23 June 2011

Micro Focus International plc reports
Audited preliminary results for the full year to 30 April 2011

Micro Focus International plc ("Micro Focus", "the Company" or "the Group", LSE: MCRO.L), announces audited preliminary results for the year to 30 April 2011.

Key highlights

- Preliminary results in line with previous guidance
  - Group reported revenue: $436.1m (2010: $432.6m) (up 0.8%)
    - 1.0% revenue growth at constant currencies
  - Adjusted EBITDA** $158.7m (2010: $173.3m) (down 8.4%)
  - Adjusted EBITDA margin 36.4% (2010: 40.1%)
  - Adjusted operating profit* $153.0m (2010: $168.0m) (down 8.9%)
  - Foreign exchange loss during the year of $5.4m (2010: gain of $2.4m)
  - Net exceptional charges in the year of $14.5m (2010: $45.1m) arising from major restructuring and property rationalization
  - Adjusted EBITDA after net exceptional charges $144.2m (2010: $128.2m)

- Like for Like Group constant currency revenues declined by 6.0%
  - COBOL Development ("CD") and Modernization & Migration ("MM") revenues: $293.5m (2010: $294.1m) (down 0.2%)
  - AMQ, incorporating Test and Niche product sets, revenue $142.6m (2010: pro-forma# revenues $169.9m (down 16.1%)
  - AMQ showed sequential half year revenue growth

- Maintenance revenues represented 53.6% of Group revenues (2010: 50.6%)
  - Renewal rates increased
    - CD and MM: 89.5% (2010: 87.0%)
    - Test and Niche: 78.6% (H2 2010: 73.0%)

- Strong cash conversion in the period
  - Cash generated from operations as a percentage of Adjusted EBITDA less exceptional costs 126.4% (2010: 80.1%)
  - Underlying cash conversion 113.1% net of unpaid exceptional costs
  - Net debt at 30 April 2011 reduced to $14.9m (2010: $68.2m), after share buyback of $42.0m

- Adjusted earnings per share* 54.85 cents (2010: 57.26 cents)*** (down 4.2%)
  - Final proposed dividend of 16.2 cents per share (2010: 16.2 cents per share)
  - Total proposed dividend for the year up 7.3% to 23.4 cents per share (2010: 21.8 cents per share)

- Net capitalization of Research & Development in the period of $9.2m (2010: $7.6m)

- Ongoing discussions with regard to potential offers
  - Board continues to evaluate all options to deliver value for shareholders
  - No certainty that any offer will be forthcoming

Statutory results

- Operating profit $120.5m (2010: $105.4m)
- Profit before tax increased by 16.5% to $114.5m (2010: $98.3m)
- Basic earnings per share 47.04 cents (2010: 37.49 cents) ***

\# AMQ was formed through the acquisitions of the ASQ division of Compuware on 29 May 2009 and Borland on 27 July 2009 respectively. Pro-forma revenues represent management's estimate of the comparable revenue if the businesses had been owned throughout the year ended 30 April 2010.

* In assessing the performance of the business, the directors use non GAAP measures "Adjusted EBITDA", "Adjusted operating profit" 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 5.

** EBITDA and Adjusted EBITDA are reconciled to operating profit in note 5.

*** Earnings per share are detailed in note 7.

Kevin Loosemore, Executive Chairman of Micro Focus, commented:

"This has been a disappointing year for Micro Focus. The reported results are significantly below management's expectations at the beginning of the year. Our failure to execute in line with agreed plans has resulted in two profit warnings and a further change in executive management. These results have impacted all stakeholders.

On 14 April 2011, the board asked me to become full time Executive Chairman and I was delighted to accept. I have been involved with Micro Focus since our IPO in 2005, predominantly as Non-Executive Chairman and have experienced a mixture of delight and frustration at the Company's progress. My focus is on delivering shareholder value and returning the business to a forward trajectory. In order to achieve this, we have to address a number of challenges within the business to correct the poor execution over the last year, particularly around Product Management and Sales execution, and we have already started on our change programme. I am confident that when running effectively, Micro Focus is an excellent business capable of providing outstanding returns.

The recent bid speculation has demonstrated that others see value in our business, particularly around our strong cash generation. The management team is committed to improving our performance and delivering value to all stakeholders whether as an independent Company or through a change of ownership. We continue to evaluate all realistic options in that regard.

Reflecting our robust financial position, we have decided to maintain the final dividend for the year at 16.2 cents per share (2010: 16.2 cents per share) giving an increase in total dividend per share for the year of 7.3% to 23.4 cents (2010: 21.8 cents)."

Enquiries

Micro Focus Tel: +44 (0)1635 32646

Kevin Loosemore, Executive Chairman

Mike Phillips, Chief Financial Officer

Tim Brill, IR Director

Financial Dynamics Tel: +44 (0)20 7831 3113

Charles Palmer

About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that helps companies to dramatically improve the business value of their enterprise applications. Micro Focus Enterprise Application Modernization, Testing and Management software enables customers' business applications to respond rapidly to market changes and embrace modern architectures with reduced cost and risk.

Executive Chairman’s Statement

Introduction

The year ended 30 April 2011 was a disappointing year for Micro Focus with the financial performance being significantly below the expectations of both the management and the financial markets. For shareholders this has meant a significant decline in share price and for senior management and most employees there were no bonus payments for the year. Failure to meet expectations led to two profit warnings during the year and on 15 April 2011 we announced the departure with immediate effect of our Chief Executive Officer, Nigel Clifford, and my appointment as Executive Chairman.

Since IPO the profile of the Group has changed dramatically through seven acquisitions which have maintained the Group’s leadership position in COBOL Development (CD), opened up new opportunities in Modernization and Migration (MM) and created access to adjacent markets for Testing and our Niche product set (together formerly AMQ). In the year to 30 April 2005 the Group reported Revenues of $150.6m and Adjusted EBITDA of $48.7m, a margin of 32.3%. In the year to 30 April 2011, the Group has delivered revenues of $436.1m and Adjusted EBITDA of $158.7m at a margin of 36.4%. The Adjusted EBITDA generated by the Group has produced strong cash flow with $182.3m being generated from operations, compared to only $46.4m back in 2005.

Overview and corporate developments

The financial performance in the last year is disappointing when compared to the prior year. Revenue of $436.1m is broadly flat on last year’s reported figure of $432.6m. Once a pro-forma adjustment is made to reflect our estimate of the full year effect of the Borland and Compuware acquisitions, like for like constant currency revenues have declined by 6.0%. CDMM revenues are broadly flat at $293.5m (2010: $294.1m). After taking account of the impact of the credit note of $2.1m issued in relation to our former Brazilian distributor, which was highlighted at the Interim Results, CDMM would have shown only 1% growth. For AMQ, formed through the acquisitions of Borland and Compuware’s ASQ assets, the revenue story is more disappointing with reported revenues of $142.6m (2010: $137.1m) compared to pro-forma constant currency revenues of $169.9m, a decline of 16.1%. Revenues for AMQ in the second half of the year were better than in the first half, achieving the target set at the interims for stabilization of that revenue stream.

Adjusted EBITDA declined by 8.4% to $158.7m (2010: $173.3m). This reduction is due to cost increases in anticipation of revenue growth that did not materialize together with the impact of foreign exchange loss. The net exceptional charges of $14.5m are within the range of $14m to $18m announced on 15 February 2011 and comprise the cost of restructuring of $22.1m offset by net releases of onerous lease provisions in the year of $7.6m. The additional restructuring costs arose from reducing headcount further than anticipated. Adjusted EBITDA after these net exceptional costs is $144.2m which is within the range of $141m to $153m given on 15 February 2011. Cash generated from operations totalled 126.4% of Adjusted EBITDA less exceptional costs and after adjusting for the $19.2m of accrued restructuring costs at 30 April 2011 cash conversion would be 113.1%. This strong cash generation has resulted in a significant improvement in the net debt position at 30 April 2011 to $14.9m (2010: $68.2m).

Pursuant to the existing authority granted at our Annual General Meeting in September 2010, and following consultation with our larger shareholders and financial advisors and brokers, the Company commenced a share buy-back programme at the end of March 2011 which resulted in a total of 8,223,092 ordinary shares being purchased into treasury prior to the commencement of the offer period at a total cost of $42.0m and an average price of 315 pence per share. The share buy-back programme was a reflection of the board’s confidence in the robust financial position of the Group and the relative valuation of the Company’s shares. In the absence of this programme the Company could have seen a net reduction in debt during the year of $95.3m.

Reflecting our confidence in the Company, the board is proposing to maintain the final dividend for the year at 16.2 cents per share (2010: 16.2 cents per share) giving a total dividend for the year of 23.4 cents per share (2010: 21.8 cents) an overall increase of 7.3%.

Operations, re-organisation and future developments

I was delighted to take up the role of Executive Chairman and I believe that the problems we have faced this year are predominantly related to issues around execution. Since my appointment, we have made a number of changes to the organisation and it is likely that further changes will be made as we seek to address the issues that have led to the disappointing performance this year. We have set a clear vision for the Group and provided clarity on what we are as a Group. Micro Focus is a software product group. We make software products and we sell software products. Everything within the organisation must be focused on either making or selling our software products. Our vision is that Micro Focus will be at the heart of the world’s business applications – modernize, virtualize, mobilize.

Micro Focus has now grouped its software product lines into four areas: COBOL Development (CD), Modernizaton and Migration (MM), Test and Niche (together formerly AMQ). The CD portfolio delivers products that enable programmers to develop and deploy applications written in COBOL across distributed platforms including Windows, UNIX and Linux. MM provides IBM mainframe compatibility on distributed platforms – allowing mainframe applications to be developed and maintained on the Windows platform and then moved back to

the mainframe for deployment, or as a migration project deployed on alternative distributed systems. Our Test portfolio comprises our Testing, Requirements, Source and Change Management products. These are tools used by programmers to support and manage the process of software development from beginning to end to accelerate delivery and improve quality. Finally, the Niche portfolio contains technologies that relate to application development but across a broader set of niche markets.

Each of these areas has different revenue characteristics. Maintaining our leadership position in CD is at the core of our value proposition and it will provide a stable base for the Group. MM had seen strong growth rates in the period up to 30 April 2010 but saw a decline in overall revenues in the year ended 30 April 2011 with a significant decline in licence fee revenue. There was too much sales emphasis during the year on large accounts and large deals and a move away from the smaller migrations. The large accounts and large deals have longer sales cycles and are less predictable, however, with proper targeting and execution MM should return to growth in the future. Test has a large addressable market but experienced significant sales execution issues during the year. We now need to continue the progress made in the second half. Our Niche products are in varying degrees of decline but provide good margins and strong cashflow.

Operationally, the key areas for improvement in the business are centred around Product Management and Sales execution. To increase visibility and accountability in these areas, I have made changes to the Executive Committee bringing more knowledge of our products into the team from people who have extensive experience of our Group together with more sales representation. We have also focused the team at our Newbury headquarters so that the cycle of decision making can be shortened. These changes have resulted in the departure of our Chief Marketing Officer and our Head of Development.

Product Management now reports directly into me and we are looking to make rapid changes to the way in which our products are priced and packaged. Again we have promoted people who have an in-depth knowledge of our products and markets. We have great technology which should be valued by our customers but we have to be bold and imaginative in the ways in which we offer our products to our customers.

The Group uses a number of channels to market. One area that has not yet been utilised is direct sales via the web. This is particularly important for the high volume segment of our business, which has the largest share of our licence sales and is an area where we need to make it easy for our customers to do business with us. In the past year we have improved our Inside Sales activities, but the web channel implementation will form an important part of our plans to stabilize and improve the high volume licence sales.

Sales productivity has been below industry norm during the year, particularly in North America. This led to changes in our Sales organisation structure at the end of the financial year. We need to ensure that we provide our Sales people with the right tools and assistance to be as productive as possible whilst ensuring that they are focused on selling what is available now and that we are capable of delivering. This is linked to the improvements needed in Product Management.

The changes above together with the already announced product portfolio review gave rise to restructuring charges of $22.1m in the final quarter of the year offset by $7.6m of releases from onerous lease provisions. These restructuring charges align the cost base of the business with its anticipated revenues.

As we look to the future development of the Group it is imperative that Micro Focus maintains its leadership position in CD, by continuing to innovate products as is evidenced by COBOL Visual Studio which now incorporates Java Virtual Machine. This will include working with our independent software vendors to ensure that they can reap the benefits of this new development environment. We need to reverse the decline in MM revenues by leveraging our partner relationships and ensuring that our direct sales force targets the right size of opportunity. We believe that by integrating Test into the three geographic regions there may be more opportunities for the wider portfolio of products to be sold to our customers. For investors, the separate identification of the Niche product set will give greater transparency regarding the underlying dynamics of the business.

As we enter the new financial year, we are seeking to delegate more responsibility and authority into the geographic regions so that the regional vice presidents are able to take ownership of issues that impact their local markets and their performance can be judged against Adjusted EBITDA targets as well as revenue, whereas in the past it was focused purely on revenue. This should improve the discipline in consultancy engagements by making the local team take more responsibility for local profitability.

Potential offers

On 20 May 2011, we announced that the Company had received a number of preliminary, non-binding approaches which we had chosen to explore. Since that time, discussions have continued with a number of potential offerors in relation to a variety of possible structures.

There can be no certainty that any offer for the Company will be forthcoming nor as to the price at which any offer might be made. As a board, we continue to evaluate all available options to deliver value. Pending the outcome of the ongoing discussions, therefore, we remain focused on delivering operational improvements to address the execution issues that we have faced over the last year. These issues will take time to address but they are clearly fixable. We should then be able to demonstrate either that the Group has future growth potential or we can adopt an alternative approach to deliver shareholder value.

I have been impressed by the passion and commitment of our people especially after the restructuring exercise undertaken in the final quarter of the year. Group headcount following completion of the restructuring was 1,206 which compared with 1,418 at the beginning of the financial year and 1,441 at 31 January 2011. I would like to thank our staff for their dedication and commitment during this period of change.

Outlook

There are a number of challenges ahead for the Group to address the issues that have been identified. In order to achieve a similar level of revenue in the year to 30 April 2012 we will need to grow like for like licence fee revenue against a backdrop of a 15.2% decline this year, in order to offset the anticipated decline in maintenance fee revenue and maintain consultancy fee revenue at the same level. Consultancy has been a loss making revenue stream during 2011 and our aim is to avoid taking on those type of projects in future which may lead to a reduction in the consultancy revenue stream. In the near term, it is therefore likely that overall sales will decline. In this context, we are taking the necessary steps to protect our margins through a clear focus on profitability throughout the Group.

There can be no certainty that the current discussions will lead to an acceptable offer being made for the Group. Regardless of that outcome, the board remains focused on delivering value for shareholders. I have described 2011 as a lost year for Micro Focus and we need to ensure that during the year to 30 April 2012 we address the issues we have identified in order that the Group is in a more robust position by the end of the year.

Kevin Loosemore
Executive Chairman
23 June 2011

Operational and Financial Review

During the year ended 30 April 2011, Micro Focus' primary reporting segments were its three geographic regions (i) North America, (ii) Europe, Middle East, Latin America and Africa, and (iii) Asia Pacific for its CDMM products and then separately for AMQ, formed through the acquisitions of Borland and the ASQ Division of Compuware. As part of the product portfolio review undertaken during the third quarter and announced as part of the Interim Management Statement on 15 February 2011, from 1 May 2011, AMQ is now integrated into the three geographic regions. Going forward revenue is broken down into four product portfolios of CD, MM, Test and Niche. The products are sold via a combination of direct sales, partners and independent software vendors.

Revenue

The performance for the year has been disappointing with overall reported revenues being broadly flat at $436.1m (2010: $432.6m). When compared against pro-forma constant currency revenues for the year ended 30 April 2010 of $464.0m Group revenues have declined by 6.0%. This is against an expectation at the beginning of the year of mid-single digit revenue growth which had been reduced at the interims to $453m. The reported revenues are in line with the pre-close trading update given on 9 May 2011.

As the AMQ business was not owned for the whole of the comparable period, management provides the following pro-forma revenues for the Group business on an as reported and constant currency basis for the year to 30 April 2010 and a comparison against the Group reported revenues for the year to 30 April 2011:

	As reported year ended 30 Apr 2010	Pro-forma adjustment	Pro-forma year ended 30 Apr 2010	Constant currency pro-forma year ended 30 Apr 2010	As reported year ended 30 Apr 2011	Increase/ (decrease)
	$m	$m	$m	$m	$m	%
Licence	183.7	12.4	196.1	195.6	165.8	(15.2)
Maintenance	219.1	16.4	235.5	235.0	233.8	(0.5)
Consulting	29.8	3.5	33.3	33.4	36.5	9.3
	432.6	**32.3**	**464.9**	**464.0**	**436.1**	**(6.0)**

The reduction in licence fee revenue is the primary reason behind the failure to meet expectations set at the beginning of the year. If we adjust for the impact of the credit note issued to our former distributor in Brazil, explained in more detail below, the reduction in licence fee revenue is 14.2%. Maintenance revenues were marginally down on last year's pro-forma number but benefitted from back billing revenues where older maintenance contracts were renewed. Maintenance revenue on renewals does not start to be recognised until the customer has renewed their order, the invoice has been issued and the contract renewal date has passed. Where the renewal date is in a prior period, this will result in revenues from the renewal date to the order signature date being recognised in the month of invoice. This back billing benefit was largely in the AMQ revenue stream and is unlikely to be repeated in the next financial year. As maintenance revenue is related to the renewal rate on existing contracts and the initial maintenance fee attached to new licence sales, these two factors are going to result in a declining maintenance revenue in the next financial year.

Consulting revenues have increased year on year, however, this has come at a cost. Approximately 33% of the consulting revenues are generated by our Borland subsidiary in Brazil. These revenues are generally time and materials and relate to best practice around Testing. The next largest element of consulting revenues relate to MM projects. During the year we have experienced difficulties in relation to some customer projects and this has given rise to additional charges and costs that have made them unprofitable. We have estimated the loss arising from the consultancy fee revenue stream at approximately $7.6m for the year including overhead allocations.

In preparation for the new reporting structure as we enter the new financial year we have analysed the revenues by the product portfolios for the year to 30 April 2011 and compared them against the pro-forma figures for the year ended 30 April 2010 at constant currency. The result of this analysis is shown below:

	Year to 30 Apr 2011 $m	Year to 30 Apr 2010 $m	Growth v Apr 2010 %
CD			
Licence	95.8	96.1	(0.3)
Maintenance	110.6	108.3	2.1
Consultancy	1.9	2.3	(17.4)
	208.3	206.7	0.8
MM			
Licence	29.9	38.4	(22.1)
Maintenance	40.4	36.1	11.9
Consultancy	14.9	12.9	15.5
	85.2	87.4	(2.5)
CDMM			
Licence	125.7	134.5	(6.5)
Maintenance	151.0	144.4	4.6
Consultancy	16.8	15.2	10.5
Sub-total	**293.5**	**294.1**	**(0.2)**
Test			
Licence	22.4	28.0	(20.0)
Maintenance	57.8	65.6	(11.9)
Consultancy	17.7	15.5	14.2
	97.9	109.1	(10.3)
Niche			
Licence	17.7	33.1	(46.5)
Maintenance	25.0	25.0	-
Consultancy	2.0	2.7	(25.9)
	44.7	60.8	(26.5)
AMQ			
Licence	40.1	61.1	(34.4)
Maintenance	82.8	90.6	(8.6)
Consultancy	19.7	18.2	8.2
Sub-total	**142.6**	**169.9**	**(16.1)**
Total revenue			
Licence	165.8	195.6	(15.2)
Maintenance	233.8	235.0	(0.5)
Consultancy	36.5	33.4	9.3
Revenue at constant currency	**436.1**	**464.0**	**(6.0)**

Despite the issues in Product Management and Sales execution, we maintained our leadership position in the CD market and saw revenues marginally ahead of last year's number. The fall in MM revenues was disappointing and reflects the focus on larger transactions and the failure to convert those larger deals. The reported revenues for MM are net of a credit note of $2.1m issued in October 2010 in respect of licence fee revenue taken in the year to 30 April 2010 on sales to the Group's former distributor in Brazil in respect of a sale made in April 2010.

In preparing the breakdown of revenues by product brand it became apparent that the management estimates of revenue for CD and MM provided at the interims was inaccurate. Transactions relating to COBOL Developer product sales had been incorrectly classified as MM opportunities where there was a change in hardware platform. This only impacted Q2 sales and in order to provide trends on these key revenue streams the correct breakdown is shown below by half year.

	Six months to 30 Apr 2011 $m	Six months to 31 Oct 2010 $m	Six months to 30 Apr 2010 $m	Six months to 31 Oct 2009 $m
CD				
Licence	46.4	49.4	51.5	44.6
Maintenance	56.0	54.6	54.4	53.9
Consultancy	1.7	0.2	1.2	1.1
	104.1	104.2	107.1	99.6
MM				
Licence	16.2	13.7	18.3	20.1
Maintenance	20.5	19.9	19.0	17.1
Consultancy	7.3	7.6	7.0	5.9
	44.0	41.2	44.3	43.1
CDMM				
Licence	62.6	63.1	69.8	64.7
Maintenance	76.5	74.5	73.4	71.0
Consultancy	9.0	7.8	8.2	7.0
Sub-total	**148.1**	**145.4**	**151.4**	**142.7**

The CDMM business was organised and reported on a geographic basis during the last financial year. There was no impact on the business from the pro-forma adjustment and the relative performance on the Regions is shown below at constant currency:

	Year to 30 Apr 2011 $m	%	Year to 30 Apr 2010 $m	%
North America	129.0	44.0	134.9	45.9
Europe, Middle East, Latin America and Africa	125.7	42.8	116.3	39.5
Asia Pacific	38.8	13.2	42.9	14.6
Total revenue	**293.5**	**100.0**	**294.1**	**100.0**

The AMQ businesses, formed through the acquisitions of Borland and the ASQ Division of Compuware, had a disappointing year with revenues of $142.6m declining by 16.1% compared with pro-forma constant currency revenues for the same period last year. The pro-forma revenues for 2010 represent management's estimates of the revenues that AMQ would have delivered if the businesses had been owned for the whole of the comparative period and the additional revenue adjustment is $32.3m.

Within the AMQ product brands the decline in licence fee revenue was significant and reflects the product integration issues experienced when two competitive product sets are brought together. The drag on maintenance revenue arising from this shortfall will impact next year's results. We must focus on selling our Test products which now benefit from a 'Leader' classification in Gartner's most recent magic quadrant report on the relevant market.

Prior to acquisition, the last annual reported revenues for Borland were $172m for the year ended 31 December 2008 and an operating loss before exceptional items of $25.1m. In the three months to 31 March 2009, Borland reported revenues of $35m which benefited from $6.6m of the revenues from an $18m deal with HP that was signed on 31 March 2009. None of the remaining HP revenues is recognised after completion of the acquisition in July 2009. The ASQ Division of Compuware had annual revenues based on management accounts for the year to 31 March 2009 of $74m. The revenues of both businesses had been declining for some years prior to acquisition and the price paid for both acquisitions reflected this decline and the need for restructuring the businesses.

Following completion of the Borland acquisition in July 2009, Micro Focus indicated that annual revenues from the combined business would be $150m and this was later increased to $164m based on the annualised revenues in the second half of the year to 30 April 2010. By the end of the first half of 2011 annualised revenues had reduced to $140m.

The restructuring and integration of the businesses was undertaken in a very short period of time and has resulted in both planned and unplanned attrition of the staff within AMQ. The consolidation of the testing product sets of two competing testing businesses on to one platform also led to a delay in some purchasing decisions by customers. As part of the product portfolio review announced on 15 February 2011 we identified that there were a number of non-strategic products that are in long term decline affecting overall growth rates and where the Group will make changes to investment levels. This product group will be identified separately in future reporting to provide greater insight into the dynamics in the portfolio and management will consider all strategic options for their future. This product set is now identified as the Niche product set and the half year revenue breakdown for Niche and Test including pro-forma numbers where relevant is shown below at constant currency rates:

	Six months to 30 Apr 2011	Six months to 31 Oct 2010	Six months to 30 Apr 2010	Six months to 31 Oct 2009
	$m	$m	$m	$m
Test				
Licence	13.0	9.4	14.5	13.5
Maintenance	29.1	28.7	31.1	34.5
Consultancy	9.5	8.2	7.7	7.8
	51.6	46.3	53.3	55.8
Niche				
Licence	7.7	10.0	15.0	18.1
Maintenance	12.0	13.0	13.6	11.4
Consultancy	1.2	0.8	1.1	1.6
	20.9	23.8	29.7	31.1
AMQ				
Licence	20.7	19.4	29.5	31.6
Maintenance	41.1	41.7	44.7	45.9
Consultancy	10.7	9.0	8.8	9.4
Sub-total	**72.5**	**70.1**	**83.0**	**86.9**

At the interims we set the target for second half revenues from AMQ to be at least the same as the first half and this objective was achieved. As can be seen from the breakdown above this has been achieved through growth in Test and continued decline in Niche. The largest product in the Niche product set is Visibroker and in the periods to October 2009 and April 2010 there were large transactions for Visibroker of $5m and $3m respectively.

Foreign exchange on intercompany balances

Intercompany loan arrangements within the Group are denominated in the local currency of the subsidiary. Consequently, any movement in the respective local currency and US$ will have an impact on converted US$ value of the loans. On short-term loans this foreign exchange movement is taken to the income statement. During the year there was a significant movement on Euro:US$ and Yen:US$ exchange rates that gave rise to the majority of the foreign exchange loss of approximately $5.4m (2010: gain of $2.4m).

Exceptional charges

In accordance with the Group's Accounting Policy on Exceptional costs, a net exceptional charge of $14.5m (2010: $45.1m) has been separately identified in the income statement to enable a full understanding of the Group's financial performance. This comprises restructuring costs of $22.1m offset by a net credit of $7.6m relating to property rationalization.

Exceptional costs for the previous year were $45.1m relating to restructuring programmes arising from the acquisitions of Borland and Compuware. These costs comprised severance, office closures and onerous contract costs.

Following the announcement on 15 February 2011, restructuring costs of $22.1m were incurred in the final quarter of the year consisting of $17.1m of staff related costs, $3.8m on property and $1.2m of other costs. There were approximately $19.2m of these costs accrued but not yet paid at 30 April 2011 and the cash impact of these items will flow out in the coming months.

Following completion of the acquisition of Borland the Group had 104 property locations of which 92 were operational. Property provisions were made for onerous leases and the Group has been actively managing exits from the unwanted properties. Following completion of this property rationalization as at 1 May 2011 the total number of sites was 41 of which 36 were operational. The net impact on the income statement during the year of this activity in releasing onerous lease provisions is a credit of $7.6m.

Property purchase

On 16 June 2011, the Group exchanged contracts for the purchase of the freehold of its Newbury headquarters from CIP Property for a total consideration of $14.7m which will be settled in cash from existing bank facilities. The reduction in rental charges together with income from an existing tenant produces an initial yield on the purchase of 9.4% compared to the current cost of debt of 2.5%. The existing lease had five years to run with no break clauses. The completion of the purchase is anticipated to take place by the end of June 2011.

Costs

All comments relate to costs at actual reported $.

Cost of sales for the year increased by 22.0% to $63.7m (2010: $52.2m). The costs in this category predominantly relate to our consulting and helpline support operations. The majority of the cost growth came from increased consulting revenues, higher consulting delivery costs and the impact of having owned Borland and Compuware throughout the current year.

Selling and distribution costs increased by 3.3% to $132.3m excluding exceptional items of $12.5m (2010: $128.1m) reflecting the impact of a full year's costs for Borland and Compuware and higher external marketing spend.

Research and development expenses increased slightly to $57.2m excluding exceptional items of $4.1m (2010: $56.8m), equivalent to approximately 13.1% of revenue compared with 13.1% in the prior year. The charge to the income statement in the period is after taking account of the net capitalisation of research and development in the period. Additions to capitalised research and development in the period of $21.7m (2010: $15.5m) less amortisation of previously capitalised research and development of $12.5m (2010: $7.9m) resulted in a net credit to the income statement of $9.2m (2010: $7.6m). At 30 April 2011 the net book value of capitalised research and development on the balance sheet was $26.6m (2010: $17.4m).

Administrative expenses, excluding an exceptional net credit of $2.1m (2010: charge of $45.1m) and share based compensation of $2.2m (2010: $3.1m) increased by 9.3% to $45.7m (2010: $41.8m). The current period includes a charge of $5.4m (2010: gain of $2.4m) in respect of foreign exchange losses mainly on intercompany balances denominated in Euros and Yen. Removing the impact of foreign exchange would have resulted in a reduction in underlying administrative expenses.

Currency impact

50.1% of our revenue is contracted in US dollars (2010: 49.2%) and 49.9% in other currencies (2010: 50.8%). In comparison, 37.9% of our costs are US dollar denominated (2010: 40.8%), with a significant proportion of the remainder being our sterling based head office costs, together with Euro denominated costs for our European sales operations.

This weighting of revenue and costs means that as the dollar weakened against sterling the increase in reported US dollar revenue is materially offset by the increase in our sterling cost base. As a result operating profit in US dollars is not materially different pre or post currency adjustments other than the $5.4m of foreign exchange losses arising mainly on intercompany balances.

EBITDA

EBITDA for the year was $142.0m (2010: $125.2m). In arriving at Adjusted EBITDA we add back exceptional items and share based compensation and for the year it was $158.7m (2010: $173.3m).

Operating profit

Operating profit was $120.5m (2010: $105.4m). Adjusted operating profit was $153.0m (2010: $168.0m).

Net finance costs

Net finance costs were $6.0m (2010: $7.1m), being the amortisation of $4.1m of loan arrangement and facility fees incurred on the Group's bank loan facility (2010: $3.9m), loan interest of $1.7m (2010: $3.8m) and other interest of $0.6m (2010: $nil) offset by $0.4m of interest received (2010: $0.6m).

Taxation

Tax for the year was $18.1m (2010: $22.0m) resulting in the Group's effective tax rate being 15.8% (2010: 22.3%). In the first half of the year the Group recognised additional deferred tax assets of $12.6m in respect of US tax losses arising from acquisitions made in prior periods. $5.8m of these deferred tax assets relate to the Borland acquisition and have been adjusted in the acquisition balance sheet. The remaining $6.8m relates to earlier acquisitions and so has been taken to the income statement and gives rise to a lower effective tax rate for the period. Excluding the impact of this adjustment the Group's effective tax rate would be 21.7% for the year. The Group's medium term effective tax rate is currently expected to be approximately 25.0%. Further explanation is provided in note 8.

Profit after tax

Profit after tax increased by 26.2% to $96.4m (2010: $76.4m).

Cash flow

The Group's operating cash flow from operating activities was $182.3m (2010: $102.8m). We measure cash conversion as cash generated from operating activities divided by Adjusted EBITDA less exceptional costs. In the year to 30 April 2011 our cash conversion ratio was 126.4% (2010: 80.1%). As $19.2m of the restructuring costs incurred during the year were accrued then adjusting for this item the underlying cash conversion ratio was 113.1%.

At 30 April 2011 the Group's net debt was $14.9m (2010: net debt $68.2m). During the year, the Group repaid $60.0m of bank debt and used $42.0m to buy back shares. Following the year end, the net cash outflows relating to the accrued restructuring charges, the final dividend payment and the purchase of the freehold property in Newbury means that the Group currently anticipates being net cash positive by the end of the calendar year.

Dividend

The board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus whilst targeting a level of dividend cover of approximately 2.5 times on a pre-exceptional earnings basis. We have decided to maintain the final dividend at 16.2 cents per share giving a total proposed dividend of 23.4 cents per share (2010: 21.8 cents per share) an increase of 7.3% and this is 2.3 times covered by the pre-exceptional earnings. The final dividend will be paid on 28 September 2011 to shareholders on the register on 2 September 2011.

Dividends will be paid in sterling equivalent to 10.0 pence per share, based on an exchange rate of £1 = $1.62, being the rate applicable on 22 June 2011, the date on which the Board recommended the dividend.

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 are set out in note 20.

Mike Phillips
Chief Financial Officer
23 June 2011

Micro Focus International plc
Consolidated statement of comprehensive income (audited)
For the year ended 30 April 2011

	Note	2011 (audited) $'000	2010 (audited) $'000
Revenue	2,3	**436,130**	432,579
Cost of sales		**(63,670)**	(52,244)
Gross profit		**372,460**	380,335
Selling and distribution costs		**(144,832)**	(128,137)
Research and development expense		**(61,302)**	(56,773)
Administrative expenses		**(45,794)**	(90,008)
Operating profit	5	**120,532**	105,417
Analysed as:			
Operating profit before exceptional items		**135,072**	150,505
Exceptional items	4	**(14,540)**	(45,088)
Operating profit		**120,532**	105,417
Finance costs		**(6,349)**	(7,726)
Finance income		**358**	634
Profit before tax		**114,541**	98,325
Taxation	8	**(18,105)**	(21,967)
Profit for the year		**96,436**	76,358
Other comprehensive income			
Currency translation differences		**607**	(1,980)
Other comprehensive income for the period		**607**	(1,980)
Total comprehensive income for the period		**97,043**	74,378
Profit attributable to:			
Owners of the parent		**97,043**	74,378
Earnings per share expressed in cents per share		**cents**	cents
- basic	7	**47.04**	37.49
- diluted	7	**46.15**	36.71
Earnings per share expressed in pence per share		**pence**	pence
- basic	7	**30.16**	23.44
- diluted	7	**29.58**	22.95

Micro Focus International plc
Consolidated statement of financial position (audited)
As at 30 April 2011

	Note	**2011 (audited) $'000**	Restated 2010 (audited) $'000
ASSETS			
Non-current assets			
Goodwill		**274,355**	274,355
Other intangible assets	**9**	**109,843**	116,827
Property, plant and equipment	**10**	**9,048**	9,775
Deferred tax assets		**45,789**	55,560
		439,035	456,517
Current assets			
Inventories	**11**	**1,618**	153
Trade and other receivables	**12**	**108,072**	126,288
Cash and cash equivalents		**26,080**	32,829
		135,770	159,270
Total assets		**574,805**	615,787
Liabilities			
Current liabilities			
Trade and other payables	**13**	**88,428**	90,749
Borrowings	**14**	**41,000**	101,000
Current tax liabilities		**22,393**	24,921
Deferred income	**15**	**136,269**	125,652
		288,090	342,322
Non-current liabilities			
Deferred income		**15,139**	10,529
Deferred tax liabilities		**42,878**	43,530
		58,017	54,059
Total liabilities		**346,107**	396,381
Net assets		**228,698**	219,406
EQUITY			
Ordinary shares		**37,713**	37,583
Share premium account		**115,789**	112,700
Profit and loss reserve		**108,217**	102,537
Foreign currency translation reserve (deficit)		**(5,936)**	(6,329)
Other reserves (deficit)		**(27,085)**	(27,085)
Total equity attributable to the parent		**228,698**	219,406

The accompanying notes are an integral part of this financial information

Micro Focus International plc
Consolidated statement of cash flow (audited)
For the year ended 30 April 2011

	Note	**2011 (audited) $'000**	2010 (audited) $'000
Cash flows from operating activities			
Net profit for the period		**96,436**	76,358
Adjustments for			
Net interest payable		**5,991**	7,092
Taxation		**18,105**	21,967
Depreciation		**4,675**	4,202
Loss on disposal of property, plant and equipment		**234**	197
Loss on disposal of intangible asset		**225**	-
Amortisation of intangibles		**29,261**	23,631
Share-based compensation		**2,235**	3,069
Exchange movements		**2,980**	(2,780)
Changes in working capital:			
Inventories		**(1,465)**	(25)
Trade and other receivables		**15,320**	(27,703)
Payables and other non-current liabilities		**8,340**	(3,224)
Cash generated from operating activities		**182,337**	102,784
Interest paid		**(2,239)**	(3,776)
Tax paid		**(11,957)**	(20,856)
Net cash generated from operating activities		**168,141**	78,152
Cash flows from investing activities			
Payments for intangible assets	**9**	**(22,502)**	(18,209)
Purchase of property, plant and equipment	**10**	**(4,051)**	(4,950)
Interest received		**358**	634
Acquisition of subsidiaries	**17**	**-**	(185,227)
Net cash acquired with subsidiaries	**17**	**-**	139,635
Repayment of Borland loan notes		**-**	(114,984)
Net cash generated from investing activities		**(26,195)**	(183,101)
Cash flows from financing activities			
Payments for repurchase of shares	**19**	**(41,997)**	-
Proceeds from issue of ordinary share capital		**1,521**	4,703
Proceeds from bank borrowings	**14**	**-**	163,500
Repayment of bank borrowings	**14**	**(60,000)**	(62,500)
Bank loan costs		**(1,292)**	(6,695)
Dividends paid to owners	**6**	**(50,313)**	(33,599)
Net cash (used in)/generated by financing activities		**(152,081)**	65,409
Effects of exchange rate changes		**3,386**	800
Net decrease in cash and cash equivalents		**(6,749)**	(38,740)
Cash and cash equivalents at beginning of period		**32,829**	71,569
Cash and cash equivalents at end of period		**26,080**	32,829

The accompanying notes are an integral part of this financial information

Micro Focus International plc
Consolidated statement of changes in equity (audited)
For the year ended 30 April 2011

	Note	Ordinary share capital	Share premium account	Foreign currency translation reserve (deficit)	Other reserves (deficit)	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2009		**37,092**	**106,200**	**(4,349)**	**(27,085)**	**56,870**	**168,728**
Currency translation differences		-	-	(1,980)	-	-	(1,980)
Profit for the period		-	-	-	-	76,358	76,358
Total comprehensive income		-	-	(1,980)	-	76,358	74,378
Transactions with owners:							
Dividends		-	-	-	-	(33,599)	(33,599)
Issue of share capital		491	6,500	-	-	(2,288)	4,703
Movement in relation to share options		-	-	-	-	3,069	3,069
Current tax on share options		-	-	-	-	3,269	3,269
Deferred tax on share options		-	-	-	-	(1,142)	(1,142)
Balance as at 30 April 2010		**37,583**	**112,700**	**(6,329)**	**(27,085)**	**102,537**	**219,406**
Currency translation differences		-	214	393	-	-	607
Profit for the period		-	-	-	-	96,436	96,436
Total comprehensive income		-	214	393	-	96,436	97,043
Transactions with owners:							
Dividends	**6**	-	-	-	-	(50,313)	(50,313)
Issue of share capital		130	2,875	-	-	(1,484)	1,521
Movement in relation to share options		-	-	-	-	2,235	2,235
Repurchase of shares	**19**	-	-			(41,997)	(41,997)
Deferred tax on share options		-	-	-	-	803	803
Balance as at 30 April 2011		**37,713**	**115,789**	**(5,936)**	**(27,085)**	**108,217**	**228,698**

The accompanying notes are an integral part of this financial information

Group accounting policies

a. General information

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

The Company has its listing on the London Stock Exchange.

The statutory accounts of the Company for the year ended 30 April 2011 which include the Group's consolidated financial statements for that year were audited at the date of this announcement. These financial results do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for the year ended 30 April 2010 were approved by the Board of directors on 11 August 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

This preliminary announcement was approved by the Board of Directors on 22 June 2011.

b. Basis of preparation

This audited preliminary consolidated financial information for the year ended 30 April 2011, has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and International Financial Reporting Standards ("IFRSs") as endorsed by the European Union and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, modified by share options measured at fair value through the income statement.

Balances as at 30 April 2010 have been restated to reflect adjustments made in respect of goodwill on prior year acquisitions totalling $5.8m, following revisions to payables, property, plant and equipment and the valuation of realisable tax losses.

c. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 April 2010, with the exception of the following standards, amendments to and interpretations of published standards adopted during the year:

a) The following standards, amendments to standards or interpretations effective during the year to 30 April 2011 and have been adopted by the Group:

- IFRS 3 (Revised), "Business Combinations", effective for the Group from 1 May 2010. The revised standard requires that all acquisition – related costs are to be expensed to the income statement in the period incurred rather than added to the cost of the investment, that changes to contingent consideration following a business combination are shown in the statement of comprehensive income rather than changing goodwill, and that changes to deferred tax assets relating to business combinations are only reflected within goodwill if they occur within the measurement period. Furthermore, purchase accounting only applies at the point when control is achieved. The financial effect of adopting this standard can only be ascertained when any future transactions are entered into and had no impact in the current period.

- IAS 27 (Revised). "Consolidated and Separate Financial Statements" – The Group has adopted IFRS 3 (Revised), and so it is required to adopt IAS 27 (Revised) at the same time. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (Revised) has had no impact in the current period.

b) The following standards, amendments to standards or interpretations were effective during the year ended 30 April 2011 but had no material impact on the Group:

- IFRIC 17, "Distribution of Non-cash Assets to Owners", effective for the Group from 1 July 2009. This interpretation clarifies the accounting treatment where assets other than cash are distributed to shareholders either as a distribution of reserves or as dividends. IFRS 5, "Non-current Assets Held for Sale", has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRS 5 (Amendment), "Non-current Assets Held for Sale and Discontinued Operations". The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement in IAS 1 still applies.

- IFRIC 18, "Transfers of Assets from Customers", effective for the Group from 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives an item of property, plant and equipment from a customer that the entity must use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

- IFRIC 9, "Reassessment of Embedded Derivatives" and IAS 39, "Financial Instruments: Recognition and Measurement", effective for the Group from 1 July 2009. The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

- IFRIC 6, "Hedges of a Net Investment in a Foreign Operation", effective for the Group from 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39, "Financial Instruments: Recognition and Measurement", that relate to a net investment hedge are satisfied.

- IAS 38 (Amendment), "Intangible Assets", effective for the Group from 1 January 2010. The amendment clarifies the guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The financial effect of adopting this standard can only be ascertained when any future transactions are entered into.

- IAS 1 (Amendment), "Presentation of Financial Statements". The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

- IAS 36 (Amendment), "Impairment of Assets", effective for the Group from 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by IFRS 8, "Operating Segments".
- IFRS 2 (Amendment), "Share-based payment", effective for the Group from 1 January 2010. The amendment to the standard limits vesting conditions to service conditions and performance conditions. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment, i.e. acceleration of the expense based on the grant date fair value.

- IAS 32 (Amendment), "Financial Instruments: Presentation on Classification of Rights Issues", effective on or after 1 February 2010. The amendment clarifies the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided that certain conditions are met, the rights issues are now classified as equity regardless of the currency in which the exercise price is denominated.

- IAS 28, "Investments in Associates", effective on or after 1 July 2009, amended to reflect changes in IFRS 3.

- IAS 31, "Interests in Joint Ventures", effective on or after 1 July 2009, amended to reflect changes to IFRS 3.

c) The following standards, amendments to standards or interpretations are not yet effective and have not been adopted early by the Group:

- IFRIC 14 (Amendment), "Prepayments of a Minimum Funding Requirement", effective on or after 1 January 2011. The amendments correct an unintended consequence of IFRIC 14. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions.

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

- Amendments issued as part of annual improvements to IFRSs (2010).

- IFRS 9, "Financial Instruments", effective on or after 1 January 2013.

- IAS 24 (Revised), "Related Party Disclosure", effective on or after 1 January 2011.
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", effective on or after 1 July 2010.

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.

1. Functional currency

The presentation 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.

2. Segmental reporting

In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker ("the Executive Committee"). Operating segments are consistent with those used in internal management reporting and the measure used by the Executive Committee is the Adjusted EBITDA for the Group taken as a whole, as set out in note 5. Resources are managed on a global basis and accordingly the Executive Committee does not measure costs or operating profit by segment, and therefore the Group does not report operating profit by segment.

Operating segments for the year ended 30 April 2011:

	North America	Europe, Middle East, Latin America and Africa	Asia Pacific	AMQ	Total
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	**129,045**	**125,751**	**38,771**	**142,563**	**436,130**
Operating profit					**120,532**
Exceptional items					**14,540**
Share based compensation charges					**2,235**
Amortisation of purchased intangibles					**15,709**
Adjusted operating profit (note 5)					**153,016**
Total assets					**574,805**
Total liabilities					**346,107**

Operating segments for the year ended 30 April 2010:

	North America	Europe, Middle East, Latin America and Africa	Asia Pacific	AMQ	Total
	$'000	$'000	$'000	$'000	$'000
Total segment revenue	134,083	121,502	39,917	137,077	432,579
Operating profit					105,417
Exceptional items					45,088
Share based compensation charges					3,069
Amortisation of purchased intangibles					14,399
Adjusted operating profit (note 5)					167,973
Total assets					615,787
Total liabilities					396,381

Effective from 1 May 2011, the Group has reduced its number of operating segments to the three geographic regions (as shown above) with the AMQ business now integrated within the regional organisations.

3. Supplemental information

Set out below is an analysis of revenue recognised between the principal product categories for the year ended 30 April 2011:

	CD	**MM**	**Test**	**Niche**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Licence	**95,823**	**29,974**	**22,347**	**17,697**	**165,841**
Maintenance	**110,598**	**40,366**	**57,827**	**24,979**	**233,770**
Consulting	**1,905**	**14,902**	**17,642**	**2,070**	**36,519**
Total	**208,326**	**85,242**	**97,816**	**44,746**	**436,130**

Set out below is an analysis of revenue recognised between the principal product categories for the year ended 30 April 2010:

	CD	MM	Test	Niche	Total
	$'000	$'000	$'000	$'000	$'000
Licence	96,716	38,570	21,726	26,656	183,668
Maintenance	108,511	36,178	52,145	22,234	219,068
Consulting	2,358	13,169	11,743	2,573	29,843
Total	207,585	87,917	85,614	51,463	432,579

4. Exceptional items

	2011	2010
	$'000	$'000
Restructuring costs and property rationalizaton	14,540	45,088

Restructuring costs of $14.5m relate to the Group restructuring that took place in March and April 2011. Salaries and severance costs were $17.1m, facilities costs were $3.8m and other costs were $1.2m. These were offset by net releases of onerous lease provisions in the year of $7.6m.

Prior year restructuring costs relate to restructuring programmes arising from the acquisitions made during the year ended 30 April 2010. Salaries and related severance costs amounted to $31.1m, facilities costs were $4.7m and project management costs were $9.3m.

5. Reconciliation of operating profit to EBITDA

	2011 $'000	2010 $'000
Operating profit	**120,532**	105,417
Exceptional items – restructuring costs and property rationalization	**14,540**	45,088
Share-based compensation charges	**2,235**	3,069
Amortisation of purchased intangibles	**15,709**	14,399
Adjusted operating profit	**153,016**	167,973
Depreciation	**4,675**	4,202
Amortisation of software	**1,045**	1,166
Adjusted EBITDA	**158,736**	173,341
EBITDA	**141,961**	125,184
Exceptional items – restructuring costs and property rationalization	**14,540**	45,088
Share-based compensation charges	**2,235**	3,069
Adjusted EBITDA	**158,736**	173,341

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

6. Dividends

	2011	2010
	$'000	$'000
Equity – ordinary		
2010 final paid 16.2 cents (2009: 11.1 cents) per ordinary share	**35,262**	22,365
2011 interim paid 7.2 cents (2010: 5.6 cents) per ordinary share	**15,051**	11,234
Total	**50,313**	33,599

The directors are proposing a final dividend in respect of the year ended 30 April 2011 of 16.2 cents per share which will utilise approximately $32.0m of shareholders' funds. The final dividend will be paid on 28 September 2011 to shareholders listed on the share register on 2 September 2011. It has not been included as a liability in the financial statements.

7. Earnings per share

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

	Year ended 30 April 2011				Year ended 30 April 2010			
	Earnings $'000	**Weighted average number of shares '000**	**Per share amount cents**	**Per share amount pence**	Earnings $'000	Weighted average number of shares '000	Per share amount cents	Per share amount pence
Basic EPS Earnings attributable to ordinary shareholders	**96,436**	**204,994**	**47.04**	**30.16**	76,358	203,697	37.49	23.44
Effect of dilutive securities								
Options		**3,961**				4,319		
Diluted EPS Earnings attributable to ordinary shareholders	**96,436**	**208,955**	**46.15**	**29.58**	76,358	208,016	36.71	22.95
Supplementary adjusted EPS								
Basic EPS	**96,436**	**204,994**	**47.04**	**30.16**	76,358	203,697	37.49	23.44
Impact of US tax losses [1]	**(6,842)**				-			
Adjusted items [2]	**32,484**				62,556			
Tax relating to adjusted items	**(9,630)**				(22,273)			
Basic EPS – adjusted	**112,448**	**204,994**	**54.85**	**35.16**	116,641	203,697	57.26	35.79
Diluted EPS	**96,436**	**208,955**	**46.15**	**29.58**	76,358	208,016	36.71	22.95
Impact of US taxes losses [1]	**(6,842)**				-			
Adjusted items [2]	**32,484**				62,556			
Tax relating to adjusted items	**(9,630)**				(22,273)			
Diluted EPS – adjusted	**112,448**	**208,955**	**53.81**	**34.50**	116,641	208,016	56.07	35.04

[1] As disclosed in note 8, the tax charge for the period includes a credit in respect of the recognition of an additional deferred tax asset of $6.8m in respect of US tax losses. This credit does not result from the performance of the business in the period and has therefore been excluded in calculating Adjusted EPS.

[2] Adjusted items comprise amortisation of acquired intangibles, share-based compensation charges and exceptional costs. Estimated tax relief on these items is as shown above.

Earnings per share expressed in pence has been calculated using the average exchange rate for the year of $1.56 to £1 (2010: $1.60 to £1).

8. Taxation

Tax for the year was $18.1m (2010: $22.0m). The Group's effective tax rate is 15.8% (2010: 22.3%).

During the year the Group reviewed its deferred tax assets in respect of US tax losses acquired as part of the acquisitions made in prior periods. The directors concluded that due to increased certainty over the utilisation of future losses it was appropriate to increase the value of losses recognised as a deferred tax asset. An additional $6.8m has been recognised through the income statement in respect of losses acquired as part of the acquisitions of NetManage, Relativity and Liant. A further $5.8m deferred tax asset has been recognised as reduction to the goodwill arising on the acquisition of Borland, for which the final purchase accounting adjustments were made in the period (see note 17).

Excluding the impact of the recognition of these additional deferred tax assets the Group's effective tax rate would be 21.7% for the year.

9. Other intangible assets

Expenditure totalling $22.5m (2010: $74.1m) was made in the year. This consisted of $21.7m in respect of development costs and $0.8m in respect of purchased software.

10. Property, plant and equipment

An analysis of the movements in the period has not been given due to the immaterial size of the transactions in the year to 30 April 2011. Capital expenditure of $4.1m (2010: $5.0m) was made in the year.

Balances as at 30 April 2010 have been restated to reflect adjustments made in respect of goodwill on prior year acquisitions of $610,000 following a revision of the valuation of property, plant and equipment.

11. Inventories

	2011 $'000	2010 $'000
Work in progress	**1,562**	-
Finished goods	**56**	153
Total	**1,618**	153

12. Trade and other receivables

	2011 $'000	2010 $'000
Trade receivables (net of provisions)	**93,801**	100,389
Prepayments	**13,835**	21,540
Other debtors	**396**	-
Accrued income	**40**	4,359
Total	**108,072**	126,288

13. Trade and other payables – current

	2011 **$'000**	Restated * 2010 $'000
Trade payables	**10,478**	10,744
Other tax and social security payable	**10,729**	7,977
Accruals	**67,221**	72,028
Total	**88,428**	90,749

* Balances as at 30 April 2010 have been restated to reflect adjustments made in respect of goodwill on prior year acquisitions of $20,000 following a revision of the valuation of trade and other payables.

14. Borrowings

	2011 **$'000**	2010 $'000
Bank loan secured	**41,000**	101,000

At 30 April 2011, the Group had a three year secured $215m revolving credit facility in place, denominated in US dollars, which expires on 6 May 2012. Interest on the facility is payable at US Dollar Libor plus 2.25% from 30 April 2010 depending on covenant ratios.

15. Deferred income – current

	2011 **$'000**	2010 $'000
Deferred income	**136,269**	125,652

Revenue not recognised in the income statement under the Group's accounting policy for revenue recognition is classified as deferred revenue in the balance sheet to be recognised in the current year.

16. Related party transactions

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

17. Business combinations

During the year to 30 April 2011 adjustments were made in respect of goodwill on prior year acquisitions of $5.2 million due to a decrease in the net assets following finalization of the fair value of assets and liabilities.

As reported in our interim results for the period ended 31 October 2010, adjustments were made of $4.0 million. Subsequently it was discovered that this adjustment should have been $5.2 million.

18. Post balance sheet events

On 16 June 2011, the Group exchanged contracts for the purchase for cash of the freehold land and buildings of its headquarters in Newbury from CIP Property. The total purchase price including stamp duty and legal costs is $14.7m which will be settled in cash from existing bank facilities. It is anticipated that completion will take place by 30 June 2011.

19. Share buyback

The Group obtained shareholder authority at the last AGM (held on 23 September 2010) to buy back up to 20,521,883 ordinary shares, which remains outstanding until the conclusion of the next AGM on 22 September 2011. The minimum price which must be paid for such shares is 10 pence and the maximum price payable is 5% above the average of the mid-market price of the ordinary shares of the Group as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made.

As at 30 April 2011 the Group had repurchased 8,223,092 £0.10 ordinary shares. Distributable reserves have been reduced by $42.0m being the consideration paid for these shares.

20. Principal risks and uncertainties

The Group, in common with all businesses, could be affected by risks which could have a material effect on its short- and longer-term financial performance. These risks could cause actual results to differ materially from forecasts or historic results. Where possible, the Group seeks to mitigate these risks through its system of internal controls but this can only provide reasonable assurance and not absolute assurance against material losses.

With regard to the Group's objectives, the Board and executive management team has identified the key risks, and then reviewed the controls in place for management to mitigate those same risks. Risks have been prioritised and additional actions identified for further mitigation by management. A full risk register has been developed for ongoing evaluation and mitigation and the following are the key risks, potential impacts and mitigations that are relevant to the Group as a provider of software products and associated services. Please also refer to the section on internal controls within the corporate governance report.

Principal risks have been identified in the following five categories – Go To Market, Employees, Products, Competition and Systems & Infrastructure

Go To Market Models

Risks – For the Group to succeed in meeting revenue and growth targets it requires successful go to market models across the full product portfolio, with effective strategies and plans to grow the application migration business, exploit channel opportunities and focus the salesforce on all types of customer categories (not primarily larger value transactions). In addition, effective 'go to market' models will be more successful if accompanied by compelling Micro Focus brand awareness programmes.

Potential impacts – Poor execution of 'go to market' plans may limit the success of the Group by targeting the wrong customers through the wrong channels and using the wrong product offerings.

Mitigations – Revenue plans are supported by a range of measures to monitor and drive improvements in 'go to market' operating models. In addition to quarterly business reviews with all geographies and monthly reviews with regional vice presidents, the President of Sales participates in weekly management team meetings to review sales performance and 'go to market' priorities. Customer sales cycles are reviewed regularly and a bid review process is in place to monitor and maximise customer revenue opportunities. In addition to sales performance reviews, marketing and product development programmes are assessed regularly to optimise levels of qualified pipeline and ensure that marketing programmes are supported by appropriate product offerings.

A series of measures are in place to the direct salesforce focus towards a broad range of customer categories. These measures include detailed bid management, tailored quota targets and robust presales management. 'Go to market' programmes to support application migration sales have been strengthened as a particular area of focus.

The Group has introduced programmes to improve existing channels and expand into new routes to market. The partner certification programme is regularly reviewed to retain and recruit top performing partners, and a partner portal has been relaunched to facilitate working practices with existing business partners. Strategic partners, such as systems integrators and key distributors, are served by tailored review and enablement programmes, while new online routes to market are being introduced, for example a web based sales site.

In addition, brand awareness programmes are in place and reviewed on an ongoing basis to draw on differentiated and consistent PR plans across key geographies, supported by targeted analyst relations to reach and raise Micro Focus brand awareness through key marketplace influencers. Brand building is also supported by a growing customer reference programme and online programmes such as effective search engine optimisation and improved corporate websites.

Employees

Risks - The retention and recruitment of highly skilled and motivated employees, at all levels of the Group, is critical to the success and future growth of the Group in all countries in which it currently operates. Employees require clear business objectives, and a well communicated vision and values, for the Group to achieve alignment and a common sense of corporate purpose among the workforce.

Potential impacts - Failure to retain and develop skill sets, particularly sales and R&D may hinder the Group's sales and development plans. Weak organisational alignment and inadequate incentivisation may lead to poor performance and instability.

Mitigations - The Group has policies in place to help ensure that it is able to attract and retain employees with the required skills. These policies include training, career development and long-term financial incentives. Leadership training schemes are in place to support management development and succession plans. A renewed vision and corporate objectives have been shared throughout the organisation and are reinforced through regular employee communications plans and performance reviews.

Products

Risks – Investment in research and innovation in product development is essential to meet customer and partner requirements in order to drive revenue growth and corporate performance. In addition, the ability to cross sell the Micro Focus product set is an opportunity to exploit additional customer opportunities.

Potential impacts – Insufficient focus on key R&D projects may damage the long term growth prospects of the Group. Poor cross selling of Micro Focus products will reduce the prospects for additional revenue streams going forward.

Mitigations – For the year ending 30 April 2012 product development plans have been approved, followed detailed reviews, with additional investment frameworks under ongoing assessment in response to marketplace trends and customer feedback. With regard to cross selling, sales teams receive training to cover selling techniques for the full portfolio of products, and sales incentives have been improved to encourage enhanced collaboration across product sets.

Competition

Risks – Comprehensive information about the markets in which Micro Focus operates is required for the Group to effectively assess competitive risks and perform successfully.

Potential Impacts - Failure to adequately understand the competitive landscape and thereby identify where competitive threats exist may damage the successful sales of Group products.

Mitigations – Group product plans contain analysis of competitive threats and subscriptions to industry analyst firms are leveraged to better understand market dynamics and competitor strategies. In addition, customer contact programmes are mined for competitive intelligence.

Systems & Infrastructure

Risks – Adequate investment is required to develop effective systems and infrastructure that will support the ambitions of the Company. Management information must be of sufficient quality to allow effective and timely decision making.

Potential impacts – Following the integrations of seven acquisitions during the last five years, ineffective Micro Focus systems and infrastructure could lead to an unstable platform for the Group's future success, and deliver inadequate management information.

Mitigations – Group policies are in place to review the ongoing additional investment required to enhance key IT systems and processes. Management information draws on comprehensive product reports and functional plans to extract the key metrics needed to manage the Group at a corporate, regional and product level.