19 June 2013

MICRO FOCUS

Micro Focus International plc reports
Audited preliminary results for the full year to 30 April 2013

Micro Focus International plc ("Micro Focus", "the Company" or “the Group”, LSE: MCRO.L), the international software product group, announces audited preliminary results for the year to 30 April 2013 after a year of solid progress..

Results at a glance	FY 2013	FY 2012	Change
Revenue			
Like for Like Constant Currency			
- Licence	$168.5m	$172.6m	-2.4%
- Maintenance	$226.4m	$226.0m	+0.2%
- Consulting	$15.7m	$25.6m	-38.7%
- Sub-total	$410.6m	$424.2m	-3.2%
Acquisition			
- Licence	$0.1m	$0.0m	N/A
- Maintenance	$3.3m	$0.0m	N/A
- Consulting	$0.0m	$0.0m	N/A
- Sub-total	$3.4m	$0.0m	N/A
Constant Currency	$414.0m	$424.2m	-2.4%
Reported	$414.0m	$434.8m	-4.8%
NON GAAP MEASURES			
Adjusted EBITDA*			
Constant Currency	$188.1m	$176.6m	+6.6%
Reported	$188.1m	$179.8m	+4.6%
Underlying Adjusted EBITDA**			
Constant Currency	$185.9m	$169.8m	+9.5%
Reported	$185.9m	$173.0m	+7.5%
STATUTORY MEASURES			
Pre-tax profit			
Constant Currency	$153.4m	$145.9m	+5.1%
Reported	$153.4m	$149.3m	+2.8%
Earnings per share			
Basic	78.72c	65.77c	+19.7%
Diluted	76.09c	64.11c	+18.7%
Adjusted	88.69c	73.07c	+21.4%
Adjusted diluted	85.73c	71.22c	+20.4%
Proposed final dividend per share	28.1c	23.4c	+20.1%
Proposed total dividend per share	40.0c	31.6c	+26.6%
Net debt**	$177.7m	$113.2m	+57.0%

Key highlights

- Like for like revenue in line with previous guidance, down 3.2% on a Constant Currency Basis (“CCY”)
    - Licence fee revenues excluding Niche grew by 1.5% year on year.
    - Maintenance revenues on a like for like basis are flat year on year
    - Consultancy revenues lower as planned
    - Recurring revenue stream now 64% of total revenues (2012: 61%)
- Adjusted EBITDA margin of 45.4% (2012: 41.4%)
    - Second half Adjusted EBITDA improved on first half ($95.9m v $92.2m)
    - Underlying** Adjusted EBITDA margin of 44.9% (2012: 39.8%)
- Strong cash conversion in the period
    - Cash generated from operations was $194.5m (2012: $196.7m) representing 103.4% (2012: 108.0%) of Adjusted EBITDA less exceptional items
    - Net debt at 30 April 2013 increased by $64.5m to $177.7m (2012: $113.2m) following payment of dividends of $57.2m (2012: $46.3m), Return of Value of $128.8m (2012: $129.0m) and acquisition consideration and costs of $15.6m (2012: $Nil)
    - Net debt to Adjusted EBITDA multiple of 0.94x (2012: 0.63x)
- Enhanced returns for shareholders
    - Return of 50 pence per share in cash to shareholders (equivalent to 78.50 cents per share) (the “Return of Value”) completed in November 2012

- Proposed Final dividend increased by 20.1% to 28.1 cents per share (2012: 23.40 cents per share)
- Proposed Total dividend increased by 26.6% to 40.0 cents per share (2012: 31.60 cents per share)

Statutory results

- Operating profit of $161.3m (2012: $155.8m)
- Profit before tax of $153.4m (2012: $149.3m)
- Basic earnings per share of 78.72 cents (2012: 65.77 cents) increased by 19.7%***

* 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 measures, prior to exceptional items, amortization of purchased intangibles and share based compensation. Exceptional items, share based compensation and amortization of purchased intangibles are detailed in note 5, where EBITDA and Adjusted EBITDA are also reconciled to operating profit.

** Underlying Adjusted EBITDA removes the impact of net capitalization of development costs and foreign currency gains and losses from Adjusted EBITDA.

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

Kevin Loosemore, Executive Chairman of Micro Focus, commented: -

"Following last year's stabilization and focus on product management, the current year has been one of solid progress in a challenging market, with our focus turning to channels to market, marketing effectiveness and sales execution.

On a like for like basis our revenues in the current financial year at constant currency were down 3.2% compared with the prior period and were in line with our guidance of a reduction of between 2% and 4%. Of our like for like revenue decline of $13.6m, $16.1m was in Niche and a further $5.4m in planned reductions in consulting revenues (a total of $21.5m). Licence and maintenance revenues from our core product portfolios grew $7.9m.

It was particularly pleasing that maintenance revenues were flat against the comparable period. Licence fee revenues were marginally down, which was a significant achievement given the shutdown in US Federal spending and second half economic weakness in Japan. Within this our COBOL business was strong and we saw growth in Enterprise Server in the second half. As a result of this mix of revenues and our continued management of costs as we streamline our processes, our Adjusted EBITDA was ahead of market expectations. Cash conversion was 103.4%. In February 2013, we added to our existing business through the completion of the acquisition of the CORBA assets from Progress Software.

As we look to FY2014 our priority is to ensure that we invest in the organic development of the business. We have embarked on hiring 50 new trainee sales representatives in the first half of the year and upgrading our CRM system to assist with improving sales force effectiveness.

Having consolidated the business and met market expectations for nine consecutive quarters we are also ready to consider appropriate acquisition opportunities that would provide enhanced financial returns, accelerate our organic growth, consolidate our market positions or deliver technical functionality offsetting development costs and delivering speed to market for key product features.

The board's intention remains to move to a net debt to Adjusted EBITDA multiple of approximately 1.5 times. This will be done through planned returns of value and/or acquisitions should they be more value enhancing.

In line with the Company's dividend policy the proposed final dividend for the year is 28.1 cents per share (2012: 23.4 cents per share) giving an increase in total dividend per share for the year of 26.6% to 40.0 cents (2012: 31.6 cents). Combined with the return of value this final dividend, if approved, will bring the total cash return to shareholders attributable to FY2013 of 118.8 cents (2012: 101.0 cents) per share.

We believe we have now laid the foundations on which Micro Focus can grow in the second half of the year ending 30 April 2014 ("FY2014").

Enquiries

Micro Focus Tel: +44 (0)1635 32646

Kevin Loosemore, Executive Chairman
Mike Phillips, Chief Financial Officer
Tim Brill, IR Director

Powerscourt Tel: +44 (0)20 7250 1446

Giles Sanderson
Nick Dibden
Sophie Moate

About Micro Focus

Micro Focus, a constituent of the London Stock Exchange's FTSE 250 Index, 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.

Forward-looking statements

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

Executive Chairman's statement

Introduction

The year ended 30 April 2013 has been a year of solid progress for Micro Focus. I am pleased to report that we have seen flat maintenance revenues; licence revenues of $168.6m (2012: $172.6m) despite an uncertain macro environment; an increase in Adjusted EBITDA to $188.1m (2012: $179.8m) and a continued strong cash conversion ratio of 103.4% (2012: 108.0%).

Overview and corporate developments

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

At the beginning of the financial year we expected overall revenue on a constant currency basis to decline year on year. Modest growth in licence fee revenue was forecast to partially offset the anticipated decline in maintenance revenue and consulting revenue would decline due to an increased focus and a reduction in loss making revenue. Against this revenue plan the maintenance fee performance was better than expected with revenues essentially flat compared to the prior year and we accelerated our exit from non-strategic revenue streams in consulting. We modestly undershot our target on licence fee growth due to significant macro effects in US Federal and Japan in the second half of the year and errors in operational execution in Borland in North America.

Management took the necessary steps to achieve appropriate margins and cash generation through a clear focus on sound business operations throughout the Group. All of our actions are consistent with the objective of returning the business to growth whilst considering all options to deliver shareholder value.

During the year to 30 April 2013, Micro Focus delivered total revenues of $414.0m (2012: $434.8m) which was a decline of 2.4% compared to constant currency ("CCY") revenue for the comparable period of $424.2m. Once the impact of the $3.4m of revenues generated from the acquisition of CORBA assets from Progress are excluded, on a like for like basis revenues declined by 3.2% to $410.6m on a CCY basis. Licence fees decreased by 2.4% to $168.5m, (2012: CCY $172.6m), maintenance fees increased by 0.2% to $226.4m (2012: CCY $226.0m) and Consultancy revenues were down, as planned, by 38.7% to $15.7m (2012: CCY $25.6m).

Through a combination of maintenance and ISV licence revenues we now have a recurring revenue stream of 64% of total revenues (2012: 61 %).

Despite the difficulties in the second half of the year in Japan, our Asia Pacific and Japan region delivered overall revenue growth on a like for like basis of 2.9% to $64.1m (2012: CCY $62.6m).

Licence and maintenance revenues for our International region on a like for like basis increased by 2.2% to $149.7m (2012: CCY $146.5m) benefitting from a strong performance in Latin America. Total revenues in the region declined by 2.4% to $157.8m (2012: CCY $161.7m) due to the planned reduction in Consultancy Fee revenues.

North America is our largest region and recovered following a poor start to the year . North America revenues for the full year on a like for like basis declined by 5.5% to $189.3m (2012: CCY $200.3m) after a decline of 10% in the first six months.

The average employee headcount during the year ended 30 April 2013 was 1,206 (2012: 1,191). At 30 April 2013 headcount was 1,214.

Operating costs before exceptional items, share based payments and amortization of purchased intangibles ("Adjusted Operating Costs") reduced by 11.4% to $230.0m (2012: $259.7m). On a CCY basis, Adjusted Operating Costs fell less sharply from $252.3m to $230.0m, with the largest reduction coming from cost of goods sold in line with the reduction in Consultancy fee revenues.

The stabilization of the revenue and reduction in costs enabled Micro Focus to report Adjusted Operating Profit for the year ending 30 April 2013 of $184.0m (2012: $175.1m), an increase of 5.1%. Adjusted EBITDA in the period increased by 4.6% to $188.1m (2012: $179.8m) at a margin of 45.4% (2012: 41.4%).

We would like to thank our employees for their continued dedication, commitment and hard work in delivering the full year results. For the year ended 30 April 2013 bonuses will be paid to non-commissioned staff and executive management in line with the improvement in Underlying Adjusted EBITDA. Staff bonuses will be approximately 90% of the level earned in the year ending 30 April 2012.

Product Portfolio and Go to Market

Our business comprises a number of Product Portfolios. During the year we acquired the CORBA assets from Progress Software.

The IT industry can be viewed as serving three main domains; mainframe, distributed and multi-device/cloud. Micro Focus products predominantly serve the distributed IT environment (i.e. running on servers deploying UNIX, LINUX and Windows). During the year we have made significant developments in some of our key products to consolidate our position in the distributed market while also enabling us to address mainframe and multi-device/cloud market opportunities.

Post the acquisition of the CORBA assets we now focus on five Product Portfolios; COBOL Development (CD), Mainframe Solution (MS), Borland (Test), CORBA and Niche. Visibroker, our own CORBA based product, has been combined with the acquired Orbix and Orbacus products to form the new CORBA Product Portfolio. We have also transferred some of the products acquired from Compuware in 2009 that were previously included within Borland (Test) to Niche as their characteristics are now closer to this Product Portfolio. During the year we exited the Java related Consultancy business in Brazil and these revenues are now included in Niche. We have also transferred TM ART from Niche to Borland (Test). As a result of the above, the comparatives for Borland (Test), Niche and CORBA have been restated.

COBOL Development (CD) – 56.6% of revenues

We have continued to invest in and strengthen our core product portfolio of CD. The CD portfolio delivers products that enable programmers to develop and deploy applications written in COBOL across distributed platforms including Windows, UNIX and LINUX and the Cloud. We have introduced further developments to Visual COBOL and have received a positive response from customers and the partner community. Visual COBOL V2.1 provides the fastest way for customers to move to Java Virtual Machine ("JVM"), .net or Cloud environments whilst protecting their investments and intellectual property. Revenues from Visual COBOL grew strongly in the year contributing in excess of $7m in licence fees. We have seen a significant number of customers commit to Visual COBOL to take advantage of the opportunities provided by operating COBOL applications in a modern language format in an industry standard Integrated Development Environment ("IDE").

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

Mainframe Solution (MS) – 18.1% of revenues

Our MS product set addresses a customer's need to get the most value out of their mainframe environment. The MS strategy was launched in the first half of the year and is being supported by innovative marketing campaigns. Initial feedback from our customers and prospects has been very positive and emphasizes that the positioning is relevant to the current marketplace. In the second half we saw growth in our Enterprise Server revenues.

In May 2012 we announced general availability of Enterprise Developer ("ED") Team Edition and in April 2013 we announced Enterprise Developer for z Enterprise. This product takes our core Visual COBOL technology and, by delivering it in an Eclipse environment, makes the capabilities available to the mainframe user. This release extends our reach and market opportunity. In October we announced that ED Personal Edition would be available as a free download. For the first time this has made a world class COBOL development environment in a modern IDE available free of charge. There have been over 2,000 downloads, with over 10% going on to pay for the chargeable version.

Borland (Test) – 14.6% of revenues

The Borland brand has been re-launched and the new Borland website is now live. This provides relevant and helpful content and is targeted at the developers and IT decision makers in customer organizations who use Borland's tools to support and manage the process of software development from beginning to end in order to accelerate delivery and improve quality.

Borland's Test products (Silk, Caliber and StarTeam) have a large addressable market and now have clear product roadmaps and differentiated customer propositions. In May/June 2013, Micro Focus was placed in the leaders' quadrant of the Gartner Magic Quadrant for Integrated Quality Suites. The challenge for our Borland business is the significant maintenance drag it suffers due to the balance between licence and maintenance in its overall revenues. We are fully aware of this dynamic and have a plan to reduce this drag through increasing licence sales. This has not been effectively addressed in 2013 due to missteps in execution. In the meantime, clear communication of product roadmaps and business benefits is increasing maintenance renewal rates across the Borland product portfolio.

In September 2012 we announced the general availability of Agile for StarTeam. This innovative product allows customers to regain control of mixed waterfall and agile development environments and works seamlessly with products such as Subversion, Rally and Quality Centre from HP. In November we released a further significant version of our requirements product Caliber, the first for a number of years, in response to customer requests to integrate Caliber RM and RDM.

These announcements have highlighted that we have many customers on older versions of our products. This is something we are addressing in order to smooth the upgrade process. Following focus during the year the maintenance base in Borland has now stabilized.

CORBA – 6.2% of revenues

In February 2013, we purchased the CORBA assets from Progress Software strengthening our position in this market. We now own the two leading CORBA products: Visibroker and Orbix as well as the Orbacus mainframe product. These products provide excellent functionality and performance to companies with installed networks with a requirement for high speed, secure transfer of data between systems. As we expect the CORBA products to be a higher proportion of our revenues in FY14, we are now identifying them as a separate product grouping.

Niche - 4.5% of revenues

Our Niche business comprises mature products that are expected to see ongoing revenue decline but that provide good margins and strong cash flow. We have moved the Visibroker product set out of this category into CORBA for the reasons outlined above. We are now reporting in this category some products that were previously reported in the Borland (Test) category that were acquired from Compuware in 2009 (QA Director, QA Load and Test Partner). We continue to focus on supporting our installed customer base, but expect this product category to continue to decline as a proportion of our business. We have exited our Java related Consultancy business in Brazil and this Consultancy stream is now reported within Niche; previously it was in Borland (Test).

Go to Market

Having completed our product roadmaps in the year ended 30 April 2012 we have started adjusting our go to market structures. In the year ending 30 April 2013 we set out to optimize our channel strategy (both internally and with partners) and our marketing and lead generation plans. Progress to date has been mixed, in part because this coincided with an economic environment which saw a number of customers and partners retrenching, and also due to budgetary restraint and fiscal tightening in many geographies.

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

As we look forwards to FY2014, our priority is to ensure that we invest in the organic development of the business. We have embarked on hiring 50 new sales representatives in the first half of the year and are upgrading our CRM system to assist with sales force effectiveness.

We aim to increase sales productivity and predictability further by continuing to improve Product Management and by generating closer interaction between Sales, Product Management & Marketing and Product Development. In order to drive greater interaction with our partners we created a Partner Relationship Management portal. This provides a single repository of information about our products for the benefit of our partners. Since launch, over 250 partners have registered on our Portal with 50% making repeated use. However, we have yet to see any significant increase in sales through partners.

Since its introduction in July 2012, our Eloqua lead management system has enabled us to increase the contacts in our marketing database by over 60% and also to increase their quality. Our email open rate has doubled and our lead conversion rate improved by a factor of three.

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

Delivering value to shareholders

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

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

In November 2012 we made a Return of Value to all shareholders amounting to $128.8m in cash (50 pence per share, equivalent to approximately 78.50 cents per share), by way of a B and C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving the cash in the form of income or capital. The Return of Value was accompanied by a 10 for 11 share consolidation to maintain broad comparability of the share price and return

per share of the ordinary shares before and after the creation of the B and C shares.
Our $275m Revolving Credit Facility ("RCF") is provided by five banks and expires on 1 December 2014. Net debt to RCF EBITDA (being our Adjusted EBITDA before Amortization of Capitalized Development Costs) is limited to 1.5 times. Taking account of the Return of Value made in November 2012, on a proforma basis our Net Debt at 31 October 2012 would have been $225.5m and based on the reported RCF EBITDA in the twelve months to 31 October 2012 of $199.8m this would have represented a net debt to RCF EBITDA multiple of 1.13 times. By 30 April 2013 Net Debt had reduced to $177.7m and the multiple was reduced to 0.86 times RCF EBITDA for the year of $206.5m. When compared to our Adjusted EBITDA figure of $188.1m, the multiple is 0.94 times.

We have already commenced discussions with our banks about our options for a new financing arrangement that would enable us to deliver inter alia further Returns of Value to our shareholders. These conversations have been very positive to date and will continue over the coming months.

The board continues to target a Net Debt to Adjusted EBITDA multiple of approximately 1.5 times. This is a modest level of gearing for a company with the cash generating qualities of Micro Focus. We are confident that this level of debt will not reduce our ability to deliver growth, invest in products and / or make appropriate acquisitions.

In line with our dividend policy of 2 times cover we are announcing an increase of the proposed final dividend of 20.1% to 28.1 cents per share, (2012: 23.4 cents per share) and an increase in the proposed total dividend for the year of 26.6% to 40.0 cents per share (2012: 31.6 cents per share). The final dividend will be paid in sterling equivalent to 17.90 pence per share, based on an exchange rate of £ = $1.57, being the rate applicable on 18 June 2013, the date on which the board resolved to propose the final dividend. The final dividend will be proposed to shareholders at the AGM on 26 September 2013 and, if approved, will be paid on 2 October 2013 to shareholders on the register at 6 September 2013.

Outlook

We believe we have now laid the foundations on which Micro Focus can grow in the second half of the year ending 30 April 2014 ("FY2014"). Absent significant external events we anticipate revenue growth of between 0% and 5%.

Kevin Loosemore
Executive Chairman
18 June 2013

Operational and Financial review

Micro Focus' primary reporting segments are its three geographic regions (i) North America, (ii) International (comprising Europe, Middle East, Latin America and Africa), and (iii) Asia Pacific and Japan. Product Portfolios are sold into these regions via a combination of direct sales, partners and independent software vendors.

Micro Focus discloses profitability by its reporting segments. The regional presidents are measured on the profitability of their region. They have directly controllable costs and are then allocated central costs. As we enter the new financial year their incentives are weighted more towards growth in revenues. The segmental analysis is shown in note 2.

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

	Year ended 30 April 2013 Existing	Year ended 30 April 2013 Acquisition	Year ended 30 April 2013 As reported	Year ended 30 April 2012 As reported	Year ended 30 April 2012 CCY
	$m	$m	$m	$m	$m
North America	189.3	2.5	191.8	200.3	200.3
International	157.2	0.6	157.8	169.4	161.7
Asia Pacific and Japan	64.1	0.3	64.4	65.1	62.2
Total revenue	**410.6**	**3.4**	**414.0**	**434.8**	**424.2**

As expected, on a CCY basis like for like revenues have declined by 3.2% to $410.6m. On a like for like basis North America saw a decrease of 5.5%, International declined by 2.8% and Asia Pacific and Japan increased by 3.1%. Once the revenues from the acquisition of CORBA assets from Progress Software are taken into account total revenues have declined by 2.4%.

In North America, for the full year on a like for like CCY basis, all three revenue lines (Licence, Maintenance and Consultancy) have declined primarily as a result of the Niche product portfolio declining from $14m to $7m. The comparable period included a large Niche licence fee transaction that represented 1% of last year's Group CCY revenue. The aggregate of the other product portfolios has seen revenues in North America decrease by 0.8% with Maintenance broadly flat and Licence and Consultancy declining. Growth in CD was offset by declines in MS, Borland (Test) and CORBA. In the second half of the year like for like revenue saw an increase of 7.3% and is comparable to the second half of last year. This followed execution issues in the first half.

Our International region is where most of the planned reduction of the Group's Consultancy revenues took place with this revenue stream reducing from $15.2m to $7.6m. In aggregate, Licence and Maintenance revenues grew by 2.2% on a like for like basis, with growth in CD offset by declines in MS, Borland (Test), Niche and CORBA. If we exclude the Niche Product portfolio from the revenue streams, then Licence fee revenues grew by 4.5%, Maintenance revenues have increased by 5.4% and, as planned, Consultancy has reduced by 38.8%.

In Asia Pacific and Japan, like for like CCY revenues have increased for the full year with Licence fees up 1.6% and Maintenance revenues increasing by 6.6% and a reduction in Consultancy. The region benefitted from a large licence fee transaction in the first half of the year that represented approximately 1% of last year's CCY total revenue. The slow-down in Japan that was highlighted at the interim results continued during the second half of the year. This slow down, together with the absence of the large transaction means that second half revenues for the region are down 32% on the first half of the year and 12% down on the second half of last year. The outlook in Japan has not changed and remains challenging.

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

	Year ended 30 April 2013 Existing	Year ended 30 April 2013 Acquisition	Year ended 30 April 2013 As reported	Year ended 30 April 2012 As reported	Year ended 30 April 2012 CCY
	$m	$m	$m	$m	$m
Licence	168.5	0.1	168.6	176.6	172.6
Maintenance	226.4	3.3	229.7	230.9	226.0
Consultancy	15.7	0.0	15.7	27.3	25.6
Total revenue	**410.6**	**3.4**	**414.0**	**434.8**	**424.2**

Revenue by Product Portfolio on a CCY basis is shown below:

	Year ended 30 April 2013 Existing $m	Year ended 30 April 2013 Acquisition $m	Year ended 30 April 2013 As reported $m	Year ended 30 April 2012 CCY $m	Change Like for like %	Change As reported %
COBOL						
Licence	112.2	0.0	112.2	105.9	5.9	5.9
Maintenance	120.9	0.0	120.9	112.1	7.9	7.9
Consultancy	1.4	0.0	1.4	2.7	-48.1	-48.1
	234.5	0.0	234.5	220.7	6.3	6.3
Mainframe Solution						
Licence	26.7	0.0	26.7	24.5	9.0	9.0
Maintenance	40.1	0.0	40.1	41.7	-3.8	-3.8
Consultancy	8.2	0.0	8.2	10.6	-22.6	-22.6
	75.0	0.0	75.0	76.8	-2.3	-2.3
Borland (Test)						
Licence	16.1	0.0	16.1	19.8	-18.7	-18.7
Maintenance	41.1	0.0	41.1	42.1	-2.4	-2.4
Consultancy	2.9	0.0	2.9	4.6	-37.0	-37.0
	60.1	0.0	60.1	66.5	-9.6	-9.6
CORBA						
Licence	10.9	0.1	11.0	13.3	-18.0	-17.3
Maintenance	11.1	3.3	14.4	11.8	-5.9	22.0
Consultancy	0.3	0.0	0.3	0.3	0.0	0.0
	22.3	3.4	25.7	25.4	-12.2	1.2
Sub-total excluding Niche						
Licence	165.9	0.1	166.0	163.5	1.5	1.5
Maintenance	213.2	3.3	216.5	207.7	2.6	4.2
Consultancy	12.8	0.0	12.8	18.2	-29.7	-29.7
Revenue at CCY	**391.9**	**3.4**	**395.3**	**389.4**	**0.6**	**1.5**
Niche						
Licence	2.6	0.0	2.6	9.1	-71.4	-71.4
Maintenance	13.2	0.0	13.2	18.3	-27.9	-27.9
Consultancy	2.9	0.0	2.9	7.4	-60.8	-60.8
	18.7	0.0	18.7	34.8	-46.8	-46.8
Total revenue						
Licence	168.5	0.1	168.6	172.6	-2.4	-2.3
Maintenance	226.4	3.3	229.7	226.0	0.2	1.6
Consultancy	15.7	0.0	15.7	25.6	-38.7	-38.7
Revenue at CCY	**410.6**	**3.4**	**414.0**	**424.2**	**-3.2**	**-2.4**

Post the acquisition of the CORBA assets we now focus on five Product Portfolios; COBOL Development (CD), Mainframe Solution (MS), Borland (Test), CORBA and Niche. Visibroker (previously included in Niche (2012: CCY $25.4m)), our own CORBA based product, has been combined with Iona to form a new CORBA Product Portfolio. We have also transferred some of the products acquired from Compuware in 2009 (2012: CCY $17.7m) that were previously included within Borland (Test) to Niche as their characteristics are now closer to this Product Portfolio. We exited during the year the Java related Consultancy business in Brazil (2012: CCY $4.7m) and these revenues are now included in Niche. We have also transferred TM ART (2012: CCY $0.3m) from Niche to Borland (Test). As a result of the above the comparatives for Test, Niche and CORBA have been restated.

The Niche Product Portfolio now represents 4.5% of total revenues and this percentage is expected to decline in the coming year. The decline in this Product Portfolio of $16.1m, together with the planned reduction in consultancy revenues of $5.4m in the other Product Portfolios, accounts for more than the reduction in like for like revenues of $13.6m. These reductions were offset by increases of $7.9m in like for like Licence and Maintenance revenues of the other Product Portfolios.

In aggregate the other four Product Portfolios were broadly flat year on year on a like for like basis, with Licence and Maintenance revenue growth largely offsetting the planned declined in Consultancy revenues.

The strongest performance was CD where our continued focus on the core of Micro Focus, innovation in the product set and re-engagement with the customer base, both on and off maintenance, has seen Licence and Maintenance revenues grow. Consultancy declined in the year but this is a small proportion of the overall revenues from CD. We are continuing to look to engage with our customer base to understand further their use of our products and how the innovation in our product plans can assist their business.

MS was re-launched at the beginning of the year and we have added to its product offering during the year.

Revenues in the second half of the year were broadly similar to the first half of the year which included the large licence transaction that represented 1% of last year's CCY revenues. Whilst MS Licence fees grew by 9% in the year, without the large transaction they would have declined by approximately 9%. Maintenance revenues declined by 3.8% and Consultancy revenues declined by 22.6%

The Borland (Test) Product Portfolio now consists of the Caliber, StarTeam and Silk Product Brands. This Product Portfolio had the most substantial planned reduction in Consultancy revenues with a reduction of 37.0%, predominantly in the International Region. Licence and Maintenance revenues also declined by 18.7% and 2.4% respectively, with lower licence sales in North America and International partially offset by improvement in Asia Pacific and Japan.

The CORBA Product Portfolio saw like for like revenues decline by 12.2% in the year with the decline in Licence fee revenue of 18.0% occurring mainly in the second half of the year. With the addition of the Iona CORBA assets in the final quarter of the year we have consolidated our position as the leading provider of CORBA technology and we anticipate that revenues from this Product Portfolio will grow in the current year.

The overall performance on Maintenance revenues was encouraging because at the start of the year it had been expected that this revenue stream would decline by 2.3%. The actual result saw Maintenance revenues marginally increase on a like for like basis.

In the year ended 30 April 2012 the renewal rates for Maintenance were disclosed on the basis of combined Product Portfolios comprising (1) CD and MS, and (2) Borland (Test), CORBA and Niche. The renewal rates for CDMS in the year ended 30 April 2013 increased to 91.0% (2012: 88.9%) and for Borland (Test), CORBA and Niche improved to 83.9% (2012: 80.9%). We are now providing the renewal rates by each Product Portfolio and for the year ended 30 April 2013 these rates were CD – 91.4%, MS – 90.2%, Borland (Test) – 88.4%, CORBA 72.8% and Niche – 77.1%.

Costs

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

	Year ended 30 April 2013 Existing	Year ended 30 April 2013 Acquisition	Year ended 30 April 2013 As reported	Year ended 30 April 2012 As reported	Year ended 30 April 2012 CCY
	$m	$m	$m	$m	$m
Cost of Goods Sold	33.7	0.4	34.1	49.3	47.0
Selling & Distribution	116.7	0.9	117.6	127.2	123.9
Research & Development	52.0	0.6	52.6	54.8	53.9
Administrative expenses	47.5	1.0	48.5	47.8	47.0
Total costs	**249.9**	**2.9**	**252.8**	**279.1**	**271.8**

The Iona CORBA assets were acquired from Progress Software on 15 February 2013 and the external acquisition related costs of $0.6m are included within Administrative expenses.

On a like for like basis, cost of sales for the year decreased by 28.3% on a CCY basis to $33.7m (2012 CCY: $47.0m). The costs in this category predominantly relate to our consulting and helpline support operations. The majority of the cost reduction came from decreased consulting costs to deliver the Consulting revenues that had reduced by $9.9m on a CCY basis.

Selling and distribution costs on a like for like and CCY basis decreased by 5.8% to $116.7m (2012 CCY: $123.9m) as a result of the lower cost of incentive plans, a reduction in marketing costs and a change in the costs mix of sales resource.

Research and development expenses on a like for like basis decreased slightly by 3.5% to $52.0m (2012 CCY: $53.9m), equivalent to approximately 12.7% of revenue which is the same percentage investment as in the prior year. The charge to the consolidated statement of comprehensive income in the period is after taking account of the net capitalization of development costs in the period. Additions to capitalized development costs in the period were $20.0m (2012: $19.4m) less amortization of previously capitalized development costs of $18.3m (2012: $16.2m) resulting in a net credit to the consolidated statement of comprehensive income of $1.7m (2012: $3.2m). The amount spent on research and development prior to the impact of net capitalization of development costs was $53.7m (2012: $57.2m) representing 31.9% of licence fee revenue (2012: 33.1%). At 30 April 2013 the net book value of capitalized development costs on the balance sheet was $31.4m (2012: $29.8m).

Administrative expenses excluding share based compensation of $6.6m (2012: $6.1m), exchange gains of $0.5m (2012: $3.6m) and no exceptional items (2012: $1.3m exceptional credit), decreased by 9.4% to $41.4m (2012: $45.8m). The primary reductions arise from no bid defence costs (2012: $1.0m) and reduced legal and property costs of $1.9m.

Currency impact

54.1% of our revenue is contracted in US dollars, 22.2% in Euros, 8.6% in Yen and 15.1% in other currencies. In comparison, 30.0% of our costs are US dollar denominated, 27.0% in sterling, 19.9% in Euros, 3.5% in Yen and 19.6% in other currencies.

This weighting of revenue and costs means that if the US$: Euro or US$: Yen exchange rates move during the year, the revenue impact is far greater than the cost impact, whilst if US$: sterling rate moves during the year the cost impact far exceeds the revenue impact. Consequently, reported US$ profit before tax can be impacted by significant movements in US$ to Euro, Yen and sterling exchange rates. The impact of these movements can be seen by the changes to prior year reported numbers when they are stated at CCY. For the year ended 30 April 2012 CCY revenue is 2.4% lower at $424.2m and profit before tax before the exchange gain above of $3.6m is 2.4% lower than the reported numbers at $142.3m.

The greatest volatility in exchange rates has been the US$: Yen exchange rate following the economic action taken by the Japanese government. The average US$:Yen exchange rate in May 2013 was $:0.00991 Yen which is 21.8% lower than the average for the six months to 31 October 2012 and 3.1% lower than the six months to 30 April 2013. Consequently, if this rate was maintained for the remainder of the year ending 30 April 2014, then the impact on reported revenues for the year ended 30 April 2013 when converted to CCY would be to reduce revenue by $6.6m and the Adjusted EBITDA by $5.7m.

Intercompany loan arrangements within the Group are denominated in the local currency of the borrower. Consequently, any movement in the respective local currency and US$ will have an impact on converted US$ value of the loans. This foreign exchange movement is taken to the consolidated statement of comprehensive income. The Group's UK Corporation Tax liability is denominated in sterling and any movement of the US$: sterling rate will give rise to a foreign exchange gain or loss which is also taken to the consolidated statement of comprehensive income. The foreign exchange gain for the year is approximately $0.5m (2012: gain of $3.6m).

Adjusted EBITDA and Underlying Adjusted EBITDA

Adjusted EBITDA in the period was $188.1m (2012: $179.8m) and Underlying Adjusted EBITDA was $185.9m (2012: $172.9m) at a margin of 44.9% (2012: 39.8%). The Adjusted EBITDA for the Iona acquisition was $0.9m.

	Year ended 30 April 2013 $m	Year ended 30 April 2012 As reported $m	Year ended 30 April 2012 CCY $m
Reported Revenue	414.0	434.8	424.2
Adjusted EBITDA	188.1	179.8	176.6
Foreign Exchange Credit	(0.5)	(3.6)	(3.6)
Net Capitalization of Development Costs	(1.7)	(3.2)	(3.2)
Underlying Adjusted EBITDA	**185.9**	**173.0**	**169.8**
Underlying Adjusted EBITDA Margin	**44.9%**	**39.8%**	**40.0%**

Operating profit

Operating profit was $161.3m (2012: $155.8m). Adjusted operating profit was $184.0m (2012: $175.1m).

Net finance costs

Net finance costs were $7.9m (2012: $6.5m), including the amortization of $3.2m of prepaid facility arrangement and facility fees incurred on the Group's RCF (2012: $4.3m), RCF interest of $3.9m (2012: $2.2m) and other interest costs of $1.2m (2012: $0.3m) offset by $0.4m of interest received (2012: $0.3m). The increased charges in the second half of the year reflect the interest on the increased bank borrowings arising from the Return of Value of $129.3m in November 2012. Unamortized prepaid facility arrangements fees were $0.4m at 30 April 2013 (2012: $2.4m) as the Group is anticipating refinancing its existing bank facility in the near future.

Exceptional items

There were no exceptional items in the year to 30 April 2013 (2012: credit of $2.4m).

Taxation
Tax for the period was $30.2m (2012: $28.6m) with the Group's effective tax rate being 19.7% (2012: 19.2%).

In the year the Group recognized additional deferred tax assets of $2.1m (2012: $3.0m) all of which was taken to the consolidated statement of comprehensive income. The impact of this recognition gives rise to a lower effective tax rate for the year.

The Group's medium term effective tax rate is currently expected to be between 16% and 20% compared to the guidance provided at the interim results of 19% to 21%. The principal reason for the reduction is a further 2% cut in the UK corporation tax rate to bring the rate of corporation tax down to 20% by 1 April 2015.

With effect from 1 April 2013, the UK Government has introduced Patent Box legislation which provides a reduced rate of tax on profits arising from qualifying IP rights. Whilst there is no certainty that the Group will be able to obtain patents resulting in qualifying IP rights, the Patent Box presents a potentially significant opportunity for the Group. We anticipate spending up to $500k in the year ended 30 April 2014 further exploring the regime and applying for relevant patents.

As previously disclosed, the Group has benefited from a lower cash rate of tax during the last three years as a result of an ongoing claim with HMRC in the UK, based on tax legislation, impacting its tax returns for the year ended 30 April 2009 and subsequent years. The Group is one of a number of companies that have submitted similar claims and it is anticipated that HMRC will choose a test case to establish the correct interpretation of the legislation. The Group has taken no benefit to the consolidated statement of comprehensive income during the periods affected and the potential tax liability is recognized on the Group's balance sheet, but has paid reduced cash tax payments in line with its claim. The cash tax benefit in the year was $4.8m (2012: $9.2m) and the total cash tax benefit to date is $19.1m based on the difference between the Group's claimed tax liability and the tax liability in the balance sheet. Due to the nature of the claim and the advice the Group has received, if HMRC were successful then it is unlikely that any penalties would be payable by the Group but there would be interest on any overdue tax.

When the tax position relating to the claim is agreed with HMRC then, to the extent that the tax liability is lower than that provided in the balance sheet, there would be a positive benefit to the tax charge in the consolidated statement of comprehensive income in the year of settlement. The current maximum benefit is $21.5m, which equates to 13.9 cents per share on a fully diluted basis.

Profit after tax
Profit after tax increased by 2.2% to $123.2m (2012: $120.6m).

Goodwill
The largest item on the consolidated statement of financial position is goodwill at $284.7m (2012: $274.3m) and arose from acquisitions made by the Group in the period to 31 July 2009 and the acquisition of the Iona CORBA assets from Progress Software in February 2013. The annual impairment review of goodwill is based on the value in use of the Cash Generating Units (our three Geographic Regions) to which the goodwill is allocated and, based on the assumptions used by the board, there is no impairment of goodwill in the year.

Return of Value
During the year, the Group announced and completed a Return of Value to shareholders of 50 pence per ordinary share amounting to $128.8m, by way of a B and C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving cash in the form of income or capital. The Return of Value was approved by shareholders on 26 September 2012.

The Group entered into forward exchange contracts to hedge the US dollar amount of the liability and the Return of Value was paid to shareholders on 12 November 2012 at a total cost of $129.3m. The Return of Value was accompanied by a 10 for 11 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the B and C shares.

Total equity attributable to the parent
The total equity attributable to the parent has reduced by $57.7m during the year from $117.5m to $59.8m. $6.1m of this reduction is explained by the difference between the Return of Value of $129.3m and the profit after tax for the year of $123.2m. The remaining $51.6m of reduction comprises dividends of $57.2m and exchange rate movements of $2.4m offset by $7.2m of movement in relation to share options and other items of $0.7m. Details are provided in the consolidated statement of changes in equity.

The board recognizes that by accessing the unrealized profit of $352.8m in the Company's retained reserves by further significant distributions to shareholders, whether by share buybacks, dividends or returns of value, it is possible for the equity attributable to the parent in the consolidated statement of financial position to go into deficit. If such a position were to arise in future it would not impact the Company's ability to make such distributions to shareholders but could impact the external perception of the financial position of the Group. The board will consider the impact of such future distribution at the appropriate time.

Cash flow
The Group's operating cash flow from continuing operations was $194.5m (2012: $196.7m). This represented a cash conversion ratio when compared to Adjusted EBITDA before exceptional items of 103.4% (2012: 108.0%).

At 30 April 2013 the Group's net debt was $177.7m (2012: $113.2m) and during the year the Group increased net borrowings by $64.5m. The most significant cash outflows during the year were $128.8m in respect of the Return of Value and $57.2m of dividends.

Dividend
The board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus. Last year we changed the dividend policy to a level of dividend cover of approximately 2 times on a pre-exceptional earnings basis. Consequently, the proposed final dividend is 28.1 cents per share (2012: 23.4 cents per share) giving a total proposed dividend of 40.0 cents per share (2012: 31.6 cents per share) an increase of 26.6%. If approved by shareholders, the final dividend will be paid on 2 October 2013 to shareholders on the register on 6 September 2013.

Dividends will be paid in sterling equivalent to 17.90 pence per share, based on an exchange rate of £1 = $1.57, being the rate applicable on 18 June 2013, the date on which the board resolved to propose 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

18 June 2013

Micro Focus International plc
Consolidated statement of comprehensive income (audited)
For the year ended 30 April 2013

	Note	2013 $'000	2012 $'000
Revenue	2,3	**413,989**	434,838
Cost of sales		**(34,069)**	(49,267)
Gross profit		**379,920**	385,571
Selling and distribution costs		**(117,558)**	(127,253)
Research and development expense		**(52,599)**	(54,768)
Administrative expenses		**(48,503)**	(47,759)
Operating profit	2	**161,260**	155,791
Analyzed as:			
Operating profit before exceptional items		**161,260**	153,349
Exceptional items	4	**-**	2,442
Operating profit		**161,260**	155,791
Finance costs		**(8,307)**	(6,836)
Finance income		**413**	295
Profit before tax		**153,366**	149,250
Taxation	8	**(30,202)**	(28,630)
Profit for the period		**123,164**	120,620
Other comprehensive income			
Currency translation differences		**(2,458)**	1,045
Other comprehensive income for the period		**(2,458)**	1,045
Total comprehensive income for the period		**120,706**	121,665
Profit attributable to:			
Owners of the parent		**120,706**	121,665
Earnings per share expressed in cents per share		cents	cents
- basic	7	**78.72**	65.77
- diluted	7	**76.09**	64.11
Earnings per share expressed in pence per share		pence	pence
- basic	7	**50.00**	41.29
- diluted	7	**48.33**	40.25

Micro Focus International plc
Consolidated statement of financial position (audited)
As at 30 April 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Non-current assets			
Goodwill	**9**	**284,661**	274,340
Other intangible assets	**10**	**93,644**	97,811
Property, plant and equipment	**11**	**21,157**	22,302
Deferred tax assets		**38,134**	39,782
		437,596	434,235
Current assets			
Inventories		**144**	460
Trade and other receivables	**12**	**92,496**	91,856
Cash and cash equivalents		**37,943**	30,410
		130,583	122,726
Total assets		**568,179**	556,961
Liabilities			
Current liabilities			
Trade and other payables	**13**	**54,370**	61,164
Borrowings	**14**	**215,634**	143,613
Provisions	**15**	**8,992**	3,721
Current tax liabilities		**42,423**	35,438
Deferred income	**16**	**138,306**	136,135
		459,725	380,071
Non-current liabilities			
Deferred income		**9,646**	12,611
Long-term provisions	**15**	**2,009**	6,794
Deferred tax liabilities		**37,042**	39,939
		48,697	59,344
Total liabilities		**508,422**	439,415
Net assets		**59,757**	117,546
EQUITY			
Equity attributable to owners of the parent			
Share capital		**37,797**	37,787
Share premium account		**16,083**	61,311
Retained earnings (deficit)		**(63,672)**	(6,480)
Foreign currency translation (deficit)		**(7,349)**	(4,891)
Other reserves		**76,898**	29,819
Total equity attributable to owners of the parent		**59,757**	117,546

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 2013

	Note	**2013**	2012*
	Note	**$'000**	$'000
Cash flows from operating activities			
Net profit for the period		**123,164**	120,620
Adjustments for			
Net interest payable		**7,894**	6,541
Taxation		**30,202**	28,630
Depreciation		**3,483**	3,810
Loss on disposal of property, plant and equipment		**370**	146
Amortization of intangibles		**35,122**	32,840
Share-based compensation		**6,639**	6,056
Exchange movements		**50**	131
Provisions		**(780)**	2,897
Changes in working capital:			
Inventories		**316**	1,158
Trade and other receivables		**4,400**	13,697
Payables and other liabilities		**(16,399)**	(19,867)
Net cash generated from operating activities		**194,461**	196,659
Interest paid		**(5,076)**	(2,545)
Tax paid		**(22,072)**	(11,936)
Net cash from operating activities		**167,313**	182,178
Cash flows from investing activities			
Payments for intangible assets	**10**	**(20,327)**	(20,946)
Purchase of property, plant and equipment	**11**	**(3,312)**	(18,273)
Interest received		**413**	295
Payments for acquisition of business	**19**	**(15,000)**	-
Net cash used in investing activities		**(38,226)**	(38,924)
Cash flows from financing activities			
Payments for repurchase of shares		**-**	(62,498)
Proceeds from issue of ordinary share capital		**730**	1,253
Return of Value paid to shareholders	**18**	**(131,171)**	(129,604)
Foreign exchange gain on hedging contracts related to the Return of Value	**18**	**2,393**	635
Costs associated with the Return of Value		**(491)**	(1,116)
Proceeds from sale of fractional shares		**3**	2
Repayment of bank borrowings	**14**	**(142,307)**	(203,000)
Proceeds from bank borrowings	**14**	**212,307**	308,000
Bank loan costs		**(3,231)**	(4,293)
Dividends paid to owners	**6**	**(57,160)**	(46,262)
Net cash used in financing activities		**(118,927)**	(136,883)
Effects of exchange rate changes		**(2,627)**	(2,041)
Net increase in cash and cash equivalents		**7,533**	4,330
Cash and cash equivalents at beginning of period		**30,410**	26,080
Cash and cash equivalents at end of period		**37,943**	30,410

* The comparatives have been restated to report the foreign exchange gain on hedging contracts related to the Return of Value within financing activities.

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

Micro Focus International plc
Consolidated statement of changes in equity (audited)
For the year ended 30 April 2013

	Note	Share capital	Share premium account	Retained earnings (deficit)	Foreign currency translation reserve (deficit)	Other reserves (deficit)	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2011		**37,713**	**115,789**	**108,217**	**(5,936)**	**(27,085)**	**228,698**
Currency translation differences		-	-	-	1,045	-	1,045
Profit for the period		-	-	120,620	-	-	120,620
Total comprehensive income		-	-	120,620	1,045	-	121,665
Transactions with owners:							
Dividends	6	-	-	(46,262)	-	-	(46,262)
Issue of share capital		74	1,879	(700)	-	-	1,253
Repurchase of shares		-	-	(62,498)	-	-	(62,498)
Return of Value to shareholders		-	-	(129,604)	-	-	(129,604)
Issue and redemption of B shares		-	(56,359)	-	-	56,359	-
Sale of fractional shares		-	2	-	-	-	2
Expenses and foreign exchange relating to Return of Value		-	-	(1,026)	-	545	(481)
Movement in relation to share options		-	-	4,931	-	-	4,931
Corporation tax on share options		-	-	(189)	-	-	(189)
Deferred tax on share options		-	-	31	-	-	31
		74	(54,478)	(235,317)	-	56,904	(232,817)
Balance as at 30 April 2012		**37,787**	**61,311**	**(6,480)**	**(4,891)**	**29,819**	**117,546**
Balance as at 1 May 2012		**37,787**	**61,311**	**(6,480)**	**(4,891)**	**29,819**	**117,546**
Currency translation differences		**-**	**-**	**-**	**(2,458)**	**-**	**(2,458)**
Profit for the period		**-**	**-**	**123,164**	**-**	**-**	**123,164**
Total comprehensive income		**-**	**-**	**123,164**	**(2,458)**	**-**	**120,706**
Transactions with owners:							
Dividends	6	**-**	**-**	**(57,160)**	**-**	**-**	**(57,160)**
Issue of share capital		**10**	**2,793**	**(2,073)**	**-**	**-**	**730**
Return of Value to shareholders		**-**	**-**	**(131,171)**	**-**	**-**	**(131,171)**
Issue and redemption of B Shares		**-**	**(47,079)**	**-**	**-**	**47,079**	**-**
Sales of fractional shares		**-**	**3**	**-**	**-**	**-**	**3**
Expenses and foreign exchange relating to Return of Value		**-**	**-**	**1,902**	**-**	**-**	**1,902**
Movement in relation to share options		**-**	**(945)**	**7,257**	**-**	**-**	**6,312**
Corporation tax on share options		**-**	**-**	**694**	**-**	**-**	**694**
Deferred tax on share options		**-**	**-**	**195**	**-**	**-**	**195**
		10	**(45,228)**	**(180,356)**	**-**	**47,079**	**(178,495)**
Balance as at 30 April 2013		**37,797**	**16,083**	**(63,672)**	**(7,349)**	**76,898**	**59,757**

The accompanying notes are an integral part of this financial information. Other reserves includes a capital redemption reserve of $104.0m (2012: $56.9m) and a merger deficit reserve of $27.1m (2012: $27.1m).

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 2013 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 2012 were approved by the board of directors on 20 June 2012 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 18 June 2013.

b. Basis of preparation

This audited preliminary consolidated financial information for the year ended 30 April 2013, 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, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the consolidated statement of comprehensive income.

c. Accounting policies

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

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

- Amendments to IFRS 7, "Financial instruments: Disclosures on Derecognition" for periods beginning on or after 1 July 2011. These amendments arise from the IASB's review of off-balance sheet activities and will promote transparency in the reporting of transfer transactions.

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

- IFRS 9, "Financial Instruments", for periods beginning on or after 1 January 2015.
- Amendment to IAS 12, "Income Taxes" applies for periods beginning on or after 1 January 2013.
- Amendment to IAS 19, "Employee Benefits", for periods beginning on or after 1 January 2013.
- Amendment to IAS 1 "Financial Statement Presentation" applies for periods beginning on or after 1 July 2013.
- IFRS 10, "Consolidated Financial Statements" applies for periods beginning on or after 1 January 2014.
- IFRS 11, "Joint Arrangements" applies for periods beginning on or after 1 January 2014.
- IFRS 12, "Disclosures of Interests in Other Entities" applies for periods beginning on or after 1 January 2014.
- IFRS 13, "Fair Value Measurement", applies for periods beginning on or after 1 January 2013.
- IAS 27 (Revised 2011), "Separate Financial Statements", applies for periods beginning on or after 1 January 2014.
- IAS 28 (Revised 2011), "Associates and Joint Ventures" applies for periods beginning on or after 1 January 2014.
- Amendment to IAS 32, "Financial Instruments: Presentation" applies to periods beginning on or after 1 January 2013.

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

1. Functional currency

The presentational currency of the Group is US dollars. Items included in the financial statements of each of the Group's entities are measured in the functional currency of each entity.

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. The measure used by the Executive Committee is the Adjusted operating profit for the Group as a whole (note 5). The Group has operating segments relating to the three geographic regions. The Executive Committee has delegated responsibilities for directly managed costs to the Regional Presidents of the three geographic regions of the Group and then allocated centrally managed costs to those regions, consequently for the three operating segments the Group measures Adjusted Operating Profit (note 5).

Operating segments for the year ended 30 April 2013:

	North America	International	Asia Pacific and Japan	Total
	$’000	$’000	$’000	$’000
Segment revenue	**191,818**	**157,816**	**64,355**	**413,989**
Directly managed costs	(34,731)	(48,786)	(16,368)	(99,885)
Allocation of centrally managed costs	(64,088)	(49,660)	(16,334)	(130,082)
Total segment costs	**(98,819)**	**(98,446)**	**(32,702)**	**(229,967)**
Adjusted operating profit (note 5)	92,999	59,370	31,653	184,022
Share based compensation charge				(6,639)
Amortization of purchased intangibles				(16,123)
Operating profit				**161,260**
Total assets				**568,179**
Total liabilities				**508,422**

Operating segments for the year ended 30 April 2012:

	North America	International	Asia Pacific and Japan	Total
	$’000	$’000	$’000	$’000
Segment revenue	200,291	169,379	65,168	434,838
Directly managed costs	(37,430)	(60,137)	(15,879)	(113,446)
Allocation of centrally managed costs	(70,651)	(58,679)	(16,955)	(146,285)
Total segment costs	(108,081)	(118,816)	(32,834)	(259,731)
Adjusted operating profit (note 5)	92,210	50,563	32,334	175,107
Exceptional items				2,442
Share based compensation charge				(6,056)
Amortization of purchased intangibles				(15,702)
Operating profit				155,791
Total assets				556,961
Total liabilities				439,415

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3. Analysis of revenue by product

Set out below is an analysis of revenue recognized between the principal product categories for the year ended 30 April 2013.

	CD	MS	Test	CORBA	Niche	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Licence	**112,200**	**26,690**	**16,064**	**10,990**	**2,605**	**168,549**
Maintenance	**120,866**	**40,067**	**41,087**	**14,376**	**13,295**	**229,691**
Consulting	**1,393**	**8,202**	**2,920**	**310**	**2,924**	**15,749**
Total	**234,459**	**74,959**	**60,071**	**25,676**	**18,824**	**413,989**

Set out below is an analysis of revenue recognized between the principal product categories for the year ended 30 April 2012.

	CD	MS	Test	CORBA	Niche	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Licence	108,437	25,047	20,069	13,769	9,250	176,572
Maintenance	115,149	42,173	42,594	12,029	18,958	230,903
Consulting	2,787	10,803	5,064	342	8,367	27,363
Total	**226,373**	**78,023**	**67,727**	**26,140**	**36,575**	**434,838**

We now have focus on five Product Portfolios; COBOL Development (CD), Mainframe Solution (MS), Borland (Test), CORBA and Niche. Visibroker (previously included in Niche (2012: $26.1m)), our own CORBA based product, has been combined with Iona to form a new CORBA Product Portfolio. We have also transferred some of the products acquired from Compuware in 2009 (2012: $12.6m) that were previously included within Borland (Test) to Niche as their characteristics are now closer to this Product Portfolio. We exited during the year the Java related Consultancy business in Brazil (2012: $5.6m) and these revenues are now included in Niche. We have also transferred TM ART (2012: $0.3m) from Niche to Borland (Test). As a result of the above the comparatives for Test, Niche and CORBA have been restated.

4. Exceptional items

	2013	2012
	$'000	$'000
Restructuring costs and property rationalizaton	**-**	(2,442)

The credit of $2.4m in 2012 for restructuring arose following releases of provisions related to the restructuring programme undertaken in the year ended 30 April 2011 which were no longer required. The release resulted mainly from lower settlements paid to staff made redundant by the restructuring, from our ability to avoid repaying a grant and settlement of property lease liabilities at lower levels than originally expected.

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5. Reconciliation of operating profit to EBITDA

	2013 $'000	2012 $'000
Operating profit	**161,260**	155,791
Exceptional items – reorganization and property rationalization	-	(2,442)
Share-based compensation charge	**6,639**	6,056
Amortization of purchased intangibles	**16,123**	15,702
Adjusted operating profit	**184,022**	175,107
Depreciation	**3,483**	3,810
Amortization of software	**643**	921
Adjusted EBITDA	**188,148**	179,838
Operating profit	**161,260**	155,791
Amortization of intangible assets	**35,122**	32,840
Depreciation of property, plant and equipment	**3,483**	3,810
EBITDA	**199,865**	192,441
Amortization of capitalized development costs	**(18,356)**	(16,217)
Exceptional items – reorganization costs	**-**	(2,442)
Share-based compensation charge	**6,639**	6,056
Adjusted EBITDA	**188,148**	179,838
Foreign exchange credit	**(543)**	(3,572)
Net capitalization of development costs	**(1,662)**	(3,241)
Underlying Adjusted EBITDA	**185,943**	173,025

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

Under the terms of the Group's Revolving Credit Facility ("RCF"), the Net Debt to RCF EBITDA covenant is limited to 2 times in the period to 30 April 2013 and 1.5 times thereafter. RCF EBITDA is defined as adjusted EBITDA before Amortization of Development Costs and for the year ended 30 April 2013 RCF EBITDA amounted to $206.5m (2012: $196.1m).

6. Dividends

Equity - ordinary	2013 $'000	2012 $'000
2012 final paid 23.4 cents (2011: 16.2 cents) per ordinary share	**39,665**	30,920
2013 interim paid 11.9 cents (2012: 8.2 cents) per ordinary share	**17,495**	15,342
Total	**57,160**	46,262

The directors are proposing a final dividend in respect of the year ended 30 April 2013 of 28.1 cents per share which will utilize approximately $42.0m of shareholders' funds. If approved by shareholders at the forthcoming AGM, the final dividend will be paid on 2 October 2013 to shareholders listed on the share register on 6 September. It has not been included as a liability in the financial statements.

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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 2013				Year ended 30 April 2012			
	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	**123,164**	**156,456**	**78.72**	**50.00**	120,620	183,391	65.77	41.29
Effect of dilutive securities								
Options		**5,408**				4,758		
Diluted EPS								
Earnings attributable to ordinary shareholders	**123,164**	**161,864**	**76.09**	**48.33**	120,620	188,149	64.11	40.25
Supplementary adjusted EPS								
Basic EPS	**123,164**	**156,456**	**78.72**	**50.00**	120,620	183,391	65.77	41.29
Adjusted items[1]	**22,762**				19,316			
Tax relating to above items	**(7,163)**				(5,936)			
Basic EPS – adjusted	**138,763**	**156,456**	**88.69**	**56.33**	134,000	183,391	73.07	45.87
Diluted EPS	**123,164**	**161,864**	**76.09**	**48.33**	120,620	188,149	64.11	40.25
Adjusted items[1]	**22,762**				19,316			
Tax relating to above items	**(7,163)**				(5,936)			
Diluted EPS – adjusted	**138,763**	**161,864**	**85.73**	**54.45**	134,000	188,149	71.22	44.71

[1] Adjusted items comprise amortization of acquired intangibles $16,123,000 (2012: $15,702,000), share-based compensation $6,639,000 (2012: $6,056,000) and exceptional costs $nil (2012: $2,442,000 credit). Estimated tax relief on these items is as shown above.

Earnings per share expressed in pence has used the average exchange rate for the period of $1.57 to £1 (2012: $1.59 to £1).

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8. Taxation
Tax for the period was $30.2m (2012: $28.6m) with the Group's effective tax rate being 19.7% (2012: 19.2%).

During the period the Group recognized an additional deferred tax asset of $2.1m in relation to US losses in line with the treatment in prior periods. The Group continues to carry deferred tax assets in respect of ten years' benefit of US tax losses being the period over which the Group feels able to forecast with reasonable certainty that these losses will be utilized.

9. Goodwill

	2013	2012
	$'000	$'000
Cost and net book amount		
At 1 May	**274,340**	274,355
Acquisitions	**10,321**	-
Revaluation	**-**	(15)
At 30 April	**284,661**	274,340

The additions to goodwill in the year relates to the acquisition of the Iona business (note 19).

10. Other intangible assets

			Purchased intangibles				
	Purchased software $'000	Development costs $'000	Technology $'000	Trade names $'000	Customer relationships $'000	Non-compete agreements $'000	Total $'000
Cost							
At 1 May 2012	8,944	96,195	65,876	1,175	55,473	1,303	228,966
Additions	309	20,018	3,426	-	7,759	-	31,512
Disposals	(1,225)	-	-	-	-	-	(1,225)
Exchange adjustments	(442)	-	-	-	-	-	(442)
At 30 April 2013	**7,586**	**116,213**	**69,302**	**1.175**	**63,232**	**1,303**	**258,811**
Accumulated amortization							
At 1 May 2012	7,300	66,353	29,928	1,175	25,516	883	131,155
Charge for the year	643	18,356	8,561	-	7,257	305	35,122
Disposals	(1,192)	-	-	-	-	-	(1,192)
Exchange adjustments	82	-	-	-	-	-	82
At 30 April 2013	**6,833**	**84,709**	**38,489**	**1,175**	**32,773**	**1,188**	**165,167**
Net book amount at 30 April 2013	**753**	**31,504**	**30,813**	**-**	**30,459**	**115**	**93,644**
Net book amount at 30 April 2012	1,644	29,842	35,948	-	29,947	420	97,811

Intangible asset expenditure totalling $31.5m (2012: $20.9m) was made in the period, which consisted of $20.0m in respect of development costs, $0.3m of purchased software and $11.2m relating to the acquisition of the Iona business (note 19).

11. Property, plant and equipment
Capital expenditure of $3.3m (2012: $18.3m) was made in the year.

12. Trade and other receivables

	2013	2012
	$'000	$'000
Trade receivables (net of provisions)	**82,227**	81,278
Prepayments	**9,973**	10,481
Other receivables	**267**	64
Accrued income	**29**	33
Total	**92,496**	91,856

13. Trade and other payables - current

	2013	2012
	$'000	$'000
Trade payables	**5,715**	6,168
Other tax and social security payable	**8,449**	8,391
Accruals	**40,206**	46,605
Total	**54,370**	61,164

14. Borrowings

	2013	2012
	$'000	$'000
Bank loan unsecured	**216,000**	146,000
Unamortized prepaid facility arrangement fees	**(366)**	(2,387)
	215,634	143,613

At 30 April 2013, the Group had an unsecured $275m revolving credit facility in place, denominated in US dollars, which expires on 1 December 2014. Interest on the facility was payable at US Dollar Libor plus 2.1% from 2 December 2011 for a period of approximately six months. The rate then payable is dependent upon the Group's net debt to RCF EBITDA ratio on a periodic basis. The range payable is 1.75% to 2.35% over US Dollar LIBOR.

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

Borrowings are stated after the deducting of unamortized prepaid facility costs. Facility arrangement costs are being amortized over the expected life of the facility. The amortization of facility arrangement costs was accelerated in the year, as the Group is anticipating refinancing the existing bank facility in the near future.

15. Provisions

	2013	2012
	$'000	$'000
Onerous leases and dilapidations	**2,589**	4,128
Restructuring	**513**	2,369
Other	**7,899**	4,018
Total	**11,001**	10,515

	2013	2012
Current	**8,992**	3,721
Non-current	**2,009**	6,794
Total	**11,001**	10,515

	Onerous leases and dilapidations $'000	**Restructuring $'000**	**Other $'000**	**Total $'000**
At 1 May 2012	**4,128**	**2,369**	**4,018**	**10,515**
Additional provision in the period	**183**	**-**	**3,881**	**4,064**
Utilization of provision	**(1,152)**	**(1,332)**	**-**	**(2,484)**
Released	**(637)**	**(511)**	**-**	**(1,148)**
Unwinding of discount	**115**	**(4)**	**-**	**111**
Exchange adjustments	**(48)**	**(9)**	**-**	**(57)**
At 30 April 2013	**2,589**	**513**	**7,899**	**11,001**

	Onerous leases and dilapidations $'000	**Restructuring $'000**	**Other $'000**	**Total $'000**
At 1 May 2011	5,708	19,164	-	24,872
Additional provision in the period	1,068	715	4,418	6,201
Utilization of provision	(2,527)	(14,327)	(400)	(17,254)
Released	(235)	(2,442)	-	(2,677)
Unwinding of discount	151	-	-	151
Exchange adjustments	(37)	(741)	-	(778)
At 30 April 2012	4,128	2,369	4,018	10,515

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

Restructuring provisions relates to the restructuring and property rationalization that was undertaken during the year ended 30 April 2011. Included within this is $0.4m for property costs incurred as part of the restructuring and $0.1m for other miscellaneous costs associated with the restructuring. The provisions are expected to be fully utilized within twelve months. Restructuring provisions as at 30 April 2012 included $0.3m of legal costs associated with the restructuring, $0.5m for redundancy and $1.6m for property costs incurred as part of the restructuring.

Other provisions include $0.1m of costs relating to a rationalization of non-trading subsidiaries, $3.8m relating to potential liabilities acquired with the Iona acquisition and $4.0m relating to tax due for pension and bonus payments prior to July 2011 for our subsidiary in Brazil. The majority of the Brazil provision was paid in May 2013.

16. Deferred income - current

	2013	2012
	$'000	$'000
Deferred income	**138,306**	136,135

Revenue not recognized in the consolidated statement of comprehensive income under the Group's accounting policy for revenue recognition is classified as deferred revenue in the balance sheet to be recognized in the year ending 30 April 2014.

17. 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 party transactions.

18. Return of value to shareholders

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

19. Business combinations

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

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

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

	Carrying value at acquisition	Fair value
	$'000	$'000
Intangible assets	-	11,185
Tangible assets	3	-
Trade and other receivables	3,782	2,852
Provisions	(3,750)	(3,750)
Deferred income	(5,904)	(5,608)
Net (liabilities) / assets	(5,869)	4,679
Goodwill		10,321
Consideration		15,000
Consideration satisfied by :		
Cash		15,000

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

	Fair value
	$'000
Developed Technology	3,426
Customer Relationships	7,759
	11,185

19. Business combinations (continued)

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

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $10.3m has been capitalized. There are no contingent consideration payments and any retention bonuses have been expensed through the Income Statement.

The estimated results of the above acquisition if it had been made at the beginning of the accounting period to 30 April 2013 would have been as follows:

	$'m
Continuing revenue	26.2
Continuing adjusted EBITDA	8.0

The above figures are based on information provided to Micro Focus by Progress Software Corporation and the results since acquisition.

From the date of acquisition to 30 April 2013, the acquisition contributed $3.4m to revenue and $0.9m to Adjusted EBITDA.

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 have identified the key risks, and then reviewed the controls in place for management to mitigate those same risks. Risks have been prioritized 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 – Products, Go To Market Models, Employees, Competition and Systems & Infrastructure

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 research and development 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
Improving our Product Management was a key focus area in the year ended 30 April 2012 and continued to be so in the year ended 30 April 2013. In the year ended 30 April 2013 we appointed a new General Manager responsible for Product Management, Product Development, Marketing and Customer Care, with the remit to improve the interaction between Product Management, Product Development, Sales and Marketing. With regard to cross selling, sales teams receive training to cover selling techniques for the full portfolio of products, and sales incentives and training have been further improved to encourage enhanced collaboration across product sets.

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 exploit channel opportunities and focus the sales force on all types of customer categories. 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 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 maximize customer revenue opportunities. In addition to sales performance reviews, marketing and product development programmes are assessed regularly to optimize levels of qualified pipeline and ensure that marketing programmes are supported by appropriate product offerings.

A series of measures are in place to focus the direction of the sales force towards a broad range of customer categories. These measures include detailed bid management, tailored quota targets and robust presales management.

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 optimization, use of social media and improved corporate websites.

In the year ended 30 April 2013 we introduced an internal sales certification programme, to improve the level of expertise

across our sales force. This programme will be fully rolled out in the coming year. In addition we have launched the Micro Focus Sales Academy, a new initiative, through which we will be hiring an additional 50 graduate sales representatives to enhance our sales capability and train up new talent with the potential to progress within the sales organization.

Employees

Risk
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 organizational alignment and inadequate incentivization 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. At the start of the year ended 30 April 2012 a renewed vision and corporate objectives was shared throughout the organization and continues to be reinforced through regular employee communications plans and performance reviews.

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
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.

The Business Change function provides programme and project management support on key systems and infrastructure projects in order to ensure that the impact of planned changes to systems and infrastructure are properly assessed and the implementation of projects is effectively managed.