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MICRO FOCUS INTERNATIONAL PLC

"Unlocking the Value of Legacy"

Interim Results For The Six Months To 31 October 2005

London, 1 December 2005 - Micro Focus International plc ("Micro Focus" or "the Company"; LSE MCRO.L), the software company, announces its interim results for the six months ended 31 October 2005.

Micro Focus software enables its customers to reuse their existing or "legacy" IT assets in modern contexts, rather than having to replace them, enabling them to reduce costs, increase agility and reduce risk by unlocking the business value within their legacy systems.

Key Highlights

- Results for the six months in line with revised management expectations
- Turnover increased 3.3% to US$72.9m (2004: US$70.5m)
- Operating Profit decreased 24.0% to US$13.7m (2004: US$18.0m)
- Operating profit excluding non-recurring IPO related costs* increased by 3.0%
- EBITDA decreased 23.1% to US$14.6m (2004: US$18.9m)
- Adjusted EBITDA decreased 6.2% to US$20.5m (2004: US$21.9m)
- Basic earnings per share decreased 32.4% to 4.7 cents (2004: 6.9 cents)
- Interim dividend of 2 cents per share
- Nick Bray becomes Chief Financial Officer, effective 1 February 2006

** Refers to non-recurring costs of US$6.5m relating to the IPO and associated corporate restructuring*

Commenting on the results, Tony Hill, Chief Executive Officer of Micro Focus, said:

"These results are consistent with our assessment of the performance of the Company at the time of our trading statement on 7 September 2005. Since that time, we have made good progress towards resolving the sales execution issues we identified during the period. The Board continues to expect the Company to deliver mid-single digit revenue growth for the full year on a constant currency basis.

During the period, we have won strategic customer contracts and forged stronger relationships with partners. The Board is confident that the Company's strategy and partner-centric model are appropriate for today's market. We are positive about the prospects of the Company and continue to build Micro Focus for profitable, long term growth."

press release

Operating and Financial Review

Overview

A weaker than usual August led to revenues for the first four months of the current financial year being below our expectations. A detailed review was immediately undertaken and a trading statement was made on 7 September 2005, updating the market on the implications for the full year. We acted quickly to identify the issues behind the revenue shortfall and took action to rectify them. We are pleased to report positive progress and that results for the first six months are in line with our revised expectations.

Basis of Preparation

Micro Focus listed on the main market of the London Stock Exchange on 17 May 2005 ("the IPO"). The Company acquired the entire issued share capital of Micro Focus International Limited ("the Operating Company") on 17 May 2005, immediately prior to the IPO. The results published herein represent the combined results for the Operating Company and its subsidiaries for the period from 1 May 2005 to 16 May 2005 together with the results for the results for the Company and its subsidiaries for the period from 17 May 2005 to 31 October 2005. The combined results for the two entities for the total six-month period from 1 May 2005 to 31 October 2005 have therefore been presented as a single set of figures, prepared in accordance with IFRS.

Results of Operations

The Company's consolidated financial statements were prepared in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP") until 30 April 2005. UK GAAP differs in some areas from IFRS. In preparing these interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements to comply with IFRS. The comparative figures in respect of the six months ended 31 October 2004 and the year ended 30 April 2005 were restated to reflect these adjustments.

Turnover

Turnover for the six months to 31 October 2005 increased by 3.3% (constant currency: 3.2%) to $72.9m (2004: $70.5m). The directors consider there to be only one class of business being the provision of legacy application development and deployment software for contemporary platforms. Therefore, only geographical segmental analysis is provided below.

Geographical analysis	**Six months ended 31 October 2005** $'000	**Six months ended 31 October 2004** $'000	**Year ended 30 April 2005** $'000
North America	35,023	35,943	73,173
Europe and the Middle East	25,740	25,029	57,365
Rest of the World	12,096	9,570	20,107
Total	**72,859**	**70,542**	**150,645**

North America

Total turnover decreased by $0.9m or 2.6% due to a decrease in license fee revenue during the period. Recurring revenue provided by partners and the strong support customer base continued to show growth.

Europe and the Middle East
Total turnover increased by $0.7m or 2.8%, driven by strong growth in maintenance fee revenue, more than offsetting the fall in license fee income.

Rest of the World
Total turnover increased by $2.5m. Both Japan and Australia have exhibited double-digit growth.

Cost of sales
Cost of sales for the six months to 31 October 2005 increased by 8.7% to $6.5m (2004: $6.0m). The increase in cost of sales was principally driven by higher consultancy costs resulting from stronger consultancy revenues.

Operating profit and EBITDA
Operating profit decreased 24.0% to $13.7m (2004: $18.0m). However, operating profit excluding non-recurring costs highlighted below increased by 3.0% to $20.1m for the same period (2004: $19.5m).

EBITDA for the six months to 31 October 2005 decreased by 23.1% to $14.6m (2004: $18.9m). Adjusted EBITDA decreased by 6.2% to $20.5m (2004: $21.9m). The reductions were principally due to an increase in selling and distribution costs resulting from restructuring to maximize sales and profitability.

The difference between the increase in adjusted operating profit and the decrease in adjusted EBITDA is due mainly to the swing in share-based compensation, the effect of which ($1.9m) has been excluded from the calculation of adjusted EBITDA.

Below shows a table reconciling operating profit to EBITDA and adjusted EBITDA

	Six months ended 31 October 2005 $'000	**Six months ended 31 October 2004** $'000	**Year ended 30 April 2005** $'000
Operating profit	**13,657**	**17,967**	**40,914**
Depreciation	475	508	1,005
Amortisation	426	465	1,099
Earnings before interest tax depreciation and amortisation (EBITDA)	**14,558**	**18,940**	**43,018**
Share based compensation	(500)	1,373	3,581
Non recurring costs:			
Early termination of Management fees on IPO	4,683	-	-
Management fees	-	600	1,200
IPO and reorganisation costs	1,775	965	2,194
Adjusted EBITDA	**20,516**	**21,878**	**49,994**

Tax on profit on ordinary activities
Tax on profit on ordinary activities for the six months to 31 October 2005 decreased to $3.9m (2004: $5.7m). The decrease is principally attributable to a lower effective tax rate in the current year, as well as lower taxable income due to the non-recurring items incurred this year.

Profit after tax
Profit on ordinary activities after tax for the six months to 31 October 2005 decreased by 10.5% to $9.0m (2004: $10.1m).

Dividends
The Board has approved the payment of a dividend to the holders of record as of 6 January 2006 in the amount of $0.02 per share in anticipation of meeting a dividend policy of 2.5 times dividend cover on a normalised earnings basis. UK and other non-US shareholders will receive an equivalent sterling amount at the payment date of 31 January 2006.

Cash flow
For the six months to 31 October 2005, the Company generated a net cash inflow from operating activities of $10.3m (2004: $23.0m). The decrease in net cash inflow was primarily driven by non-recurring costs incurred in relation to the IPO.

Funds generated as a result of the IPO ($110.5m), have enabled us to pay-off in full our outstanding loans. As at 31 October 2005, the Group had cash and cash equivalents of $38.9m.

Customers
Organisations continue to face the challenge of reducing costs and increasing agility while limiting organisational risk. As much as 80% of an organisation's software budget may be used to maintain and operate legacy applications which have traditionally been too inflexible to integrate with one another or with newer technologies. The lower cost of contemporary platforms combined with technical advances, in areas such as security, flexibility and scalability, and the emergence of enabling technologies, such as web services and service-oriented architectures, has driven many organisations to look for ways to re-use their legacy investments.

Given this backdrop, our complementary solution set of "Lift and Shift" and "Leverage and Extend" is very relevant. Our products enable organisations to improve their development infrastructure and to extend legacy applications to new users and to move them to contemporary platforms.

The market has also begun to view our products as being complementary, giving us the opportunity to sell a variety of products to customers to meet a broad range of needs. For example, BlueCross BlueShield, the health insurance provider, signed a large contract with us, specifically enabling them to deploy our entire product portfolio.

In addition to BlueCross BlueShield other significant reengagement contracts signed in the first six months included AMB Generali, and AXA. A number of existing customers also announced successful migrations of key applications using our software including the US Army, Lombard Insurance, Express Newspapers and Solcorp (a subsidiary of EDS).

Partners
Micro Focus believes that its partnerships are fundamental to its ability to develop, market and distribute its products. Micro Focus' partner-centric strategy focuses on leveraging its relationships to expand its distribution network cost effectively and accelerate the market penetration of its products. Specifically, within our partner network, System Integrators (SIs) are key to delivering our products to customers.

We are pleased with the continued good progress we have made with smaller, local SIs, and have achieved a steady revenue stream from this partner sector throughout the first half of the year. In the case of larger, global SIs, while we have made good progress in building our network of partners, as mentioned in the trading statement on 7 September 2005 the revenue contribution from this part of our sales channel has been slower than anticipated. Given the size and nature of these organisations, we do not anticipate significant incremental revenue to be achieved from our larger SI partners during the current financial year. We continue to work hard on strengthening and expanding these relationships and are making good progress.

Sales Execution
In our September trading statement, we discussed significant disruptions within the sales–force, which had delayed a planned expansion of the sales team. These disruptions included the major restructuring, now completed, of two European country teams and several replacement hires in the United States. While a very small number of non-critical sales positions have yet to be filled, we are now near budgeted head-count. In addition, we now have a full senior sales management team in operation focused on pipeline development, plus new regional managers in the restructured European teams. Our new salespeople will become increasingly productive in the coming six months.

Our Board and People

Having played a key role in the Micro Focus success story from the sale of the business by MERANT Plc in August 2001 through to the Company's subsequent IPO earlier this year, Richard Lloyd, our current Chief Financial Officer, has decided to step down. We are pleased to announce today the appointment of Nick Bray as our new Chief Financial Officer with effect from 1 February 2006. Nick (aged 40) is the Group Finance Director of Fibernet Group Plc. Richard has agreed to remain working for Micro Focus during a handover period.

Outlook

These results are consistent with our assessment of the performance of the Company at the time of our trading statement on 7 September 2005. Since that time we have made good progress towards resolving the sales execution issues we identified during the period. The Board continues to expect the Company to deliver mid-single digit revenue growth for the full year on a constant currency basis.

During the period we have won strategic customer contracts and forged stronger relationships with partners. The Board is confident that the Company's strategy and partner-centric model are appropriate for today's market. We are positive about the prospects of the Company and continue to build Micro Focus for profitable, long term growth.

Micro Focus International plc
Consolidated income statement (unaudited)

	Six months ended 31 October 2005	Six months ended 31 October 2004	Year ended 30 April 2005
	$'000	$'000	$'000
Turnover	**72,859**	**70,542**	**150,645**
Amortisation of development costs	(2,508)	(2,419)	(4,587)
-Other cost of sales	(4,000)	(3,569)	(6,327)
Total cost of sales	(6,508)	(5,988)	(10,914)
Gross profit	**66,351**	**64,554**	**139,731**
Selling and distribution costs	(24,374)	(22,584)	(48,105)
Research and development	(8,717)	(8,847)	(17,598)
Early termination of management fees on IPO	(4,683)	-	-
Management fees	-	(600)	(1,200)
Reorganisation costs	(1,775)	(965)	(2,194)
Share-based compensation credit (charge)	500	(1,373)	(3,581)
Other administrative expenses	(13,645)	(12,218)	(26,139)
Total administrative expenses	(19,603)	(15,156)	(33,114)
Operating profit	**13,657**	**17,967**	**40,914**
Interest payable and similar charges	(1,158)	(2,400)	(8,656)
Interest receivable and similar income	362	177	382
Profit before tax	**12,861**	**15,744**	**32,640**
Taxation	(3,858)	(5,689)	(11,597)
Profit for the period	**9,003**	**10,055**	**21,043**
Earnings per share expressed in cents per share			
- basic	4.66	6.90	14.28
- diluted	4.61	6.73	13.98
Earnings per share expressed in pence per share			
- basic	2.61	3.80	7.67
- diluted	2.58	3.70	7.51

Micro Focus International plc
Consolidated balance sheet (unaudited)

	31 October 2005	31 October 2004	30 April 2005
	$'000	$'000	$'000
ASSETS			
Non current assets			
Goodwill	42,404	42,404	42,404
Intangible assets	7,753	7,164	8,084
Property, plant and equipment	2,236	1,916	2,277
Deferred tax assets	7,748	9,090	8,331
	60,141	**60,574**	**61,096**
Current assets			
Inventories	259	463	350
Trade and other receivables	36,321	31,509	50,244
Cash and cash equivalents	38,846	30,370	32,870
	75,426	**62,342**	**83,464**
Total assets	**135,567**	**122,916**	**144,560**
LIABILITIES			
Current liabilities			
Trade and other payables	53,440	53,742	71,192
Current tax liabilities	14,299	8,550	11,972
Financial liabilities – borrowings	-	7,500	8,010
	67,739	**69,792**	**91,174**
Non-current liabilities			
Other non-current liabilities	5,915	5,551	7,059
Deferred tax liabilities	7,748	7,183	7,748
Financial liabilities - borrowings	-	107,500	103,240
	13,663	**120,234**	**118,047**
Net assets (liabilities)	**54,165**	**(67,110)**	**(64,661)**
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called up share capital	9,510	1	1
Share premium	104,475	3,363	3,376
Accumulated losses	(58,838)	(70,613)	(67,869)
Other reserves	(982)	139	(169)
Total shareholders' equity (deficit)	**54,165**	**(67,110)**	**(64,661)**

Micro Focus International plc
Consolidated cash flow statements (unaudited)

	Six months ended 31 October 2005	Six months ended 31 October 2004	Year ended 30 April 2005
	$'000	$'000	$'000
Cash flows from operating activities			
Profit for the period	9,003	10,055	21,043
Adjustments for			
Interest and similar charges	796	2,223	8,274
Taxation	3,858	5,689	11,597
Depreciation	480	518	1,024
Amortisation of intangibles	2,934	2,883	5,687
Compensation share-option charge	(500)	1,373	3,581
Changes in working capital			
Inventories	91	(151)	(38)
Trade and other receivables	13,923	6,416	(12,317)
Trade and other payables	(17,752)	(2,306)	15,610
Cash generated from continuing operations	**12,833**	**26,700**	**54,461**
Interest received	365	138	379
Interest paid	(1,829)	(2,361)	(7,926)
Tax paid	(1,074)	(1,512)	(2,368)
Net cash inflow from operating activities	**10,295**	**22,965**	**44,546**
Cash flows from investing activities			
Purchase of intangible assets	(2,604)	(2,453)	(6,176)
Purchase of tangible fixed assets	(440)	(440)	(1,329)
Proceeds on disposal of tangible fixed assets			23
Net cash outflow from investing activities	**(3,044)**	**(2,893)**	**(7,482)**
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	110,500	492	506
Net proceeds from issue of new bank loan	-	54,250	50,500
Repayment of borrowings	(111,250)	-	-
Dividends paid to shareholders	-	(68,800)	(78,800)
Net cash outflow from financing	**(750)**	**(14,058)**	**(27,794)**
Effects of changes in exchange rates	(525)	(64)	(820)
Net increase in cash and cash equivalents	**5,976**	**5,950**	**8,450**
Cash and cash equivalents at beginning of period	32,870	24,420	24,420
Cash and cash equivalents at end of period	**38,846**	**30,370**	**32,870**

Micro Focus International plc
Statement of Changes in Shareholders' Equity (unaudited)

	Share Capital	Share Premium	Accumulated Losses	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2004	**1**	**2,871**	**(13,156)**	**118**	**(10,166)**
Currency translation differences	-	-	-	21	21
Profit for the period	-	-	10,055	-	10,055
Dividends	-	-	(68,800)	-	(68,800)
Value of share options issued under Employee Option Plan	-	-	1,288	-	1,288
Issue of share capital	-	357	-	-	357
Receivable from shareholder	-	135	-	-	135
Balance as of 31 October 2004	**1**	**3,363**	**(70,613)**	**139**	**(67,110)**
Currency translation differences	-	-	-	(308)	(308)
Profit for the period	-	-	10,988	-	10,988
Dividends	-	-	(10,000)	-	(10,000)
Value of share options issued under Employee Option Plan	-	-	1,756	-	1,756
Issue of share capital	-	13	-	-	13
Balance as of 30 April 2005	**1**	**3,376**	**(67,869)**	**(169)**	**(64,661)**
Currency translation differences	-	-	-	(813)	(813)
Profit for the period	-	-	9,003	-	9,003
Value of share options issued under Employee Option Plan	108	-	28	-	136
Issue of share capital	9,401	101,099	-	-	110,500
Balance as of 31 October 2005	**9,510**	**104,475**	**(58,838)**	**(982)**	**54,165**

Notes

1) Basis of preparation

These interim financial statements have been prepared in accordance with the accounting policies the company expects to be applicable at 30 April 2006 and the interpretation of those accounting standards underlying the accounting policies. As listed companies in a large number of countries are adopting IFRS for the first time, there is limited established practice upon which to draw in matters of interpretation and application. Furthermore it is possible that new standards and new interpretations may be issued which could affect the group. These figures may therefore require amendment, to change the basis of accounting or presentation of certain financial information, before the inclusion of the IFRS financial statements for the year ended 30 April 2006, when the group prepares its first complete set of IFRS financial statements. The interim financial statements have been issued in accordance with the Listing Rules of the United Kingdom Listing Authority.

Micro Focus International plc's consolidated financial statements were prepared in accordance with the United Kingdom Generally Accepted Accounting Principles ("UK GAAP") until 30 April 2005. UK GAAP differs in some areas from IFRS. In preparing these interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its net income and cash flows are provided in Note 7.

These interim financial statements have been prepared under the historical cost convention.

The preparation of financial statements requires the estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates.

A full disclosure of accounting policies of the company as were applicable under UK GAAP are available in the Annual Report for the year ended 30 April 2005. The major differences in accounting policies under IFRS are described in note 7.

Copies of the interim results for the six months ended 31 October 2005 are being sent to all shareholders. Details can also be found on the company's website at www.microfocus.com. Further copies of the interim results and copies of the accounts for the year ended 30 April 2005 can be obtained by writing to the Company Secretary, Micro Focus International plc, Old Bath Road, Newbury, Berkshire, RG14 1QN.

This announcement was approved by the Board of Micro Focus International plc on 29 November 2005.

2) Functional currency

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

3) Bank and other borrowings

On 20 May 2005 the outstanding debt of $112.0m owed by the Company to Wells Fargo Foothill, Inc. and DB Zwirn Special Opportunities Fund was repaid in full.

4) Earnings per share (unaudited)

The calculation of basic earnings per share has been based on the earnings attributable to ordinary shareholders of the Operating Company and the weighted average number of shares for each period. This is after taking account of the restructuring of the share capital of the Operating Company, which resulted in the previous shareholders of the Operating Company receiving three ordinary shares in the Company for every one ordinary share they previously held in the Operating Company. The weighted average number of shares used in the calculation was 192,990,520 (31 October 2004: 145,645,796; 30 April 2005:147,374,733).

The diluted earnings per share have been calculated after taking account of the share options. The weighted average number of shares used in the calculation was 195,394,825 (31 October 2004: 149,421,036; 30 April 2005: 150,537,213).

5) Segmental information (unaudited)

Geographical analysis	**Six months ended 31 October 2005** $'000	**Six months ended 31 October 2004** $'000	**Year ended 30 April 2005** $'000
North America	35,023	35,943	73,173
Europe and the Middle East	25,740	25,029	57,365
Rest of the World	12,096	9,570	20,107
Total	**72,859**	**70,542**	**150,645**

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

6) Supplemental information (unaudited)

Set out below is an analysis of turnover recognised between the principal product categories, which the directors use to assess the future revenue flows from the current portfolio of customers.

Turnover	Six months ended 31 October 2005 $'000	Six months ended 31 October 2004 $'000	Year ended 30 April 2005 $'000
License fees	35,160	36,884	79,860
Maintenance fees	35,388	31,842	66,705
Consultancy fees	2,311	1,816	4,080
Total	**72,859**	**70,542**	**150,645**

7) Reconciliation of net assets and profit under UK GAAP to IFRS (unaudited)

Micro Focus International plc previously reported under UK GAAP in its previously published financial statements for the year ended 30 April 2005. The analyses below show reconciliations of net assets and profit under UK GAAP to IFRS.

	Six months ended 31 October 2005	Six months ended 31 October 2004	Year ended 30 April 2005
	$'000	$'000	$'000
Operating profit under UK GAAP	**11,528**	**16,114**	**35,924**
Change in amortization period of goodwill	1,884	1,884	3,768
Capitalisation of software development	2,753	2,388	5,809
Amortisation of software development	(2,508)	(2,419)	(4,587)
Operating profit under IFRS	**13,567**	**17,967**	**40,914**
Net profit under UK GAAP	**7,396**	**8,851**	**17,549**
Change in amortization period of goodwill	1,884	1,884	3,768
Capitalisation of software development	2,753	2,388	5,810
Amortisation of software development	(2,508)	(2,419)	(4,587)
Deferred tax assets	(522)	(649)	(1,497)
Net profit under IFRS	**9,003**	**10,055**	**21,043**

7) Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

	1 May 2004			31 October 2004			30 April 2005		
ASSETS	UK GAAP ($'000)	Effect of transition to IFRS ($'000)	IFRS ($'000)	UK GAAP ($'000)	Effect of transition to IFRS ($'000)	IFRS ($'000)	UK GAAP ($'000)	Effect of transition to IFRS ($'000)	IFRS ($'000)
Non current assets									
Goodwill	42,404	-	42,404	40,520	1,884	42,404	38,636	3,768	42,404
Intangible assets	-	7,628	7,628	-	7,164	7,164	-	8,084	8,084
Property, plant and equipment	4,115	(2,155)	1,960	3,637	(1,721)	1,916	3,667	(1,390)	2,277
Deferred tax assets	-	8,837	8,837	-	9,090	9,090	-	8,331	8,331
Current assets									
Inventories	312	-	312	463	-	463	350	-	350
Trade and other receivables	37,925	-	37,925	31,509	-	31,509	50,244	-	50,244
Deferred tax asset	5,998	(5,998)	-	4,767	(4,767)	-	3,722	(3,722)	-
Cash and cash equivalents	24,420	-	24,420	30,370	-	30,370	32,870	-	32,870
Total assets	**115,174**	**8,312**	**123,486**	**111,266**	**11,650**	**122,916**	**129,489**	**15,071**	**144,560**
LIABILITIES									
Current liabilities									
Trade and other payables	53,736	-	53,736	53,742	-	53,742	71,192	-	71,192
Current tax liabilities	9,821	-	9,821	9,120	(570)	8,550	11,972	-	11,972
Financial liabilities – borrowings	10,097	-	10,097	7,500	-	7,500	8,010	-	8,010
	73,654	**-**	**73,654**	**70,362**	**(570)**	**69,792**	**91,174**	**-**	**91,174**
Non-current liabilities									
Deferred tax liabilities	-	4,481	4,481	-	7,183	7,183	-	7,748	7,748
Other non-current liabilities	5,480	-	5,480	5,551	-	5,551	7,059	-	7,059
Financial liabilities - borrowings	50,037	-	50,037	107,500	-	107,500	103,240	-	103,240
	55,517	**4,481**	**59,998**	**113,051**	**7,183**	**120,234**	**110,299**	**7,748**	**118,047**
Net assets (liabilities)	**(13,997)**	**3,831**	**(10,166)**	**(72,147)**	**5,037**	**(67,110)**	**(71,984)**	**7,323**	**(64,661)**
SHAREHOLDERS' EQUITY									
Capital and reserves									
Called up share capital	1	-	1	1	-	1	1	-	1
Share premium	2,871	-	2,871	3,363	-	3,363	3,376	-	3,376
Accumulated losses	(16,987)	3,831	(13,156)	(75,650)	5,037	(70,613)	(75,192)	7,323	(67,869)
Other reserves	118	-	118	139	-	139	(169)	-	(169)
Total shareholders' equity (deficit)	**(13,997)**	**3,831**	**(10,166)**	**(72,147)**	**5,037**	**(67,110)**	**(71,984)**	**7,323**	**(64,661)**

7) Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

	Six months ended 31 October 2004			Year ended 30 April 2005		
	UK GAAP ($'000)	Effect of transition to IFRS ($'000)	IFRS ($'000)	UK GAAP ($'000)	Effect of transition to IFRS ($'000)	IFRS ($'000)
Turnover	70,542	-	70,542	150,645	-	150,645
Amortisation of development costs	-	(2,419)	(2,419)	-	(4,587)	(4,587)
Other cost of sales	(3,569)	-	(3,569)	(6,327)	-	(6,327)
Cost of Sales	(3,569)	(2,419)	(5,988)	(6,327)	(4,587)	(10,914)
Gross Profit	**66,973**	**(2,419)**	**64,554**	**144,318**	**(4,587)**	**139,731**
Selling and distribution costs	(22,584)	-	(22,584)	(48,105)	-	(48,105)
Research and development	(11,235)	2,388	(8,847)	(23,407)	5,810	(17,598)
Management fees	(600)	-	(600)	(1,200)	-	(1,200)
Reorganisation costs	(965)	-	(965)	(2,194)	-	(2,194)
Share-based compensation credit (charge)	(1,373)	-	(1,373)	(3,581)	-	(3,581)
Other administrative expenses	(14,102)	1,884	(12,218)	(29,907)	3,768	(26,139)
Total administrative expenses	(17,040)	1,884	(15,156)	(36,882)	3,768	(33,114)
Operating profit	16,114	1,853	17,967	35,924	4,991	40,914
Net interest payable	(2,223)		(2,223)	(8,274)	-	(8,274)
Profit before tax	13,891	1,853	15,744	27,650	4,991	32,640
Taxation	(5,040)	(649)	(5,689)	(10,101)	(1,497)	(11,597)
Profit for the period	8,851	1,204	10,055	17,549	3,494	21,043

7) Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Explanation of reconciling differences between UK GAAP and IFRS

(a) The goodwill arising from the acquisition of the Operating Group from Merant Plc was previously amortised under UK GAAP on a straight line basis over its estimated useful economic life of 14 years. As at 1 May 2004 the net book amount under UK GAAP was adopted as the opening cost under IFRS. This goodwill is no longer amortised, but is subject to reviews for impairment. As goodwill was a permanent difference for tax purposes under UK GAAP a corresponding deferred tax asset was created under UK GAAP. This will therefore also be a difference under IFRS.

(b) Development costs were previously expensed through the profit and loss accounts, as permitted by UK GAAP. In accordance with IAS 38, development costs that meet certain criteria, must be capitalised and amortised over the useful economic life to which they relate. The creation of this intangible will also represent a timing difference under IFRS that leads to a corresponding deferred tax liability. This will therefore also be a difference under IFRS.

(c) Purchased computer software costs were previously recorded as property, plant and equipment, as permitted by UK GAAP. In accordance with IAS 38, all purchased computer software is recorded as an intangible asset.

Explanation of material adjustments to the cash flow statement for the period ended 31 October 2005

Amounts paid for capitalized development costs during the period ended 31 October 2005 are classified as part of cash flows from investing activities under IFRS, but were included as part of operating cash flows under UK GAAP. Cash and cash equivalents includes short-term deposits of $5.21m under IFRS, under UK GAAP the same has been included in the management of liquid resources category. There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

Review report on interim financial information.

Independent review report to Micro Focus International Plc

Introduction

We have been instructed by the company to review the financial information which comprises the consolidated balance sheet, the consolidated income statement, the statement of changes in shareholders' equity, the consolidated cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
30 November 2005