27 June 2008

Micro Focus International plc
Preliminary results for the full year to 30 April 2008

Micro Focus reports substantial increase in revenue, profits and dividend

Micro Focus International plc ("Micro Focus", "the Company" or “the Group”, LSE: MCRO.L) announces preliminary results for the year to 30 April 2008. All figures are in US$.

Key highlights

- Revenue up 33% to $228.2m (2007: $171.6m)
  - 15% organic revenue growth at constant currencies for the full year
- Adjusted EBITDA* up 36% to $88.5m (2007: $65.3m)**
  - 38.8% Adjusted EBITDA margin, up from 38.0% last year
- Adjusted operating profit* up 36% to $86.6m (2007: $63.5m)
- Adjusted profit before tax* up 34% to $88.6m (2007: $66.2m)
- Adjusted earnings per share* up 32% to 32.08 cents (2007: 24.38 cents)***
- Cash generated from continuing operations $96.2m (2007: $58.2m)
- Cash balance as at 30 April 2008 of $92.4m (30 April 2007: $85.0m)
- Final proposed dividend of 9.4 cents per share; total dividend for the year up 30% to 13 cents per share (2007: 10 cents per share)

Statutory results

- EBITDA** $80.7m (2007: $59.6m)
- Operating profit $74.8m (2007: $57.3m)
- Profit before tax $76.8m (2007: $60.0m)
- Basic earnings per share 27.67 cents (2007: 21.96 cents)***

* In assessing the performance of the business the directors use “Adjusted EBITDA”, “Adjusted operating profit”, “Adjusted profit before tax” and “Adjusted earnings per share”, being the relevant statutory measures, prior to exceptional items, amortisation of purchased intangibles and share based compensation. Exceptional items, share based compensation and amortisation of purchased intangibles are detailed in note 6.
** EBITDA and Adjusted EBITDA are reconciled to operating profit in note 6
*** Earnings per share and Adjusted earnings per share are detailed in note 8

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

"I am delighted to report strong financial results for the year, where we have once again successfully executed ahead of our initial expectations and furthered our strategic aims, with progress achieved in all geographies. In addition, we completed and successfully integrated the acquisition of Acucorp in the year.

Micro Focus benefits from having a business model with a high proportion of predictable and recurring revenue. Our solutions reduce cost, minimise risk, and provide clear and compelling returns on investment for our customers. Whilst we recognise the current uncertain macro economic conditions, the defensive characteristics of our business model, combined with the relevance and compelling nature of our solutions lead us to view 2009 with confidence. Our ambition is to achieve double digit organic revenue growth, at constant currencies, over the longer term, whilst maintaining our EBITDA margin.

A robust and sustainable market exists to support our growth strategy. Our key focus remains on organic growth although we continue to review the potential for further acquisitions to enhance the value of our business as evidenced by the recent acquisition of NetManage in June 2008.”

press release

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About Micro Focus
Micro Focus, a member of the FTSE 250, provides innovative software that allows companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernisation and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk. For additional information please visit www.microfocus.com.

Chairman's statement

Micro Focus has delivered another year of strong financial results, achieving significant organic revenue growth whilst improving our profit margins. Our acquisition also delivered very positive results. We successfully integrated Acucorp, a company acquired in May 2007. Revenue and profits from this acquisition were both ahead of our initial expectations. On 18 June, we completed the acquisition of NetManage Inc.

Our ambition is to maintain double digit organic revenue growth, at constant currencies, over the long term. We will complement our organic growth plan with compelling acquisitions that provide a positive impact on shareholder value when the right opportunities arise.

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

The Board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus and I am pleased to announce a proposed final dividend of 9.4 cents per share, giving a full year dividend of 13.0 cents per share This represents a 30% increase when compared to a full year dividend of 10.0 cents last year.

We finished the year with cash of $92.4m, and generated $96.2m of cash from continuing operations during the year. Our business model has low ongoing capital requirements and delivers strong cash generation. During the year, $47.4m of cash was used to fund the acquisition and restructuring of Acucorp. Since the year end we have announced the acquisition of NetManage for $73.3m. NetManage's cash balance immediately prior to closing was $27.9m.

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

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

Kevin Loosemore, Chairman

Chief Executive Officer's statement

For over 30 years, Micro Focus has influenced and innovated in the Enterprise Applications market and we have built up a leading position in the Enterprise Application Modernisation market. Major corporations are increasingly becoming aware that it is possible to obtain all of the required business benefits through modernising existing applications, as opposed to implementing the high risk and costly alternative of rewriting these applications or replacing them with a packaged solution with little additional business benefit.

Micro Focus technologies and solutions are a driving force behind the day to day business success of many of the largest companies in the world, helping these organizations achieve competitive differentiation through modern, efficient and low cost platforms. This proposition is particularly relevant against the backdrop of the uncertain economic outlook.

Execution

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

Since the year end, the management team has been further strengthened with the appointment of Paul Rodgers as Worldwide Human Resources Director in May 2008 and Marc Andrews as Executive Vice President, Sales and Marketing in June 2008. Both individuals are highly experienced in the software industry.

The sales team has been further strengthened and we will continue to invest to drive the business forward. It has been particularly encouraging to see the improved performance in our North American operation as well as continued excellent performances from our Europe and Rest of World operations.

We continue to refine our marketing and delivery capabilities with a firm focus on developing senior level contacts within our target customers. With significant momentum building around the "modernisation message" it has been encouraging to see the company establish itself as a thought leader in this area.

While organic revenue growth is our primary focus, our strategy review, carried out in the six months to October 2006, highlighted the potential for further profitable revenue growth through acquisitions. On 4 May 2007, we acquired Acucorp for $40.9m. Acucorp provides technology that is highly complementary to Micro Focus' core business in the COBOL Development Tool space as well as providing the opportunity for Micro Focus to expand its reach into the small and medium-sized enterprise ("SME") markets.

On 18 June 2008 we acquired NetManage, a software provider of technologies to transform core applications into new Web-based business solutions. Combining the businesses of Micro Focus and NetManage will further strengthen Micro Focus' position as a leading player in the fast growing, Application Modernisation market and provide the enlarged Group with further opportunities for growth through a more comprehensive and broader product offering. Due to the complementary nature of the two businesses from a market, product and financial perspective, we are well placed to deliver value from this acquisition and look forward to implementing the integration of the NetManage business.

We continue to invest in expanding our solution set as well as extending our partnerships with other technology companies, system integrators and outsourcers to take advantage of the considerable market opportunity open to us.

Summary and Outlook

We are encouraged by the progress made over the past year reflecting the strong fundamentals of the business.

Micro Focus benefits from having a business model with a high proportion of predictable and recurring revenue. Of licence revenues, which made up 49.7% of Group revenues in the year, the majority comes from high volume, low value transactions which are supplemented by larger value transactions, the size and volume of which we are seeing increase. Approximately one third of licence revenues come from royalties from other software companies, which provides additional predictability.

Maintenance revenues, which made up 45.6% of Group revenues in the year, are secure and robust. Maintenance revenue growth is driven by the retention of existing customers as well as the addition of new maintenance revenue associated with the sale of new licences. An encouraging performance in both of these areas in the year provides high levels of revenue visibility going forward. The smallest proportion of our revenue is derived from our consultancy services and it is intended that this revenue will remain a similar proportion of total revenue in the coming year.

Continued future revenue growth is largely dependent on driving licence sales. Our strategy review, undertaken in the six months to October 2006, identified the major growth opportunity around larger value licence fee transactions into the Global 2000 ("G2000") companies. It was encouraging that we again signed a number of these transactions in the year, including Boeing, Wal-Mart and RBS, carrying on from our success last year. Our pipeline of opportunity is strong and contains a number of such prospective new licence opportunities.

Our solutions reduce cost, lower risk, and provide clear and compelling returns on investment for our customers. Whilst we recognise the current uncertain macro economic conditions, the defensive characteristics of our business model, combined with the relevance and compelling nature of our solutions, lead us to view the current year with confidence. Our ambition is to achieve double digit organic growth, at constant currencies, over the longer term whilst maintaining our EBITDA margin.

A robust and sustainable market exists to support our growth strategy. Our key focus remains on organic growth although we continue to review the potential for further acquisitions to enhance the value of our business, as evidenced by the recent acquisition of NetManage in June 2008.

Stephen Kelly, Chief Executive Officer

Chief Financial Officer's review

Revenue for the year increased by 33% to $228.2m, adjusted operating profit increased by 36% to $86.6m, adjusted profit before tax increased by 34% to $88.6m and adjusted earnings per share increased by 32% to 32.08 cents per share.

In the report below we have provided detail of total revenue at actual exchange rates by both geography and revenue category. In addition, to facilitate comparison on a like for like basis we have also excluded the impact of exchange rate movements on revenue and the impact of current and prior year acquisitions.

All areas showed solid improvement driven by both organic growth and the impact of acquisitions. Revenue by geographic region at actual reported $ was as follows:

	2008		2007	
	$m	**%**	$m	%
North America	**96.5**	**42.3**	70.6	41.1
Europe and the Middle East	**96.0**	**42.1**	71.8	41.8
Rest of the World	**35.7**	**15.6**	29.2	17.1
Total revenue	**228.2**	**100.0**	171.6	100.0

Excluding the impact of exchange rate movements on revenue and the impact of current and prior year acquisitions, all geographic regions achieved solid growth as shown in the table below.

The new North American leadership team established in February 2007 has quickly developed credibility and delivered strong results with growth of 20.4%. Revenue from Europe and the Middle East increased by 13.4% and Rest of the World revenues increased 9.1%. With solid sales execution in our two largest territories, our focus now turns to the relatively untapped markets in our Rest of the World region, initially assessing opportunities in India and China.

	2008	2007	Growth
	$m	$m	%
North America	**85.7**	71.2	20.4
Europe and the Middle East	**82.8**	73.0	13.4
Rest of the World	**33.5**	30.7	9.1
Total Revenue (Pre-acquisition and pre currency)	**202.0**	174.9	15.5
Acquisitions	**26.2**	4.6	
Currency	**-**	(7.9)	
Total revenue	**228.2**	171.6	33.0

The leadership and execution capability of the "go to market" team has been continually strengthened. During the year we have put in place a new Country General Manager to run our German, Austrian and Swiss (DACH) region. We have hired forty five sales people and Marc Andrews who joined in June 2008 as Executive Vice President, Sales and Marketing.

Revenue for the year by category at actual reported $ was as follows:

	2008		2007	
	$m	**%**	$m	%
Licence fees	**113.3**	**49.6**	82.6	48.2
Maintenance fees	**104.2**	**45.7**	82.1	47.8
Consultancy fees	**10.7**	**4.7**	6.9	4.0
Total revenue	**228.2**	**100.0**	171.6	100.0

All revenue categories increased through both organic growth and acquisition. Excluding the beneficial impact of exchange rate movements and acquisitions, the Group's organic revenue growth at constant currency was 15.5% as shown in the table below.

	2008	2007	Growth
	$m	$m	%
Licence	**100.4**	84.5	18.8
Maintenance	**93.1**	84.5	10.1
Consulting	**8.5**	5.9	44.1
Total Revenue (Pre acquisition and pre currency)	**202.0**	174.9	15.5
Acquisitions	**26.2**	4.6	
Currency	**-**	(7.9)	
Total revenue	**228.2**	171.6	33.0

Organic licence fee revenue growth at constant currency was 18.8% driven by growth in our low value, high volume run rate business combined with improved sales of larger value transactions to larger enterprise customers. We define larger value transactions as those in excess of $0.5m. It is encouraging to see both the number and average value of these larger value transactions increasing year on year.

Organic maintenance revenue growth at constant currency was 10.1% reflecting the impact of solid licence fee sales combined with inflationary price increases.

Organic consulting revenue growth at constant currency showed a positive improvement as against the prior year driven by improved sales of higher value transactions to larger enterprise customers.

The recent acquisition of Hal and Acucorp added $26.2m of revenues in the year. Approximately half was from predictable and secure maintenance. As with our core business the substantial majority of the remaining revenue was from licence fee transactions, typically high volume, low value, robust and sustainable business predominantly from royalties from other software companies.

Costs

All comments below relate to costs at actual reported US$.

Cost of sales for the year increased by 24% to $22.6m. The costs in this category predominantly relate to our consulting and helpline support operations.

Selling and distribution costs increased by 39% to $63.2m. We have made significant investments in the sales and marketing functions to support growth and will continue to do so. This cost category represents approximately 28% of revenue and is expected to remain at a similar percentage of revenue for the year ahead.

Research and development expenses increased by 28% to $29.5m. We expect to maintain this cost category at approximately 13% of total revenue as we continue to enhance and expand our solution set to take advantage of the considerable market opportunity.

Excluding restructuring charges of $6.5m, administrative expenses increased by 39% to $31.6m. The increase in costs includes costs of the acquired businesses as well as expanding the Group's support functions to facilitate current and future growth. As the Group expands, our aim is reduce the cost of this function as a percentage of revenue as we leverage efficiencies of scale.

Currency Impact

An analysis of both revenue and costs as a percentage of the total by $ and other currencies is shown below. As the Euro has strengthened against the Dollar our revenue has improved as compared to the prior year. However with a higher percentage of costs in non dollar denominated currencies than revenues, as the dollar has weakened in the year, our expenses have increased proportionately faster than revenues. As a result, adjusted operating profit as reported in $ was not materially different pre or post currency adjustments.

	Revenue analysis by major currency %	Cost analysis by major currency %
US$	**49.5**	29.8
Other	**50.5**	70.2
Total revenue	**100.0**	100.0

Operating profit

Operating profit for the year was $74.8m (2007: $57.3m). Adjusted operating profit increased by 36% to $86.6m (2007: $63.5m), the improvement being driven by increased revenue and an improvement in margins.

Adjusted EBITDA

Adjusted EBITDA increased by 36% to $88.5m (2007: $65.3m) as a result of increased revenue and improved margins.

Net finance income

Net finance income was 26% lower than for the previous year at $2.0m (2007: $2.7m). At the start of the year we reduced our cash balance through the purchase of Acucorp. As a result, whilst our closing cash balance was higher than that of the prior year, our average cash balance for the year was lower than the prior year.

Taxation

Tax for the year was $21.4m (2007: $16.1m) based on increased profits. The Group's effective tax rate is 27.9% (2007: 26.9%). The effective tax rate has increased marginally from last year due to a higher proportion of profits being earned and taxed in the United States. Our medium term effective tax rate is expected to be maintained at approximately 28%.

Profit after tax

Profit after tax increased by 26% to $55.4m (2007: $43.9m). The growth in post tax profits was slightly lower than the growth in revenue due to the marginally higher tax rate in the current year and the higher level of exceptional items arising on the restructure and integration of the Acucorp business acquired in May 2007.

Cash flow

At 30 April 2008, the Company's cash balance was $92.4m (2007: $85.0m). The Group generated a net cash inflow from continuing operating activities of $96.2m which was offset by outflows of $47.4m in respect of the acquisition and restructuring of Acucorp as well as corporation tax payments of $18.2m and dividends of $21.2m.

Dividend

The Board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus with a level of dividend cover for the financial year ending 30 April 2008 of approximately 2.5 times on a pre-exceptional earnings basis. In line with the above policy, the directors recommend payment of a final dividend in respect of the full year to 30 April 2008 of 9.4 cents per share providing for total dividends in the year of 13 cents per share, an increase of 30% above the total dividends of 10 cents per share for the full year to 30 April 2007. The dividend will be paid on 29 September 2008 to shareholders on the register on 5 September 2008. The directors of Micro Focus International plc have concluded that the Company has sufficient reserves to enable the payment of the final dividend.

Dividends will be paid in sterling based on an exchange rate of £ = $1.99, equivalent to 4.72 pence per share, being the rate applicable on 26 June 2008, the date of recommendation of the dividend by the Board.

Acquisition of Acucorp

On 4 May 2007, the group acquired Acucorp for a total cash consideration of $40.9m.

Revenue for the year to 30 April 2008 was originally anticipated to be approximately $17.0m and our aim was to restructure the business and increase margins over time to a level consistent or better than our existing business. We exceeded both aims. The consequent restructuring charge was initially expected to be approximately $8.0m in the year to 30 April 2008. The actual restructure charge was $6.5m.

Acquisition of NetManage

On 18 June 2008, Micro Focus announced that it had acquired NetManage for a total cash consideration of $73.3m, paid in full on completion. On close, NetManage had $27.9m of cash providing for a net cash outflow of $45.4m.

In the year to December 2007, NetManage generated revenue of $36.0m and recorded an operating loss of $2.1m.

We are in the process of restructuring the business with the aim of increasing margins over time to a level consistent or better than our existing business. The consequent restructuring charge is expected to be approximately $10.0m in the year to 30 April 2009 and will be reported as an exceptional item.

Nick Bray, Chief Financial Officer

MICRO FOCUS INTERNATIONAL PLC
CONSOLIDATED INCOME STATEMENT (unaudited)
For the year ended 30 April 2008

	Notes	**2008 (unaudited) $'000**	2007 (audited) $'000
Revenue	4,5	**228,196**	171,590
Cost of sales		**(22,582)**	(18,148)
Gross profit		**205,614**	153,442
Selling and distribution costs		**(63,233)**	(45,592)
Research and development expense		**(29,484)**	(23,051)
Administrative expenses		**(38,105)**	(27,532)
Operating profit		**74,792**	57,267
Analysed as:			
Operating profit before exceptional items		**81,294**	62,128
Exceptional items	7	**(6,502)**	(4,861)*
Operating profit	6	**74,792**	57,267
Finance costs		**(12)**	(70)
Finance income		**2,043**	2,810
Profit before tax		**76,823**	60,007
Taxation		**(21,404)**	(16,143)
Profit after tax		**55,419**	43,864
Earnings per share expressed in cents per share	8		
— basic		**27.67**	21.96
— diluted		**26.97**	21.37
Earnings per share expressed in pence per share	8		
— basic		**13.79**	11.49
— diluted		**13.44**	11.18

* Stock based compensation has been reclassified from exceptional to non-exceptional items, as disclosed in note 6

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

MICRO FOCUS INTERNATIONAL PLC
CONSOLIDATED BALANCE SHEET (unaudited)
As at 30 April 2008

	Notes	**2008 (unaudited) $'000**	2007 (audited) $'000
ASSETS			
Non-current assets			
Goodwill		**65,784**	42,533
Other intangible assets		**35,282**	18,245
Property, plant and equipment		**4,359**	2,543
Deferred tax assets		**15,577**	10,813
		121,002	74,134
Current assets			
Inventories		**192**	255
Trade and other receivables	10	**59,205**	44,031
Cash and cash equivalents		**92,405**	84,971
		151,802	129,257
Total assets		**272,804**	203,391
LIABILITIES			
Current liabilities			
Trade and other payables	11	**103,859**	76,612
Current tax liabilities		**19,245**	17,023
Financial liabilities - borrowings		**-**	72
		123,104	93,707
Non-current liabilities			
Non-current deferred income		**6,518**	7,265
Deferred tax liabilities		**16,660**	10,873
Financial liabilities – borrowings		**-**	41
		23,178	18,179
Net assets		**126,522**	91,505
SHAREHOLDERS' EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**36,837**	36,767
Share premium		**103,904**	104,054
Profit and loss reserve (deficit)		**12,679**	(23,394)
Foreign currency translation reserve		**187**	1,163
Other reserves (deficit)		**(27,085)**	(27,085)
Total shareholders' equity		**126,522**	91,505

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

MICRO FOCUS INTERNATIONAL PLC
CONSOLIDATED CASH FLOW STATEMENT (unaudited)
For the year ended 30 April 2008

	Notes	**2008 (unaudited) $'000**	2007 (audited) $'000
Cash flow from operating activities			
Net profit		**55,419**	43,864
Adjustments for			
Net interest		**(2,031)**	(2,740)
Taxation		**21,404**	16,143
Depreciation		**1,603**	1,169
Loss on disposal of property, plant and equipment		**9**	26
Amortisation of intangibles		**9,590**	5,973
Share-based compensation		**1,337**	849
Changes in working capital:			
Inventories		**118**	76
Trade and other receivables		**(9,469)**	(5,532)
Payables and other non-current liabilities		**18,208**	(1,658)
Cash generated from continuing operations		**96,188**	58,170
Interest received		**2,051**	2,780
Interest paid		**(12)**	(70)
Tax paid		**(18,193)**	(7,316)
Net cash from operating activities		**80,034**	53,564
Cash flows from investing activities			
Payments for intangible assets		**(6,272)**	(5,456)
Purchase of tangible fixed assets		**(3,183)**	(830)
Acquisition of subsidiary	12	**(41,576)**	(4,832)
Net cash acquired with subsidiary	12	**678**	(1,218)
Net cash used in investing activities		**(50,353)**	(12,336)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**71**	125
Repayment of borrowings		**(113)**	(46)
Dividends paid to shareholders	**9**	**(21,229)**	(13,981)
Net cash used in financing activities		**(21,271)**	(13,902)
Effects of exchange rate changes		**(976)**	1,579
Net increase in cash and cash equivalents		**7,434**	28,905
Cash and cash equivalents at 1 May 2007		**84,971**	56,066
Cash and cash equivalents at 30 April 2008		**92,405**	84,971

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

MICRO FOCUS INTERNATIONAL PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
For the year ended 30 April 2008

	Share capital $'000	Share premium $'000	Foreign currency translation reserve (deficit) $'000	Other Reserves (deficit) $'000	Profit and loss reserve (deficit) $'000	Total $'000
Balance as at 1 May 2006	36,644	103,641	(432)	(27,085)	(55,267)	57,501
Currency translation differences	-	-	1,595	-	-	1,595
Profit for the year	-	-	-	-	43,864	43,864
Dividends	-	-	-	-	(13,981)	(13,981)
Issue of share capital	123	3	-	-	-	126
Movement in relation to share options	-	410	-	-	355	765
Deferred tax on share options	-	-	-	-	1,635	1,635
Balance as at 30 April 2007	**36,767**	**104,054**	**1.163**	**(27,085)**	**(23,394)**	**91,505**
Currency translation differences	-	-	(976)	-	-	(976)
Profit for the year	-	-	-	-	55,419	55,419
Dividends	-	-	-	-	(21,229)	(21,229)
Issue of share capital	70	-	-	-	-	70
Movement in relation to share options	-	(150)	-	-	1,487	1,337
Deferred tax on share options	-	-	-	-	396	396
Balance as at 30 April 2008	**36,837**	**103,904**	**187**	**(27,085)**	**12,679**	**126,522**

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

MICRO FOCUS INTERNATIONAL PLC
NOTES TO THE FINANCIAL STATEMENTS (unaudited)
For the year ended 30 April 2008

1. Basis of preparation

This unaudited preliminary consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and International Financial Reporting Standards ("IFRS"), as endorsed by the European Union ("EU"). The accounting policies applied are consistent with those described in the Annual Report and Financial Statements 2007. The auditors have not yet signed their audit report but have confirmed that they are not aware of any matter that may give rise to a modification. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards, this announcement does not itself contain sufficient information to comply with IFRSs. The Group expect to be issuing full financial statements that comply with IFRSs in July 2008.

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 30 April 2008 or 2007, but is derived from those accounts.

Statutory accounts for the year ended 30 April 2007 have been delivered to the Registrar of Companies; the auditors have reported on those accounts, their report was unqualified and did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

Copies of the annual results for the year ended 30 April 2008 will be sent to all shareholders and will also be available on the company's website at www.microfocus.com. Copies of the annual results for the year ended 30 April 2007 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 26 June 2008.

2. Accounting policies

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

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

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

2. Accounting policies continued

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

- IFRIC 12, "Service concession arrangements", effective for annual periods beginning on or after 1 January 2008.
- IFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement.
- IFRIC 13, "Customer Loyalty Programmes" effective for annual periods beginning on or after 1 July 2008.
- IFRIC 14, "IAS19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", effective for annual periods beginning on or after 1 January 2008.
- IAS23, "Borrowing Costs"- amendment that applies to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

3. 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.

4. Segmental information

Geographical analysis of revenue	**2008 $'000**	2007 $'000
North America	**96,482**	70,634
Europe and the Middle East	**96,018**	71,808
Rest of the world	**35,696**	29,148
Total	**228,196**	171,590

There is no material difference between revenue by origin above and revenue by destination.

5. Supplemental information

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

Revenue	**2008 $'000**	2007 $'000
Licence	**113,314**	82,652
Maintenance	**104,144**	82,056
Consultancy	**10,738**	6,882
Total	**228,196**	171,590

6. Reconciliation of operating profit to EBITDA

	2008 $'000	2007 $'000
Operating profit	**74,792**	57,267
Exceptional items – reorganisation costs	**6,502**	4,861
Share-based compensation charge	**1,337**	849
Amortisation of purchased intangibles	**3,946**	532
Adjusted operating profit	**86,577**	63,509
Depreciation	**1,603**	1,169
Amortisation of software	**337**	608
Adjusted EBITDA	**88,517**	65,286

EBITDA	**80,678**	59,576
Exceptional items – reorganisation costs	**6,502**	4,861
Share-based compensation charge	**1,337**	849
Adjusted EBITDA	**88,517**	65,286

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

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

The impact is to reduce exceptional items by $1,337,000 (2007: $849,000).

7. Exceptional items

	2008 $'000	2007 $'000
Reorganisation costs	**6,502**	4,861

Current year reorganisation costs relate to restructuring programmes carried out in Europe and the USA relating to the acquisition of Acucorp, Inc. The prior year related to restructuring programmes carried out in Europe and the USA and at HAL Knowledge Solutions SpA. All exceptional items relate to administrative expenses.

8. Earnings per share

The calculation of basic earnings per share has been based on the earnings attributable to ordinary shareholders of the Company and the weighted average number of shares for each period. The weighted average number of shares used in the calculation was 200,268,000 (2007: 199,744,000).

The diluted earnings per share has been calculated after taking account of the share options. The weighted average number of shares used in the calculation was 205,484,000 (2007: 205,306,000).

Basic earnings per share, excluding exceptional items, share based compensation and amortisation of purchased intangibles ("adjusted earnings per share") was 32.08 cents (2007: 24.38 cents) Adjusted earnings per share is calculated after adjusting for the post-tax effect of exceptional items, share based compensation and amortisation of purchased intangibles of $8.8 million (2007: $4.8 million).

9. Dividends

	2008 $'000	2007 $'000
Equity – ordinary		
2007 final paid 7 cents (2007: 4 cents) per ordinary share	**14,016**	7,983
2008 interim paid 3.6 cents (2007: 3 cents) per ordinary share	**7,213**	5,998
Total	**21,229**	13,981

Whilst the Group as a whole had a deficit in its profit and loss account at 30 April 2007 and throughout most of the year to 30 April 2008, the directors of Micro Focus International plc concluded that the Company had sufficient reserves to enable payment of the final dividend relating to the year ended 30 April 2007 and the interim dividend relating to the year ended 30 April 2008. The directors are proposing a final dividend in respect of the year ended 30 April 2008 of 9.4 cents per share which will utilise $18.8 million of shareholders' funds. The directors have concluded that the Company has sufficient reserves to pay the proposed final dividend. It has not been included as a liability in these financial statements.

10. Trade and other receivables

	2008 $'000	2007 $'000
Trade receivables	**51,459**	35,392
Prepayments	**3,659**	4,581
Accrued income	**4,087**	4,058
Total	**59,205**	44,031

11. Trade and other payables

	2008 $'000	2007 $'000
Trade payables	**4,964**	4,374
Other tax and social security payable	**4,477**	185
Accruals	**26,053**	21,750
Deferred income	**68,365**	50,303
Total	**103,859**	76,612

12. Acquisition of subsidiary

A. Acquisition of Acucorp, Inc

On 4 May 2007, the Group acquired 100% of the share capital of Acucorp, Inc., for $41.6 million, inclusive of $0.7 million related costs, paid in full on completion.

A fair value review was carried out on the assets and liabilities of the business, resulting in the identification of intangible assets. The fair values are based on a provisional assessment pending final determination of some assets and liabilities.

The acquired business contributed revenues of $21.4 million and a profit of $4.1 million (after exceptional costs of $6.5 million) to the Group for the period from acquisition, 4 May 2007 to 30 April 2008.

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

	Carrying value at acquisition $'000	Provisional fair value $'000
Intangible fixed assets	70	**20,245**
Property, plant and equipment	445	**445**
Inventories	55	**55**
Trade and other receivables	4,517	**4,517**
Cash and cash equivalents	678	**678**
Tax receivable	1,188	**1,188**
Trade and other payables	(8,371)	**(8,371)**
Net deferred tax assets	262	**(431)**
Net (liabilities)/assets	(1,156)	**18,326**
Goodwill		**23,321**
Consideration		**41,647**
Consideration satisfied by:		
Cash paid		**41,647**

12. Acquisition of subsidiary (continued)

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

	$'000
Cash consideration	40,928
Acquisition costs	719
Cash acquired	(678)
Total	**40,969**

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

	$'000
Trade name	1,175
Software	7,818
Customer relationships	10,960
Non-compete agreements	292
Total	**20,245**

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

B. Analysis of outflow of cash in respect of acquisitions
The outflow of cash and cash equivalents on the acquisitions is as follows:

	$'000
Acucorp, Inc	41,647
Refund in respect of prior years' acquisition	(71)
Net cash outflow	**41,576**

13. Post balance sheet event

The Company announced on 1 May 2008, that it had reached agreement on a recommended cash offer of $7.20 per share for the entire issued and to be issued share capital of NetManage, Inc. ("NetManage"), the NASDAQ-listed software provider.

The price represents a premium of approximately 73% per share based on the closing price of $4.15 per NetManage share at the close of business on 30 April 2008, which was the last day of trading prior to the announcement. The offer values the existing issued share capital of NetManage at approximately $73.3 million including the value of all outstanding options.

The transaction was completed on 18 June 2008.