8 July 2015

Micro Focus International plc
Audited preliminary results for the full year ended 30 April 2015

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 2015 in which the Group delivered Revenue, Underlying Adjusted EBITDA and cash generation ahead of expectations.

During the year the Group announced the transformational $2.5bn acquisition of The Attachmate Group, Inc. ('TAG') which was completed on 20 November 2014. Trading results of TAG are included in the results set out below.

On a full year pro-forma basis* the Group's revenues of $1,326.6m are over 3 times the prior year's constant currency ('CCY') figures and its Underlying Adjusted EBITDA of $505.0m is 2.7 times that delivered in the comparable period. Adjusted Diluted EPS in the year increased by 32.8% to 129.43 cents (2014: 97.48 cents).

Results at a glance

	FY 2015	FY 2014	Change
Revenue			
Total Revenue			
Constant Currency	**$834.5m**	**$418.1m**	**99.6%**
- Licence	$261.0m	$171.3m	52.4%
- Maintenance	$440.6m	$235.5m	87.1%
- Subscription	$98.2m	-	-
- Consultancy	$34.7m	$11.3m	207.1%
Reported	**$834.5m**	**$433.1m**	**92.7%**
Acquisitions in the year ended 30 April 2015			
- Licence	$98.2m	-	n/a
- Maintenance	$197.4m	-	n/a
- Subscription	$98.2m	-	n/a
- Consultancy	$22.2m	-	n/a
- **Sub-total**	**$416.0m**	**-**	**n/a**
Base Micro Focus			
- Licence	$162.8m	$171.3m	(5.0)%
- Maintenance	$243.2m	$235.5m	3.3%
- Subscription	-	-	n/a
- Consultancy	$12.5m	$11.3m	10.6%
- **Sub-total**	**$418.5m**	**$418.1m**	**0.1%**
NON GAAP MEASURES			
Adjusted EBITDA**			
Constant Currency	$357.6m	$183.6m	94.8%
Reported	$357.6m	$192.0m	86.3%
Underlying Adjusted EBITDA**			
Constant Currency	$348.3m	$188.0m	85.3%
Reported	$348.3m	$196.4m	77.3%
STATUTORY MEASURES			
Pre-tax profit			
Constant Currency	$91.4m	$139.4m	(34.4)%
Reported	$91.4m	$147.8m	(38.2)%
Earnings per share***			
Basic	58.54c	84.75c	(30.9)%
Diluted	56.71c	82.35c	(31.1)%
Adjusted	133.58c	100.32c	33.2%
Adjusted diluted	129.43c	97.48c	32.8%
Dividend per share	48.40c	44.00c	10.0%
Net debt	$1,403.5m	$261.0m	437.7%

Key highlights

- Integration of TAG with Base Micro Focus ahead of plan
  - Revenue, Underlying Adjusted EBITDA and EPS ahead of market expectations
  - Total reported revenue was $834.5m including $416.0m of new revenue from the acquisition of TAG. Underlying revenue of Base Micro Focus was flat year on year on a CCY basis.
  - On a CCY basis:-
    - Underlying Adjusted EBITDA increased by 85.3% with Base Micro Focus growing by 11.1%.
    - Adjusted EBITDA increased by 94.8% with Base Micro Focus business growing by 18.5%.
  - Finance costs increased to $56.2m (2014: $8.2m) primarily due to new bank facilities taken on as part of the transaction. Finance costs covered 6.2 times by Adjusted Operating Profit (2014: 22.9 times covered)
  - Growth in Adjusted diluted earnings per share of 32.8% to 129.43 cents (2014: 97.48 cents)
- Acquisition of TAG
  - Exceptional costs associated with the transactions of $99.1m
- Strong cash conversion in the period
  - Cash generated from operations was $288.7m (2014: $206.8m) representing 110.6% (2014: 107.7%) of Adjusted EBITDA less exceptional items
  - Strong cash flow enabled early repayment of $150m of $2,000m debt facilities raised for completion of the transaction. New debt facilities used to refinance TAG debt of $1,294.7m, provide a return of value to the Base Micro Focus shareholders of $131.6m, normal dividends of $72.7m and costs associated with the deal of $82.7m
  - Net debt at 30 April 2015 of $1,403.5m (April 2014: $261.0m), with a net debt to pro-forma Facility EBITDA multiple of 2.6 times (2014: 1.3 times), target remains 2.5 times
- Enhanced returns for shareholders
  - Compound Annual Growth Rate in Shareholder Value over the last three years is 42.0% (2014: 31.2%)
  - 4th Return of Value completed of 60 pence per share for a total cost of £83.9m ($131.6m)
  - Proposed final dividend increased by 10% to 33.0 cents per share (2014: 30.0 cents per share)
  - Proposed total dividend increased by 10% to 48.4 cents per share (2014: 44.0 cents per share)

Statutory results

- Operating profit of $147.2m ($243.9m pre-exceptional costs) (2014: $155.7m)
- Profit before tax of $91.4m (2014: $147.8m)
- Basic earnings per share of 58.54 cents (2014: 84.75 cents) decreased by 30.9%***

* Due to the significant size of the TAG acquisition the directors believe that the preliminary results are better understood by looking at the full year pro-forma basis of the combination of TAG and Base Micro Focus. In the prospectus issued as part of the transaction Audited information under IFRS was provided for TAG on a consolidated basis of the 3 years and 1 month ended 30 April 2014. The post-acquisition period of TAG from 20 November 2014 to 30 April 2015 has also been audited under IFRS as part of these preliminary results. In arriving at pro-forma results for the years ended 30 April 2015 the directors have combined the audited financials for TAG for the post acquisition period to 31 March 2015 together with unaudited internal management information for TAG for the period from 1 April 2014 to 20 November 2014 and then added in the Base Micro Focus results for the Year ended 30 April 2015. The comparatives for the full year pro-forma for the year ended 30 April 2014 combine the audited financials for TAG derived from the prospectus for the year to 31 March 2015 with the audited figures for Base Micro Focus.

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

*** Earnings per share are detailed in note 10.

Kevin Loosemore, Executive Chairman of Micro Focus, commented:

"This has been a transformational year for Micro Focus building on the platform we have been developing since 2011.

On 15 September 2014 we announced the acquisition of TAG, issued a prospectus on 8 October 2014 and completed the transaction on 20 November 2014. Progress to date has already shown that this transaction will enable Micro Focus to deliver significantly higher returns to our shareholders over the medium-term than our base case of 15% to 20% per annum.

12 May 2015 was the 10th anniversary of Micro Focus' return to the London Stock Exchange. In those 10 years the company has delivered approximately 27% compound growth in shareholder returns. The foundations are now laid for that to continue as we see a continuing stream of opportunities. Whilst not conforming to traditional models Micro Focus has been by almost every measure a high growth company that has delivered significant value to long term investors.

On 1 December 2014 we completed our 4th Return of Value to shareholders, this time for 60 pence per share, at a cost of £83.9m ($131.6m) and in January 2015 paid an interim dividend of 9.87 pence per share at a cost of £21.4m ($32.5m). This brings the total amount returned to shareholders since 25 March 2011 through share buy-backs, returns of value and ordinary dividends to £554.4m which represents 87.3% of the Market Capitalization at that time.

In line with our new progressive dividend policy, we are increasing our proposed final dividend by 10.0% to 33.0 cents per share (2014: 30.0 cents per share) which, if approved by shareholders, will bring the total dividend for the year to 48.4 cents per share (2014: 44.0 cents per share).

We look forward to delivering on our strategy and business model."

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About Micro Focus

Micro Focus, a member of the FTSE 250, provides innovative software that helps companies to improve dramatically 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. For additional information please visit www.microfocus.com

Forward-looking statements

Certain statements in this audited preliminary results statement 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. As 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

Overview and Corporate Developments

2015 was a significant year for Micro Focus in the execution of its long term strategy. During the year we completed the acquisition of The Attachmate Group ('TAG'). The acquisition, which was completed on 20th November 2014, means that we have created a Global Infrastructure Software business with revenues of c$1.3bn and EBITDA of c$500m which we estimate places the Group in the top 15 by size worldwide of similar businesses. The acquisition was well received by the market with the share price up over 60% since the day before announcement of the transaction up to the day of this announcement.

The acquisition has clear industrial logic to extend market presence in mature and growing segments; to increase the operational efficiency of the combined Group; and to deliver effective product management and improve sales productivity. Furthermore, it is 100% consistent with the Company's strategy which, as you will see in the following pages, has not changed in any significant way from the plan laid out three and a half years ago. Micro Focus sets out to deliver consistent long-term shareholder returns of between 15% and 20% per annum. The board is confident that medium-term low single digit revenue growth, industry leading margins and strong cash conversion will ensure that Micro Focus can deliver on that strategy.

The Company has an industrial strategy; a financial strategy; an operating plan and an incentive strategy that are all linked and focused on our objective to achieve 15% to 20% compound annual return for shareholders. Since IPO in 2005 until 30 April 2015 the annual compound shareholder return has been 26.8%.

When we announced the acquisition on 15 September 2014 we set out a four phase plan for the combination of the businesses whilst continuing to deliver sustainable shareholder returns.

Financial Year	FY15	FY16	FY17	FY18
Phase	**Assessment**	**Integration**	**Stabilization**	**Growth**
Actions	• Deliver plans for FY15 • Detailed review of combined businesses • Invigorate Product Management	• Standardize systems • Rationalize Properties • Rationalize Legal entities • New Go to Market (GTM) model • Maintain/improve cash conversion • Rationalize underperforming elements • New market initiatives	• Stabilize top line • Improve GTM productivity • Growth from new areas • Improved profitability	• Top line growth

We kept Base Micro Focus and TAG operating separately during their respective financial year ends whilst the assessment of the acquired business and planning for the integration was done. On 6th April 2015 we announced the conclusion of our integration review and reiterated the remaining three stage plan that will consolidate and strengthen the combined business, with the goal of delivering modest revenue growth in the medium term. We are building a strong platform with anticipated operating cash flows in excess of $500m per annum from which we can achieve significant returns of value to our shareholders and/or further highly accretive acquisitions.

Integration Review

The objective of the review was to build a strong plan and foundation on which to deliver the Group's potential.

The key deliverables from the review were:

- The design of a combined organization to be implemented with effect from 1 May 2015;
- A restructuring plan for the next 24 months;
- A combined budget for FY16;
- Decisions on Company and Product Branding;
- Decisions on product priorities and required execution plans;
- A systems design and implementation plan for the Company's I.T. infrastructure; and
- Confirmation of the Company's cash flow profile.

Prior to the acquisition of TAG, Micro Focus managed its portfolio of mature infrastructure products through a global product management and development organization and with a geographic Go to Market ('GTM') organization. Fundamental to this approach was a detailed analysis of the individual products, their markets, customers and growth potential. This approach has served us well and as part of the Integration Review has been applied to the portfolio of products in the Enlarged Group.

Executive Chairman's Statement continued

As the Linux market and Open Source business have unique characteristics, we now have a dedicated focus on the SUSE product portfolio headed by Nils Brauckmann as President and General Manager, SUSE. This focus is essential if we are to capitalize on the growth potential of these offerings and be responsive to the Open Source community and strong heritage of SUSE. We are increasing the headcount dedicated to development, customer care and sales and marketing of the SUSE portfolio.

The rest of our products will be managed as a portfolio led by Stephen Murdoch, Chief Operating Officer of Micro Focus. This portfolio will comprise products that were in Micro Focus, NetIQ, Attachmate and Novell. This approach is consistent with how we have managed Micro Focus successfully over the last four years and we believe that by adopting this model we can serve our customers and partners better. Within this portfolio, each product will have a defined strategy, target market and growth profile and we will make investments accordingly. We will retain a geographic GTM organization with dedicated sales teams by portfolio but with management targeted on the sales of both the Micro Focus and SUSE portfolios.

A consequence of this decision is that we are simplifying the branding and packaging of our portfolio to make it easier for customers to do business with us and leverage the breadth of technology solutions we now provide. For example, we are combining our leading host connectivity solutions of Reflection and Rumba into one portfolio of Micro Focus branded solutions enabling customers to leverage the best of both technologies. A similar approach of simplification will be taken systematically across the full portfolio. This will help underpin our new structure of one company with two product portfolios, namely Micro Focus and SUSE.

We have launched an updated Professional Charter which covers the behaviours we expect to see from all Micro Focus employees and a Compliance Charter to give clarity to customers and partners on how the Company will act in circumstances where there is a question around compliance with our software licencing agreements.

As part of the restructuring we will be reducing the number of office locations from 126 at close to approximately 90 by April 2016; we will simplify the number of legal entities; we will consolidate our IT systems (for example: from five CRM systems to one and from two general ledgers to one) and we have commenced consultation on a move from distributed processing to dedicated shared service centres. These changes will start immediately but will take 24 months to implement fully.

These actions will make integration of future acquisitions easier to achieve and deliver a faster time to value.

At completion of the acquisition on 20 November 2014 the total employee headcount was 4,641. As a result of implementing the actions outlined on 6th April 2015 there will be a gross reduction in employee headcount of approximately 500 and an increase, compared to 20 November 2014, of headcount in other areas of approximately 150, resulting in a net reduction of employee headcount of approximately 7.5 % compared with 20 November 2014.

As a result of the acquisition of TAG and the actions resulting from the integration review, we have an exceptional charge in the FY15 annual accounts of $99.1m and anticipate that there will be a further exceptional charge in the FY16 annual accounts.

Our Business Model – strong and established technology franchises

Micro Focus specializes in managing mature infrastructure software assets which have been delivering value to significant numbers of customers over long periods of time. Our product portfolios have some or all of the following attributes:

1. Broad based – covering all industrial sectors
2. Significant numbers of customers
3. Significant maintenance streams
4. Relatively high switching costs
5. Significant market positions

In any IT system the customers' business logic and data remain critical to their competitive advantage. The key is unlocking this competitive advantage through exploitation of the latest technology innovation such as 'OpenStack', 'Software-defined Distributed Storage', 'big data' 'virtualization' and 'Cloud'. All of this needs to be done with the appropriate security to ensure customer data, company data and intellectual property are protected at all times. Typically customers would be forced into costly, disruptive and risky change to make this possible but with Micro Focus, customers can take a different approach that we characterize as bridging the old and the new.

By enabling our customers to link their investments in established technology with the latest innovation, Micro Focus helps customers gain incremental returns on investments they have already made and to preserve and protect their data and business logic. The most striking example of this is that an application written in Micro Focus COBOL 38 years ago – before anyone had thought of Linux, Windows, virtualization, cloud or wireless communications – will work today in all of those environments. Micro Focus has made this a reality. By contrast, if a COBOL application had been rewritten in another language, to execute in Java or .NET the customer would have to do additional incremental re-writes and incur significant costs every time there was a major technology change.

Executive Chairman's Statement continued

In essence, we help our customers bridge the old and the new enabling them to leverage additional value from their investments in critical I.T. infrastructure and business applications.

The acquisition of TAG broadens the range and depth of our core infrastructure software solutions and brings outstanding new capabilities in Linux, OpenStack cloud infrastructure and security the combination of which enables us to extend this philosophy of 'bridging the old and the new' across much more of the customer's I.T. 'footprint'.

Current portfolio – underpinning the business model with clear execution and investment discipline

The typical stages of a product life cycle are from new product introduction through to high growth to broad adoption and maturity, to decline and ultimately obsolescence.

When considering the investment priorities, both organic and inorganic, we evaluate our options against a set of characteristics mapped to each stage of this adoption cycle enabling the categorization of our product portfolio into one of the four quadrants represented in the chart below.

Portfolio management

New Models	**Growth Drivers**
Optimize	**Core**

Our approach to each category is summarized below:

- New Models: here our focus is on identifying new innovation in the marketplace that is applicable to our core and growth driver propositions. This is the case where new innovation is needed to connect or leverage existing IT or application assets to deliver returns or open new opportunities. An example of this is Silk Performer Cloudburst; a cloud based implementation of our highly successful on premise Silk Performer product. This combination enables customers to execute a hybrid on premise/cloud solution ensuring day to day operations are handled effectively on premise but offering broadly unlimited additional capacity as and when needed to support business operational peaks, underpinned by the flexibility and ease of use of a common solution in both cases. In SUSE our investments in Open Stack Cloud Infrastructure and Software-defined Distributed Storage are also clear examples.

- Growth Drivers and Core: this represents the majority of our revenue and investment focus. We look to identify critical technologies that have delivered significant value for customers and where the costs and risks of replacement or re-write are high and the returns from such activities are questionable. We determine how to enable these technologies for the latest IT innovations whether new operating environments such as Linux, OpenStack, JAVA or .NET or new use cases such as the cloud or mobile. For example, Visual COBOL enables customers to take COBOL applications forward with confidence into the next phase of IT industry innovation, specifically cloud and mobile, whilst protecting their investments in business logic and data built up through prior investments. Security is a major focus area for customers as they seek to balance being open and accessible to their customers with the need to protect confidential data and intellectual property. Through our suite of identity, access and security solutions we offer industry leading capabilities to help customers find this balance. These capabilities span multiple portfolios and significant opportunities for leverage and cross portfolio synergies exist.

- Optimize: as the I.T. landscape shifts in response to new opportunities or challenges some technologies require repositioning or to be re-focused to identify and exploit remaining or new growth potential. This requires much more granular analysis and targeted investment. Our model forces this discipline. Inevitably, some technologies eventually approach end of life as some customers replace them with new solutions. For the remaining customers they still represent significant value. Our approach is to continue to offer flexible commercial and support models to enable customer access to the intellectual property and capabilities of these technologies for extended periods, again ensuring protection of customer investment for as long as possible technically and commercially.

Within this overall portfolio we have some products that are growing significantly and others that are stable or in decline. Our business model means the way we manage the portfolio is analogous to a 'fund of funds' with an objective to generate moderate growth over the medium term, delivering high levels of profitability and strong cash generation and cash conversion ratio with a balanced portfolio approach. We will continue to focus investment in growth and core products and will not dispose of declining products unless we can achieve greater than the discounted cash flow they would generate in our ownership.

Executive Chairman's Statement continued

During the year ended 30 April 2015 and following the completion of the acquisition of TAG, the Base Micro Focus business and the TAG business continued to operate independently. This was to ensure we minimized as much as possible any distraction from delivery by each business of the expectations for their respective financial years. This meant that the product portfolios operated by each business continued throughout the period. For Base Micro Focus these were COBOL Development, Mainframe Solutions, CORBA, Borland and Niche, whilst for TAG these were Attachmate, Novell, NetIQ and SUSE. Following the Integration review and as we enter the new financial year, our overall portfolio is managed and run in the two product portfolios; Micro Focus and SUSE, the latter respecting the different characteristics of the Open Source market:

Micro Focus

The Micro Focus product portfolio comprises:

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

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

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

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

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

SUSE

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

The SUSE product portfolio comprises:

- **SUSE Linux Enterprise Server Products**
  SUSE Linux Enterprise Server products enable clients to reliably and securely run mission-critical applications on physical, virtual and cloud platforms, offering extensive support for IBM System z and Power systems; SAP applications; and High Performance Computing environments.

- **SUSE Linux Enterprise Extensions**
  SUSE Linux Enterprise Extensions satisfy customers' needs with real-time performance and high availability service delivery, in addition to enabling customers to deploy physical and virtual Linux clusters between data centers located anywhere.

- **SUSE Linux Enterprise Management and Cloud**
  SUSE Linux Enterprise Management and Cloud products offer compatibility with a broad ecosystem of over 20 public Cloud providers, enabling clients to deploy, maintain and manage their servers and OpenStack powered Cloud infrastructure with the maximum flexibility.

- **SUSE OpenStack Cloud**
  SUSE OpenStack Cloud is an enterprise OpenStack distribution that rapidly deploys and easily manages highly available, mixed-hypervisor Infrastructure-as-a-Service (IaaS) clouds.

- **SUSE Enterprise Storage**
  SUSE Enterprise Storage is a software-based, scalable and resilient storage solution powered by Ceph technology which enables organizations to build cost-effective and highly scalable storage using commodity off-the-shelf servers and disk drives.

- **SUSE Linux Enterprise Desktop**
  SUSE Linux Enterprise Desktop provides an Open Source alternative to traditional enterprise desktop operating system environments.

In addition to strengthening and developing our strong franchises across the product portfolio, we are uniquely positioned to help customers solve key challenges as they seek to be more effective, more competitive and more efficient. Decades of technology innovation has opened up tremendous opportunities for companies in almost every market but typically this has resulted in very complex IT environments. Most organizations operate infrastructure and applications which have emerged over time, often years apart, such that core legacy platforms sit alongside distributed systems, which more recently have been extended further again with web, cloud and mobile technologies.

This is set to continue as today's business environment is characterized by unprecedented levels of change. Companies need to embrace this change in a way that protects their most prized assets – their intellectual property; their business logic; and their business data.
Micro Focus offers customers the ability to do exactly that - to bridge the old and the new - meaning that companies can exploit the latest innovations in technology and develop new competitive capabilities, with the maximum leverage of their previous investments. Our technology optimizes how business applications and infrastructure components are built, tested, deployed and secured, helping our customers to achieve the optimum balance of speed, flexibility and risk that fits the current and future needs of their business.

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

The Company was listed on the London Stock Exchange on 12 May 2005 at a price of 130 pence and in the year ended 30 April 2006 Diluted Adjusted EPS was 14.23 cents and total dividends for the year of 6 cents per share were declared. In the year ended 30 April 2015 Diluted Adjusted EPS is 129.43 cents and proposed full year dividend is 48.4 cents representing a compound annual growth rate of 27.8% and 26.1% respectively.

Full year dividends on our shares since the IPO have totaled 135.2 pence and since January 2012 we have made four Returns of Value totaling 215 pence per share. On 30 April 2015 our share price had increased to 1,257 pence. A shareholder who invested at the time of the IPO and had reinvested the Returns of Value would have grown their investment by 971% which is a compound annual return of 26.84%.

On 28 March 2011, on the back of two profit warnings and poor performance in the year ended 30 April 2011, the Company announced a share buy-back programme. The closing share price on 25 March 2011, the day before the announcement, was 308.6 pence and the dividends received since IPO at that time was 43.56 pence. The annual rate of return for the shareholder from IPO to 25 March 2011 was 18.5% per annum. The Company's market capitalization on that date was £635.0m and by 30 April 2015 this had increased to £2,730.8m. The Company made cash returns to shareholders during this period of £554.5m, consisting of share buy-backs of £65.0m, ordinary dividends of £149.8m and Returns of Value of £339.6m. These cash returns represent 87.3% of the market capitalization of the Company on 25 March 2011 and the annual compound return for shareholders from that date to 30 April 2015 is 43.3% per annum.

Micro Focus intends to remain a high growth company in terms of returns to shareholders.

Our performance in the year

Due to the significant size of the TAG acquisition the directors believe that the year's results are better understood by looking at the full year pro-forma basis of the combination of TAG and Base Micro Focus. In the prospectus issued as part of the transaction Audited information under IFRS was provided for TAG on a consolidated basis for the 3 years and 1 month ended 30 April 2014. The post-acquisition period of TAG from 20 November 2014 to 30 April 2015 has also been audited under IFRS as part of this year's audit. In arriving at pro-forma results for the year ended 30 April 2015 the directors have combined the audited financials for TAG for the post acquisition period to 31 March 2015 together with unaudited internal management information for TAG for the period from 1 April 2014 to 19 November 2014 and then added in the Base Micro Focus results for the Year ended 30 April 2015. The comparatives for the full year pro-forma for the year ended 30 April 2014 combine the audited financials for TAG derived from the prospectus for the year to 31 March 2014 with the audited figures for Base Micro Focus for the year ended 30 April 2014.

The year ended 30 April 2015 has been a transformational year for Micro Focus and management believes that the completion of the acquisition of TAG was by far the most important event of the year. At the time of the interim results in December 2014 management provided guidance for the pro-forma financial performance for the Enlarged Group of c.$1,330m of revenue and c.$500m of Underlying Adjusted EBITDA. These pro-forma numbers were a combination of the forecasted performance of TAG for the year ending 31 March 2015 and Base Micro Focus for the year ending 30 April 2015 using actual results for the first six months of those years and forecast performance for the second half of those years based on the revenue and costs currency mix experienced in the first half and the prevailing foreign exchange rates at the time. On this CCY basis, the Enlarged Group delivered revenues and Underlying Adjusted EBITDA of $1,352.5m and $513.6m which is comfortably in line with the guidance. On an actual reported basis the Group delivered total revenues of $834.5m (2014: $433.1m) as TAG revenues of $416.0m only reflect the trading in the period from completion on 20 November 2014.

Excluding the TAG revenues, Base Micro Focus delivered revenues of $418.5m (2014: $433.1m) which is in line with the CCY revenue for the comparable period of $418.1m. Licence revenues declined by 5.0% to $162.8m (2014: CCY $171.3m), Maintenance revenues increased by 3.3% to $243.2m (2014: CCY $235.5m) and Consultancy revenues increased by 10.6% to $12.5m (2014: CCY $11.3m). When comparing revenues on a 'like for like' basis we also exclude both prior year as well as current year acquisitions. In the year ended 30 April 2015, we delivered like for like revenues of $404.9m which is a decline of 1.7% (2014: CCY $412.0m). On a like for like basis, Licence revenues declined by 5.2% to $160.1m (2014: CCY $168.9m), Maintenance revenues increased by 0.3% to $232.7m (2014: CCY $232.0m) and Consultancy revenues were up by 9.0% to $12.1m (2014: CCY $11.1m).

Excluding revenues from the TAG acquisition, our International region increased revenues by 1.3% to $168.5m (2014: CCY $166.4m), North America revenues increased by 1.1% to $201.4m (2014: CCY $199.3m) and in Asia Pacific and Japan region, revenues declined by 7.3% to $48.6m (2014: CCY $52.4m).
TAG delivered actual revenues in the period of $416.0m comprising Licence revenues of $98.2m, Maintenance revenues of $197.4m, Subscription revenues of $98.2m and Consultancy revenues of $22.2m. We identified as part of the review of the business that Consultancy revenues had historically contained two items that should be classified elsewhere. Premium services revenues relates to the provision of onsite support engineers and in our view has characteristics of Maintenance or Subscription revenues as it is more of a recurring nature. Secondly, TAG previously recognized expenses reimbursement as revenue rather than a cost recovery. We have reclassified $18.4m of Premium Services revenue from Consultancy into Maintenance ($13.2m) and Subscription ($5.2m) and $0.8m of expense reimbursement from Consultancy revenue to a reduction in costs. We believe that this gives a firmer basis for performance comparisons going forward.

As this part period (20 November 2014 to 30 April 2015) has no comparator we have based much of the following commentary on full year pro-forma to enable a better understanding of what is happening in the business. In order to provide a comparison of full year performance, using the prospectus financial information and the results for the year we have produced performance for TAG for the 12 months to April 2015 and comparable performance to 30 April 2014 on an actual basis.

If TAG had been owned for the whole of FY2015 then the total TAG revenue would have been $902.1m (2014: $951.7m) a decline of 5.2%. This comprised Licence revenues of $170.4m (2014: $189.0m) which had declined by 9.8%, a decline of 10.2% in Maintenance to $469.1m (2014: $522.6m) an increase in Subscription revenue of 10.7% to $217.7m (2014: $196.6m) and Consultancy of $44.9m (2014: $43.5m) an increase of 3.3%. These are the actual numbers rather than a CCY comparison.

The TAG sales incentive structures were focussed around billings rather than revenue with a drive to generate cash to pay down debt. Whilst we believe billings on a consistent contract length is a relevant measure in a subscription based business that is new and growing we believe that revenue is a much more important measure for mature infrastructure software products on the right hand side of the product lifecycle curve. For a number of years TAG had been offering multi-year Maintenance contracts with a discount on the second and third years of the contract of 7.5% and 15% respectively in order to get payment upfront. This 3 year billing would count towards the sales representative's quota for the year and commission would be paid on the full amount. Whilst revenue was then recognized at a flat 7.5% discount over the three year term, a natural discount and reduction in the go forward revenue stream had been introduced. We changed this practice after completion so that no discount was given on future years but provided price protection to the customer on multi-year deals for Maintenance so that future years did not increase. However, quotes for Maintenance renewals that had already been issued under the previous policy would be honoured. This historic policy will result in a drag on revenues in FY16 and a working capital impact over the next two years.

SUSE is seeing growth associated with the early stages of the product lifecycle curve and due to the unique characteristics of the Linux market and Open Source community it will be run as a separate product portfolio. Revenues grew by 10.8% in the 12 months to 30 April 2015 to $221.5m (2014:$199.9m) with Subscription up 10.4% to $217.1m (2014:$196.6m) and Consultancy up 33.3% at $4.4m (2014:$3.3m). The Subscription revenue is net of the deferred revenue fair value adjustment of $5.4m. Prior to this adjustment, Subscription revenues grew by 13.2% and overall revenues grew by 13.5%. We are increasing the investment in the SUSE portfolio during FY2016.

The other three product portfolios of TAG share similar characteristics to the Base Micro Focus product portfolios in that they are mature infrastructure software products and we believe that they should be managed in future in the same way. We also believe until changes are made to the way a business operates, trends in those businesses are going to continue. We introduced our new organization structure from 1 May and it will take time to settle down due to the amount of change and disruption involved in the integration of the two businesses.

For the year to 30 April 2015 Attachmate, NetIQ and Novell delivered total revenue of $680.6m (2014:$751.8m) a decline of 9.5%. Licence revenues were down 10.3% to $169.6m (2014: $189.0m), Maintenance revenues declined 9.8% to $471.5m and Consultancy revenues were flat at $39.5m (2014:$40.2m).

Attachmate revenues declined by 3.2% to $180.3m (2014:$186.3m) with Licence revenue growing by 4.2% to $84.2m (2014:$80.8m), offset by declines in Maintenance of 7.9% to $92.1m (2014:$100.0m), and Consultancy down 27.3% to $4.0m (2014: $5.5m).

NetIQ revenues declined by 5.8% to $267.2m with Licences down 17.0% to $59.0m (2014:$71.1m), Maintenance down 2.7% at $179.7m (2014:184.6m) and Consultancy up 1.4% at $28.5m (2014: $28.1m).

Executive Chairman's Statement continued

Novell revenues declined to $233.1m (2014: $281.7m) down 17.3%. Licence revenues were $26.4m (2014:$37.1m) a reduction of 28.8%, Maintenance revenues were down 16.1% to $199.7m (2014:$238.0m) offset by an increase in Consultancy revenues of 16.1% to $7.0m.

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 four phase plan set out at the time of the acquisition and with the objective of returning the Enlarged Business to growth in FY18 whilst maintaining all options to deliver shareholder value.
Operating costs on a CCY basis before exceptional items, share based payments and amortization of purchased intangibles ('Adjusted Operating Costs') increased by 102.8% to $486.8m (2014: CCY $240.0m). The increase of $246.8m is more than accounted for by the $281.5m from the current year acquisition.

The reduction in the Base Micro Focus costs of $33.7m consists mostly of:

- $13.4m year on year change in foreign exchange credit of $9.0m compared to a loss of $4.4m in 2014;
- a reduction of $7.9m arising from investments incurred in FY14 but not repeated in this year, relating to CRM work, patent filings, restructuring, taxation matters and recruitment costs for the sales academy;
- $1.3m from lower commissions paid to third parties on Licence revenue;
- recharging $7.6m of management costs to TAG for integration and acquisition related work; and
- $3.5m spent in the prior year on acquisition activities.

Adjusted Operating Profit for the year ended 30 April 2015 on a CCY basis increased by 94.2% to $347.8m (2014: CCY $179.1m), Adjusted EBITDA increased by 96.5% to $360.7m (2014: CCY $183.6m) and Underlying Adjusted EBITDA increased by 85.3% to $348.3m (2014: CCY $188.0m) at a margin of 41.7% (2014: CCY 45.0%).

Cash generated from operating activities increased to $288.7m (2014: $206.8m) representing a cash conversion ratio of 110.6% (2014: 107.7%) as a proportion of Adjusted EBITDA less exceptional items.

The average employee headcount during the year ended 30 April 2015 was 2,515 (2014: 1,219). At 30 April 2015 headcount was 4,240 (2014: 1,227).

As announced on 6 April 2015 we went through a process of restructuring the Enlarged Group for the new financial year, with the result that approximately 500 of the combined workforce of 4,561 employees have or are soon to leave the Group. We also commenced recruitment in other areas of the business for an incremental 150 staff.

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 2015 bonuses were paid to non-commissionable staff and executive management in line with the improvement in Underlying Adjusted EBITDA on a CCY basis excluding the impact of in year acquisitions. Staff bonuses were paid at 104% of their on target amount reflecting a 10.4% increase in Underlying Adjusted EBITDA of Base Micro Focus at their budgeted exchange rates whilst executive management were capped at 100%. For TAG employees their Variable Payment Plan for non-commissionable employees was based on operating profit performance compared with Budget. At 90% of budget there was 0% pay out with 100% pay out at Budget operating profit. The pay-out for the year to 31 March 2015 was 81.7% which was increased to 88.5% to reflect the 13 month period to 30 April and then to 100% to reflect the disruption and increased workload caused by the acquisition. Following completion of the acquisition, TAG senior management were on incentive plans related to the revenue performance against Budgets for either their area of responsibility or total TAG revenues. Pay-out's for TAG senior management varied between zero and 100%.

The amount charged to the consolidated income statement in respect of the Corporate Bonus plan and Variable Payment Plan in the actual results for the year ended 30 April 2015 was $16.8m and the amounts paid to eligible employees in respect of the pro-forma results was $36.8m. All of the Group's non-commissionable sales staff and executive management are on the Micro Focus Corporate Bonus Plan for FY16.

Our business by product portfolio

In the new financial year we are going to be reporting two product portfolios, Micro Focus and SUSE. The Micro Focus products have been grouped into portfolios based on industrial logic and will be the basis on which we provide further breakdown. Over the last 4 years we have provided significant levels of disclosure of our performance at a level of granularity which would not be practical to maintain going forward considering the increased scale of the Enlarged Group. We remain open in our approach to investors and analysts in telling it how it is and will seek to provide clarity on the key dynamics within each portfolio.

By definition this is a level of simplification as Micro Focus is a broad portfolio of products and not a single product business with a single set of drivers.

The table below provides the proportion of pro-forma revenue delivered during FY15 by each of the new portfolios.

	Percentage of pro-forma FY2015 revenues [1]
COBOL development and mainframe solutions	20.4%
Host connectivity	15.9%
Identity, access and security	17.0%
Development and IT operations management tools	11.9%
Collaboration and networking	18.2%
Micro Focus Portfolio	83.4%
SUSE Portfolio	16.6%
Micro Focus Group	100.0%

[1] unaudited

Micro Focus Product Portfolio

COBOL Development and Mainframe Solutions ('CDMS') – 20.4% of pro-forma FY15 revenues

We have continued to invest in our core COBOL development (CD) products that primarily target the off-mainframe distributed development market. The CD products enable programmers to develop and deploy applications written in COBOL across multiple platforms including Windows, UNIX and Linux and the cloud. Visual COBOL provides the fastest way for customers to move enterprise mainframe application workloads partially or wholly to Java Virtual Machine ('JVM'), .NET or cloud environments whilst protecting their existing investments and intellectual property.

COBOL applications continue to be at the heart of the world's business transactions and to 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 development environments specifically Visual Studio and Eclipse, we have addressed the perceived skill issues, and expect that COBOL will provide a stable base and strong cash flow for the Group over the coming decades.

Our Mainframe Solutions (MS) product set addresses a customer's need to get the most value out of their mainframe environment. These technologies allow customers the choice of where they develop, test and deploy their business applications. Certain circumstances mean this would be best to do either within the mainframe environment or outside of it on distributed Windows, UNIX and Linux machines. We offer customers the choice to do either or both, enabling the optimum balance of cost, risk and speed of execution across their mainframe and distributed computing platforms. Increasingly businesses are seeking to re-use existing business logic and data, while also looking to exploit new innovations in technology such as mobile and cloud. Our mainframe solutions products enable customers to achieve both of these, through enabling the re-deployment of enterprise mainframe applications to distributed systems, virtualized mobile platforms, and the cloud. We estimate that the mainframe COBOL development market opportunity is approximately three times as large as that for off mainframe distributed COBOL development.

Host Connectivity – 15.9% of pro-forma FY15 revenues

The Host Connectivity product set is the combination of the Attachmate products from TAG and the Micro Focus Rumba products. We believe that this combination gives us a number two position in terms of market share, (behind IBM), in the provision of host connectivity solutions. We specialize in environments with heterogeneous systems or platforms and this product set has, in one form or another, assisted in these tasks for over 30 years.

Our products enable IT organizations using centralized applications to provide business-critical information to the end user of the system while modernizing the functionality and access to the information which can be held across a broad array of new and legacy systems. In addition to secure and highly available host-system access from multiple device types, the customer value proposition centers on user productivity; and the ability to extend modern and secure user access to legacy systems on the mobile device technologies that continue to emerge. At the core of the product set are the Reflection and Rumba product families that deliver rich, precise graphical user interfaces (GUIs) for legacy host applications to many thousands of customers.

The host connectivity capabilities are extended by other products that provide advanced data integration technologies, enabling third-party business intelligence technologies to drive critical business analytics systems. There are additional managed file transfer solutions providing a range of tactical and strategic solutions for securely transferring files of any size enabling businesses to work seamlessly with partners and customers across any platform or device.

Identity Access and Security (IAS) – 17.0% of pro-forma FY15 revenues

This product set offers broad, proven solutions for identity and access management, and security. The IAS products enable customers to manage, secure and measure the critical elements of a business' IT infrastructure, solving customers' needs in delivering application access across hugely complex and diverse platform and device configurations.

Our Identity and Access management (IAM) products enable simple, secure access for the right people at the right time by using integrated identity information to create, modify, and retire identities and control their access to enterprise, cloud and mobile resources. Key features include identity management, access management, single sign-on, access governance, identity tracking and active directory administration.

Additionally, these technologies have strong integration with our Security products, which provide powerful security intelligence for protecting information assets. The solutions provide visibility and control of user activities, security events, and critical systems across the organization to help reduce the risk of a data breach and keep systems compliant.

Key trends driving growth in this area include virtualization and cloud development as companies rely on more virtual platforms for more complex and mission-critical processes, as well as demand for more complex software to both manage the virtual server environment and protect information and systems. Additionally, as businesses seek improvements to their competitive advantage and customer satisfaction by pushing more information to their front-line services, new risks and threats arise to their business data and intellectual property. Our IAS solutions are well suited to address these issues, using unique identity-powered security technologies to optimize the balance between innovation and risk.

Development and IT Operations Management Tools– 11.9% of pro-forma FY15 revenues

This product set is the combination of the Borland products from Base Micro Focus; the balance of the NetIQ products not incorporated into IAS; and the Zenworks endpoint management software from the Novell product set.

The Borland software development tools enable companies to optimize the end to end supply chain process of delivering software, from definition (requirements capture) through to quality (testing and change management). These tools enable companies to better align their software development and testing activities, and for that alignment to extend outside the company to suppliers and partners. We provide solutions for both practitioners who want to work together more effectively, and IT decision makers who need to manage change in their business that they often cannot control. These capabilities provide the foundation for accelerated delivery of software projects and are leveraged by companies seeking competitive advantage, improved customer satisfaction, and optimized operational efficiency.

We offer a very broad suite of tools for IT Operations Management (ITOM) to enable always-available business services, enterprise applications and IT systems. The primary value propositions of our ITOM tools incorporate data center management; integrated service management, application management and systems management; application performance management; and IT process automation. Our tools provide organizations with an invaluable holistic view of their IT environment and business services, enabling companies to manage increased complexity and capacity with the right balance of cost, risk and speed of execution.

The ITOM product set offers end-to-end enterprise disaster recovery capabilities, including an all-in-one disaster recovery hardware appliance, supported by multi-platform disaster recovery software, which protects both physical and virtual workloads. The tools also enable organizations to plan and execute anywhere-to-anywhere server workload migrations.

Additionally, the ITOM tools include endpoint management products that enable IT staff to give the proper working environment to each employee and keep it updated remotely using a unified management console. These tools enable all devices to be patched, compliant, secure and properly equipped. Due to the multifarious and complex nature of the user and system endpoints within today's large organizations, this can be a burdensome and costly undertaking, and accordingly the toolset is both broad and deep. The capabilities include service desk; application virtualization; asset management; configuration management; software distribution; full disk encryption; mobile device management; and patch management.

Collaboration and Networking – 18.2% of pro-forma FY15 revenues

This product set has the balance of the Novell products together with CORBA from Base Micro Focus.

Our collaboration products enable organizations to be more productive in work environments that are more secure and easier to manage, regardless of how or where people work. The products support thousands of organizations around the world to help enable work forces in the office and on the go. Product features include email, calendaring, contact management and task management; team workspaces with document management, workflows, and social streams; and mobile access. Secure team collaboration including document management and workflow features, often used to replace existing intranet systems, offers customer a fully integrated collaboration environment. This fits closely with additional products that offer file, print, and networking services designed to enable organizations to control and automate file storage, simplify network management, enable users to install printers easily and automate disaster recovery of key business systems.

The products can automate the configuration and management of high availability collaboration and networking servers, that are simple to resource manage and maintain. The end-user value proposition includes dynamic file services which automates policies data storage; file access; file reporting; mobile access and; online, offline and mobile print.
Fully distributed networking services such as centralized server management; secure file storage; and storage management, provide full enterprise distributed networking environment suitable for small workgroups, right through to global enterprise deployments.

This product set also includes the CORBA based network and data transport products which provide unrivalled functionality and performance to companies with a requirement for high speed, and secure transfer of data between systems on their multi-platform networks. This technology is deployed across thousands of customers supporting more than a billion transactions per day.

SUSE Product Portfolio – 16.6% of pro-forma FY15 revenues

Established in 1992, SUSE is the original provider of the first enterprise Linux distribution and the most interoperable platform for mission-critical computing. Linux is an Open Source (the practice of making software source code freely available in the public domain to software engineers for modification or distribution) operating system and has been an increasingly fast growing sub-segment of the enterprise operating system market. The growing acceptance of Linux in large-scale systems means that it is increasingly used in mission-critical systems, cloud and data center infrastructure and major independent hardware vendors such as IBM, or component manufacturers such as Intel, have made a firm long-term commitment to growing Linux as an enterprise platform. Linux adoption in enterprise is also being driven by high performance computing and so-called Big Data Analytics.
With a product set centered on SUSE Linux Enterprise and SUSE OpenStack Cloud, SUSE products power thousands of organizations around the world across physical, virtual and cloud environments. SUSE server products enable clients to reliably and securely run mission-critical applications anywhere: physical, virtual and cloud. The core of the product set is the SUSE Linux Enterprise Server (SLES) which is a highly reliable, scalable and secure Linux server operating system, built to power both physical and virtual mission-critical workloads. With this foundation, enterprises can deliver reliable business services, enable secure networks and manage heterogeneous IT resources. SLES was the first enterprise Linux operating system available on the IBM System z mainframe, and we estimate that more than 50% of all current mainframe Linux is SLES for System z. For the global SAP application market, SLES for SAP Applications is the only operating system optimized for all mission-critical SAP software solutions, and is recommended by SAP as a preferred Linux platform, and in addition there is a high performance computing version of the SLES product for those customers looking to solve the most demanding computational and data-intensive problems.

The core SLES products are extended with further product offerings that provide real-time, high availability and geo-clustering client needs, including features which reduce unplanned and planned downtime; prevent regional disasters from interrupting clients' mission critical workloads; run time-sensitive applications reliably and predictably; boost virtual workload performance; and enable administrators to quickly and easily monitor system health and performance.

SUSE's systems management and cloud products are compatible with a broad ecosystem of over 20 public cloud providers, enabling clients to deploy, maintain and manage their servers on premise in enterprise datacenters or OpenStack powered Cloud infrastructure. These products offer improved usability, provisioning, power management, IT compliance and security features.

Operational strategy to deliver our core objective

Operational excellence

Micro Focus has set out to be the most effective company at managing a portfolio of mature infrastructure software assets. This shows through in our industry leading EBITDA margins and our strong cash conversion. We believe that our proven ability to execute not only delivers significant amounts of cash and consequently great flexibility, but also a competitive advantage in the acquisition of other similar assets as demonstrated this year.

The aims of our portfolio focus and operational strategy are:

1. Revenue growth;
2. Operating leverage; and
3. Significant cash generation.

Our key areas of operational focus in order to deliver single digit revenue growth to achieve our core objective are Go to Market (including indirect channels), Product Development and Financial Discipline in M&A.

Executive Chairman's Statement continued

Go to Market – sales enablement, marketing and sales productivity

During 2013 and 2014 we made good progress on our product strategy, direction and underlying roadmap and started to adjust our Go to Market structures including our channel strategy, marketing and lead generation execution capability. This work has now been leveraged in the planning for the new enlarged business. In some cases Base Micro Focus analysis has had to be reworked in consideration of the larger portfolio.

We have combined the geographic Base Micro Focus Go to Market organization and the Business Unit based TAG Go to Market organization into one geographically focused teams covering the Micro Focus and SUSE portfolios. This has meant realignment of structure, sales territories and compensation plans. We believe this will enable us to better serve our customers in the future but anticipate that the degree of change will mean that it will take some time for the new organization to settle down. However, we believe that this change will provide significant extra depth in management in North America where Base Micro Focus has struggled with erratic performance in the past

At the same time we will move from five CRM systems to one which will provide operational efficiencies going forward but will mean that in the short term less historical data will be available than was the case in Base Micro Focus prior to the acquisition.

We believe that we have significant room for improvement in sales productivity and will look to achieve an appropriate balance between direct and indirect channels.

We aim to increase sales productivity and predictability further by continuing to improve customer insight by generating closer interaction between Sales and Marketing, Product Management and Product Development. We also have significant work to do to make our systems and processes consistent and easier for our sales teams and partners to use.
We have announced that we will be simplifying our branding with an objective that by the end of FY16 we will be using only the Micro Focus and SUSE brands and will have 'retired' the Novell, Attachmate, NetIQ and Borland brand names. This means an extensive programme of work to align our marketing programmes in order to raise brand awareness, build understanding of our product propositions and increasingly target the right audiences to generate qualified leads for new business opportunities.

Product development

For the Micro Focus portfolio we have organized Product Development and Product Management into one global function bringing together the Micro Focus and TAG organizations. To maximize returns we have conducted an analysis of all our products in terms of their life cycle and portfolio management position. We continue to invest in product development and are excited by both the significant enhancements to existing products and the new products released in the past year. Micro Focus will maintain its leadership positions in CD and Mainframe Solutions through products such as Visual COBAL and Enterprise Developer. In Host Connectivity we will seek to build on our existing strengths in terms of technology and customer base to establish a true leadership position. In ITOM and Collaboration and Networking the strength of our existing franchises can be built upon through targeted innovation and customer engagement. By sharpening our focus in IAS we are well positioned for growth over the longer term and in SUSE we already lead in many areas and our technology heritage combined with our existing and new offerings position us well for combined success.

Product Development and Product Management is managed separately for each of the Micro Focus and SUSE portfolios to ensure the correct focus and to reflect the collaborative nature of the Open Source community. We will continue to work with our partners, independent software vendors and customers to ensure that they can reap the benefits of our investments and continued innovations.

Financial discipline, mergers and acquisitions ("M&A")

Micro Focus has a strong financial discipline around the uses of cash. The Company has a base case model that estimates the returns to shareholders from organic execution and the return of excess cash. This gives a sound basis on which to evaluate M&A where any acquisition contemplated would need to generate a risk adjusted return greater than the base case. Successful execution of M&A has been instrumental in achieving an annual compound return of 26.8% since IPO compared to a base case target of 15% to 20%.The TAG acquisition demonstrates this strong discipline and the returns that are achievable.

Industry and market dynamics mean that there are significant numbers of potential assets that could fit with our business model. These are either;
(i) bolt-on transactions like those completed in FY13 and FY14;
(ii) significant transactions; or
(iii) transformational deals such as the acquisition of TAG.

Each year the world of IT gets a year older (and we should remember that IT is still a relatively young industry) and whilst the vast majority of companies will focus on the 'new and exciting'; we believe that there will be an increasing opportunity to help clients derive value from their existing and often highly complex IT investments.

Since the completion of the TAG acquisition the company has received a number of approaches from owners of companies who would be interested in becoming part of the larger group.

Linkage of management incentive to shareholder returns

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

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

The Board sees no value in bonuses being based on 'soft' or non-financial measures as evidence would suggest that these tend to serve to increase bonuses to levels not merited by financial performance. Such targets are best achieved by Executives managing and having appropriate management and control systems in place.

The normal stock plan starts to vest at EPS annual growth over the performance period of RPI plus 3%, with maximum vesting at RPI plus 9%. With RPI per annum over the three years of approximately 2.15 and dividends approximately 2% to 3% this means that full vesting is aligned to the overall objective of 15% to 20% returns.

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

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 generate modest revenue growth in the medium term. 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.

The type of transformation we are undertaking is the sort that many companies have said they need to go private to achieve out of the public eye. The Board and management of Micro Focus believe that it is quite possible to do this on the public market and provide the increase in value to existing shareholders.

In December 2014 we made a Return of Value to all shareholders amounting to $131.6m in cash (60.0 pence per share, equivalent to approximately 94.02 cents per share), by way of a B/C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving the cash in the form of income or capital.

For existing Ordinary Shares validly elected to the income option, a Shareholder received one C Share for each corresponding existing Ordinary Share held at the Record time. A C Share Dividend of 60.0 pence per share became payable in respect of each such C Share. Once the C Share Dividend was paid, each relevant C share was reclassified as a Deferred Share having negligible value and carrying extremely limited rights. The Company then repurchased the Deferred Shares for an aggregate consideration of 1.0p and then cancelled the Deferred Shares.

For existing Ordinary Shares validly elected to the capital option, a Shareholder received one B Share for each corresponding existing Ordinary Share held at the Record time. Each B Share was redeemed for 60.0 pence.

The Return of Value was accompanied by a 0.9285 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the B/C shares.

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

In order to complete the acquisition the company put in place a debt structure which balances stability, flexibility and cost effectiveness. The total new credit facility of $2,000.0 million comprised of a $1,275.0m seven year term loan B, a $500.0m five year term loan C and a $225.0m revolving facility. The terms of the New Facilities were as follows:

(a) in relation to the senior secured term loan B of $1,275.0 million: an interest rate of 4.25% above LIBOR (subject to a LIBOR floor of 1.00%), amortizing at 1.00% per annum, with an original issue discount of 1.00% and a 7 year term;

(b) in relation to the senior secured term loan C of $500.0 million: an interest rate of 3.75% above LIBOR (subject to a LIBOR floor of 0.75%), amortizing at 10.00% per annum, with an original issue discount of 1.50% and a 5 year term; and

(c) in relation to the senior secured revolving credit facility of $225.0 million: an initial interest rate of 3.50% above LIBOR, and an original issue discount of 0.50%.

At completion we drew down all of the term loans and $100.0m of the revolving facility such that our gross debt was $1,875.0m. Post completion we have repaid $150.0m of the term loan B ahead of the scheduled repayment and $25.0m of the revolving facility so that at 30 April 2015 we had gross debt of $1,700.0m and net debt of $1,403.5m. This represented a net debt to pro-forma Facility EBITDA of 2.6 times.

In line with our dividend policy, which is to be 'progressive' until such time as our debt is down to 2.5 times Facility EBITDA, we are announcing an increase in the proposed final dividend of 10% to 33.0 cents per share, (2014: 30.0 cents per share) and an increase in the proposed total dividend for the year of 10% to 48.4 cents per share (2014: 44.0 cents per share). The final dividend will be paid in Sterling equivalent to 21.2 pence per share, based on an exchange rate of £ = $1.56, being the rate applicable on 7 July 2015, the date on which the board resolved to propose the final dividend. The final dividend will be proposed to shareholders at the AGM on 24 September 2015 and, if approved, will be paid on 2 October 2015 to shareholders on the register at 4 September 2015.

Following completion of the integration review and given the strong trading and outlook for the company the Independent Board has released Wizard Parent LLC ('Wizard'), the former owner of TAG, from the restriction under the Relationship Agreement from them trading their Ordinary Shares during the 365 day period following completion.

Board Changes

During the year there were a number of board changes.

At the AGM in September 2014 David Maloney retired from the Board after serving as a non-executive director since the IPO in 2005. David was Chairman of the Audit Committee throughout this period and was senior independent director and Deputy Chairman when he retired. We would like to thank David for his years of service and contribution to the success of Micro Focus. Richard Atkins became chairman of the Audit Committee and Karen Slatford became the senior independent director.
On completion of the transaction we welcomed Prescott Ashe and David Golob as non-executive directors representing Wizard. Prescott previously served as a non-executive director of Micro Focus from IPO until 8 September 2008 and is a Managing Director of Golden Gate Capital whilst David is a partner of Francisco Partners. In order to assist with the balance of independent and non-independent directors Stephen Murdoch, Chief Operating Officer of Micro Focus, stepped down from the board whilst remaining as a senior employee within the Group.

In January 2015, Karen Geary was appointed a non-executive director. Karen has more than 20 years of international Human Resources and business transformation experience across a variety of industries, managing organizations through periods of large scale change, acquisition and integration and is Chief People Officer at WANdisco plc.

We welcome the new members of our board.

Outlook

During FY16 in accordance with our four phase plan, we intend to reduce revenues to a solid core from which we aim to grow in FY18. As a result we anticipate revenues in the year declining between 2% and 4% on a CCY basis. Given the extent and level of change from the restructuring already being implemented we expect the performance to be stronger in the second half of the year.

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

After 10 years of approximately 27% compound returns to investors we believe that Micro Focus is now well positioned for the next phase in its evolution.

Kevin Loosemore
Executive Chairman
7 July 2015

Operational and Financial review

Due to the significant size of the TAG acquisition the directors believe that the year's results are better understood by looking at the full year pro-forma basis of the combination of TAG and Base Micro Focus. In the prospectus issued as part of the transaction Audited information under IFRS was provided for TAG on a consolidated basis for the 3 years and 1 month ended 30 April 2014. The post-acquisition period of TAG from 20 November 2014 to 30 April 2015 has also been audited under IFRS as part of this year's audit. In arriving at pro-forma results for the year ended 30 April 2015 the directors have combined the audited financials for TAG for the post acquisition period to 31 March 2015 together with unaudited internal management information for TAG for the period from 1 April 2014 to 19 November 2014 and then added in the Base Micro Focus results for the Year ended 30 April 2015. The comparatives for the full year pro-forma for the year ended 30 April 2014 combine the audited financials for TAG derived from the prospectus for the year to 31 March 2014 with the audited figures for Base Micro Focus for the year ended 30 April 2014.

During the year ended 30 April 2015, Micro Focus operated its three geographic regions (i) North America, (ii) International (comprising Europe, Middle East, Latin America and Africa), and (iii) Asia Pacific and Japan and added TAG as its fourth primary reporting segment on completion of the acquisition. Product portfolios are sold into these three regions and also within TAG via a combination of direct sales, partners and independent software vendors.

Micro Focus discloses profitability by its four reporting segments. The three regional presidents of the geographic regions were measured on the profitability of their region whilst the TAG senior management was measured and rewarded on achievement of revenue targets against budgets for their financial year to 31 March 2015. The three regions have directly controllable costs and are then allocated central costs and their incentives were weighted more towards growth in revenues. TAG performance was measured against an overall operating profit budget.

Revenue for the year by reporting segments at actual exchange rates and CCY is shown in the table below:

	Year ended 30 April 2015 Existing	Year ended 30 April 2015 Acquisitions	Year ended 30 April 2015 Actual	Year ended 30 April 2014 Actual	Year ended 30 April 2014 CCY
	$m	$m	$m	$m	$m
International	168.5	-	168.5	178.6	166.4
North America	201.4	-	201.4	199.9	199.3
Asia Pacific and Japan	48.6	-	48.6	54.6	52.4
TAG	-	416.0	416.0	-	-
Total revenue	418.5	416.0	834.5	433.1	418.1

Group revenues in this financial year grew to $834.5m with $416.0m coming from the TAG acquisition which was completed on 20 November 2014. Group revenues excluding the acquisition were $418.5m which, on a CCY basis, were flat with the prior year. The first half year revenue on a CCY basis grew by 0.4% to $208.3m and the second half revenue for the three regions declined on prior year CCY basis by 0.4% to $210.2m. International grew by 1.3% (2014: 7.4%), North America saw a growth of 1.1% (2014: decline of 5.2%), and Asia Pacific and Japan declined by 7.3% (2014: decline of 6.8%).

The International region revenue growth on a CCY basis was 1.3% with Licence revenues decline of 2.8% (2014: growth of 18.6%), Maintenance revenues grew by 4.7% (2014: 5.4%) and Consultancy revenues grew by 2.8% (2014: 5.4%). The Licence revenues decline was mostly with our Mainframe Solutions ('MS') product portfolio where we were not able to repeat a sizeable deal that was done in the prior year. Most of the Maintenance revenues growth came from our COBOL Development products as a result of the strong Licence sales in the prior year. Consultancy revenues grew by $0.2m (2.8%) on the prior year. Overall we saw revenue growth in CD, Borland and CORBA with a decline in MS and Niche.

In North America, for the full year revenue growth on a CCY basis was 1.1% with Licence revenue decline of 3.0% (2014: decline of 4.1%), Maintenance revenue growth of 2.6% (2014: decline of 2.8%) and Consultancy revenue growth of 26.3% (2014: decline of 51.3%). The primary reason for the decline in Licences was in the CORBA portfolio as a result of having most of the major clients making purchases in the prior year. Maintenance revenue grew mostly in the Borland portfolio as a result of a full year of AccuRev Maintenance revenues. Consulting grew due to having more MS related consulting projects. Overall we saw revenue growth in CD, MS and Borland with a decline in CORBA and Niche.

In Asia Pacific and Japan, on a CCY basis revenue declined by 7.3% on the prior year with Licence fees declining by 17.3% (2014: decline of 13.5%), Maintenance revenues increasing by 2.3% (2014: 0.8%) and Consultancy revenue was flat year on year. The decline in the region's Licence revenue was due mostly to Japan where we suffered from the economic climate and fewer sales through our distributors. Overall we saw revenue growth in MS and Borland with a decline in CD, CORBA and Niche.

TAG's revenues were $416.0m after reducing the Maintenance and Subscription revenues by $17.0m as a result of applying a fair value reduction to the acquired Maintenance and Subscription deferred income.

Operational and Financial review continued

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

	Year ended 30 April 2015 Existing $m	Year ended 30 April 2015 Acquisitions $m	Year ended 30 April 2015 Actual $m	Year ended 30 April 2014 Actual $m	Year ended 30 April 2014 CCY $m
Licence	162.8	98.2	261.0	177.9	171.3
Maintenance	243.2	197.4	440.6	243.2	235.5
Subscriptions	-	98.2	98.2	-	-
Consultancy	12.5	22.2	34.7	12.0	11.3
Total revenue	**418.5**	**416.0**	**834.5**	**433.1**	**418.1**

Licence revenue for the three regions on a CCY basis declined by 5.0% (2014: growth of 8.5%) partly as a result of a decline in the Japan COBOL business and slightly lower CORBA and MS performance. Maintenance revenue for the three regions on a CCY basis grew by 3.3% (2014: 6.8%) with a strong performance across most portfolios and across all three regions. Consulting revenues for the three regions on a CCY basis grew by $1.2m being 10.6% (2014: decline of 22.6%) with the majority of this growth coming from the North America MS consulting business. Since the acquisition TAG performed better than management expectations and this business tends to have a stronger second half year than first half year on Licence revenues. TAG Licence revenues for its year to 31 March 15 were $170.7m with $70.9m in its first six months (41.5%)

Revenue by product portfolio sold in the three regions is shown below on a CCY basis:

	Year ended 30 April 2015 Existing $m	Year ended 30 April 2014 CCY $m	Change at CCY %
COBOL			
Licence	97.7	103.1	-5.2%
Maintenance	123.1	118.1	4.2%
Consultancy	0.7	1.0	-30.0%
	221.5	222.2	-0.3%
Mainframe Solutions			
Licence	26.3	28.1	-6.4%
Maintenance	42.6	41.2	3.4%
Consultancy	8.2	6.0	36.7%
	77.1	75.3	2.4%
Borland (Test)			
Licence	19.4	18.7	3.7%
Maintenance	44.8	40.8	9.8%
Consultancy	3.3	3.7	-10.8%
	67.5	63.2	6.8%
CORBA			
Licence	18.0	18.9	-4.8%
Maintenance	25.5	26.1	-2.3%
Consultancy	0.3	0.5	-40.0%
	43.8	45.5	-3.7%
Niche			
Licence	1.4	2.5	-44.0%
Maintenance	7.2	9.3	-22.6%
Consultancy	-	0.1	-100.0%
	8.6	11.9	-27.7%
Sub-total Three Regions			
Licence	162.8	171.3	-5.0%
Maintenance	243.2	235.5	3.3%
Consultancy	12.5	11.3	10.6%
Revenue at CCY	418.5	418.1	0.1%

Operational and Financial review continued

The three regions' revenue grew by 0.1% on a CCY basis and Licence revenues declined by 5.0%. In the first half year Licence revenues declined by 8.3% and the second half year we saw a decline of 1.9%.

COBOL Development declined on a CCY basis by 0.3%, with a 5.2% decline in Licence revenues mostly as a result of the economic environment in Japan. Maintenance grew by 4.2% as a result of the strong renewal rates and the level of Licences revenues generated in the last 2 years.

Mainframe Solutions grew by 2.4% over last year on a CCY basis mostly as a result of the higher level of consulting work. The decline in Licence revenue is mostly offset by the increase in Maintenance revenues. Licence revenue was down by 6.4% for we did not repeat a sizeable Enterprise Suite sale in this financial year and Maintenance grew by 3.4% on the back of a strong renewal rate and the benefit of the prior year Licence revenue.

The Borland (Test) product portfolio revenue grew by 6.8% on a CCY basis. Licence revenues grew by 3.7% as a result of better performance in the Asia Pacific and Japan region. Maintenance grew by 9.8% mostly as a result of the full year impact of the AccuRev acquisition that was completed on 31 December 2013.

CORBA revenues declined by 3.7% ($1.7m) on a CCY basis. Licence revenues declined by 4.8% ($0.9m).

The overall performance on Maintenance revenues was encouraging for the above portfolios with an increase of 3.3%.

The Maintenance renewal rates by each product portfolio for the year ended 30 April 2015 were CD: 93% (2014: 90%), MS: 92% (2014: 90%), Borland (Test): 86% (2014: 83%), CORBA: 78% (2014: 81%) and Niche: 78% (2014: 66%). During the year changes have been made in the incentivization of the renewals team and appear to have had a positive impact.

For the period from completion on 20 November 2014 to 31 March 2015 TAG continued to operate independently from the Base Micro Focus and sold its product portfolios through direct sales, inside sales and partners. The Attachmate and Novell product portfolios were run by a single President and General Manager as were the NetIQ and SUSE product portfolios. The revenues delivered by each of the product portfolios in the period from completion to 30 April 2015 by revenue type are shown below.

	Year ended 30 April 2015					
	Attachmate	Novell	NetIQ	Sub-total	SUSE	TAG
	$m	$m	$m	$m	$m	$m
Licence	59.2	11.5	27.5	98.2	-	98.2
Subscription	-	-	-	-	98.2	98.2
Maintenance	39.2	81.5	76.7	197.4	-	197.4
Consultancy	2.0	3.2	14.1	19.3	2.9	22.2
	100.4	96.2	118.3	314.9	101.1	416.0

As we move into the new financial year Micro Focus is now organised as one company with two product portfolios: SUSE and Micro Focus. The Micro Focus product portfolios combines the products sold into the three geographic business segments of Base Micro Focus together with the Attachmate, Novell and NetIQ product portfolios from TAG. The actual numbers for the year ended 30 April 2015 in this new reporting structure by revenue type would be as follows:

	Year ended 30 April 2015				
	Base Micro Focus	Attachmate, Novell & NetIQ	New Micro Focus	SUSE	Total
	$m	$m	$m	$m	$m
Licence	162.8	98.2	261.0	-	261.0
Subscription	-	-	-	98.2	98.2
Maintenance	243.2	197.4	440.6	-	440.6
Consultancy	12.5	19.3	31.8	2.9	34.7
	418.5	314.9	733.4	101.1	834.5

With such a significant acquisition having been completed part way through a financial year it can be difficult for readers of the accounts to understand the relative performance of the acquired business. However, we did issue a prospectus at the time of the acquisition that provided a 36 months track record of the performance of the Group within the period ending 30 April 2014. From this information and the performance in the period ending 30 April 2015 we are able to provide the following pro-forma financial information for TAG. These TAG revenues are as disclosed in the Prospectus but have been adjusted for Premium Services revenue being now categorised as Maintenance or Subscription revenues and expense reimbursement from Consultancy project being reclassified from revenue to a reduction in costs. This information is summarised below together with the revenue for the 12 months ended 31 March 2015 and also the 12 months ended 30 April 2015.

Operational and Financial review continued

	Year Ended 31 March 2014	Year Ended 30 April 2014	Year Ended 31 March 2015 [1]	Year Ended 30 April 2015 [1]	Growth/Decline April 2015 vs April 2014
	$m	$m	$m	$m	Growth %
Attachmate					
Licence	79.9	80.8	85.1	84.2	4.2
Maintenance	100.4	100.0	93.3	92.1	-7.9
Consultancy	5.5	5.5	4.4	4.0	-27.3
	185.8	186.3	182.8	180.3	-3.2
Novell					
Licence	37.8	37.1	26.4	26.4	-28.8
Maintenance	240.7	238.0	203.5	199.7	-16.1
Consultancy	6.5	6.6	7.4	7.0	6.1
	285.0	281.7	237.3	233.1	-17.3
NetIQ					
Licence	74.7	71.1	59.2	59.0	-17.0
Maintenance	184.4	184.6	180.8	179.7	-2.7
Consultancy	28.4	28.1	28.0	28.5	1.4
	287.5	283.8	268.0	267.2	-5.8
Sub-total					
Licence	192.4	189.0	170.7	169.6	-10.3
Maintenance	525.5	522.6	477.6	471.5	-9.8
Consultancy	40.4	40.2	39.8	39.5	-1.7
	758.3	751.8	688.1	680.6	-9.5
SUSE					
Subscription	193.5	196.6	215.9	217.1	10.1
Consultancy	3.3	3.3	4.1	4.4	33.3
	196.8	199.9	220.0	221.5	10.8
Total TAG					
Licence	192.4	189.0	170.7	169.6	-10.3
Subscription	193.5	196.6	215.9	217.1	10.4
Maintenance	525,.5	522.6	477.6	471.5	-9.8
Consultancy	43.7	43.5	43.9	43.9	0.1
	955.1	951.7	908.1	902.1	-5.2

[1] *Full year results for the 12 months ended 31 March 2015 and 30 April 2015 have not been audited except for the post-acquisition period. Comparative information for the 12 months ended 31 March 2014 and 30 April 2014 were subject to audit as part of the prospectus issued in connection with the acquisition of TAG.*

Total TAG revenues declined by $49.6m (5.2%) year on year. Licence revenue declined by $19.4m (10.3%) year on year partly due to the maturity of the Novell product portfolio and sales execution in the Novell and NetIQ businesses. Maintenance revenues declined by $51.1m (9.8%) with $11.6m coming from the fair value adjustment required in valuing the acquired deferred income, the remainder is as a result primarily of new Maintenance revenues not covering for the Maintenance attrition especially in the Novell business. Subscription revenues grew by 10.4% and this would have been 13.2% if we had not applied a $5.4m fair value adjustment on the acquired deferred income. Consultancy revenues grew by 0.1% in the year to $43.9m.

The Attachmate revenue declined 3.2% year on year. Licence revenue was strong post acquisition resulting in a year on year growth of 4.2%. Maintenance revenue continues to decline, the decline was $7.9m with $2.0m coming from applying a fair value adjustment to the acquired deferred revenues.

The Novell revenue declined by 17.3% year on year. Licence revenue declined by 28.8% and this is a factor of demand now in the market place for the existing products. Action is being taken to improve both the product and sales execution in this area so that this level of decline should not continue into the future. Year on year Maintenance revenue declined $38.3m (16.1%), part of this was a result of applying the fair value adjustment of the acquired deferred income being $5.3m, but the remainder is on the back of declining Licence revenues and not high enough Maintenance renewal rates.

The NetIQ revenue declined by 5.8% year on year. This business tends to have long lead time sales and each Licence deal can also be sizeable. In the last 12 months Licence revenue has declined by 17.0% because several sizeable opportunities were not closed by the end of the year and we are expecting this year's decline to be reversed in the next financial year. NetIQ Licence revenue post acquisition was $27.5m compared with $59.0m for the 12 months to 30 April 2015. Maintenance revenue declined by $4.9m being 2.7%. $4.3m of the decline is a result of the fair value adjustment on the acquired deferred income and the rest is as a result of the poor Licence revenue in the year.

Operational and Financial review continued

The SUSE revenue increased by 10.8% year on year with the Subscription revenue increasing by 10.1%. The Subscription revenue is net of the deferred revenue adjustment of $5.4m. Prior to this adjustment Subscription revenue grew by 13.2%. Subscription revenue post acquisition was $98.2m compared with Subscription revenue of $217.1m for the year to 30 April 2015. The Subscription revenue was reduced by $5.4m as a result of applying the fair value adjustment on the acquired deferred income.

As we look at the way in which the business will be structured in the new financial year the revenue performance of the Enlarged Group taking the 12 month periods to 30 April 2015 would be:

	12 months ended 30 April 2015				
	Base Micro Focus	Attachmate, Novell & NetIQ [1]	New Micro Focus [1]	SUSE [1]	Total [1]
	$m	$m	$m	$m	$m
Licence	162.8	169.6	332.4	-	332.4
Subscription	-	-	-	217.1	217.1
Maintenance	243.2	471.5	714.7	-	714.7
Consultancy	12.5	39.5	52.0	4.4	56.4
	418.5	680.6	1,099.1	221.5	1,320.6

[1] unaudited

This revenue is lower than the pro-forma revenue of $1,326.6m due to the shift in one month of the contribution of TAG for the year ended 31 March 2015 to the year ended 30 April 2015.

Costs

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

	Year ended 30 April 2015 Existing	Year ended 30 April 2015 Acquisitions	Year ended 30 April 2015 Actual	Year ended 30 April 2014 Actual	Year ended 30 April 2014 CCY
	$m	$m	$m	$m	$m
Cost of goods sold	29.8	61.7	91.5	29.9	28.9
Selling and distribution	164.5	126.0	290.5	120.7	116.9
Research and development	86.1	76.2	162.3	57.8	56.7
Administrative expenses	78.7	64.3	143.0	68.9	68.2
Total costs	359.1	328.2	687.3	277.3	270.7

During the year we purchased TAG and included within the existing Base Micro Focus business within research and development expenses is $29.9m and within selling and distribution there is $43.7m both relating to the amortisation of the newly acquired purchased intangibles. The Group exceptional costs were $96.7m of which $49.8m is included with the Base Micro Focus business and $46.9m in the TAG business. Excluding the aforementioned costs of $123.4m, the costs of the Base Micro Focus business for the year to 30 April 2015 were $235.7m compared with $270.7m in the prior year on a CCY basis.

For the Base Micro Focus business excluding the amortisation of purchased intangibles made during the year ended 30 April 2015 and on a CCY basis:

- Cost of goods sold for the year increased by $0.9m to $29.8m (2014: CCY $28.9m) of which the exceptional costs incurred on severance were $0.8m (2014: $Nil). The costs in this category predominantly relate to our consulting and helpline support operations.

- Selling and distribution costs excluding the amortization of the newly purchased intangible assets were $120.8m. Within these costs were exceptional items relating to severance costs of $12.5m, thus the underlying costs were $108.3m being a reduction of 7.4% on the prior year on a CCY basis (2014: CCY $116.9m). The reduction was due mostly to the cost saving as a result of an increase in telesales and a reduction in field sales, lower external marketing spend and a lower investment this year in graduate sales scheme and the impact of reducing the sales workforce through efficiency programmes.
- Research and development expenses excluding the amortization of newly purchased intangibles was $56.2m being a reduction of 0.9% on the prior year on a CCY basis (2014: CCY $56.7m), equivalent to approximately 13.4% of revenue (2014: CCY 13.6%). Severance costs were $0.3m. The impact of net capitalization of development costs was $0.1m (2014: CCY $Nil). At 30 April 2015 the net book value of capitalized development costs on the consolidated statement of financial position was $31.4m (2014: $31.5m).

- Administrative expenses were $78.7m (2014: CCY $68.2m). Excluding share based compensation of $15.6m (2014: $12.8m), exceptional costs of $36.2m (2014: $Nil), exchange gain of $9.4m (2014: loss of $4.4m) administrative expenses decreased by 28.6% to $36.3m (2014: CCY $51.0m). The decrease arose from primarily significant management effort being put into the TAG business that was recharged of $7.6m and in the prior year there was $1.9m spent on an abortive acquisition and $1.5m on three acquisitions. The exceptional costs were acquisition costs $26.9m, severance of $1.9m, property costs $1.0m, integration costs of $6.4m and recharges of $7.6m.

The costs incurred by TAG in the period from acquisition to 30 April 2015 were $328.2m with $46.9m of exceptional costs, comprising severance of $14.1m, property costs of $17.3m, impairment of intangible assets and prepayments of $13.3m and integration costs of $2.2m.

- Cost of sales predominantly relate to TAG's consulting and helpline support operations and were $61.7m and including $3.9m of exceptional costs (severance costs).

- Selling costs were $126.0m of which $7.1m were exceptional costs (severance costs).

- Research and development costs were $76.2m and excluding severance exceptional costs of $2.8m they were $73.4m being 17.6% of revenue.

- Administrative expenses were $64.3m of which $33.2m were exceptional costs (being $1.5m on severance, $17.3m on property, $13.3m on impairments and $1.1m on integration) and recharges of $7.6m.

Currency impact

In the actual results, 59% of our the Enlarged Group revenues is contracted in US dollars, 22% in Euros, 5% in Sterling,4% in Yen and 10% in other currencies. In comparison, 48% of our costs are US dollar denominated, 17% in Sterling, 18% in Euros, 2% in Yen and 15% 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$:Sterling rate moves during the year the cost impact far exceeds the revenue impact. Consequently, actual US$ 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 actual numbers when they are stated at CCY. Excluding the TAG numbers the year ended 30 April 2014 CCY revenue is 3.5% lower at $418.1m and the Underlying Adjusted EBITDA is 4.3% lower than the actual numbers at $188.0m. The currency movement for Sterling, Yen and Euro against the dollar was a weakening of 0.2%, 9.2% and 7.7% respectively when looking at the average in FY2015 compared to FY2014. As we highlighted in the Integration Review update in April the US$ has strengthened against all major currencies during calendar year 2015. Comparing the average rates experienced in the current calendar year to the end of May with FY2014 average rates then the currency movement for Sterling, Yen and Euro against the dollar was a weakening of 5.3%, 15.9% and 17.1% respectively. If we were to restate the FY2015 pro-forma results at these CY2015 exchange rates then revenues would reduce from $1,326.6m to $1,268.8m and Underlying Adjusted EBITDA would reduce from $505.0m to $460.9m.

Intercompany loan arrangements within the Group are typically denominated in the local currency of the overseas affiliate. Consequently, any movement in the respective local currency and US$ will have an impact on the converted US$ value of the loans. This foreign exchange movement is taken to the consolidated statement of comprehensive income. The Group's UK Corporation Tax liability is denominated in Sterling and any movement of the US$:Sterling rate will give rise to a foreign exchange gain or loss which is also taken to the consolidated statement of comprehensive income. The foreign exchange gain for the year is approximately $9.4m (2014: loss of $4.4m).

Operational and Financial review continued

Adjusted EBITDA and Underlying Adjusted EBITDA

Adjusted EBITDA in the year was $357.6m (2014: CCY $183.6m) and Underlying Adjusted EBITDA was $348.3m (2014: CCY $188.0m) at a margin of 41.7% (2014: CCY 45.0%). The Adjusted EBITDA for the acquisition made in this year was a $139.4m before the transaction costs of $26.9m, which are categorised as exceptional costs within the Base Micro Focus business.

	Year ended 30 April 2015 Existing	Year ended 30 April 2015 Acquisitions	Year ended 30 April 2015 Actual	Year ended 30 April 2014 Actual	Year ended 30 April 2014 CCY
	$m	$m	$m	$m	$m
Actual revenue	418.5	416.0	834.5	433.1	418.1
Adjusted EBITDA	217.8	139.8	357.6	192.0	183.6
Foreign exchange (gain) / loss	(9.0)	(0.4)	(9.4)	4.4	4.4
Net capitalization of development costs	0.1	-	0.1	-	-
Underlying Adjusted EBITDA	**208.9**	**139.4**	**348.3**	**196.4**	**188.0**
Underlying Adjusted EBITDA Margin	**49.9%**	**33.5%**	**41.7%**	**45.3%**	**45.0%**

On a pro-forma basis for the year ended 30 April 2015, the Enlarged Group delivered Underlying Adjusted EBITDA of $505.0m and Adjusted EBITDA of $517.6m. Adding to this pro-forma Adjusted EBITDA the $19.6m of Amortization of Development cost the Enlarged Group had a pro-forma Facility EBITDA for the year of $537.2m.

Operating profit

Operating profit was $147.2m (2014: $155.7m). Within the operating profit is $96.7m (2014: $Nil) of exceptional costs. Adjusted operating profit was $347.8m (2014: $187.5m).

Net finance costs

Net finance costs were $55.0m (2014: $7.9m), of which $2.4m relates to exceptional costs from the accelerated write-off of the prepaid facility costs arising on the acquisition of TAG. Within the net finance costs there is the amortization of $8.7m of prepaid facility arrangement, original issue discounts and facility fees incurred on the Group's loan facilities (2014: $1.5m), loan interest and commitment fees of $44.4m (2014: $6.1m), interest of $2.6m (2014: $nil) on the derecognition tax position and other interest costs of $0.5m (2014: $0.6m) offset by $1.2m of interest received (2014: $0.3m).

Profit before tax and adjusted profit before tax

Profit before tax was $91.4m (2014: $147.8m). The profit before tax was primarily reduced in the period as a result of exceptional costs of $99.1m and increased amortization of purchased intangibles following the TAG acquisition.

Adjusted profit before tax was $294.3m (2014: $179.5m):

	Year ended 30 April 2015	**Year ended 30 April 2014**
	$m	**$m**
Profit before tax	91.4	147.8
Share based compensation	15.5	12.8
Amortization of purchased intangibles	88.3	18.9
Exceptional costs	96.7	-
Exceptional interest costs	2.4	-
Adjusted profit before tax	**294.3**	**179.5**

Operational and Financial review continued

Taxation

Tax for the period was a credit of $10.0m (2014: charge of $25.8m) with the Group's effective tax rate being -11.0% (2014: 17.4%). The effective tax rate 'ETR' on adjusted profit before tax was 21.2% (2014 19.6%) as set out below:

	Year ended 30 April 2015				Year ended 30 April 2014			
	Actual $m	**Adjustments $m**	**Other tax items $m**	**Adjusted measures $m**	Actual $m	Adjustments $m	Other tax items $m	Adjusted measures $m
Profit before tax	**91.4**	**202.9**	**-**	**294.3**	147.8	31.7	-	179.5
Taxation	**10.0**	**(62.5)**	**(9.9)**	**(62.4)**	(25.8)	(9.3)	-	(35.1)
Profit after tax	**101.4**	**140.4**	**(9.9)**	**231.9**	122.0	22.4	-	144.4
Effective tax rate	**-11.0%**			**21.2%**	17.5%			19.6%

In computing adjusted profit before tax, $202.9m of adjustments have been made for the items shown in the adjusted profit before tax section above, of which the associated tax is $62.5m.

The other tax items of $9.9m in the table above relate to $5.1m of benefit from the recognition of additional US tax attributes as a result of the acquisition of TAG and a prior year benefit of $4.8m in respect of the UK Patent Box and are included within other tax items to remove these "one time" benefits, thereby giving rise to an underlying 21.2% ETR on adjusted profit before tax.

As a result of the acquisition of TAG, a larger proportion of the Group's profits are now in the USA where they are taxed at an effective rate of approximately 38% (including state taxes). This has the effect of increasing the adjusted ETR from 19.6% to 21.2%. This increase has been largely offset by the recognition of Patent Box benefits relating to the current period of $6.0m and the impact of the financing structure which was implemented in order to fund the acquisition.

With effect from 1 April 2013, the UK Government introduced Patent Box legislation which provides a reduced rate of tax on profits arising from qualifying IP rights. As previously highlighted, the Patent Box presents a significant opportunity for the Group. As the Group has finalized the calculation of the Patent Box benefit due for the year ended 30 April 2014, we are now in a position to recognize a prior year benefit of $4.8m as well as an estimate of the benefit accruing to 30 April 2015 of $6.0m. The Group intends to assess the extent to which its qualifying patent portfolio may be increased in the future through applying for relevant patents.

In addition to the recognition of $5.1m of deferred tax assets due to the TAG acquisition as described above, the Group recognized additional deferred tax assets of $3.3m (2014: $1.9m) all of which were taken to the consolidated statement of comprehensive income. The impact of this recognition gives rise to a lower ETR for the year.

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

The Group's cash taxes paid in the period were a net repayment of $1.8m. The taxes paid in the period were reduced due to the following factors:

a) $17.0m of cash was received by TAG in the post-acquisition period, this related to receipts from the IRS on settlement of historic tax audits and repayment of historic overpayments of tax.

b) Taxes paid in the UK were reduced by $10.8m as a result of the benefit from the UK Patent Box regime. The Group had not factored the Patent Box benefit into historic instalment payments and therefore made a lower level of instalment payments in the current period.

c) As previously disclosed, the Group has benefited from a lower cash rate of tax in recent years as a result of an on-going claim with HMRC in the UK, based on tax legislation, impacting its tax returns for the year ended 30 April 2009 and subsequent years. The Group is one of a number of companies that have submitted similar claims. HMRC has chosen a test case to establish the correct interpretation of the legislation and we await the outcome of this tribunal hearing. The Group has taken no benefit to the consolidated statement of comprehensive income during the periods affected and the potential tax liability is recognized on the Group's consolidated statement of financial position, but has paid reduced cash tax payments in line with its claim. The cash tax benefit in the year was $3.6m (2014: $4.9m) and the total cash tax benefit to date is $27.2m based on the difference between the Group's claimed tax liability and the tax liability in the consolidated statement of financial position. Due to the nature of the claim and the advice the Group has received, if HMRC were successful then it is unlikely that any penalties would be payable by the Group. During the period interest of $2.6m has been accrued in the consolidated statement of comprehensive income in relation this item.

When the tax position is agreed with HMRC then to the extent that the tax liability is lower than that provided in the consolidated statement of financial position, there would be a positive benefit to the tax charge in the consolidated statement of comprehensive income in the year of settlement. The current maximum benefit including accrued interest of $2.6m is $31.2m, which equates to 17.4 cents per share on a fully diluted basis.

Profit after tax

Profit after tax decreased by 16.9% to $101.5m (2014: $122.1m).

Goodwill

The largest item on the consolidated statement of financial position is goodwill at $2,421.7m (2014: $308.2m) and arose mostly from acquisition of TAG on 20 November 14. TAG added $2,113.3m in the year. The annual impairment review of goodwill is based on the value in use of the three Micro Focus Base Cash Generating Units ("CGUs") and the TAG business is valued on a fair value basis. The goodwill is allocated across these 4 CGUs and based on the assumptions used by the board; there is no impairment of goodwill in the year.

Purchased Intangible Assets

The acquisition of TAG increased the Intangible assets by $1,139.4m with the resultant year-end balance at $1,132.2m (2014: $92.5m). The Group obtained external professional assistance in arriving at the valuation the TAG intangible assets. The deferred tax liability associated with these intangible assets was $260.3m.

Net liabilities acquired on acquisition of TAG

The net liabilities acquired on 20 November 2014 on the acquisition of TAG, were $727.1m, being primarily: Goodwill and Intangibles of $1,139.4m, Cash of $165.9m offset by Deferred Income of $594.1m and bank loans of $1,294.7m (note 25).

Assets of TAG

The other most significant assets within the TAG businesses in the balance sheet as at 30 April 2015 are Trade and Other receivables of $130.6m, deferred tax asset of $212.6m and cash of $162.0m.

Liabilities of TAG

The other most significant liabilities within the TAG businesses in the balance sheet as at 30 April 2015 are Trade and Other payables of $90.3m, Short term deferred income of $445.8m, Long term deferred income of $182.6m and pension liabilities of $32.7m .

Return of Value

In December 2014 we completed a Return of Value to shareholders amounting to £83.9m ($131.6m) in cash (60 pence per share, equivalent to 94.02 cents per share), by way of a B and C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving the cash in the form of income or capital. The Return of Value was accompanied by 0.9285 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the B and C shares. As part of the restructuring resulting from the acquisition we have created a merger reserve of approximately $1.4bn, which is expected to become a distributable reserve in future periods. This creates flexibility for future Returns of Value once Net Debt to Facility EBITDA is below 2.5 times.

As at December 2014 this was the Group's 4th Return of Value to shareholders and this brings the total amount returned to shareholders since 28 March 2011 through share buy-backs, Returns of Value and ordinary dividends to £554.4m which represents 87.3% of the Market Capitalization at that time.

Financing of the Enlarged Group

The indebtedness of both TAG and Base Micro Focus as at 20 November 14 was refinanced as part of the acquisition and the Net Debt of the Enlarged Group following Completion of the acquisition and the Return of Value was approximately $1,670.0m. On 20 November 2014 a Micro Focus subsidiary, MA FinanceCo LLC, entered into a new $2,000m credit agreement comprising a $1,275.0m seven year term loan B, a $500.0m five year term loan C and a $225.0m Revolving Facility (together "the New Facilities"). At completion, $1,875.0m of the New Facilities were drawn down leaving $125.0m of the Revolving Facility undrawn.

During the year the Group made a voluntary repayment of $150.0m of the term loan B and $25.0m of the revolving credit facility. As at the 30 April 2015 the net debt of the Enlarged Group was $1,403.6m comprising gross debt of $1,700.0m, cash balances of $241.3m (2014: $32.8m) and pre-paid arrangements fees of $55.1m.

Operational and Financial review continued

The only financial covenant attaching to these New Facilities relates to the Revolving Facility, which will be subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. The New Facilities have been used to finance the Return of Value and the Refinancing, and to pay fees and costs arising from the Return of Value, the acquisition and the Refinancing.

Impact on leverage and interest cover ratios

At the time of the acquisition the Board was targeting to achieve a Net Debt ratio of 2.5 times Facility EBITDA within two years of Completion. At 30 April 2015 it was 2.6 based on the pro-forma Facility EBITDA. The interest cost of the New Facilities for the 12 months following completion of the acquisition is estimated at $87m before the amortization of loan facility fees and original issue discounts. This is covered approximately 6.2 times by the Enlarged Group's pro-forma Facility EBITDA, which the Board considers to be a comfortable level of interest cover.

Total equity

The total equity of the Group is $1,277.1m with a merger reserve of $1,168.1m. The merger reserve was increased by $1,372.7m as a result of the acquisition of TAG.

Cash flow

The Group's operating cash flow from continuing operations was $288.7m (2014: $206.8m). This represented a cash conversion ratio when compared to Adjusted EBITDA less exceptional items of 110.63% (2014: 107.7%).

At 30 April 2015, the Group's net debt was $1,403.6m (2014: $261.0m) and during the year the Group increased gross borrowings by $1,903.6m and repaid $522.0m. The most significant cash outflows during the year were $1,294.7m to repay the TAG bank loans, acquisition transaction fees of $82.7m, $131.6m in respect of the Return of Value, $40.2m on the cost of securing the banking facilities, dividends of $72.7m and Interest of $60.1m offset by $165.9m of cash that was held by TAG.

Dividend

The board continues to adopt a progressive dividend policy reflecting the long-term earnings and cash flow potential of Micro Focus. Our dividend policy is a dividend cover of approximately two times on a pre-exceptional earnings basis. The proposed final dividend is 33.0 cents per share (2014: 30.0 cents per share) giving a total proposed dividend of 48.4 cents per share (2014: 44.0 cents per share) an increase of 10.0%. If approved by shareholders, the final dividend will be paid on 2 October 2015 to shareholders on the register on 4 September 2015.

Dividends will be paid in Sterling equivalent to 21.2 pence per share, based on an exchange rate of £1 = $1.56 being the rate applicable on 7 July 2015, 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 26.

Mike Phillips
Chief Financial Officer

7 July 2015

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

		Year ended 30 April 2015			Year ended 30 April 2014		
		Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
	Note	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000
Revenue	**5,6**	**834,539**	**-**	**834,539**	433,058	-	433,058
Cost of sales		**(86,861)**	**(4,629)**	**(91,490)**	(29,912)	-	(29,912)
Gross profit		**747,678**	**(4,629)**	**743,049**	403,146	-	403,146
Selling and distribution costs		**(270,864)**	**(19,611)**	**(290,475)**	(120,669)	-	(120,669)
Research and development expenses		**(159,280)**	**(3,069)**	**(162,349)**	(57,833)	-	(57,833)
Administrative expenses		**(73,620)**	**(69,369)**	**(142,989)**	(68,924)	-	(68,924)
Operating profit		**243,914**	**(96,678)**	**147,236**	155,720	-	155,720
Analyzed as:							
Adjusted Operating profit		**347,773**	**-**	**347,773**	187,480	-	187,480
Share based compensation		**(15,561)**	**-**	**(15,561)**	(12,837)		(12,837)
Amortization of purchased intangibles	**13**	**(88,298)**	**-**	**(88,298)**	(18,923)		(18,923)
Exceptional items	**7**	**-**	**(96,678)**	**(96,678)**	-	-	-
Operating profit	**5**	**243,914**	**(96,678)**	**147,236**	155,720	-	155,720
Share of results of associates		**(788)**	**-**	**(788)**	-	-	-
Finance costs		**(53,847)**	**(2,384)**	**(56,231)**	(8,197)	-	(8,197)
Finance income		**1,210**	**-**	**1,210**	318	-	318
Profit before tax		**190,489**	**(99,062)**	**91,427**	147,841	-	147,841
Taxation	**11**	**(15,729)**	**25,753**	**10,024**	(25,759)	-	(25,759)
Profit for the year		**174,760**	**(73,309)**	**101,451**	122,082	-	122,082
Other comprehensive income:							
Items that will not be reclassified to profit or loss							
Actuarial loss on employee benefit schemes	**20**	**(4,196)**	**-**	**(4,196)**	-	-	-
Deferred tax movement on pension liability		**1,301**	**-**	**1,301**	-	-	-
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		**(8,375)**	**-**	**(8,375)**	2,176	-	2,176
Other comprehensive (expense) / income for the year		**(11,270)**	**-**	**(11,270)**	2,176	-	2,176
Total comprehensive income for the year		**163,490**	**(73,309)**	**90,181**	124,258	-	124,258
Attributable to:							
Equity shareholders of the parent		**163,792**	**(73,309)**	**90,483**	124,258	-	124,258
Non-controlling interests		**(302)**	**-**	**(302)**	-	-	-
		163,490	**(73,309)**	**90,181**	124,258	-	124,258
Earnings per share expressed in cents per share				**cents**			cents
- basic	**10**			**58.54**			84.75
- diluted	**10**			**56.71**			82.35
Earnings per share expressed in pence per share				**Pence**			pence
- basic	**10**			**36.64**			52.92
- diluted	**10**			**35.50**			51.43

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

	Note	**2015**	2014
		$'000	$'000
Non-current assets			
Goodwill	**12**	**2,421,745**	308,182
Other intangible assets	**13**	**1,132,221**	92,533
Property, plant and equipment	**14**	**42,896**	21,599
Investments in associates		**14,901**	-
Long term pension assets	**20**	**14,076**	-
Other non-current assets		**3,909**	-
Deferred tax assets		**249,886**	42,631
		3,879,634	464,945
Current assets			
Inventories		**110**	133
Trade and other receivables	**15**	**218,645**	107,139
Cash and cash equivalents		**241,324**	32,800
Assets classified as held for sale		**888**	-
		460,967	140,072
Total assets		**4,340,601**	605,017
Current liabilities			
Trade and other payables	**16**	**161,365**	77,876
Borrowings	**17**	**125,733**	293,830
Provisions	**18**	**49,334**	4,382
Current tax liabilities	**11**	**67,895**	42,177
Deferred income	**19**	**583,703**	150,168
		988,030	568,433
Non-current liabilities			
Deferred income		**194,863**	12,629
Borrowings	**17**	**1,519,130**	-
Retirement benefit obligations	**20**	**32,742**	-
Long-term provisions	**18**	**17,919**	4,920
Other non-current liabilities		**5,264**	-
Deferred tax liabilities		**304,592**	35,286
		2,074,510	52,835
Total liabilities		**3,062,540**	621,268
Net assets / (liabilities)		**1,278,061**	(16,251)

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

	Note	2015 $'000	2014 $'000
Capital and reserves			
Share capital	21	39,555	37,802
Share premium account		16,087	14,546
Merger reserve	22	1,168,104	(27,085)
Capital redemption reserve	22	163,363	103,983
Accumulated losses		(96,479)	(140,324)
Foreign currency translation reserve (deficit)		(13,548)	(5,173)
Total equity / (deficit) attributable to owners of the parent		1,277,082	(16,251)
Non-controlling interests		979	-
Total equity / (deficit)		1,278,061	(16,251)

The accompanying notes are an integral part of this financial information.

Micro Focus International plc
Consolidated statement of cash flow (audited)

	Note	**2015 $'000**	2014 $'000
Cash flows from operating activities			
Net profit for the period		**101,451**	122,082
Adjustments for:			
Net interest		**55,021**	7,879
Taxation		**(10,024)**	25,759
Share of results of associates		**788**	-
Research and development tax credits		**(2,135)**	-
Depreciation		**7,674**	3,846
Loss on disposal of property, plant and equipment		**41**	123
Loss on disposal of intangibles assets		**(1,603)**	-
Amortization of intangibles	**13**	**109,092**	38,047
Impairment of intangibles	**13**	**984**	-
Impairment of long-term assets	**13**	**11,642**	-
Share-based compensation		**15,561**	12,837
Exchange movements		**(87)**	712
Provisions	**18**	**46,485**	1,699
Changes in working capital:			
Inventories		**39**	11
Trade and other receivables		**40,127**	(13,175)
Payables and other liabilities		**(86,901)**	6,955
Pension funding in excess of charge to operating profit		**586**	-
Cash generated from operations		**288,741**	206,775
Interest paid		**(50,482)**	(5,752)
Tax received/(paid)		**1,798**	(26,049)
Net cash generated from operating activities		**240,057**	174,974
Cash flows from investing activities			
Payments for intangible assets	**13**	**(21,240)**	(19,055)
Purchase of property, plant and equipment	**14**	**(4,972)**	(2,908)
Costs associated with relisting on the LSE	**25**	**(723)**	-
Interest received		**320**	317
Payment for acquisition of business	**25**	**-**	(35,195)
Net cash acquired with acquisitions	**25**	**165,946**	3,261
Short term investments		**(2)**	-
Net cash inflow / (outflow) in investing activities		**139,329**	(53,580)
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		**1,647**	1,028
Return of Value paid to shareholders	**24**	**(131,565)**	(144,664)
Foreign exchange gain on hedging contracts related to the Return of Value	**24**	**-**	4,470
Costs associated with the Return of Value	**24**	**(55)**	(536)
Repayment of bank borrowings	**17**	**(522,000)**	(134,000)
Repayment of bank borrowings on the acquisition of TAG	**25**	**(1,294,726)**	-
Net proceeds from bank borrowings	**17**	**1,903,625)**	215,000
Bank loan costs		**(40,174)**	(5,248)
Dividends paid to owners	**9**	**(72,707)**	(62,633)
Net cash used in financing activities		**(155,955)**	(126,583)
Effects of exchange rate changes		**(14,907)**	46
Net increase / (decrease) in cash and cash equivalents		**208,524**	(5,143)
Cash and cash equivalents at beginning of period	**17**	**32,800**	37,943
Cash and cash equivalents at end of period	**17**	**241,324**	32,800

The accompanying notes form an integral part of this financial information.

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

	Notes	Share capital	Share premium account	Accumulated losses	Foreign currency translation reserve (deficit)	Capital redemption reserves	Merger reserve	Equity / (deficit) attributable to the parent	Non-controlling interests	Total equity / (deficit)
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 May 2013		**37,797**	**13,523**	**(63,053)**	**(7,349)**	**103,983**	**(27,085)**	**57,816**	**-**	**57,816**
Currency translation differences		-	-	-	2,176	-	-	2,176	-	2,176
Profit for the year		-	-	122,082	-	-	-	122,082	-	122,082
Total comprehensive income		-	-	122,082	2,176	-	-	124,258	-	124,258
Transactions with owners:										
Dividends		-	-	(62,633)	-	-	-	(62,633)	-	(62,633)
Issue of share capital		5	1,023	(9,422)	-	-	-	(8,394)	-	(8,394)
Return of Value to shareholders		-	-	(144,664)	-	-	-	(144,664)	-	(144,664)
Expenses and foreign exchange relating to Return of Value		-	-	3,934	-	-	-	3,934	-	3,934
Movement in relation to share options		-	-	7,017	-	-	-	7,017	-	7,017
Corporation tax on share options		-	-	2,883	-	-	-	2,883	-	2,883
Deferred tax on share options		-	-	3,532	-	-	-	3,532	-	3,532
Balance as at 30 April 2014		**37,802**	**14,546**	**(140,324)**	**(5,173)**	**103,983**	**(27,085)**	**(16,251)**	**-**	**(16,251)**
Currency translation differences		**-**	**-**	**-**	**(8,375)**	**-**	**-**	**(8,375)**	**-**	**(8,375)**
Profit for the year		**-**	**-**	**101,753**	**-**	**-**	**-**	**101,753**	**(302)**	**101,451**
Remeasurement on defined benefit pension schemes	**20**	**-**	**-**	**(4,196)**	**-**	**-**	**-**	**(4,196)**	**-**	**(4,196)**
Deferred tax movement on pension liability		**-**	**-**	**1,301**	**-**	**-**	**-**	**1,301**	**-**	**1,301**
Total comprehensive income		**-**	**-**	**98,858**	**(8,375)**	**-**	**-**	**90,483**	**(302)**	**90,181**
Non-controlling interests:										
Non-controlling interests on acquisition of TAG		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,281**	**1,281**
Transactions with owners:										
Dividends	**9**	**-**	**-**	**(72,707)**	**-**	**-**	**-**	**(72,707)**	**-**	**(72,707)**
Share options:										
Issue of share capital		**106**	**1,541**	**(513)**	**-**	**-**	**-**	**1,134**	**-**	**1,134**
Movement in relation to share options		**-**	**-**	**12,151**	**-**	**-**	**-**	**12,151**	**-**	**12,151**
Corporation tax on share options		**-**	**-**	**4,808**	**-**	**-**	**-**	**4,808**	**-**	**4,808**
Deferred tax on share options		**-**	**-**	**3,591**	**-**	**-**	**-**	**3,591**	**-**	**3,591**
Acquisitions:										
Shares issued to acquire TAG	**25**	**13,550**	**-**	**-**	**-**	**-**	**1,372,666**	**1,386,216**	**-**	**1,386,216**
Expenses relating to relisting on the LSE	**25**	**-**	**-**	**(723)**	**-**	**-**	**-**	**(723)**	**-**	**(723)**
Reallocation of merger reserve		**-**	**-**	**130,000**	**-**	**-**	**(130,000)**	**-**	**-**	**-**
Share reorganization and buy-backs:										
Return of value - share consolidation	**24**	**(37,866)**	**-**	**-**	**-**	**11,903**	**-**	**(25,963)**	**-**	**(25,963)**
Issue and redemption of B shares	**24**	**-**	**-**	**-**	**-**	**47,477**	**(47,477)**	**-**	**-**	**-**
Return of value - new share issues	**24**	**25,963**	**-**	**-**	**-**	**-**	**-**	**25,963**	**-**	**25,963**
Return of Value to shareholders	**24**	**-**	**-**	**(131,565)**	**-**	**-**	**-**	**(131,565)**	**-**	**(131,565)**
Expenses relating to Return of Value	**24**	**-**	**-**	**(55)**	**-**	**-**	**-**	**(55)**	**-**	**(55)**
Balance as at 30 April 2015		**39,555**	**16,087**	**(96,479)**	**(13,548)**	**163,363**	**1,168,104**	**1,277,082**	**979**	**1,278,061**

1. General

Micro Focus International plc ('the Company') is a public limited company incorporated, domiciled and registered in the United Kingdom. The registered office address is The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN. Micro Focus International plc and its subsidiaries (together 'the Group') provide innovative software to clients around the world enabling them to dramatically improve the business value of their enterprise applications. The Group has a presence in 36 countries worldwide and at 30 April 2015 employed approximately 4,400 people.

The Company is listed on the London Stock Exchange.

The statutory accounts of the Company for the year ended 30 April 2015 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 2014 were approved by the Board of directors on 18 June 2014 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 7 July 2015.

2. Basis of preparation

This audited preliminary consolidated financial information for the year ended 30 April 2015, has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct 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.

3. Accounting policies

Other than as described below, the accounting policies adopted are consistent with those of the Annual Report and Accounts for the year ended 30 April 2015, as described in those financial statements.

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

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

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

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

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

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

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

- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective annual periods on or after 1 January 2014) updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective annual periods on or after 1 January 2014) address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

3. Accounting policies continued

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

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

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

- Annual Improvements 2013 includes amendments to IFRS 1 'First Time Adoption', IFRS 3 'Business Combinations', IFRS 13 'Fair Value Measurement' and IAS 40 'Investment Property' applies for periods beginning on or after 1 July 2014.
- Amendment to IFRS 11, 'Joint Arrangements' on acquisition of an interest in a joint operation applies for periods beginning on or after 1 January 2016 subject to EU endorsement. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortization applies for periods beginning on or after 1 January 2016 subject to EU endorsement. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

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

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

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

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

- IFRS 15 'Revenue from Contracts with Customers' establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2017 onwards (pending EU endorsement). Earlier application is permitted The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is currently assessing the impact of IFRS 15 but it is too early to determine how significant the effect on reported results and financial position will be and note that the IASB has published an exposure draft to propose the deferral of the effective date of IFRS15 to 1 January 2018.

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

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

4. Functional currency

The presentational currency of the Group is US dollars. Items included in the financial statements of each of the Group's entities are measured in the functional currency of each entity being the principal currency of the territory in which it operates.

5. Segmental reporting

In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker ('the Executive Committee'). Operating segments are consistent with those used in internal management reporting and the measure used by the Executive Committee is the Adjusted operating profit for the Group as a whole as set out in note 8.

Operating segments for the year ended 30 April 2015:

		Base Micro Focus				
	Note	North America	International	Asia Pacific and Japan	TAG	Total
		$'000	$'000	$'000	$'000	$'000
Segment revenue		**201,390**	**168,528**	**48,587**	**416,034**	**834,539**
Directly managed costs		(33,753)	(48,905)	(12,847)	(135,578)	(231,083)
Allocation of centrally managed costs		(52,929)	(42,948)	(13,879)	(145,927)	(255,683)
Total segment costs		**(86,682)**	**(91,853)**	**(26,726)**	**(281,505)**	**(486,766)**
Adjusted operating profit	8	114,708	76,675	21,861	134,529	347,773
Exceptional items	7					(96,678)
Share based compensation charge						(15,561)
Amortization of purchased intangibles						(88,298)
Operating profit						**147,236**
Total assets						**4,340,601**
Total liabilities						**3,062,540**

Adjusted operating profit includes $1.0m (2014: $Nil) of impairment charges (see note 13). Of the $96.7m of exceptional costs, $46.9m relates to the TAG operating segment. Management recharges of $12.4m were made in the year between TAG and Base Micro Focus.

Operating segments for the year ended 30 April 2014:

		Base Micro Focus				
	Note	North America	International	Asia Pacific and Japan	TAG	Total
		$'000	$'000	$'000	$'000	$'000
Segment revenue		199,900	178,616	54,542	-	433,058
Directly managed costs		(35,905)	(59,758)	(14,666)	-	(110,329)
Allocation of centrally managed costs		(65,833)	(51,325)	(18,091)	-	(135,249)
Total segment costs		(101,738)	(111,083)	(32,757)	-	(245,578)
Adjusted operating profit	8	98,162	67,533	21,785	-	187,480
Exceptional items	7					-
Share based compensation charge						(12,837)
Amortization of purchased intangibles						(18,923)
Operating profit						155,720
Total assets						605,017
Total liabilities						621,268

6. Analysis of revenue by product

Set out below is an analysis of revenue recognized between the principal product portfolios for the year ended 30 April 2015.

	Base Micro Focus						TAG					
	CD	MS	Borland (Test)	CORBA	Niche	Sub-total	Attachmate	Novell	NetIQ	SUSE	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Licence	**97,605**	**26,340**	**19,411**	**17,978**	**1,415**	**162,749**	**59,151**	**11,499**	**27,605**	**-**	**98,255**	**261,004**
Maintenance	**123,209**	**42,555**	**44,845**	**25,466**	**7,175**	**243,250**	**39,167**	**81,561**	**76,704**	**-**	**197,432**	**440,682**
Subscription	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**98,178**	**98,178**	**98,178**
Consulting	**693**	**8,164**	**3,292**	**349**	**8**	**12,506**	**2,054**	**3,187**	**14,002**	**2,926**	**22,169**	**34,675**
Total	**221,507**	**77,059**	**67,548**	**43,793**	**8,598**	**418,505**	**100,372**	**96,247**	**118,311**	**101,104**	**416,034**	**834,539**

Set out below is an analysis of revenue recognized between the principal product portfolios for the year ended 30 April 2014.

	Base Micro Focus						TAG					
	CD	MS	Borland (Test)	CORBA	Niche	Sub-total	Attachmate	Novell	NetIQ	SUSE	Sub-total	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Licence	107,733	28,882	19,396	19,343	2,541	**177,895**	**-**	**-**	**-**	**-**	**-**	**177,985**
Maintenance	122,871	42,311	41,695	26,739	9,567	**243,183**	**-**	**-**	**-**	**-**	**-**	**243,183**
Subscription	-	-	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Consulting	919	6,255	3,905	687	214	**11,980**	**-**	**-**	**-**	**-**	**-**	**11,980**
Total	**231,523**	**77,448**	**64,996**	**46,769**	**12,322**	**433,058**	**-**	**-**	**-**	**-**	**-**	**433,058**

7. Exceptional items

The exceptional costs of $99.1m shown in the consolidation statement of comprehensive income relate to costs incurred as part of the acquisition of TAG, which completed on 20 November 2014. . The total cash outflow of exceptional items during the year, after the acquisition of TAG, was $34.6m.

	2015 $'000	2014 $'000
Reported within operating profit:		
Acquisition costs	**26,860**	-
Property costs	**18,200**	-
Severance costs	**30,734**	-
Impairment of intangible assets (note 10)	**11,642**	-
Impairment of prepayments	**1,657**	
Integration costs	**7,585**	-
	96,678	-
Reported within finance costs:		
Accelerated amortization of facility fees	**2,384**	-
	2,384	-
	99,062	-

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

The property costs relate to the cost of exiting entire buildings or floors of buildings which we are leasing following the integration of TAG. The majority of the costs relate to TAG properties in North America.

Severance costs arose from integrating with TAG. $15.5m relates to staff on Micro Focus contracts and $15.2m to staff on TAG contracts.

The impairment of intangible assets and prepayments relates mostly to the write off of TAG computer systems and applications that have no future value for the Group.

Integration costs arose from the work done in bringing together the Base Micro Focus and TAG organizations into one organization.

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

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8. Reconciliation of operating profit to EBITDA

	2015	2014
	$'000	$'000
Operating profit	**147,236**	155,720
Exceptional items	**96,678**	-
Share-based compensation charge	**15,561**	12,837
Amortization of purchased intangibles	**88,298**	18,923
Adjusted operating profit	**347,773**	187,480
Depreciation of property, plant and equipment	**7,674**	3,846
Amortization of software intangibles	**2,189**	640
Adjusted EBITDA	**357,636**	191,966
Amortization and impairment of development costs	**19,589**	18,484
Facility EBITDA	**377,225**	210,450

	2015	2014
Operating profit	**147,236**	155,720
Amortization of intangible assets	**110,076**	38,047
Depreciation of property, plant and equipment	**7,674**	3,846
EBITDA	**264,986**	197,613
Amortization and impairment of development costs	**(19,589)**	(18,484)
Share-based compensation charge	**15,561**	12,837
Exceptional items	**96,678**	-
Adjusted EBITDA	**357,636**	191,966
Foreign exchange (credit) / loss	**(9,445)**	4,400
Net amortization of development costs	**99**	36
Underlying Adjusted EBITDA	**348,290**	196,402

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

Facility EBITDA was the measure used under the Group's $420m Revolving Credit Facility to determine the Net Debt to Facility EBITDA covenant calculation. The Facility EBITDA for the year ended 30 April 2015 was $377.2m and on a pro-forma basis of $537.2m. Whilst the $420m facility was repaid and cancelled as part of the refinancing on the acquisition, for consistency the directors will continue to use the metric Net Debt to Facility EBITDA.

9. Dividends

	2015	**2014**
	$'000	**$'000**
2014 final paid 30.0 cents (2013: 28.1 cents) per ordinary share	**40,215**	43,072
2015 interim paid 15.4 cents (2014: 14.0 cents) per ordinary share	**32,492**	19,561
Total	**72,707**	62,633

The directors are proposing a final dividend in respect of the year ended 30 April 2015 of 33.0 cents per share which will utilize approximately $71,692,000 of total equity. The directors have concluded that the Company has sufficient reserves to pay the dividend. It has not been included as a liability in these financial statements as it has not yet been approved by shareholders.

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10. Earnings per share

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

	Year ended 30 April 2015				Year ended 30 April 2014			
	Total Earnings $'000	Weighted average number of shares '000	Per share amount Cents	Per share amount Pence	Total earnings $'000	Weighted average number of shares '000	Per share amount Cents	Per share amount Pence
Basic EPS								
Earnings attributable to ordinary shareholders [1]	**101,753**	**173,829**	**58.54**	**36.64**	122,082	144,057	84.75	52.92
Effect of dilutive securities								
Options		**5,583**				4,193		
Diluted EPS								
Earnings attributable to ordinary shareholders	**101,753**	**179,412**	**56.71**	**35.50**	122,082	148,250	82.35	51.43
Supplementary EPS								
Basic EPS	**101,753**	**173,829**	**58.54**	**36.64**	122,082	144,057	84.75	52.92
Tax adjustments [2]	**(9,939)**				-			
Adjusted items[3]	**202,921**				31,760			
Tax relating to above items	**(62,528)**				(9,323)			
Basic EPS – adjusted	**232,207**	**173,829**	**133.58**	**83.61**	144,519	144,057	100.32	62.65
Diluted EPS	**101,753**	**179,412**	**56.71**	**35.50**	122,082	148,250	82.35	51.43
Tax adjustments [2]	**(9,939)**				-			
Adjusted items[3]	**202,921**				31,760			
Tax relating to above items	**(62,528)**				(9,323)			
Diluted EPS – adjusted	**232,207**	**179,412**	**129.43**	**81.01**	144,519	148,250	97.48	60.88

[1] Earnings attributable to ordinary shareholders are the profit for the year of $101,451,000 (2014: $122,082,000) excluding amount attributable to non-controlling interests of $302,000 (2014: $nil).

[2] Tax Adjustments comprise a $5.1m (2014: $nil) deferred tax benefit from the recognition of additional US tax attributes as a result of the acquisition of TAG and a prior year current tax benefit of $4.8m (2014: $nil) in respect of the UK Patent Box.

[3] Adjusted items comprise amortization of acquired intangibles $88,298,000 (2014: $18,923,000), share-based compensation $15,561,000 (2014: $12,837,000), exceptional items $96,678,000 (2014: $Nil) and exceptional interest costs of $2,384,000 (2014: $Nil). Estimated tax relief on these items is as shown above.

Earnings per share, expressed in pence, has used the average exchange rate for the year of $1.60 to £1 (2014: $1.60 to £1).

11. Taxation

Profit before tax and adjusted profit before tax

Profit before tax was $91.4m (2014: $147.8m). The profit before tax was primarily reduced in the period as a result of exceptional costs of $99.1m and increased amortisation of central intangibles following the TAG acquisition.

Adjusted profit before tax was $294.3m (2014: $179.5m):

	Year ended 30 April 2015 $m	Year ended 30 April 2014 $m
Profit before tax	91.4	147.8
Share based compensation	15.5	12.8
Amortization of purchased intangibles	88.3	18.9
Exceptional costs	96.7	-
Exceptional finance costs	2.4	-
Adjusted profit before tax	**294.3**	**179.5**

11. Taxation continued

Tax for the period was a credit of $10.0m (2014: charge of $25.8m) with the Group's effective tax rate being -11.0% (2014: 17.5%). The effective tax rate 'ETR' on adjusted profit before tax was 21.2% (2014 19.6%) as set out below:

	Year ended 30 April 2015				Year ended 30 April 2014			
	Actual $m	**Adjustments $m**	**Other tax items $m**	**Adjusted measures $m**	Actual $m	Adjustments $m	Other tax items $m	Adjusted measures $m
Profit before tax	**91.4**	**202.9**	**-**	**294.3**	147.8	31.7	-	179.5
Taxation	**10.0**	**(62.5)**	**(9.9)**	**(62.4)**	(25.8)	(9.3)	-	(35.1)
Profit after tax	**101.4**	**140.4**	**(9.9)**	**231.9**	122.0	22.4	-	144.4
Effective tax rate	**-11.0%**			**21.2%**	17.5%			19.6%

In computing adjusted profit before tax, $202.9m of adjustments have been made for the items shown in the adjusted profit before tax section above, of which the associated tax is $62.5m.

The other tax items of $9.9m in the table above relate to $5.1m of benefit from the recognition of additional US tax attributes as a result of the acquisition of TAG and a prior year benefit of $4.8m in respect of the UK Patent Box and are included within other tax items to remove these "one time" benefits, thereby giving rise to an underlying 21.2% ETR on adjusted profit before tax.

As a result of the acquisition of TAG, a larger proportion of the Group's profits are now in the USA where they are taxed at an effective rate of approximately 38% (including state taxes). This has the effect of increasing the adjusted ETR from 19.6% to 21.2%. This increase has been largely offset by the recognition of Patent Box benefits relating to the current period of $6.0m and the impact of the financing structure which was implemented in order to fund the acquisition.

With effect from 1 April 2013, the UK Government introduced Patent Box legislation which provides a reduced rate of tax on profits arising from qualifying IP rights. As previously highlighted, the Patent Box presents a significant opportunity for the Group. As the Group has finalized the calculation of the Patent Box benefit due for the year ended 30 April 2014, we are now in a position to recognize a prior year benefit of $4.8m as well as an estimate of the benefit accruing to 30 April 2015 of $6.0m. The Group intends to assess the extent to which its qualifying patent portfolio may be increased in the future through applying for relevant patents.

In addition to the recognition of $5.1m of deferred tax assets due to the TAG acquisition as described above, the Group recognized additional deferred tax assets of $3.3m (2014: $1.9m) all of which were taken to the consolidated statement of comprehensive income. The impact of this recognition gives rise to a lower ETR for the year.

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

The Group's cash taxes paid in the period were a net repayment of $1.8m. The taxes paid in the period were reduced due to the following factors:

a) $17.0m of cash was received by TAG in the post-acquisition period, this related to receipts from the IRS on settlement of historic tax audits and repayment of historic overpayments of tax.

b) Taxes paid in the UK were reduced by $10.8m as a result of the benefit from the UK Patent Box regime. The Group had not factored the Patent Box benefit into historic instalment payments and therefore made a lower level of instalment payments in the current period.

c) As previously disclosed, the Group has benefited from a lower cash rate of tax in recent years as a result of an on-going claim with HMRC in the UK, based on tax legislation, impacting its tax returns for the year ended 30 April 2009 and subsequent years. The Group is one of a number of companies that have submitted similar claims. HMRC has chosen a test case to establish the correct interpretation of the legislation and we await the outcome of this tribunal hearing. The Group has taken no benefit to the consolidated statement of comprehensive income during the periods affected and the potential tax liability is recognized on the Group's consolidated statement of financial position, but has paid reduced cash tax payments in line with its claim. The cash tax benefit in the year was $3.6m (2014: $4.9m) and the total cash tax benefit to date is $27.2m based on the difference between the Group's claimed tax liability and the tax liability in the consolidated statement of financial position. Due to the nature of the claim and the advice the Group has received, if HMRC were successful then it is unlikely that any penalties would be payable by the Group. During the period interest of $2.6m has been accrued in the consolidated statement of comprehensive income in relation this item.

11. Taxation continued

When the tax position is agreed with HMRC then to the extent that the tax liability is lower than that provided in the consolidated statement of financial position, there would be a positive benefit to the tax charge in the consolidated statement of comprehensive income in the year of settlement. The current maximum benefit including accrued interest of $2.6m is $31.2m, which equates to 17.4 cents per share on a fully diluted basis.

12. Goodwill

Cost and net book amount	**2015** **$'000**	2014 $'000
At 1 May	**308,182**	284,661
Hindsight adjustment	**213**	-
Acquisitions	**2,113,350**	23,521
At 30 April	**2,421,745**	308,182

The hindsight period adjustments relate to transactions that occurred within twelve months of the acquisition date and are attributable to OpenFusion CORBA assets (increase of $342,000) and AccuRev (decrease of $129,000), both acquired during the year ended 30 April 2014 (note 25).

The additions to goodwill in the year relate to the acquisition of TAG (note 25).

13. 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 2014	8,021	134,661	76,063	1,175	74,590	1,303	295,813
Acquisition of TAG	11,763	-	225,064	216,335	686,233	-	1,139,395
Additions	1,750	19,490	-	-	-	-	21,240
Disposals	(1,751)	-	-	-	-	-	(1,751)
Exchange adjustments	(500)	-	-	-	-	-	(500)
At 30 April 2015	**19,283**	**154,151**	**301,127**	**217,510**	**760,823**	**1,303**	**1,454,197**
Accumulated amortization							
At 1 May 2014	7,539	103,193	48,209	1,175	41,861	1,303	203,280
Charge for the year	2,189	18,605	30,452	6,639	51,207	-	109,092
Disposals	(2,873)	-	-	-	-	-	(2,873)
Impairment	11,642	984	-	-	-	-	12,626
Exchange adjustments	(149)	-	-	-	-	-	(149)
At 30 April 2015	**18,348**	**122,782**	**78,661**	**7,814**	**93,068**	**1,303**	**321,976**
Net book amount at 30 April 2015	**935**	**31,369**	**222,466**	**209,696**	**667,755**	**-**	**1,132,221**
Net book amount at 30 April 2014	482	31,468	27,854	-	32,729	-	92,533

Expenditure totaling $21.2m (2014: $37.2m) was made in the year, including $19.5m in respect of development costs and $1.7m of purchased software. The acquisition of TAG resulted in an addition of $1,139.4m to purchased intangibles and purchased software (note 25). Impairment charges of $12.6m of which $11.6m was reported within exceptionals (note 7) (2014: $Nil) were made in respect of some TAG acquired intangibles no longer to be utilized by the Group and some Borland development costs previously capitalized in the year ended 30 April 2014, to ensure that the carrying value of these assets reflects the revised recoverable amount.

At 30 April 2015, the unamortized lives of technology assets were in the range of two to six years and for customer relationships in the range of one to seven years.

Amortization of $51.2m (2014: $9.2m) is included in selling and distribution costs, $55.7m (2014: $28.2m) is included in research and development expense and $2.2m (2014: $0.6m) is included in administrative expenses in the consolidated statement of comprehensive income.

14. Property, plant and equipment

Capital expenditure of $5.0m (2014: $2.9m) was made in the period.

15. Trade and other receivables

	2015 $'000	2014 $'000
Trade receivables	**199,775**	97,508
Less: provision for impairment of trade receivables	**(2,520)**	(2,000)
Trade receivables net	**197,255**	95,508
Prepayments	**20,841**	10,640
Other receivables	**523**	971
Accrued income	**26**	20
Total	**218,645**	107,139

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

16. Trade and other payables – current

	2015 $'000	2014 $'000
Trade payables	**18,580**	4,683
Tax and social security	**8,962**	25,884
Accruals	**133,823**	47,309
Total	**161,365**	77,876

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

17. Borrowings

	2015 $'000	2014 $'000
Bank loan secured	**1,700,000**	297,000
Unamortized prepaid facility arrangement fees and original issue discounts	**(55,137)**	(3,170)
	1,644,863	293,830

Reported within:	**Bank loan secured**	**Unamortized prepaid facility arrangement fees and original issue discounts**	**Total**
	$'000	**$'000**	**$'000**
Current liabilities	137,750	(12,017)	125,733
Non-current liabilities	1,562,250	(43,120)	1,519,130
	1,700,000	**(55,137)**	**1,644,863**

	2015 $'000	2014 $'000
Cash at bank and in hand	**241,324**	32,800
Less borrowings	**(1,644,863)**	(293,830)
Net debt	**(1,403,539)**	(261,030)

17. Borrowings continued

On completion of the acquisition of TAG the Enlarged Group had new debt facilities of $2,000.0m comprising:

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

The only financial covenant affecting the new facilities is an aggregate net leverage covenant which is applicable in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end.

At completion the Enlarged Group drew down $1,875.0m of the new facilities comprising all of the Term Loan B and Term Loan C together with $100.0m of the Revolving Facility. As at 30 April 2015, there was $1,700.0m of the new facilities outstanding comprising $1,125.0m Term Loan B, $500.0m Term Loan C and $75.0m of the Revolving Facility as a result of the Enlarged Group repaying $150.0m of the Term Loan B and $25.0m of the Revolving Facility voluntarily using excess cash balances.

Borrowings are stated after deducting unamortized prepaid facility fees and original issue discounts. Facility arrangement costs and original issue discounts are amortized between four and six years.

The fair value of borrowings equals their carrying amount.

18. Provisions

	2015	2014
	$'000	$'000
Onerous leases and dilapidations	22,630	2,252
Restructuring and integration	30,921	107
Legal	3,065	-
Other	10,637	6,943
Total	**67,253**	**9,302**
Current	49,334	4,382
Non-current	17,919	4,920
Total	**67,253**	**9,302**

18. Provisions continued

	Onerous leases and dilapidations $'000	**Restructuring and integration $'000**	**Legal $'000**	**Other $'000**	**Total $'000**
At 1 May 2014	**2,252**	**107**	**-**	**6,943**	**9,302**
Acquisition of TAG (note 25)	**3,957**	**650**	**3,859**	**3,000**	**11,466**
Additional provision in the year	**18,872**	**31,329**	**83**	**3,200**	**53,484**
Utilization of provision	**(2,211)**	**(1,053)**	**(601)**	**(1,790)**	**(5,655)**
Released	**(153)**	**(77)**	**-**	**(716)**	**(946)**
Unwinding of discount	**42**	**-**	**-**	**-**	**42**
Exchange adjustments	**(129)**	**(35)**	**(276)**	**-**	**(440)**
At 30 April 2015	**22,630**	**30,921**	**3,065**	**10,637**	**67,253**
Current	**9,979**	**30,090**	**3,065**	**6,200**	**49,334**
Non-current	**12,651**	**831**	**-**	**4,437**	**17,919**
Total	**22,630**	**30,921**	**3,065**	**10,637**	**67,253**

	Onerous leases and dilapidations $'000	Restructuring and integration $'000	Legal $'000	Other $'000	Total $'000
At 1 May 2013	2,589	513	-	7,899	11,001
Additional provision in the year	988	4	-	2,819	3,811
Utilization of provision	(1,342)	(236)	-	(3,211)	(4,789)
Released	(50)	(190)	-	(246)	(486)
Unwinding of discount	79	-	-	-	79
Exchange adjustments	(12)	16	-	(318)	(314)
At 30 April 2014	2,252	107	-	6,943	9,302
Current	1,182	107	-	3,093	4,382
Non-current	1,070	-	-	3,850	4,920
Total	2,252	107	-	6,943	9,302

The onerous lease and dilapidations provision relates to leased Group properties and this position is expected to be fully utilized within 9 years. The addition relating to the acquisition of TAG of $4.0m relates to a lease facility and is expected to be paid over the remaining lease term which extends to 2025. Following the integration work done to date there were surplus buildings and floors of buildings which we plan to sublet where possible and a provision of $18.9m has been set up to cover for this onerous position.

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

Legal provisions include management's best estimate of the likely outflow of economic benefits associated with ongoing legal matters. The Group acquired potential liabilities as part of the TAG acquisition totaling $3.9m.

18. Provisions continued

Other provisions include primarily $3.8m relating to potential liabilities acquired with the Iona acquisition (2014: $3.8m), $nil relating to contingent consideration for the purchase of the OpenFusion CORBA assets from PrismTech Group Limited acquired during the previous period (2014: $1.8m) and $0.6m relating to tax due for pension and bonus payments prior to July 2011 for our subsidiary in Brazil (2014: $1.3m). New provisions have been created in the year, following the acquisition of TAG, there was a $3.0m provision that was inherited relating to potential software licencing issues and $3.2m was created for potential customer claims.

Of the additions to provisions in the year, $50.2m was included in exceptional items.

19. Deferred income – current

	2015	2014
	$'000	$'000
Deferred income	**583,703**	150,168

Revenue not recognized in the consolidated statement of comprehensive income under the Group's accounting policy for revenue recognition is classified as deferred income in the balance sheet to be recognized in the year ending 30 April 2016.

20. Retirement benefit obligations

	2015	2014
	$'000	$'000
Within Non-current assets :		
Long term pension assets	**14,076**	-
Within Non-current liabilities:		
Retirement benefit obligations	**(32,742)**	-

The acquisition of TAG, on 20 November 2014, added three defined benefit plans in Germany under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life in the case of retirement, disability and death. The level of benefits provided depends not only on the final salary but also on member's length of service, social security ceiling and other factors. Final pension entitlements are calculated by our Actuary in Swiss Life. They also complete calculations for in cases of death in service and disability. There is no requirement for the appointment of Trustees in Germany. The schemes are administered by locally with the assistance of German pension experts. All three plans were closed for new membership. The retirement benefit obligation on the date of acquisition was $31.3m (note 25).

The following amounts have been included in the Consolidated Income Statement in respect of the German defined benefit pension arrangements:

	2015
	$'000
Current service charge	**330**
Charge to operating profit	**330**
Interest on pension scheme liabilities	**320**
Interest on pension scheme assets	**(59)**
Charge to finance costs	**261**
Total charge to Consolidated Income Statement	**591**

The contributions for the year ended 30 April 2016 is expected to be broadly in line with the current year.

20. Retirement benefit obligations continued

The following amounts have been recognized as movements in equity:

	2015 $'000
Actuarial return on assets excluding amounts included in interest income	**229**
Experience gains and losses arising on scheme liabilities	
Changes in assumptions underlying the present value of scheme liabilities :	
- Demographic	**-**
- Financial	**(4,565)**
- Experience	**140**
	(4,425)
Exchange rate movement	**-**
Movement in the year	**(4,196)**

The key assumptions used for the German scheme were:

	2015
Rate of increase in final pensionable salary	**2.60%**
Rate of increase in pension payments	**2.00%**
Discount rate	**1.45%**
Inflation	**2.00%**

The net present value of the defined benefit obligations of the German scheme is sensitive to both the actuarial assumptions used and to market conditions. If the discount rate assumption was 0.5% lower, the obligation would be expected to increase by $5.2m and if it was 0.5% higher, they would be expected to decrease by $4.4m. If the inflation assumption was 0.25% lower, the obligations would be expected to decrease by $1.4m and if it was 0.25% higher, they would be expected to increase by $1.4m.

The mortality assumptions for the German scheme are set based on actuarial advice in accordance with published statistics and experience in the territory, specifically German pension table 'Richttafeln 2005 G' by Prof. Dr. Klaus Heubeck.

These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2015
Retiring at age 65 at the end of the reporting year:	
Male	**19**
Female	**23**
Retiring 15 years after the end of the reporting year:	
Male	**19**
Female	**24**

The net present value of the defined benefit obligations of the German Schemes are sensitive to the life expectancy assumption. If there was an increase of one year to this assumption the obligation would be expected to increase by $1,121K (2.9%).

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

	30 April 2015 $'000	20 November 2014 on acquisition $'000
Present value of funded obligations	**38,224**	37,128
Fair value of plan assets	**(5,482)**	(5,871)
	32,742	31,257

20. Retirement benefit obligations continued

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

	2015 $'000
At 1 May 2014	-
Acquisition of TAG	37,128
Current service cost	330
Benefits paid	(68)
Interest cost	320
Remeasurements - actuarial losses:	
- Demographic	-
- Financial	4,565
- Experience	(140)
Foreign currency exchange changes	(3,911)
At 30 April 2015	**38,224**

The fair value of scheme assets has moved as follows:

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

None of the plan assets are represented by financial instruments of the Group. None of the plan assets are occupied or used by the Group. The plan assets compromise of re-insurance with guaranteed interest rates. The majority of the plan assets have a guaranteed interest rates of 4.0%, with the remaining at 3.25% or 2.75%.

Through its defined benefit schemes the Group is exposed to a number of risks, the most significant of which are detailed below:

- Changes in bond yields – A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the pledged and unpledged re-insurance holdings.
- Inflation – Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. There is a cap on the level of inflationary increase on one of the plans which protects the plan against extreme inflation. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning an increase in inflation will also increase the deficit.
- Life expectancy – The majority of the plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan liabilities.
- In the case of the defined benefit plans, the company ensures that the investment positions are managed within an asset liability matching (ALM) that has been developed by the company to achieve long term investments that are in line with the obligations under the pension schemes. In addition to the plan assets outlined above, the Company had re-insurance assets valued at $14.1m at the 30 April, 2015. These assets are designated to fund the pension obligation and do not qualify as plan assets as they have not been pledged to the plan and are subject to the creditors of the Company. Within this framework the Company's objective is to match assets to the pension obligations by investing in re-insurances that match the benefit payments as they fall due and in the appropriate currency.

20. Retirement benefit obligations continued

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

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

	Change in assumption	**Change in defined benefit obligation**
Discount rate for scheme liabilities	0.50%	13.5%
Price inflation	0.25%	3.5%
Salary growth rate	0.50%	1.8%

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

21. Share capital

Ordinary shares at 10p each (2014: 13 $^{13}/_{24}$p each)

	Shares	**2015 $'000**	Shares	2014 $'000
Issued and fully paid				
At 1 May	**152,419,885**	**37,802**	165,095,660	37,797
Shares issued to satisfy option awards	**494,709**	**106**	24,675	5
Shares issued on the acquisition of TAG	**86,595,711**	**13,550**	-	-
Share reorganization	**(10,922,908)**	**(11,903)**	(12,700,450)	-
At 30 April	**228,587,397**	**39,555**	152,419,885	37,802

Share issued during the year
During the year, 464,919 ordinary shares of 13 $^{13}/_{24}$ pence each (2014: Nil) and 29,790 (2014: Nil) ordinary shares of 10 pence each were issued by the Company to settle exercised share options. The gross consideration received was $1.5m (2014: $1.0m).

At 30 April 2015 a total of 11,339,583 treasury shares were held (2014: 12,880,776) such that the voting rights and number of listed shares at 30 April 2015 were 217,247,764 (2014: 139,539,109).

Potential issues of shares
Certain employees hold options to subscribe for shares in the Company at prices ranging from nil pence to 1,004.0 pence under the following share option schemes approved by shareholders in 2005 and 2006: the Long-Term Incentive Plan 2005, the Sharesave Plan 2006 and the Employee Stock Purchase Plan 2006.

The number of shares subject to options at 30 April 2015 was 8,919,079 (2014: 4,550,091).

'B' shares at 60p each

	Shares	**2015 $'000**	Shares	2014 $'000
Issued and fully paid				
At 1 May	**-**	**-**	-	-
Issue of 'B' shares	**50,568,360**	**47,477**	-	-
Redemption of 'B' shares	**(50,568,360)**	**(47,477)**	-	-
At 30 April	**-**	**-**	-	-

On 20 November 2014, 50,568,360 'B' shares were issued at 60p each, resulting in a total of $47.5m being credited to the 'B' share capital account. On 20 November 2014, 50,568,360 'B' shares were redeemed at 60p each and an amount of $47.5m was deducted from the 'B' share capital account.

21. Share capital continued

'C' shares at 0.0000001p each

	Shares	**2015 $'000**	Shares	2014 $'000
Issued and fully paid				
At 1 May	**-**	**-**	-	-
Issue of 'C' shares	**89,328,151**	**-**	-	-
Cancellation of 'C' shares	**(89,328,151)**	**-**	-	-
At 30 April	**-**	**-**	-	-

On 20 November 2014, 89,328,151 'C' shares were issued at 0.0000001p each, resulting in a total of 14 cents being credited to the 'C' share capital account. On 20 November 2014 a dividend of 60 pence per C share was declared and was payable on 20 November 2014. The 'C' shares were subsequently reclassified as Deferred Shares and repurchased by the Company for an aggregate consideration of 1p and then subsequently cancelled and an amount of 14 cents was deducted from the 'C' share capital account.

Deferred D Shares at 0.041667p each

	Shares	**2015 $'000**	Shares	2014 $'000
Issued and fully paid				
At 1 May	**-**	**-**	-	-
Issue of 'Deferred ' shares	**15,606,772,650**	**11,903**	-	-
Cancellation of 'Deferred' shares	**(15,606,772,650)**	**(11,903)**	-	-
At 30 April	**-**	**-**	-	-

On 20 November 2014, as a consequence of the share consolidation, 15,606,772,650 deferred D shares were issued at 0.041667p each, resulting in a total of $11.9m being credited to the 'Deferred D share capital account. The deferred D shares were repurchased by the Company for an aggregate consideration of 1p and cancelled. An amount of $11.9m was deducted from the 'Deferred D' share capital account.

22. Other reserves

	Capital redemption reserve 2 $'000	**Merger reserves 1 $'000**	**Total $'000**
Balance as at 1 May 2014	103,983	(27,085)	76,898
Acquisition of TAG [3]	-	1,372,666	1,372,666
Return of value – share consolidation [5]	11,903	-	11,903
Return of value – new share issues [5]	47,477	(47,477)	-
Reallocation of merger reserve [4]	**-**	(130,000)	(130,000)
Balance as at 30 April 2015	**163,363**	**1,168,104**	**1,331,467**

[1] On 17 May 2005, the Company acquired the entire issued share capital of Micro Focus International Limited by way of a share for share exchange, pursuant to which the previous shareholders of Micro Focus International Limited were issued and allotted three ordinary shares in the capital of the Company for every one ordinary share they previously held in Micro Focus International Limited. This increase in share capital created a merger reserve deficit of $27.1m.

[2] In January 2012 a Return of Value was made to all shareholders amounting to $129.0m in cash after including a foreign exchange contract gain of $0.6m. As a result of this a capital redemption reserve was created following the redemption of the B shares. In November 2012 a further Return of Value was made to all shareholders amounting to $128.2m in cash after including a foreign exchange contract gain of $2.4m. In the year ended 30 April 2014 a further $47,079,000 was added to the capital redemption reserve following the redemption of the B shares.

[3] On 20 November 2014 the TAG acquisition was completed (note 25). As a result of this a merger reserve was created of $1.372.7m. The acquisition of TAG was structured by way of a share for share exchange; this transaction fell within the provisions of section 612 of the Companies Act 2006 (merger relief) such that no share premium was recorded in respect of the shares issued. The Company chose to record its investment in TAG at fair value and therefore recorded a merger reserve equal to the value of the share premium which would have been recorded had section 612 of the Companies Act 2006 not been applicable (i.e. equal to the difference between the fair value of TAG and the aggregate nominal value of the shares issued). This merger reserve was initially considered unrealised on the basis it was represented by the investment in TAG, which is not considered to represent qualifying consideration (in accordance with Tech 02/10 (Guidance on the determination of realised profits and losses in the context of distributions under the Companies Act 2006)). Immediately following the acquisition of TAG, the Company's investment in TAG was transferred to another Group company in exchange for an intercompany loan. To the extent this loan is settled in qualifying consideration, the related proportion of the merger reserve is considered realised.

[4] The merger reserve is an unrealised profit until it can be realised by the settlement of the intercompany loan by qualifying consideration. $130.0m of the intercompany loan is expected to be settled in qualifying consideration during the year to 30 April 2016 and as such an equivalent proportion of the merger reserve is considered realised and therefore has been transferred to the profit and loss account.

22. Other reserves continued

[5] In December 2014a Return of Value was made to all shareholders amounting to $131.6m in cash (note 24). The Return of Value was accompanied by a 0.9285 share consolidation and resulted in a net $11.9m reduction in share capital and an $11.9m increase in the capital redemption reserve. In addition $47.5m was transferred from the merger reserve to the capital redemption reserve.

23. Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

At the time of the acquisition of TAG, the sponsors' fees had not been paid and were subsequently paid on the date of the acquisition, being $45.2m to the owners of Wizard Parent LLC.

24. Return of value to shareholders

In December 2014 the Company completed a Return of Value to shareholders amounting to £83.9m ($131.6m) in cash (60 pence per share, equivalent to 94.02 cents per share), by way of a B and C share scheme, which gave shareholders (other than certain overseas shareholders) a choice between receiving the cash in the form of income or capital. The Return of Value was accompanied by a 0.9285 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the B and C shares.

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

As at December 14 this was the Group's 4th Return of Value to shareholders and this brings the total amount returned to shareholders since 25 March 2011 through share buy-backs, Returns of Value and ordinary dividends to £554.4m which represents 87.3% of the Market Capitalization at that time.

During the year ended 30 April 2014, the Group announced a Return of Value to shareholders of 60 pence per ordinary share by way of a D 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 2013. 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 $144.7m was offset by a gain of $4.5m and costs of $0.6m on the foreign exchange forward contract such that the cost to the company of the Return of Value was $140.2m excluding transaction costs. The Return of Value was accompanied by a 12 for 13 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 D shares.

25. Business combinations

Summary of acquisitions in the year ended 30 April 2015

	Carrying value at acquisition $'000	Fair value adjustments $'000	Hindsight adjustment $'000	Goodwill $'000	Consideration - shares $'000	Consideration - cash $'000	Consideration – deferred $'000	Consideration – total $'000
Acquisitions in the year ended 30 April 2015:								
TAG	(501,338)	(225,796)	-	2,113,350	1,386,216	-	-	1,386,216
Acquisitions in the year ended 30 April 2014:								
OpenFusion CORBA assets from PrismTech Group Limited	(992)	3,614	(342)	5,904	-	6,392	1,792	8,184
AccuRev Inc.	(563)	8,192	129	14,468	-	22,225	-	22,225
	(502,893)	**(213,990)**	**(213)**	**2,133,721**	**1,386,216**	**28,617**	**1,792**	**1,416,625**

25. Business combinations continued

Acquisition of TAG

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

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

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

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

A fair value review was carried out on the assets and liabilities of the acquired business, resulting in the identification of intangible assets.
Details of the net liabilities acquired and goodwill are as follows:

	Carrying value at acquisition	Fair value adjustments	Fair value
	$'000	$'000	$'000
Goodwill	906,052	(906,052)	**-**
Intangible assets – purchased [1]	214,222	913,410	**1,127,632**
Intangible assets – other [3]	17,282	(5,519)	**11,763**
Property, plant and equipment	25,965	-	**25,965**
Assets held for sale	888	-	**888**
Investment in associates	15,689	-	**15,689**
Long-term pension assets	15,472	-	**15,472**
Other non-current assets	4,952	-	**4,952**
Deferred tax assets	204,566	(13,334)	**191,232**
Non-current assets	**1,405,088**	**(11,495)**	**1,393,593**
Inventories	16	-	**16**
Trade and other receivables [A]	158,226	-	**158,226**
Current tax recoverable	10,857	-	**10,857**
Cash and cash equivalents	165,946	-	**165,946**
Current assets	**335,045**	**-**	**335,045**
Trade and other payables [4]	(205,806)	3,344	**(202,462)**
Borrowings	(1,294,726)	-	**(1,294,726)**
Short-term provisions	(8,852)	-	**(8,852)**
Short-term deferred income [2]	(433,261)	29,367	**(403,894)**
Current liabilities	**(1,942,645)**	**32,711**	**(1,909,934)**
Long-term deferred income [2]	(203,519)	13,301	**(190,218)**
Long-term provisions	(2,614)	-	**(2,614)**
Retirement benefit obligations	(31,257)	-	**(31,257)**
Other non-current liabilities	(9,406)	-	**(9,406)**
Deferred tax liabilities [5]	(50,749)	(260,313)	**(311,062)**
Non-current liabilities	**(297,545)**	**(247,012)**	**(544,557)**
Non-controlling interest	(1,281)	-	**(1,281)**
Net liabilities acquired	**(501,338)**	**(225,796)**	**(727,134)**
Goodwill (note 9)			**2,113,350**
Consideration			**1,386,216**
Consideration satisfied by :			
Shares			**1,386,216**

25. Business combinations continued

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

The fair value adjustments relate to:

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

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

	Fair value $'000
Technology	**225,064**
Trade Names	**216,335**
Customer relationships	**686,233**
	1,127,632

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

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $2,113.4m has been capitalized. From the date of acquisition to 30 April 2015, the acquisition contributed $416.0m to revenue and $139.8m to Adjusted EBITDA.

The estimated results of the above acquisition if it had been made at the beginning of the accounting year to 30 April 2015 would have been as follows:

Continuing	**$m**
Revenue	**902.1**
Profit for the year	**9.9**
Adjusted EBITDA	**297.8**
Underlying Adjusted EBITDA	**294.2**

The estimated results of the Enlarged Group if the acquisition had been made at the beginning of the accounting year to 30 April 2015 would have been as follows:

Continuing	**$m**
Revenue	**1,320.7**
Profit for the year	**88.4**
Adjusted EBITDA	**515.6**
Underlying Adjusted EBITDA	**503.0**

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

Acquisition of OpenFusion CORBA assets from PrismTech Group Limited

On 29 November 2013, the Group acquired from PrismTech Group Limited, the OpenFusion CORBA related assets for an initial consideration of £4.2m (equivalent to $6.4m) with up to £1.1m (equivalent to $1.8m) of deferred consideration. The initial consideration of £4.2m (equivalent to $6.4m) was satisfied in cash using Micro Focus' existing banking facilities. The acquisition costs incurred of $0.3m were expensed through administrative expenses in the consolidated statement of comprehensive income. Further contingent consideration of £1.1m (equivalent to $1.8m) was paid on 6 August 2014.

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

25. Business combinations continued

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

	Carrying value at acquisition	Initial fair value	Hindsight period adjustments	Revised fair value
	$'000	$'000	$'000	$'000
Intangible assets	-	4,351	-	4,351
Trade and other receivables	3	-	-	-
Trade and other payables	(151)	(108)	-	(108)
Deferred income	(844)	(1,621)	(342)	(1,963)
Net (liabilities) / assets	(992)	2,622	(342)	2,280
Goodwill (note 9)		5,562	342	5,904
Consideration		8,184	-	8,184

Consideration satisfied by :	
Cash	6,392
Deferred consideration	1,792
	8,184

The hindsight period adjustments above relate to amendments to deferred income. The deferred income adjustment relates to invoices recorded as pre-acquisition now identified as relating to future periods.

Acquisition of AccuRev Inc.

On 30 November 2013, the Group signed a merger agreement for the acquisition of the application life cycle solutions company AccuRev Inc., a US company based in Concord, Massachusetts for an initial consideration of $21.5m, exclusive of $0.8m of acquisition related costs. This was settled on completion of the acquisition on 31 December 2013, using Base Micro Focus' existing banking facilities. Further consideration of $0.7m was paid following acquisition. The acquisition costs of $0.8m were expensed through administrative expenses in the consolidated statement of comprehensive income.

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

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

	Carrying value at acquisition	Initial fair value	Hindsight period adjustments	Revised fair value
	$'000	$'000	$'000	$'000
Intangible assets	-	9,826	-	9,826
Property, plant and equipment	208	154	-	154
Cash	3,261	3,261	-	3,261
Trade and other receivables	1,520	1,441	-	1,441
Trade and other payables	(530)	(701)	129	(572)
Deferred income	(5,022)	(4,775)	-	(4,775)
Deferred tax liability	-	(1,577)	-	(1,577)
Net (liabilities) / assets	(563)	7,629	129	7,758
Goodwill (note 9)		14,596	(129)	14,467
Consideration		22,225	-	22,225

Consideration satisfied by :	
Cash	22,225

The hindsight period adjustments above relate to amendments to trade and other payables. The trade and other payables adjustment relates to contracts implementation costs now being expensed which had originally been capitalized by AccuRev Inc..

26. Principal risks and uncertainties

The Group, in common with all businesses, could be affected by risks that 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 and prioritized the key risks and reviewed the controls in place for management to mitigate those risks.

26. Principal risks and uncertainties continued

On the 20 November 2014 the Group completed the acquisition of TAG, a transformational transaction for the Group. The Group recognized the inherent risks in relation to the integration of the TAG business. It may encounter integration challenges and unexpected costs. The integration may take longer to achieve than planned. In addition the Group's management and resources may be diverted away from its core business activities due to personnel being required to assist in the integration process. There is a risk that the anticipated benefits arising from the growth opportunities, operational efficiencies and synergies may fail to materialize, or they may be materially lower than estimated which may have an adverse impact on the financial condition of the Group. The Group sought to mitigate these risks by putting in place detailed integration plans with a dedicated integration team focused on monitoring and driving the integration.

A full risk register has been developed for on-going evaluation and mitigation and the following are the other key risks, potential impacts and mitigations that are relevant to the Group as a provider of software products and associated services

Principal risks for the Group have been identified in the following four categories – Products, Go to Market models, Competition and Employees.

Products

Risk
To remain successful the Group must ensure that its products continue to meet the requirements of customers. Investment in research and innovation in product development is essential to meet customer and partner requirements in order to maximize revenues and corporate performance. The Group has a large number of products, at differing stages of their life cycle. The extent of investment in each product set needs to be managed and prioritized considering the expected future prospects.

Potential impact
If products do not meet the requirements of customers they will seek alternative solutions, resulting in the loss of new revenue opportunities and the cancellation of existing contracts. Insufficient focus on key research and development projects may damage the long-term growth prospects of the Group.

Mitigation
In the year ended 30 April 2015 we continued to improve the interaction between Product Management, Product Development, Sales and Marketing. The Group has developed a structured approach to managing its products, which will be further enhanced during the year ended 30 April 2016.

During the year ended 30 April 2015 the Group strengthened its product portfolio through the acquisition of TAG with the addition of NetIQ, Attachmate, Novell and SUSE product portfolios. All of the Group's products will be managed through the global product management and development organization, with a geographic Go to Market organization. Fundamental to this approach is an analysis of the individual products, their markets, customers and growth potential. The Micro Focus, NetIQ, Attachmate and Novell products will be managed as a portfolio under Micro Focus, with a defined strategy, target market and growth profile for each product. Respecting the different characteristics of the Open Source market the SUSE product portfolio will be managed separately and dedicated resources will be focused on the development, customer care and sales and marketing.

Go to Market models

Risk
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 and SUSE marketing programs.

Potential impact
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.

Mitigation
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 for Micro Focus and SUSE participate in their respective weekly management team meetings to review sales performance and Go to Market priorities.

26. Principal risks and uncertainties
Mitigation continued
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 programs are assessed regularly to optimize levels of qualified pipeline and ensure that marketing programs 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 pre-sales management.

In addition, marketing programs are in place and reviewed on an on-going basis to draw on differentiated and consistent PR plans across key geographies. These are supported by targeted industry analyst relations to reach and raise Micro Focus and SUSE brand awareness through key marketplace influencers. Brand building is also supported by a growing customer reference programs and online programs such as effective search engine optimization, use of social media and improved corporate websites.
In the year ended 30 April 2015 we continued with the internal sales certification programme, to improve the level of expertise across our sales force.

In the year ended 30 April 2015 we continued with the Micro Focus Sales Academy, the initiative through which we hire graduate sales representatives to enhance our sales capability and train up new talent with the potential to progress within the sales organization.

Competition

Risk
Comprehensive information about the markets in which Micro Focus and SUSE operate is required for the Group to assess competitive risks effectively and to perform successfully.

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

Mitigation
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 programs are mined for competitive intelligence.

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 impact
Failure to retain and develop skill sets, particularly in sales and research and development may hinder the Group's sales and development plans. Weak organizational alignment and inadequate incentivization may lead to poor performance and instability.

Mitigation
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. Following the acquisition of TAG on 20 November 2014 a renewed vision and corporate objectives was shared throughout the organization and continues to be reinforced through regular employee communications plans and performance reviews.

As well as the Micro Focus Sales Academy to attract new talent to the sales organization a Development Academy was launched during the year ended 30 April 2015, focused on addressing areas of potential medium to long-term skills shortages within the development organization.

Succession plans are being developed for key leadership positions within the Enlarged Group.