income	**1,205**	-	-
Foreign currency exchange changes	**(212)**	-	(1,396)
As at 31 October / 30 April	**19,114**	**-**	14,076

The long-term pension asset was acquired as part of the acquisition of TAG. The non-plan assets were not subject to an actuarial revaluation until after 30 April 2015 and therefore a hindsight adjustment has been made in respect of this.

Retirement benefit obligations

The provision included in the Consolidated Balance Sheet arising from obligations in respect of defined benefit schemes is as follows:

	31 October 2015 (unaudited)	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
Present value of funded obligations	**32,148**	-	38,224
Fair value of plan assets	**(5,453)**	-	(5,482)
	26,695	-	32,742

The net present value of the defined benefit obligation has moved as follows:

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
At 1 May	**38,224**	-	-
Acquisition of TAG	**-**	-	37,128
Current service cost	**383**	-	330
Benefits paid	**(88)**	-	(68)
Interest cost	**276**	-	320
Remeasurements - actuarial losses:			
- Demographic	**-**	-	-
- Financial	**(6,340)**	-	4,565
- Experience	**98**	-	(140)
Foreign currency exchange changes	**(405)**	-	(3,911)
At 31 October / 30 April	**32,148**	**-**	38,224

The fair value of scheme assets has moved as follows:

	31 October 2015 (unaudited) $'000	31 October 2014 (unaudited) $'000	30 April 2015 (audited) $'000
At 1 May	**5,482**	-	-
Acquisition of TAG	**-**	-	5,871
Interest income	**40**	-	59
Remeasurements - actuarial return on assets excluding amounts included in interest income	**18**	-	229
Contributions by plan participants	**13**	-	81
Benefits paid	**(42)**	-	(16)
Other (transfer to non-plan assets)	**-**	-	(128)
Foreign currency exchange changes	**(58)**	-	(614)
At 31 October / 30 April	**5,453**	-	5,482

Notes to the consolidated interim financial statements (unaudited)

20. Retirement benefit obligations (continued)

$0.6m (2014: $nil) is included in the Consolidated Income Statement in respect of the German defined benefit pension arrangements being a current service charge of $0.4m (2014: $nil) and a net finance charge of $0.2m (2014:$nil).

The contributions for the six months ended 30 April 2016 is expected to be broadly in line with the six months ended 31 October 2015.

The amounts recognized as movements in equity included $0.1m (2014: $nil) of actuarial return on assets excluding amounts included in interest income and $6.2m (2014:$nil) of experience gains arising on scheme liabilities.

The key assumptions used for the German scheme were:

	Six months ended 31 October 2015	Six months ended 31 October 2014	Year ended 30 April 2015
Rate of increase in final pensionable salary	**2.60%**	n/a	2.60%
Rate of increase in pension payments	**2.00%**	n/a	2.00%
Discount rate	**2.20%**	n/a	1.45%
Inflation	**2.00%**	n/a	2.00%

The mortality assumptions for the German scheme are set based on actuarial advice in accordance with published statistics and experience in the territory, specifically German pension table ‘Richttafeln 2005 G’ by Prof. Dr. Klaus Heubeck. This is unchanged from that reported as at 30 April 2015.

Sensitivities
The table below provides information on the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The table shows the impact of changes to each assumption in isolation, although, in practice, changes to assumptions may occur at the same time and can either offset or compound the overall impact on the defined benefit obligation.

These sensitivities have been calculated using the same methodology as used for the main calculations. The weighted average duration of the defined benefit obligation is 25 years.

	Change in assumption	**Change in defined benefit obligation**
Discount rate for scheme liabilities	0.50%	12.6%
Price inflation	0.25%	3.3%
Salary growth rate	0.50%	1.7%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 2.9%.

21. 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.

22. Return of Value to shareholders

There has not been a Return of Value to shareholders in the six months to 31 October 2015.

In December 2014 the Company completed a Return of Value to shareholders amounting to £83.9m ($131.6m) in cash (60 pence per share, equivalent to 94.02 cents per share), by way of a B and C 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 0.9285 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.

As part of the corporate entity restructuring resulting from the acquisition a merger reserve was created of approximately $1.4bn, which is expected to become a distributable reserve in future periods. This creates flexibility for future Returns of Value once Net Debt to Facility EBITDA is below 2.5 times.

As at December 2014 this was the Group’s 4th Return of Value to shareholders and this brings the total amount returned to shareholders since 25 March 2011 through share buy-backs, Returns of Value and ordinary dividends to £554.4m which represents 87.3% of the Market Capitalization at that time.

23. Business combinations

Summary of acquisitions in the six months ended 31 October 2015

	Carrying value at acquisition $'000	Fair value adjustments $'000	Hindsight adjustments $'000	Goodwill $'000	Consideration Shares $'000	Consideration Cash $'000	Consideration Total $'000
Acquisitions in the six months to 31 October 2015:							
Authasas BV	1,110	10	-	8,840	-	9,960	9,960
Acquisitions in the year ended 30 April 2015:							
TAG	(501,338)	(225,796)	(5,583)	2,118,933	1,386,216	-	1,386,216
	(500,228)	**(225,786)**	**(5,583)**	**2,127,773**	**1,386,216**	**9,960**	**1,396,176**

Acquisition of Authasas BV

On the 17 July 2015, the Group acquired the entire share capital of Authasas BV, a Company registered in The Hague, the Netherlands. The activities of Authasas BV mainly consist of the developing, producing and publishing/selling of authentication software. The consideration was $9,960,000 and was satisfied using Micro Focus' existing bank facilities. The acquisition costs incurred of $0.5m were expensed through administrative expenses in the consolidated statement of comprehensive income.

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 assets acquired and goodwill are as follows:

	Carrying value at acquisition **$'000**	**Fair value adjustments** **$'000**	**Fair value** **$'000**
Intangible assets - purchased [1]	-	3,356	3,356
Intangible assets – other [2]	1,973	(1,973)	-
Property, plant and equipment	14	-	14
Inventory	11	-	11
Deferred tax asset [3]	339	(339)	-
Trade and other receivables	463	-	463
Cash and cash equivalent	106	-	106
Trade and other payables [4]	(1,796)	(68)	(1,864)
Deferred tax liabilities [5]	-	(966)	(966)
Net assets	1,110	10	1,120
Goodwill (note 13)			8,840
Consideration			**9,960**
Consideration satisfied by :			
Cash			**9,960**

Trade and other receivables is net of a bad debt provision of $16,000.

The fair value adjustments relate to:

1. Purchase intangible assets have been valued based on a market participant point of view and the fair value has been based on various characteristics of the product lines and intangible assets of Authasas BV;
2. Other intangible assets relating to development costs have been written down to nil;
3. The deferred tax asset on acquisition has been written down to nil;
4. Deferred income has been valued taking account of the remaining performance obligations;
5. A deferred tax liability has been established relating to the purchase of intangibles.

The purchased intangible assets acquired as part of the acquisition can be analyzed as follows (note 14):

	Fair value **$'000**
Technology	**2,545**
Customer relationships	**811**
	3,356

Notes to the consolidated interim financial statements (unaudited)

23. Business combinations (continued)

Acquisition of Authasas BV continued

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.

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $8.8m has been capitalized. From the date of acquisition, 17 July 2015, to 31 October 2015, the acquisition contributed $nil to revenue and a loss of $0.2m to Adjusted EBITDA.

The estimated results of the above acquisition, excluding intercompany royalties, if it had been made at the beginning of the accounting year, 1 May 2015, to 31 October 2015 would have been as follows:

Continuing	**$m**
Revenue	**-**
Loss for the period	**(0.5)**
Adjusted EBITDA	**(0.4)**
Underlying Adjusted EBITDA	**(0.6)**

The estimated results of the Enlarged Group if the acquisition had been made at the beginning of the accounting year, 1 May 2015, to 31 October 2015 would have been as follows:

Continuing	**$m**
Revenue	**604.5**
Profit for the period	**87.2**
Adjusted EBITDA	**270.4**
Underlying Adjusted EBITDA	**263.5**

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

Acquisition of TAG

On 20 November 2014, the Group acquired from Wizard Parent LLC ("Wizard"), TAG, a US Company based in Houston. The acquisition of TAG was made as this presented a rare opportunity to achieve a significant increase in the scale and breadth of Micro Focus, with the potential to deliver Total Shareholder Returns that are superior to those likely to be achieved on an organic basis.

The Company acquired the entire share capital of TAG, in exchange for the issue of 86.6m Consideration Shares to TAG's parent Company, Wizard. The value of the Consideration Shares allotted to Wizard was $1,386.2m.

Of the consideration of $1,386.2m, $13.5m was credited to share capital and $1,372.7m was credited to the merger reserve. The Group qualifies for merger accounting under S612 of the Companies Act 2006.

The acquisition of TAG was classified as a reverse takeover under the London Stock Exchange Listing Rules. Under the completion of the acquisition the listing on the premium listing segment of the Official List of all the Existing Ordinary Shares was cancelled and application was made for the immediate readmission of those Existing Ordinary Shares and the admission of the Consideration Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. The relisting fees incurred by the Group were $723,000.

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

Notes to the consolidated interim financial statements (unaudited)

23. Business combinations (continued)

Acquisition of TAG (continued)

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

	Carrying value at acquisition	Fair value adjustments	Hindsight period adjustments	Fair value
	$'000	$'000	$'000	$'000
Goodwill	906,052	(906,052)	-	**-**
Intangible assets – purchased [1]	214,222	913,410	-	**1,127,632**
Intangible assets – other [3]	17,282	(5,519)	-	**11,763**
Property, plant and equipment	25,965	-	-	**25,965**
Assets held for sale	888	-	-	**888**
Investment in associates	15,689	-	-	**15,689**
Long-term pension assets	15,472	-	3,917	**19,389**
Other non-current assets	4,952	-	-	**4,952**
Deferred tax assets	204,566	(13,334)	(960)	**190,272**
Non-current assets	**1,405,088**	**(11,495)**	**2,957**	**1,396,550**
Inventories	16	-	**-**	**16**
Trade and other receivables	158,226	-	**-**	**158,226**
Current tax recoverable	10,857	-	(2,942)	**7,915**
Cash and cash equivalents	165,946	-	**-**	**165,946**
Current assets	**335,045**	**-**	**(2,942)**	**332,103**
Trade and other payables [4,]	(205,806)	3,344	(1,626)	**(204,088)**
Borrowings	(1,294,726)	-	-	**(1,294,726)**
Short-term provisions	(8,852)	-	(677)	**(9,529)**
Short-term deferred income [2]	(433,261)	29,367	-	**(403,894)**
Current liabilities	**(1,942,645)**	**32,711**	**(2,303)**	**(1,912,237)**
Long-term deferred income [2]	(203,519)	13,301	**-**	**(190,218)**
Long-term provisions	(2,614)	-	**-**	**(2,614)**
Retirement benefit obligations	(31,257)	-	**-**	**(31,257)**
Other non-current liabilities	(9,406)	-	**-**	**(9,406)**
Deferred tax liabilities [5]	(50,749)	(260,313)	(3,295)	**(314,357)**
Non-current liabilities	**(297,545)**	**(247,012)**	**(3,295)**	**(547,852)**
Non-controlling interest	(1,281)	-	**-**	**(1,281)**
Net liabilities acquired	**(501,338)**	**(225,796)**	**(5,583)**	**(732,717)**
Goodwill (note 13)				**2,118,933**
Consideration				**1,386,216**
Consideration satisfied by :				
Shares				**1,386,216**

Trade and other receivables is net of a bad debt provision of $124,000.

The fair value adjustments relate to:

1 Purchase intangible assets have been valued based on a market participant point of view and the fair value has been based on various characteristics of the product lines and intangible assets of TAG;
2 Deferred income has been valued taking account of the remaining performance obligations;
3 Other intangible assets relating to development costs have been written down to nil;
4 Deferred rent within 'Trade and other payables' has been reassessed; and
5 A deferred tax liability has been established relating to the purchase intangibles.

As at 31 October 2015 the hindsight adjustments that have been identified are long-term pension assets, accruals and legal provisions. The valuation of long term pension assets was reassessed, additional accruals were identified and additional legal provisions were made relating to a claim. The tax impact of these adjustments has been included. The valuation of current and deferred tax balances has also been reassessed.

Notes to the consolidated interim financial information

Independent review report to Micro Focus International plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Micro Focus International plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Micro Focus International plc for the 6 month period ended 31 October 2015. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated statement of financial position as at 31 October 2015;
- the Consolidated statement of comprehensive income for the period then ended;
- the Consolidated statement of cash flow for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

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.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
10 December 2015

a) The maintenance and integrity of the Micro Focus International plc 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 interim 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.