THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain the documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. This document has been prepared for the purposes of complying with the laws of England and Wales and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England and Wales.

Micro Focus International plc

(Incorporated under the Companies Act 1985 and registered in England and Wales with Registered No. 05134647)

Circular to Shareholders and Notice of General Meeting in connection with the proposed acquisition of Borland Software Corporation and Readmission of the existing Ordinary Shares to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange

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It is anticipated that in accordance with the Listing Rules, upon the Effective Date the UK Listing Authority will seek to cancel the listing of the Ordinary Shares. Applications will be made for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is further expected that subject to the conditions of the Acquisition being satisfied, or, where permitted, waived and subject also to the timing of the satisfaction or, where permitted, waiver of such conditions Readmission will become effective and dealings will recommence in the existing Ordinary Shares at 8.00 a.m. on 24 July 2009.

This document should be read as a whole. Your attention is drawn to the letter from your Chairman which is set out on pages 5 to 14 of this document and which recommends that you vote in favour of the resolution to be proposed at the General Meeting referred to below. This document should be read in conjunction with the Prospectus relating to Ordinary Shares which shall be made available as soon as practicable following the date of this document and which is being prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Markets Act 2000, is to be filed with the Financial Services Authority and subsequently made available to the public as required by section 3.2 of the Prospectus Rules. Please read the whole of this document and the Prospectus, and in particular, the risks relating to Micro Focus, the Enlarged Group and the Acquisition set out in this document on pages 15 to 23.

Notice of the General Meeting, to be held at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN at 5.00 p.m. on 17 July 2009, is set out on page 110 of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, please complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL as soon as possible and, in any event, by no later than 5.00 p.m. on 15 July 2009. The completion and return of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.

If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19), so that it is received by no later than 5.00 p.m. on 15 July 2009. The completion and return of a CREST Form of Proxy or CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled. If you have any questions about this document, the General Meeting or are in any doubt as to how to complete the Form of Proxy, please call Equiniti, between 8.30 a.m. and 5.30 p.m. Monday to Friday (except UK public holidays) on 0871 384 2734 (from within the UK) and 0121 415 7047 (from outside the UK). Calls will be charged at national or international rates as the case may be. Please note that calls may be monitored or recorded and Equiniti cannot provide financial advice or advice on the merits of the Acquisition.

24 June 2009

Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located and should inform themselves of, and observe, any applicable requirements.

The Ordinary Shares have not been, and will not be, registered under the US Securities Act on the securities law of any state, district or other jurisdiction of the United States, Australia, Canada or Japan and no regulatory clearance in respect of the Ordinary Shares has been, or will be, applied for in any jurisdiction other than the UK. The Ordinary Shares may not be offered, sold, resold, delivered or distributed, directly or indirectly, in, into or from the United States, Canada, Australia or Japan or to, or for the account or benefit of, any US persons or resident of Australia, Canada or Japan absent an exemption from, or not subject to, registration or an exemption under the US Securities Act or other relevant securities law.

Arma Partners LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Micro Focus as financial adviser in relation to the Acquisition and is not advising any other person and accordingly will not be responsible to any person other than Micro Focus for providing the protections afforded to the clients of Arma Partners LLP or for providing advice in relation to the matters described in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Arma Partners LLP by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder. Arma Partners LLP does not accept any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with Micro Focus, the Ordinary Shares and/or the Acquisition. Arma Partners LLP accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

UBS Investment Bank is acting for Micro Focus as sponsor in relation to the Acquisition and Readmission and is not advising any other person and accordingly will not be responsible to any person other than Micro Focus for providing the protections afforded to the clients of UBS Investment Bank or for providing advice in relation to the matters described in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on UBS Investment Bank by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, UBS Investment Bank does not accept any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with Micro Focus, the Ordinary Shares and/or the Acquisition. UBS Investment Bank accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

RELEVANT DOCUMENTATION

The Prospectus, which is required for the purposes of Readmission is to be made available electronically to Shareholders on the Company's website *www.microfocus.com* as soon as practicable following the date of this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Acquisition	6 May 2009
Proxy statement posted by Borland to Borland Shareholders	19 June 2009
Posting and publication of this Circular	24 June 2009
Publication of the Prospectus	30 June 2009
Latest time and date for receipt of Forms of Proxy/CREST Proxy Instructions	5 p.m. on 15 July 2009
Micro Focus General Meeting	5 p.m. on 17 July 2009
Borland Shareholders' Meeting	22 July 2009
Effective Date	24 July 2009
Date of cancellation of existing Ordinary Shares and subsequent Readmission	24 July 2009

All references in this document to times are to London time unless otherwise stated

SHARE CAPITAL STATISTICS

Number of existing Ordinary Shares	202,161,381
Number of Ordinary Shares following completion of the Acquisition	202,161,381

PART I

LETTER FROM THE CHAIRMAN OF MICRO FOCUS INTERNATIONAL PLC

The Lawn
22-30 Old Bath Road
Newbury
Berkshire
RG14 1QN

Tel +44 (0) 163 532 646
(Registered in England and Wales with number 05134647)

Directors:

Kevin Loosemore (*Non-Executive Chairman*)
Stephen Kelly (*Chief Executive Officer*)
Nicholas Bray (*Chief Financial Officer*)
David Maloney (*Non-Executive Director*)
Paul Pester (*Non-Executive Director*)
Tom Skelton (*Non-Executive Director*)

24 June 2009

To Micro Focus Shareholders (and, for information only, to holders of Options)

Dear Shareholder,

ACQUISITION OF BORLAND

1. Introduction

On 6 May 2009, the Micro Focus Board and Borland Directors announced that they had reached agreement on the terms of a recommended proposal whereby Micro Focus would acquire the entire issued and outstanding share capital of Borland for US$1.00 per Borland Share. On 1 June 2009 Micro Focus announced that it had been notified by Borland, in accordance with the Borland Merger Agreement, that Borland had received a preliminary non-binding indication of interest from a financial buyer. On 18 June 2009 Micro Focus announced that it had increased its offer to acquire the entire issued and outstanding share capital of Borland from US$1.00 per Borland Share to US$1.15 per Borland Share. The announcement on 18 June 2009 also confirmed that the financial buyer had withdrawn its expression of interest in acquiring the entire issued and outstanding share capital of Borland. Micro Focus continues to believe that its fully funded offer is based on strong strategic rationale and is therefore in the best interests of both companies, their employees, customers and shareholders.

Under the terms of the Acquisition, Micro Focus will pay US$1.15 in cash (subject to downward adjustment, if any) without interest and less any applicable withholding tax, for each outstanding Borland Share. This purchase price values Borland at approximately US$88 million. The Acquisition price of US$1.15 per share represents a premium of 44 per cent. to the closing price of US$0.80 per Borland Share on 5 May 2009 (being the last trading day prior to the announcement of the execution of the Borland Merger Agreement) and approximately a 91.7 per cent. premium to the average thirty trading day closing share price of US$0.60. Micro Focus is financing the Acquisition using funds available under the Loan Facility Agreement.

The Acquisition constitutes a reverse takeover under the Listing Rules and therefore requires the publication of a prospectus and the approval of Micro Focus Shareholders prior to completion. Accordingly, the Micro Focus General Meeting has been convened for 5 p.m. on 17 July 2009 at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN to approve the Acquisition. An explanation of the resolution to be proposed for approval by Micro Focus Shareholders at the Micro Focus General Meeting is set out in paragraph 12 below. The Micro Focus Board considers that the Resolution is in the best interests of the Micro Focus Shareholders as a whole and unanimously recommends that Micro Focus Shareholders vote in favour of the Resolution.

As the Acquisition is classed as a reverse takeover, upon the Effective Date the UK Listing Authority will cancel the listing of Ordinary Shares. Applications will be made by the Company to the UK Listing

Authority and London Stock Exchange for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Readmission will become effective and dealings will recommence in Ordinary Shares at 8.00 a.m. on 24 July 2009.

The Acquisition will be implemented by way of a negotiated merger agreement. Subject to the satisfaction or, where appropriate, waiver of the Conditions, it is expected that the Acquisition will become Effective early in the third calendar quarter of 2009. The Acquisition is conditional upon, *inter alia*, approval of the Resolution by Micro Focus Shareholders at the Micro Focus General Meeting, the approval of the Borland Merger Agreement by the requisite vote of the Borland Shareholders and the satisfaction or waiver of other conditions which are considered to be customary for a transaction of this nature.

I am writing to you to give you further details of the Acquisition, including the background to and reasons for it; to explain why the Micro Focus Board considers it to be in the best interests of Micro Focus Shareholders as a whole and to seek your approval of the Resolution. The Prospectus, which also contains details of the Acquisition and of the Enlarged Group, is to be made available to Micro Focus Shareholders electronically on the Company's website, *www.microfocus.com* as soon as practicable following approval by the UK Listing Authority.

2. Information Relating to the Borland Group

The Borland Group was originally founded in 1983 and is headquartered in Austin, Texas. Borland is incorporated in Delaware and is listed on NASDAQ. The Borland Group is a vendor of ALM software products to cater to all stages of software development. ALM is a new, customer-centric approach to helping information technology organisations transform software development, testing and delivery into a managed, efficient and predictable business process. The Borland Group currently has approximately 735 employees and has offices in 17 countries around the world.

The Borland Group's solutions cover a full range of ALM processes including: Application Testing / Automated Software Quality, project & portfolio management, requirements definition & management, model driven development and software change management. Also contained within Borland Group's business are DPG products, which are designed to enable interoperability for mission-critical applications running in distributed, heterogeneous computing environments.

On 19 April 2006, the Borland Group acquired the entire issued share capital of Segue Software, Inc. for a consideration of US$115.9 million, further details of which are set out in paragraph 9.2.1 of Part VIII of this document. Segue, with its Silk and SilkCentral product lines, formed the foundation for Borland's Application Testing / Automated Software Quality solution offering.

On 2 January 2008, the Borland Group acquired the entire issued share capital of Simunication, Inc. for a consideration of US$2.4 million.

Subsequently on 30 June 2008 the Borland Group disposed of its CodeGear business for a total consideration of US$20.7 million (net of closing adjustments), further details of which are set out in paragraph 9.2.3 of Part VIII of this document. CodeGear accounted for approximately 21 per cent. of the Borland Group's revenue in the financial year ended 31 December 2007 and focused on the sale of software development tools directly to consumers. This was inconsistent with the Borland Group's ongoing focus on ALM solution sales to enterprises, which led to the eventual disposal of the division.

In the financial year ended 31 December 2008 Borland reported audited revenues from continuing operations of US$172.0 million and an operating loss of US$211.5 million (US$26.9 million operating loss pre one-time non-cash goodwill impairment of US$184.6 million) such figures being extracted without material adjustment from the historical financial information for the Borland Group compiled under IFRS for the financial year ended 31 December 2008 as set out in Part V of this document. Whilst the Borland Group has suffered from declining revenues and has made operational losses, the Micro Focus Directors believe that their restructuring and integration plans for the Borland Group's business will facilitate the successful turnaround of the Borland Group's business. These, and any other Borland Group financial details included in this Part I have been extracted without material adjustment from the restated IFRS accountants' report set out in Part V of this document. Further detail in relation to Borland's recent financial performance is set out in Part V of this document. The Borland Group's common stock is currently listed on NASDAQ and at completion of the Acquisition the SEC will cancel trading in Borland Shares.

3. Principal Terms of the Acquisition

Pursuant to the Borland Merger Agreement amongst Micro Focus, Borland, Micro Focus US and Merger Sub, Merger Sub will be merged with and into Borland, and each outstanding Borland Share other than Borland Shares held by the Borland Shareholders who do not vote in favour of the adoption of the Borland Merger Agreement and who properly demand appraisal rights in accordance with Delaware law, if any, will be converted into the right to receive US$1.15 per share (subject to downward adjustment in the event that there are more Borland Shares in issue or issuable than have been represented and warranted in the Borland Merger Agreement) to be satisfied in cash, without interest and less any applicable withholding tax.

On the Effective Date, each vested Borland stock option that remains outstanding, unexercised, will convert into the right to receive a cash payment, less any applicable withholding tax, equal to the product of (i) the total number of shares of Borland common stock otherwise issuable upon exercise of such vested Borland stock option; and (ii) US$1.15 (subject to adjustment, if any) less the exercise price per share of Borland common stock subject to such vested Borland stock options. As of the Effective Date, Borland stock options will be terminated or cancelled in accordance with the terms of the Borland stock plan under which they were granted, and a holder of Borland stock options will cease to have any rights other than a right to receive the consideration payable under the Borland Merger Agreement, if applicable.

Under the Borland Merger Agreement, Borland has given representations and warranties to Micro Focus regarding the Borland Group and its activities, which are customary for a transaction of this nature. After completion of the Acquisition, the Borland Merger Agreement does not provide either indemnification relating to breaches of the representations and warranties set forth in the Borland Merger Agreement or an escrow account relating to the Acquisition.

After the Effective Date, the Borland Noteholders have the right to require Borland (or the Enlarged Group following completion of the Acquisition) to repurchase the Borland Notes at 100 per cent. of the principal amount of the Borland Notes, together with accrued and unpaid interest thereon. Any Borland Noteholder that wishes to participate in the repurchase must deliver written notice specifying that such Borland Noteholder wishes to have their Borland Notes, or any portion thereof, repurchased by Borland. The Borland Merger Agreement is conditional upon Borland having, immediately prior to the Effective Date cash and cash equivalents of not less than US$122.5 million on the basis that such cash shall represent funds available to Micro Focus to repay the outstanding amounts payable under the Borland Notes as at the Effective Date in full. The Micro Focus Group shall not be obliged to complete the Merger Agreement and to repay the Borland Notes unless there are cash resources of not less than US$122.5 million available at the Effective Date. After the Effective Date the Borland Noteholders have the right to either cause Borland to repurchase the Borland Notes at 100 per cent. of the principal amount of the Borland Notes together with accrued and unpaid interest thereon or to convert the outstanding Borland Notes into new Borland Shares (based on a conversion rate of 156.8627 new Borland Shares per US$1,000 principal amount of Borland Notes). As a result of the Acquisition, the Borland Notes will become convertible on the Effective Date (and remain convertible for 20 calendar days) into such cash amount as would have been received by the Borland Noteholders if the Borland Notes had been converted into new Borland Shares immediately prior to completion of the Acquisition. In the event that any Borland Noteholders do not send written notice to Borland requiring all outstanding Borland Notes held by such Borland Noteholders to be redeemed in full or converted into cash such outstanding Borland Notes shall be redeemed by Borland on the due date for redemption, being 15 February 2012. The redemption of the Borland Notes would not have an adverse impact on the financial position of the Micro Focus Group or the Enlarged Group as completion of the Borland Merger Agreement is conditional upon funds being available to the Borland Group to repay the outstanding Borland Notes in full.

The obligations of the parties to complete the Borland Merger are subject to the satisfaction or waiver of various conditions, including the following mutual conditions:

- the approval of the Borland Merger Agreement by the requisite vote of the Borland Shareholders and Micro Focus Shareholders;
- any applicable waiting periods (and any extension thereof) and any applicable approvals under the Hart-Scott-Rodino Act, if applicable, shall have expired or been earlier terminated or shall have been obtained, as applicable; and
- Readmission.

Borland and Micro Focus US may agree to terminate the Borland Merger Agreement without completing the Acquisition at any time. If Borland fails to call a meeting of Borland Shareholders, changes its recommendation with respect to the Borland Merger Agreement or breaches its non-solicitation obligations as set out in the Borland Merger Agreement, Micro Focus has the right to terminate the Borland Merger Agreement. Further, Borland may terminate the Borland Merger Agreement for a Superior Proposal. If the Borland Merger Agreement is terminated for any of these reasons, Micro Focus would be eligible to receive the Termination Fee from the Borland Group. In the event that the approval of the Borland Shareholders to the Borland Merger Agreement and Acquisition is not obtained on or before the Expiration Date, and as a result, the Borland Merger Agreement is terminated, Borland would be obliged to reimburse the Micro Focus Group's expenses incurred in connection with the Borland Merger Agreement and the Acquisition up to US$1.5 million. In the event that the approval of the Micro Focus Shareholders to the Acquisition is not obtained on or before the Expiration Date and as a result the Borland Merger Agreement is terminated, Micro Focus would be obliged to pay the Borland Group's expenses incurred in connection with the Borland Merger Agreement and the Acquisition, subject to a maximum of US$1.5 million. In the event that the Borland Merger Agreement is terminated as a result of a Superior Proposal at least three business days prior to any such termination of the Borland Merger Agreement, Borland must give Micro Focus notice of such proposed termination. During such three business day period Borland and Micro Focus shall negotiate in good faith in relation to any revised proposal to acquire the issued and outstanding share capital of Borland made by Micro Focus.

4. Background to and Reasons for the Acquisition

The Micro Focus Group is a provider of software solutions for the modernisation and management of enterprise applications. The Micro Focus Group believes that the investment in these applications and the competitive advantage built up in the business processes represented by these applications are too valuable simply to replace or recreate, and in most cases the expense and/or the risk of doing so outweighs any potential benefit. The Micro Focus Group delivers solutions to effectively access, develop and manage and to implement the rapid and continuous improvement of enterprise applications focused on meeting the requirements of the business.

IT investments have come under greater scrutiny as they now represent a considerable component of the cost structure of any business and enterprises have as a result increased their interest in and demand for modernisation strategies and solutions. The Micro Focus Group has benefited from this market trend.

As with all acquisitions, the degree of success for the acquiring company depends on many factors including strategic fit, the opportunity to deliver synergy benefits as well as management's capacity to manage the enlarged group's business. The Micro Focus Group has a strong track record of acquiring and integrating solutions into its modernisation businesses and since November 2006 has made six separate acquisitions with an aggregate consideration value of US$212.2 million. Micro Focus's management team has invested in the skills and infrastructure to restructure and integrate the products and services into its core business, identifying, retaining and enhancing the products and staff expertise to meet the requirements of a growing customer base, while delivering consistent financial returns.

As a consequence of these acquisitions, as well as through operational efficiencies achieved within the business, the Micro Focus Group has significantly improved the financial performance of its enlarged operations with total revenue growing from US$143.7 million in the Micro Focus Group's financial year ended 30 April 2006 to US$228.2 million in the financial year ended 30 April 2008. EBITDA (adjusted for share based compensation, amortisation of purchased intangibles and exceptional items) has more than doubled from US$38.8 million in the Micro Focus Group's financial year ended 30 April 2006 to US$88.5 million in the financial year ended 30 April 2008. This financial information has been extracted, without material adjustment, from the audited consolidated financial statements for the Micro Focus Group for the financial years ended 30 April 2006 and 30 April 2008.

The Micro Focus Group evaluates on an ongoing basis acquisition opportunities to broaden its addressable market and to drive significant and sustained future organic growth consistent with its modernisation strategy of improving the development of enterprise software applications and the management of the processes that support this activity. As a result, the Micro Focus Group has identified the US$1.9 billion annual Application Testing / Automated Software Quality market segment as particularly attractive. Application Testing / Automated Software Quality software solutions are concerned with the management and governance processes that software development organisations must follow to ensure that any software applications produced best meet the original requirements as specified by the business user, and are of sufficient quality. They also deliver a degree of automation to this process, important because this can be the most expensive and time critical phase of software production.

Software quality can be critical. If a core banking system fails, the business can lose significant revenues. If the real time applications in an aircraft fail, the consequences can be fatal. Given the relative non-discretionary nature of this kind of investment, analysts believe that the global Application Testing / Automated Software Quality market will continue to grow strongly, driven by the growing strategic importance of Application Testing / Automated Software Quality solutions in the increasingly complex enterprise IT environment.

The Borland Group is an independent player in the ALM market providing a range of software solutions to support and enhance the management of applications delivery to Global 2000 companies across a broad range of industries. These solutions include Application Testing / Automated Software Quality, RDM, SCM (and source code management), PPM and MDD. It has placed great emphasis in its recent strategy on the integration of the various products into a combination or ALM suite, rather than the strength of the individual products within their respective market segments.

The Micro Focus Group approached the Borland Group in February 2008 with a view to exploring a potential acquisition of the Borland Group; however, after several months of discussion, the terms on which a deal could be structured were not sufficiently favourable in order for the Micro Focus Board to recommend such an acquisition to the Micro Focus Group's shareholders. As reported in and extracted (without material adjustment) from the audited financial statements for the Borland Group compiled under IFRS for the financial years ended 31 December 2007 and 31 December 2008, the Borland Group's results have deteriorated, including a decrease in revenue from US$211.8 million in its fiscal year ended 31 December 2007 to US$172.0 million in its fiscal year ended 31 December 2008. On 31 December 2008 the chief executive officer of the Borland Group resigned. In late 2008 / early 2009, the Borland Group engaged in cost cutting and restructuring efforts intended to stabilise the decline in sales and to restore the business to profitability. During this time, the Borland Directors instigated a process to identify a potential buyer for the business, and Micro Focus was able to negotiate the revised terms for the Acquisition which are now being recommended to shareholders.

The Micro Focus Group has long recognised the opportunity to expand Borland's Application Testing / Automated Software Quality software business by refocusing the Borland Group strategy on its individual solutions and supporting the needs of existing Borland Group customers. There is further potential to leverage the market position of the Micro Focus Group's current portfolio and customer base, as Application Testing / Automated Software Quality software is a critical part of the application development process within its existing modernisation solutions.

The Micro Focus Group has in addition identified a significant restructuring potential within the Borland Group and is confident that there remain substantial savings to be captured above and beyond what has been achieved to date, through the integration and optimisation of administrative and other functions, IT systems rationalisation, reduced external spending on tax, auditing, legal and listing compliance as well as through the merging of facilities where geographic overlap exists. Aside from the potential opportunity to create shareholder value through such an exercise, acquiring the Borland Group would significantly broaden the Micro Focus Group's addressable market and continue the Micro Focus Group's strategy of developing into a broader solutions provider.

On 6 May 2009 the Micro Focus Group announced the acquisition of the suite of Application Testing / Automated Software Quality solutions and all related sales, support and development infrastructure from Compuware Corporation, a NASDAQ-listed software company headquartered in Detroit, Michigan. Completion of this transaction took place on 29 May 2009. The assets purchased as part of this transaction generated revenues of approximately US$74 million for the financial period ended 31 March 2009 (such financial information having been extracted without material adjustment from the unaudited management accounts for the Compuware Corporation for the period 1 April 2008 to 31 March 2009) and already give the Micro Focus Group a significant presence in the Application Testing / Automated Software Quality market. Micro Focus has financed this acquisition using its existing cash resources and by drawing down funds available to the Micro Focus Group under the Loan Facility Agreement. The Micro Focus Directors believe that the addition of the Borland Group would significantly enhance the Micro Focus Group's market position in terms of breadth of solution, expand the number of existing customers and the vertical markets in which they operate, broaden the scale of resources committed to support customer projects worldwide and potentially increase the penetration of the strategically important US technology market.

The Micro Focus Board believes that the combination of the Micro Focus Group and the Borland Group will create a larger, stronger organisation, with greater scale to meet the growing demands of its customers. In conclusion the Micro Focus Board believes that the Enlarged Group would benefit from:

- a significantly expanded addressable market opportunity;
- a broadened and strengthened product portfolio which will allow the Enlarged Group to capture a greater portion of the software development and deployment value chain;
- a large combined customer base including a significant number of blue-chip organisations;
- greater penetration of the strategically important US technology market;
- significant cost synergies achievable through optimisation and integration of administrative and other functions, IT systems rationalisation, reduced external spending on tax, auditing, legal and listing compliance as well as through the merging of facilities where geographic overlap exists;
- greater scale which will enable the Enlarged Group to better meet the growing demands of the combined customer base; and
- a further strengthening of the Micro Focus Group's position as a consolidator in the global software market while also taking advantage of the current attractive valuation environment.

5. Financing of the Acquisition

The cash consideration due to the Borland Shareholders under the Acquisition is to be financed from funds to be drawn down under the Loan Facility Agreement.

The Loan Facility Agreement gives Micro Focus financial flexibility, having part funded the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation, it will also enable Micro Focus to acquire the Borland Group and to restructure and integrate the Borland Group's businesses. The strength of the Micro Focus Group's existing business means that the Micro Focus Directors believe any funds drawn down under the Loan Facility Agreement to fund the Acquisition will be repaid by the Micro Focus Group together with any accrued interest within the 36 month term of the Loan Facility Agreement, if not before, depending on cash being available to Micro Focus to repay more quickly. As at 23 June 2009 the Micro Focus Group had used some of its existing excess cash reserves and drawn down approximately US$20 million under the Loan Facility Agreement to fund the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation. The Micro Focus Group has no outstanding borrowings other than the US$20 million currently drawn down under the Loan Facility Agreement. At the Effective Date the Micro Focus Group will draw down up to a further US$88 million under the Loan Facility Agreement to finance the Acquisition.

6. Financial Effects of Implementing the Acquisition

Micro Focus has developed a comprehensive restructuring plan for the Borland Group which, upon completion of the Acquisition, aims to stabilise operations and create a platform for future growth. The Micro Focus Directors believe that the current decline in performance can be arrested in the short term, and in order to generate an acceptable margin, plan to significantly reduce the Borland Group's cost base to a level commensurate with this revenue platform. The Micro Focus Directors believe that cost synergies will be achieved primarily through integration and optimisation of administrative and other functions, IT systems rationalisation, reduced external spending on tax, auditing, legal and listing compliance as well as through the merger of facilities where geographical overlap exists.

Micro Focus will optimise the Borland Group's sales and marketing operations, and its product portfolio, to focus on its strongest product areas where revenue growth is achievable in the medium term, namely but not exclusively in the strategic market of Application Testing / Automated Software Quality.

Micro Focus has funded the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation in part using existing cash resources available for such purposes and in part with funds drawn down under the Loan Facility Agreement. Micro Focus intends to fund the Acquisition by drawing down funds under the Loan Facility Agreement. Other than the Consideration payable under the Borland Merger Agreement and the consideration paid for the acquisition of the Application Testing / Automated Software Quality business from Compuware Corporation, Micro Focus also expects to incur one off exceptional integration and restructuring costs of approximately US$40 million in connection with the Acquisition. Micro Focus intends to use funds available for draw down under the Loan Facility Agreement to fund these integration and restructuring costs. The Micro Focus Directors intend to fund the repayment of any Borland Notes (further details of which are set out in paragraph 7 of Part VIII of this document) from the cash and cash equivalents available to the Borland Group. Completion of the Borland Merger Agreement is conditional upon Borland having, immediately prior to the Effective Date, cash and cash equivalents of not less than US$122.5 million. The redemption of the Borland Notes would not, therefore, have an adverse impact on the financial position of the Micro Focus Group. The cash and cash equivalents required to be available to the Borland Group at the Effective Date under the terms of the Borland Merger Agreement and the repayment in full of the Borland Notes have also been taken into account for the purposes of the pro forma statement of net assets set out in Part VI(A) of this document. As at 31 March 2009 (and as extracted without material adjustment from the unaudited pro forma financial information set out in Part VI(A)) the aggregate principal amount outstanding under the Borland Notes was US$115.0 million. As at 23 June 2009 the aggregate principal amount outstanding under the Borland Notes was US$115.0 million. Further details of the Borland Notes and the repayment terms are set out in paragraph 9.2.4 of Part VIII of this document. The Borland Group has no outstanding borrowings other than the aggregate principal amount outstanding under the Borland Notes.

The Micro Focus Directors believe that the Acquisition will be earnings enhancing in the first full financial year following the financial year in which completion of the Acquisition takes place. This statement does not constitute a profit forecast nor should it be interpreted to mean that the earnings per share of the Enlarged Group for the current or future financial years will be lower than, match or exceed the historic published earnings per Micro Focus Share.

As at 31 October 2008, Micro Focus had unaudited net assets of US$140.5 million of which cash and cash equivalents were US$40.7 million. On an unaudited *pro forma* basis and assuming the Acquisition had become Effective on 31 October 2008, and taking account of Micro Focus's balance sheet position as of 31 October 2008, the net assets of the Enlarged Group on 31 October 2008 would have been US$140.5 million and the cash and cash equivalents would have been US$40.7 million. This financial information has been extracted without material adjustment from, and further details are set out in the unaudited Pro Forma Statement of Net Assets set out in Part VI(A) of this document.

7. Current trading and prospects

The Micro Focus Group

As reported in and extracted without material adjustment from the Micro Focus Group's unaudited pre close management statement on 6 May 2009, the Micro Focus Group has delivered a solid fourth quarter and second half year performance. Consistent with this, Micro Focus reiterated its guidance that revenue from the Micro Focus Group's core business is expected to remain broadly similar to the first half of the current financial year and that with the benefit of a full six month contribution from the three most recent acquisitions (NetManage, Inc. Liant Software Corporation and Relativity Technologies, Inc.), total revenues are expected to grow year on year by approximately 20 per cent. (for the financial year ended 30 April 2008, total revenues were US$228 million (as reported in and extracted without material adjustment from the Micro Focus Group's unaudited pre close management statement on 6 May 2009)). The full year adjusted EBITDA margin is expected to be in the range of US$115 million to US$117 million resulting in adjusted EBITDA margins of approximately 42 per cent. and considerably ahead of EBITDA margins for the financial year ended 30 April 2008, which were US$88.5 million or 38.8 per cent. This profit estimate is based on the unaudited financial statements and supporting management accounts of the Micro Focus Group for the financial year ended 30 April 2009, and as such is based solely on unaudited historical financial information. This profit estimate, remains correct as at the date of this document, it has been properly compiled and prepared under the historical cost convention and IFRS and the basis of accounting is consistent with the accounting policies of the Micro Focus Group as set out in the audited financial statements of the Micro Focus Group for the financial year ended 30 April 2008, which are publicly available. An estimate of adjusted EBITDA has been provided as the Micro Focus Directors use this as a key performance measure of the Micro Focus Group's business and believe it provides the most meaningful information to Micro Focus Shareholders in terms of portraying the performance of the underlying business and in allowing comparability with prior years. The interest, depreciation, amortisation and tax charges are not expected to be abnormally high or low. This profit estimate has been prepared before taking into account the costs, fees and expenses associated with the Acquisition, the Loan Facility Agreement, the Prospectus, Readmission and this document.

The Borland Group

As reported in (and extracted from without material adjustment) the audited financial information compiled under IFRS for the Borland Group for the financial year ended 31 December 2008, excluding the impact of discontinued operations, the Borland Group reported audited revenues of US$172.0 million and an operating loss of US$211.5 million (US$26.9 million operating loss pre one-time non-cash goodwill impairment of US$184.6 million). Excluding the impact of discontinued operations (CodeGear division) Borland also reported in the audited financial information for the financial year ended 31 December 2007 (compiled under IFRS and extracted without material adjustment) audited revenues of US$211.8 million and operating loss of US$44.4 million in the financial year ending 31 December 2007. Further detail in relation to the Borland Group's financial performance is set out in Parts IV and V of this document.

Since the second quarter in 2007, the Borland Group has been engaged in a cost cutting and restructuring initiative aimed at reducing the Borland Group's operating costs. As part of this restructuring effort Borland has sought to improve its back-office operations, downsize its global headcount, rationalise its facilities and has also shifted its global headquarters from Cupertino, CA to Austin, Texas, US. The continued deterioration of the global economy and the strengthening of the US dollar has also negatively impacted the Borland Group's performance, partially offset by continued reductions in operating expenses.

During the first quarter of the financial year beginning 1 January 2009, Borland exceeded revenue and operating income budget, driven primarily by the signing of a customer contract with Hewlett Packard. Borland estimates it will receive approximately US$18.0 million under this agreement during the calendar year 2009.

The Micro Focus Group has continued to pursue its growth strategy of combining organic growth with complementary acquisitions that meet its strict criteria and support its strategic aims. Micro Focus believes the Enlarged Group will be well placed both operationally and financially to drive continued growth for 2010 and into further years.

8. Risk Factors

Your attention is drawn to the risk factors set out in Part II (Risk Factors) of this document.

9. Dividend Policy

The Micro Focus Board has adopted a progressive dividend policy over the past three financial periods reflecting the long-term earnings and cash flow potential of Micro Focus. In the financial years ended 30 April 2006 and 30 April 2007, Micro Focus paid dividends of US$0.06 and US$0.10 per Ordinary Share respectively. The level of dividend cover for the financial year ended 30 April 2008 was approximately 2.5 times on a pre-exceptional earnings basis. In line with the above policy, the Micro Focus Directors paid total dividends in respect of the financial year ended 30 April 2008 of US$0.13 per Ordinary Share.

The Micro Focus Board expects that the dividend policy will not change following the Acquisition. If performance were to be significantly below expectations then the Micro Focus Board might need to review the dividend policy.

Dividends will be paid in Sterling based on an exchange rate applicable on the date of recommendation of the dividend by the Micro Focus Board.

10. Summary Financial Information on the Borland Group

The revenues, gross profit, profit before tax and net income, compiled under IFRS, of the Borland Group for the period from 1 January to 31 March 2009 (which have been extracted without material adjustment from the financial information in Part IV of this document) and for the three years ended 31 December 2008, (which have been extracted without material adjustment from the audited financial information in Part V of this document), are summarised below. As at 31 December 2008 the Borland Group had gross assets of US$249.9 million.

Micro Focus Shareholders should read the whole of this document and the Prospectus, and not just rely on the summarised financial information for the Borland Group set out below.

	Quarter ended 31 March 2009 (unaudited)	Year ended 31 December (audited)		
		2008	2007	2006
Revenues from continuing operations	35.1	172.0	211.8	304.7
Gross profit from continuing operations	26.3	127.2	162.3	234.9
Profit/(loss) before tax from continuing operations	2.5	(198.9)	(20.1)	(51.3)
Net income/(loss)	2.4	(210.3)	(39.0)	(53.8)

11. Borland Shareholders' Approval

The Acquisition is conditional upon, *inter alia*, the approval of the terms of the Borland Merger Agreement by Borland Shareholders and the passing of the Resolution by Micro Focus Shareholders at the Micro Focus General Meeting. Subject to their fiduciary duties, the Borland Directors have agreed to recommend that Borland Shareholders vote in favour of the resolutions relating to the Acquisition to be proposed in a proxy solicitation exercise.

12. Micro Focus General Meeting

A general meeting of Micro Focus Shareholders to consider and, if thought fit, approve the Acquisition has been convened to be held at 5 p.m. on 17 July 2009 at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN. The notice convening the Micro Focus General Meeting is set out at the end of this document. The Resolution is an ordinary resolution proposing that the Acquisition be approved and that the Micro Focus Directors be authorised to implement the Acquisition. The Acquisition will not become effective if the Resolution is not passed.

13. Delisting, Cancellation of Trading, Listing and Dealing

As the Acquisition constitutes a reverse takeover under the Listing Rules, the London Stock Exchange and the UK Listing Authority will cancel trading in Ordinary Shares on the London Stock Exchange's main market for listed securities, and the listing of the Ordinary Shares on the Official List, on the Effective Date. Applications have been made to the UK Listing Authority and to the London Stock Exchange for the Ordinary Shares to be readmitted to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that, subject to the conditions of the Acquisition being satisfied, or, where permitted, waived and subject also to the timing of the satisfaction or, where permitted, waiver of such conditions, Readmission will become effective and that dealings in the Ordinary Shares will recommence on the London Stock Exchange at 8.00 a.m. on the Effective Date.

14. Action to be Taken

If you are a Micro Focus Shareholder, you will find enclosed with this document a Form of Proxy for use at the Micro Focus General Meeting. Whether you intend to be present at the Micro Focus General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Equiniti as soon as possible and, in any event, so as to be received by 5 p.m. on 15 July 2009.

If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti (CREST participant ID RA19), so that it is received by no later than 5 p.m. on 15 July 2009. The completion and return of the Form of Proxy or a CREST Proxy Instruction will not preclude you from attending the Micro Focus General Meeting and voting in person if you wish to do so.

If the Form of Proxy is not returned or the CREST Proxy Instructions submitted by 5 p.m. on 15 July 2009, your vote will not count.

15. Further Information

Your attention is drawn to the further information contained in this document.

16. Recommendation

The Micro Focus Board has received financial advice from Arma Partners LLP in relation to the Acquisition. In providing advice to the Micro Focus Board, Arma Partners LLP has relied on the Micro Focus Board's commercial assessment of the Acquisition.

The Micro Focus Board considers that the Acquisition is in the best interests of Micro Focus Shareholders as a whole and accordingly recommends that Micro Focus Shareholders vote in favour of the Resolution to be proposed at the Micro Focus General Meeting as each of the Directors intend to do in respect of their own beneficial holdings which in total amount to 532,770 Ordinary Shares representing, in aggregate, approximately 0.3 per cent. of the existing issued ordinary share capital of Micro Focus.

Yours faithfully

KEVIN LOOSEMORE
Non-Executive Chairman

PART II

RISK FACTORS

A number of factors affect the operating results, financial condition and prospects of the Micro Focus Group and the Borland Group and, following the Effective Date, will affect the Enlarged Group or the industry in which they operate. This section describes the risk factors which are considered by the Micro Focus Directors to be material in relation to the Micro Focus Group and the Borland Group as discrete groups which will, following the Effective Date, apply to the Enlarged Group. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Micro Focus Directors, or which they currently deem immaterial, may also have an adverse effect on the Micro Focus Group's, the Borland Group's and, if the Acquisition becomes Effective, the Enlarged Group's operating results, financial condition and prospects. The information given is as of the date of this document and, except as required by the FSA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law, will not be updated.

You should consider carefully the risks and uncertainties described below, together with all other information contained in this document before making any investment decision.

PART A

Risks relating to the Micro Focus Group and, if the Acquisition becomes Effective, the Enlarged Group

1. **The Micro Focus Group's success is, and the Enlarged Group's success will be, dependent on the strength of their products and the ability to maintain, modify and update such products. If such products are not competitive when compared to those of Micro Focus Group's, or the Enlarged Group's, competitors the level of new licence sales is likely to decrease and attrition rates of existing maintenance contracts with customers may increase which may result in a material adverse effect upon the reputation, business and financial operations of Micro Focus Group and/or the Enlarged Group.**

   The success and sales of the Micro Focus Group are, and of the Enlarged Group will be, dependent on the strength of their products. The Micro Focus Group and the Enlarged Group could be adversely affected should its products fail to remain competitive, either through the Enlarged Group's inability to effectively maintain, modify and update its product set or else as a result of a competitor offering a superior product. Further, if the Micro Focus Group or the Enlarged Group is unable to respond to changing consumer demand the reputation, image, business and financial operations of the Micro Focus Group or the Enlarged Group may be impaired and customer demand for a particular category of product offering may decrease in the future. In particular, the software of the Micro Focus Group and the Enlarged Group may contain undetected errors when first introduced or as upgrades and newer versions are released. The Micro Focus Group or the Enlarged Group would be likely to lose revenue as a result of product defects or errors and suffer damage to its reputation. As a result of the occurrence of any product defect or error the Micro Focus Group or the Enlarged Group may incur significant product development costs, warranty and repair costs and be subject to product liability claims. In addition, a product defect or error could also divert the attention of software development and product management personnel and cause significant customer relationship problems or loss of customers all of which would harm the business in terms of revenue and brand reputation.

2. **The Micro Focus Group's business is, and the Enlarged Group's business may be, impacted by the quality of the reputation of the brands and trademarks which it uses to sell its products. Should any of the Micro Focus Group's or the Enlarged Group's products be discontinued or under invested going forward such brands and trademarks may be impaired which may negatively impact the brand of Micro Focus or the Enlarged Group.**

   The Micro Focus Group or the Enlarged Group may, for the purposes of product portfolio rationalisation and optimisation, discontinue or end the life of particular products. Without clear and concise communication to any impacted partners, customers, prospects and other interested parties, the business of the Micro Focus Group or the Enlarged Group could be adversely affected. The Micro Focus Group or the Enlarged Group may be adversely affected in the event that customers of products that have been deemphasised elect to migrate to other products sooner than would otherwise have been expected. Furthermore, the lack of new development spend with respect to these deemphasised products may cause them to become obsolete more rapidly, limiting the potential for new licence sales associated with these products. Should the Micro Focus Group or the Enlarged

Group not rapidly and efficiently evolve its product offering to remain relevant to the application development and modernisation challenges faced by its customer base, the business of the Micro Focus Group or the Enlarged Group could suffer.

3. **The Micro Focus Group is a growing and acquisitive business and the success of the Micro Focus Group and of the Enlarged Group will be partly dependent upon the Micro Focus Group's management successfully integrating such acquired businesses into the Micro Focus Group or the Enlarged Group.**

The Micro Focus Directors expect to continue their focus on growing the business of the Micro Focus Group or the Enlarged Group organically, and complementing this organic growth plan with further acquisitions, the effect of which may be to place additional strain on the Micro Focus Group's senior management team and its financial and other resources. The ability of the Micro Focus Group or the Enlarged Group to manage the combination of organic and inorganic growth effectively will require the Micro Focus Group or the Enlarged Group to continue to improve operations, including software development and sales, to continue to improve operational, financial and management systems and to hire, train, motivate and manage new and existing employees. Difficulties in effectively managing this growth could have a material adverse effect on the business prospects, financial condition and results of operations for the Micro Focus Group or for the Enlarged Group.

4. **The Micro Focus Group depends, and the Enlarged Group will depend, on its senior management team, as well as its sales management, product management and development personnel and other key personnel. Should the Micro Focus Group or the Enlarged Group not attract or retain sufficiently high quality and experienced management and employees, this may adversely affect the performance of the business and financial results for the Micro Focus Group or the Enlarged Group.**

The Micro Focus Directors believe that the future success of the Micro Focus Group or the Enlarged Group depends upon the ability to attract and retain senior management as well as sales management, product management and development personnel and other key personnel who represent significant assets to the business and provide expertise and experience critical to the implementation of its strategy. There is competition for qualified personnel in the Micro Focus Group's markets and those of the Enlarged Group. The number of people with appropriate skills and experience is limited. In particular, there can be no certainty that either the Micro Focus Group or the Enlarged Group would be able to attract and retain adequately skilled personnel, in general, in the future. A significant number of the employees and each member of senior management of the Micro Focus Group or the Enlarged Group are employed on terms that allow termination on short notice. The loss of key senior management, sales management, product management and development or other key personnel by the Micro Focus Group or the Enlarged Group or the inability to attract or retain qualified personnel could delay the development and introduction of innovative software products and negatively impact the ability of the Micro Focus Group or the Enlarged Group to successfully compete in their respective markets, which, in turn, may have a negative effect on the business, financial condition or results of operations for the Micro Focus Group or the Enlarged Group. In particular, the Borland Group has implemented various cost cutting efforts which has made it challenging to retain key people and recruit new talent, as needed.

In addition, it is common in the software industry for employees to enter into non-compete and confidentiality agreements with their employers. To the extent that the Micro Focus Group or the Enlarged Group hires employees who are subject to such restrictions, the Micro Focus Group or the Enlarged Group or the employees it hires may be subject to claims related to such prior agreements.

5. **The Micro Focus Group is, and the Enlarged Group will be, dependent upon the effectiveness of its sales force and distribution channels to maintain and grow licence, maintenance and consultancy sales.**

Whilst the majority of the Micro Focus Group's sales are, and the Enlarged Group's sales will be, derived from direct sales channels, the Micro Focus Group depends on, and the Enlarged Group will depend on, packaged application providers, systems integrators and resellers to generate a portion of its turnover. Should any channel suffer from a decreased level of effectiveness, then the ability of the Micro Focus Group or the Enlarged Group to reach customers and thereby sell products may harm the business of the Micro Focus Group or the Enlarged Group. For the 12 months ended 30 April 2008, sales through package application providers, system integrators and resellers represented approximately one third of the Micro Focus Group's total turnover. The sales and distribution strategy for the Micro Focus Group relies, and for the Enlarged Group will rely, partly on the ability of systems integrators and packaged application providers to develop their respective customer bases and incorporate the software technology of the Micro Focus Group or the Enlarged Group into the software and services each offers to its customers. In addition, the Micro Focus Group relies, and the Enlarged Group will rely, on resellers to sell, distribute and support its software products in territories where the Micro Focus Group or the Enlarged Group does not have a physical presence. If the sales and marketing strategy for the Micro Focus Group or the Enlarged Group were to change in the future the Micro Focus Group or the Enlarged Group may need to make further investment in sales staff in certain geographic areas. Furthermore, to the extent that systems integrators, packaged application providers or resellers renegotiate existing contractual arrangements, use a competitor's technology or are unable to attract additional customers, maintain existing customer relationships, market their own or the solutions of the Micro Focus Group or the Enlarged Group effectively or successfully offer, implement or support such solutions, such events could materially adversely affect the business, results of operations, financial condition and growth prospects for the Micro Focus Group or the Enlarged Group.

6. **The Micro Focus Group depends, and the Enlarged Group will depend, on its intellectual property. The Micro Focus Group's and the Enlarged Group's rights to such intellectual property may be challenged or infringed by others or otherwise prove insufficient to protect its business.**

The Micro Focus Group relies, and the Enlarged Group will rely, on trade secret, trade mark and copyright law to protect its intellectual property. Failure to protect, maintain and enforce the Micro Focus Group's or the Enlarged Group's existing intellectual property or pursue registrations for new rights may result in the loss of the Micro Focus Group's or the Enlarged Group's exclusive right to use technologies which are included in their respective software products or are otherwise used in their respective businesses. Most of the Micro Focus Group's intellectual property is not, and the Enlarged Group's will not be, covered by a patent or patent application and includes trade secrets and other know-how that is not considered patentable. In addition, some of the Micro Focus Group's and Enlarged Group's intellectual property includes technologies and processes that may be similar to the technologies and processes of third parties that are protected by patent, copyright or trade secret law. It may also be possible for an unauthorised third party to reverse engineer or decompile the Micro Focus Group's or Enlarged Group's software products. The Micro Focus Group or the Enlarged Group may be unable to detect the unauthorised use of or take appropriate steps to enforce its intellectual property rights particularly in certain international markets. Litigation may be required to enforce such intellectual property rights and such litigation can be time consuming and expensive. If the Micro Focus Group or the Enlarged Group does not adequately protect its right to use its technologies, it may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation or be enjoined from using such intellectual property. In common with other companies in the software industry, the Micro Focus Group or the Enlarged Group uses Open Source software in some of its products. There is uncertainty about the legal effect of some Open Source software licences. By using Open Source software, the Micro Focus Group or the Enlarged Group may become obliged to disclose parts of its source code, or may unknowingly be infringing the intellectual property rights of a third party. The Micro Focus Group takes steps, and the Enlarged Group will take steps, consistent with industry practice to minimise these risks. There is no certainty that the Micro Focus Group or the Enlarged Group would be able to obtain licences to use third party intellectual property rights on acceptable terms, or at all. The position of the Micro Focus Group or the Enlarged Group is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular intellectual property right. Effective protection for the software of the Micro Focus Group or the Enlarged Group may be unavailable or limited or not applied for in countries in which the Micro Focus Group operates or in which the Enlarged Group will operate.

The Micro Focus Group also seeks, and the Enlarged Group will seek, to protect its proprietary information and trade secrets that may not be patented or patentable and to secure its rights to copyright and patentable inventions by confidentiality agreements and, if applicable, inventors' rights agreements with its customers, partners and employees. These agreements may be breached and the Micro Focus Group or the Enlarged Group may not have adequate remedies for any breach.

The Micro Focus Group or the Enlarged Group could become subject to litigation in which it is alleged that it has infringed the intellectual property rights of others. The Micro Focus Group or the

Enlarged Group could commence litigation against others whom it believes are infringing upon its rights. The involvement of the Micro Focus Group or the Enlarged Group in intellectual property litigation could result in significant expense to it and could adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of its technical and management personnel, whether or not the litigation is resolved in the favour of the Micro Focus Group or the Enlarged Group. In addition the Micro Focus Group or the Enlarged Group may not have insurance cover for these types of claim or such insurance cover may not be adequate.

7. The Micro Focus Group depends, and the Enlarged Group will depend, on certain third parties to continue supporting products or technology upon which the Micro Focus Group's products are, or those of the Enlarged Group will be, dependent and to provide the Micro Focus Group or the Enlarged Group with any necessary support to ensure the products of the Micro Focus Group and of the Enlarged Group remain compatible as new releases and modifications to such products or technology are made by such third parties.

The Micro Focus Group and the Enlarged Group have built their principal software development tools around certain third party products and technology and, as a result, to the extent such third parties fail to continue to develop or support their products and technology, this limits the permissible use of the products and technology of the Micro Focus Group or the Enlarged Group. Alternatively, if such third party products or technology cease to be available, become prohibitively expensive or otherwise cease to be compatible with the products or technology of the Micro Focus Group or the Enlarged Group there is likely to result in a significant increase in the price of using the products and technology of the Micro Focus Group or the Enlarged Group as the Micro Focus Group or the Enlarged Group would need to find an alternative development environment, created either by another third party or internally. In order to do so, the Micro Focus Group or the Enlarged Group may incur significant expenditure and substantial costs associated with redesigning, testing and distributing the new product or technology which could negatively impact the financial condition and results of operations for the Micro Focus Group or the Enlarged Group.

8. The Micro Focus Group sells and distributes, and the Enlarged Group will sell and distribute, its software products around the globe and, as a result, is subject to associated risks and uncertainties.

The Micro Focus Group sells, and the Enlarged Group will sell, its software products, directly or indirectly, around the world. For the 12 months ended 30 April 2009, the Micro Focus Group derived 90 per cent. of its turnover from sales outside the United Kingdom. As a result, the business of the Micro Focus Group and of the Enlarged Group is subject to various risks inherent in international operations, including (but not limited to) intellectual property laws, legal uncertainty regarding liability, tariffs and other trade barriers, foreign currency exchange risk, difficulties in staffing and managing foreign offices (including those experienced by its resellers), different payment cycles, different local accounting practices, problems in collecting accounts receivable, political instability and potentially differing tax laws and practices. Any of the foregoing could adversely affect the financial condition, results of operations or business strategy of the Micro Focus Group or the Enlarged Group.

9. The Loan Facility Agreement to the extent drawn down by the Micro Focus Group or the Enlarged Group may limit the operational and financial flexibility of the Micro Focus Group or the Enlarged Group and may increase the exposure of the Micro Focus Group or the Enlarged Group to interest rate fluctuations. The Loan Facility Agreement contains covenants which, following the expiry of the next 12 months, may negatively impact the ability of the Micro Focus Group or the Enlarged Group to operate and grow its business.

To the extent drawn down the Loan Facility Agreement will create an amount of indebtedness for the Micro Focus Group or the Enlarged Group together with debt service obligations which may impair the operational and financial flexibility of the Micro Focus Group or the Enlarged Group. The Loan Facility Agreement, to the extent drawn down, may increase the exposure of the Micro Focus Group or the Enlarged Group to rising interest rates affecting the cost of their respective future borrowing requirements. The Loan Facility Agreement contains covenants from the Micro Focus Group or the Enlarged Group imposing certain performance-related, financial and other limitations on the Micro Focus Group or the Enlarged Group limiting the ability of the Micro Focus Group or the Enlarged Group to incur or guarantee additional indebtedness, pay dividends and make other distributions, make investments, incur capital expenditure, make acquisitions and sell assets. These covenants are customary but may restrict the Micro Focus Group or the Enlarged Group from competing effectively or from taking advantage of new business opportunities. The ability of the Micro Focus Group or the Enlarged Group to meet the financial ratios and tests and comply with covenants contained in its debt agreements in the longer term may be affected by events outside of its control, including a prolonged economic or market downturn or further retrenchment of information technology budgets. In the event of a default under any of its financing arrangements and unless the Micro Focus Group or the Enlarged Group is able to negotiate an amendment, forbearance or waiver, the Micro Focus Group or the Enlarged Group could be required to repay all amounts then outstanding which could have a material adverse effect on the business, results of operations and financial condition of the Micro Focus Group or the Enlarged Group depending on the outstanding balance at the time. Depending on the balance outstanding at the time, the assets of the Micro Focus Group or the Enlarged Group may in the longer term be insufficient to repay in full all of the indebtedness outstanding and may find alternative financing to enable it to continue operations is restricted. Even if the Micro Focus Group or the Enlarged Group could obtain alternative financing, the terms available may not be favourable or acceptable to the Micro Focus Group or the Enlarged Group.

10. The Micro Focus Group is, and the Enlarged Group will be, exposed to volatility in their respective financial condition and results of operations due to fluctuations in currency exchange rates.

As the Micro Focus Group operates, and the Enlarged Group will operate, in several countries, they are exposed to foreign currency rate fluctuations. The Micro Focus Group and the Enlarged Group have significant businesses in the United Kingdom, Europe and Japan, which generate turnover in currencies other than its reporting currency, the US dollar. For the six months ended 30 October 2008 approximately 50 per cent. of Micro Focus Group's turnover was generated in currencies other than US dollars. The Micro Focus Group and the Enlarged Group are exposed to currency transaction risks when local businesses enter into transactions using a currency other than their functional currency. This mismatch will result in gains or losses with respect to movements in foreign exchange rates and may be material. Although the Micro Focus Group and the Enlarged Group does not currently do so, in the future, the Micro Focus Group or the Enlarged Group may enter into transactions to hedge a portion of these currency exposures. However, hedging transactions may not be available at a reasonable cost or may prove ineffective in reducing these exposures. Any losses incurred in connection with any hedging transactions would adversely affect the operating results of the Micro Focus Group or the Enlarged Group.

In addition, fluctuations in the exchange rate between the pound sterling, euro, yen and other currencies in which the Micro Focus Group or Enlarged Group transacts or will transact certain aspects of its business relative to the US dollar may cause fluctuations in reported financial results that are not necessarily related to the financial results of operations for the Micro Focus Group or the Enlarged Group. As a result, comparability of the performance of the Micro Focus Group or the Enlarged Group between financial periods has been, and will continue to be, significantly affected.

11. The Micro Focus Group, or the Enlarged Group, may, in the longer term, require additional capital to support its growth, and this capital might not be available.

The Micro Focus Board intends to continue to make investments to support the business growth of the Micro Focus Group or the Enlarged Group and may in the longer term require additional funds to respond to business challenges, including the need to develop new technologies, penetrate new markets or acquire complementary businesses and technologies. If in the longer term the Micro Focus Group or the Enlarged Group raises additional funds through further issuances of equity or convertible debt securities, the existing shareholders of the Micro Focus Group or the Enlarged Group could suffer significant dilution, and any new equity securities it issues could have rights, preferences and privileges superior to those of existing holders of Ordinary Shares. Any debt financing secured by the Micro Focus Group or the Enlarged Group in the longer term could involve restrictive covenants relating to its ability to raise capital, as well as other financial and operational matters, which may make it more difficult for the Micro Focus Group or the Enlarged Group to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, the Micro Focus Group or the Enlarged Group may not in the longer term be able to obtain additional debt financing on terms favourable to it, if at all. If the Micro Focus Group or the Enlarged Group is unable to obtain adequate debt financing or debt financing on terms satisfactory to it in the longer term, the ability of the Micro Focus Group or the Enlarged Group to continue to grow its business and respond to business challenges in the longer term could be significantly impaired.

12. The Micro Focus Group and the Enlarged Group have entered into various acquisitions and disposals over recent years and may be subject to or have the benefit of certain residual representations, warranties, indemnities, covenants or other liabilities, obligations or rights. The business, operations and financing of the Micro Focus Group and the Enlarged Group may be affected by such transactions.

The Micro Focus Group and the Enlarged Group have entered into various acquisitions and disposals over recent years and may be subject to or have the benefit of certain residual representations, warranties, indemnities, covenants or other liabilities, obligations or rights. The business, operations and financing of the Micro Focus Group and the Enlarged Group may be affected by such transactions, including any change of control provisions which may be triggered and the impact which such transactions may have on the timing, repayment and availability of any debt finance arrangements. The Micro Focus Group or the Enlarged Group may become subject to or may take legal proceedings if for any reason any such rights or obligations became enforceable against or by the Micro Focus Group or Enlarged Group. Any such litigation may be time consuming and expensive and there may be no certainty as to the outcome of any such legal proceedings once initiated. Any such litigation may also divert the attention and time of the management of the Micro Focus Group and Enlarged Group and may adversely affect the financial condition and results of operations for the Micro Focus Group or the Enlarged Group. The Micro Focus Group or the Enlarged Group may not have insurance cover for these types of claims or such insurance may not be adequate.

13. The Micro Focus Group's business and the Enlarged Group's business may be subject to inherent risks arising from the general and sector specific economic conditions in the markets in which they operate.

The performance of the Micro Focus Group and of the Enlarged Group may be affected by changes in economic or market conditions. The business of the Micro Focus Group and of the Enlarged Group may be affected by the general risks faced by all companies operating in the same markets as the Micro Focus Group and the Enlarged Group, respectively. The growth and development of the markets in which the Micro Focus Group operates and in which the Enlarged Group will operate depend on numerous factors many of which are beyond their control and the exact effect of which cannot accurately be predicted. Such factors include general economic and political activities including the extent of any governmental regulation, legislation and taxation. The Micro Focus Group and the Enlarged Group could be adversely affected by changes in economic, political, administrative, taxation or other regulatory factors whether under English law or in any other jurisdictions in which the Micro Focus Group or the Enlarged Group may operate now or in the future. Adverse economic conditions worldwide may result in decreased demand and increased price competition for the products of the Micro Focus Group and the Enlarged Group which could harm the business prospects, financial condition and result of operations for the Micro Focus Group and the Enlarged Group.

14. The Micro Focus Group's business and the Enlarged Group's business may be subject to credit risks arising from the Micro Focus Group's or the Enlarged Group's use of financial instruments and/or the providing of credit to customers.

Financial instruments which potentially expose the Micro Focus Group or the Enlarged Group to a concentration of credit risk consist primarily of cash equivalents and accounts receivable. Cash equivalents are deposited with high credit quality financial institutions on short term deposit. Deposits placed at variable rates expose the Micro Focus Group and the Enlarged Group to cash flow interest rate risks. The Micro Focus Group and the Enlarged Group provide credit to customers in the normal course of business and there is a risk that the Micro Focus Group or the Enlarged Group may not always recover the full amount payable by customers.

PART B

Risks relating to the Acquisition and specifically to the Borland Group

1. **Completion of the Acquisition is subject to a number of conditions which may not be satisfied or waived.**

   The implementation of the Acquisition is subject to the satisfaction (or waiver, where applicable) of a number of Conditions, including

   - approval of the Acquisition by Micro Focus Shareholders at the Micro Focus General Meeting;
   - approval of the terms of the Borland Merger Agreement by the Borland Shareholders;
   - the expiry of any applicable waiting period under the Hart-Scott-Rodino Act; and
   - Readmission becoming effective.

   There is no guarantee that these (or other) Conditions will be satisfied (or waived, if applicable), in which case the Acquisition will not be completed. The Conditions are set out in more detail in Part VI of this document.

2. **The Enlarged Group's success will partly be dependent upon its ability to integrate the Borland Group's businesses; there will be numerous challenges associated with the integration.**

   The Enlarged Group may encounter numerous integration challenges in connection with the Acquisition. In particular, the further restructuring of the Borland Group which is currently envisaged to stabilise revenues may take longer to implement or may not achieve the level of revenue stabilisation currently estimated or could result in costs which are higher than currently estimated being incurred by the Enlarged Group. Any rebranding by the Enlarged Group of the Borland Group's products may cause customer relations problems or otherwise result in the loss of customers which would harm the Enlarged Group's business. In addition, the Enlarged 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. This integration process may take longer than expected, or difficulties relating to the integration, of which the Micro Focus Board is not yet aware, may arise. This could adversely affect the implementation of the Enlarged Group's plans and cost more than is currently estimated. The Enlarged Group may not be successful in addressing risks or problems encountered in connection with the integration and failure to do so may adversely affect its business or financial condition. In addition, there is a risk that synergy benefits may fail to materialise, or they may be materially lower than have been estimated which may have a material adverse affect on the financial condition of the Enlarged Group.

3. **The business of the Borland Group has evolved to focus on the enterprise market for application lifecycle management, or ALM (testing), software solutions, which is a complex and evolving market. If the Enlarged Group is unable to successfully operate in the Borland Group's markets, its operating results would be negatively impacted.**

   The Borland Group has been in the process of evolving its business over the last few years to focus on ALM as its core business. ALM is a relatively new and evolving market. These factors make it difficult for the Borland Group to predict its likelihood of success. There is a limited history upon which to base assumptions as to the probability of success and the Borland Group is in the process of developing and implementing new products, solutions and sales and marketing strategies. The change in the primary focus of the business of the Borland Group from IDE to ALM has involved significant changes in its go to market strategy, sales and services organisations and sales cycles and its marketing strategies. If the Borland Group is not able successfully to develop and implement its new strategies, its business and operating results will be harmed.

4. **The Borland Group has experienced a significant decline in its sales in recent years due to a variety of factors. The success of the Acquisition is largely dependent upon the Micro Focus Board successfully halting such decline and restructuring the Borland Group's business so that it may return to sustainable growth and profitability. Should the Micro Focus Board not be able to do this, or should**

this take more time that expected, it is likely to have an adverse impact on the financial position of the Enlarged Group.

The Borland Group has experienced a significant decline in its sales in recent years. This decline had been the result of a variety of factors, including the disposal of the assets of its CodeGear division, volatility caused by larger customer contracts, a high degree of sales staff turnover and a sales strategy which was focused on selling the Borland Group's full set of products as a "suite". Whilst the Micro Focus Board believe they can stop the decline and return the business to growth, there is a risk that the business continues to decline having an adverse impact on the financial position of the Enlarged Group.

5. **The markets in which the Borland Group operates are competitive and success in those markets depends on a variety of factors. Should the Enlarged Group not be able to compete effectively against the competitors of the Borland Group then it is likely to lose market share which may result in decreased sales and poorer financial performance.**

The markets in which the Borland Group operates are competitive and are characterised by rapid technological change, evolving industry standards and coalescence around specific technologies and vendors. The Borland Group faces competition from a number of sources in the market for its software solutions.

Many of the Borland Group's current and potential competitors have or may have greater brand recognition, larger customer bases or greater financial, sales and marketing, distribution, technical and other resources than the Enlarged Group. As a result, the Enlarged Group's competitors may be able to respond more quickly to market demands or to devote greater resources to the development, promotion, sale and deployment of their products than the Enlarged Group.

Furthermore, the Borland Group's current and potential competitors may develop and introduce new products that will be priced lower, are more technologically advanced, provide superior performance or achieve greater market penetration and acceptance than the Enlarged Group's products. In addition, the Borland Group's current or potential competitors have established, or may establish, financial and strategic relationships among themselves or with existing or potential customers or other third parties, which may have the effect of reducing the ability of the Enlarged Group to promote and sell its products successfully. Accordingly, it is possible that new competitors or alliances among competitors could emerge and potentially rapidly acquire market share, which may harm the Enlarged Group's future business and growth prospects.

Consolidation continues to occur amongst companies which compete with the Borland Group. Changes resulting from such consolidation may adversely affect the Enlarged Group's competitive position.

6. **The tax treatment of the Borland Group is, among other things, dependent on the past legal structure of the Borland Group being respected by the tax authorities in the various jurisdictions in which the Borland Group conducts its business.**

The Borland Group has sought to structure its affairs in a tax efficient manner and to align its corporate structure and tax strategy to that which would be expected of a major US listed group, managed from the US, with significant operations in the major trading nations. Tax liabilities may arise if the Borland Group's organisational or operational structure is viewed in an unfavourable light by any taxation authority in any jurisdiction in which the Borland Group conducts its business, the Borland Group's financial condition and results of operations would be adversely affected should actual tax liabilities exceed any provisions made in its accounts for the same.

PART C

Risks relating to investment in Ordinary Shares

1. Possible volatility in the price of Ordinary Shares.

Shareholders should be aware that the value of an investment in the Micro Focus Group or the Enlarged Group may go down as well as up. The market price of Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors including the continued deterioration in the global economy and IT purchases, changes in sentiment in the market regarding the Ordinary Shares (or securities similar to them), any regulatory changes affecting the operations of the Micro Focus Group or the Enlarged Group, variations in the operating results of the Micro Focus Group or the Enlarged Group, business developments of the Micro Focus Group, the Enlarged Group or their respective competitors, the operating and share price performance of other companies in the industries and markets in which the Micro Focus Group operates, or in which or the Enlarged Group will operate, or speculation about the business of the Micro Focus Group or the Enlarged Group in the press, media or the investment community. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the operating performance or prospects of the Micro Focus Group or the Enlarged Group. Furthermore, the operating results and prospects of the Micro Focus Group or the Enlarged Group from time to time may be below the expectations of market analysts and investors.

2. The Micro Focus Group and the Enlarged Group cannot assure investors that it will make dividend payments in the future.

The dividend payments to shareholders from the Micro Focus Group or the Enlarged Group will depend upon a number of factors, including the results of operations and financial condition, contractual restrictions and other factors considered relevant by the Micro Focus Board. In addition, under English law, any payment of dividends would be subject to the Companies Acts, which requires that all dividends be recommended by the Micro Focus Board and approved by the shareholders. Moreover, under English law, the Micro Focus Group or the Enlarged Group may pay dividends on Ordinary Shares only out of profits available for distribution determined in accordance with the Companies Acts. Although the Micro Focus Board intends to continue paying dividends to shareholders, there is no assurance that the Micro Focus Group or the Enlarged Group will declare and pay, or have the ability to declare and pay, any dividends on the Ordinary Shares in the future.

3. The Micro Focus Group's or the Enlarged Group's operating results may fluctuate and be difficult to predict and, if the Micro Focus Group or the Enlarged Group fails to meet the expectations of securities analysts or investors, the market price of Ordinary Shares may decline significantly.

The operating results of the Micro Focus Group or the Enlarged Group may fluctuate significantly in the future due to a variety of factors, many of which are outside the control of the Micro Focus Group or the Enlarged Group. These factors include:

- the level of expenditure committed to application development and deployment by information technology organisations;
- the degree to which organisations adopt web-enabled services;
- the rate at which organisations migrate applications from the mainframe;
- the degree of competition faced by the Micro Focus Group or the Enlarged Group;
- foreign currency exchange rate movements;
- growth in the information technology services market, general economic and business conditions, particularly in Europe and the United States;
- changes in technology and competition; and
- the ability of the Micro Focus Group or the Enlarged Group to attract and retain personnel.

Since the operating results of the Micro Focus Group or the Enlarged Group may fluctuate and be difficult to predict, the Micro Focus Board believes that comparisons of the operating results of the Micro Focus Group or the Enlarged Group do not necessarily provide a good indication of the future performance of the Micro Focus Group or the Enlarged Group. Moreover, if the operating results of the Micro Focus Group or the Enlarged Group fall below the expectations of securities analysts or investors, the trading price of the Ordinary Shares may decline rapidly and significantly.

PART III

FORWARD LOOKING STATEMENTS

This document may contain forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward looking statements. These statements are based on the current expectations of management and are naturally subject to risks, uncertainties and changes in circumstances. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and management's plans and objectives, to differ materially from those expressed or implied in the forward looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among the factors that could cause actual results to differ materially from those described in the forward looking statements are the ability to combine successfully the businesses of Micro Focus and Borland and to realise expected synergies from that combination, changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Micro Focus does not undertake any obligation (except as required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules and the rules of the London Stock Exchange) to revise or update any forward looking statement contained in this document, regardless of whether that statement is affected as a result of new information, future events or otherwise.

PART IV(A)

ACCOUNTANTS' REPORT ON UNAUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE PERIOD 1 JANUARY 2009 TO 31 MARCH 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
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Micro Focus International plc
The Lawn
22-30 Old Bath Road
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United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

24 June 2009

Dear Sirs

Proposed acquisition of Borland Software Corporation (the "Target") by Micro Focus International plc (the "Company"):

We report on the unaudited reconciliation (the "**Reconciliations**") of the consolidated profit after taxation for the period 1 January 2009 to 31 March 2009, and of the consolidated net assets as at 31 March 2009, together the "**Financial Information**", as previously reported in the financial statements of the Target prepared under United States Generally Accepted Accounting Principles, showing the adjustments necessary to restate it on the basis of the Company's accounting policies used in preparing the Company's last set of annual consolidated financial statements, set out in Part IV of the Company's circular dated 24 June 2009 (the "**Circular**"). This report is required by Listing Rules 13.5.27R(2)(b) and 13.5.30R(2) of the United Kingdom Listing Authority and is given for the purpose of complying with those Listing Rules and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Reconciliations in accordance with Listing Rules 13.5.27R(2)(a) and 13.5.30R(2).

It is our responsibility to form an opinion, as required by Listing Rules 13.5.27R(2)(b) and 13.5.30R(2), as to whether:

(a) the Reconciliations have been properly compiled on the basis stated; and

(b) the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies,

and to report that opinion to you.

The Reconciliations are based on the unaudited consolidated balance sheet as at 31 March 2009 and consolidated income statement for the period then ended of the Target which were the responsibility of the directors of the Target. We do not accept any responsibility for any of the historical financial statements of the Target, nor do we express any opinion on those financial statements.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of checking whether the unadjusted Financial Information of the Target has been accurately extracted from an appropriate source, assessing whether all adjustments necessary for the purpose of presenting the Financial Information on a basis consistent in all material respects with the Company's accounting policies have been made, examination of evidence supporting the adjustments in the Reconciliations and checking the arithmetical accuracy of the calculations within the Reconciliations.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Reconciliations have been properly compiled on the basis stated and that the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Opinion

In our opinion:

(a) the Reconciliations have been properly compiled on the basis stated; and

(b) the adjustments are appropriate for the purpose of presenting the Financial Information (as adjusted) on a basis consistent in all material respects with the Company's accounting policies.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART IV(B)

UNAUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE PERIOD 1 JANUARY 2009 TO 31 MARCH 2009

US GAAP to IFRS reconciliation of Borland Group's unaudited results for the three months ended 31 March 2009

The following reconciliation details the impact that a transition to IFRS would have on the unaudited trading result of the Borland Group, as reported under US GAAP, for the three months ended 31 March 2009, and on the net assets of the Borland Group as at that date. No adjustment has been made to reflect fair value adjustments that will arise as a result of the acquisition.

	3 months ended 31 March 2009
	$'000
Profit after taxation as reported under US GAAP accounting policies	1,888
Pre-tax adjustment for:	
Share-based payments (i)	83
Convertible notes (ii)	1,610
Restructuring provision (iii)	(1,206)
Tax effect of above adjustments	—
Profit after taxation under IFRS accounting policies	2,375

	31 March 2009
	$'000
Net assets as reported under US GAAP accounting policies	16,599
Pre-tax adjustment for:	
Convertible notes (ii)	2,572
Tax effect of above adjustment	—
Net assets under IFRS accounting policies	19,171

The main areas impacted by the transition, as presented above, are discussed below:

(i) IFRS 2 Share based payment—Under US GAAP, compensation expense related to share-based payments was recorded on a straight line basis. To conform with IFRS, compensation expense was recorded as the options are earned by the option holders. The adjustments shown above reflect the difference in the recording of this expense.

(ii) IAS 39 Financial Instruments—Under US GAAP, the convertible senior notes were classified as debt and held at amortised cost. Further, when the Borland Group repurchased a portion of the notes, a gain on repurchase was recognised, consistent with the treatment of the extinguishment of debt.

Under IAS 32, the conversion feature has been separately accounted for as a derivative liability, leaving the host instrument as debt and held at amortised cost. This results in a lower carrying value of the debt component of the notes, which additionally means no gain is recognised upon the extinguishment of the notes. The portion of debt remaining following the extinguishment of the notes continues to be held at amortised cost, and will accrete to par using the effective interest rate method over the life of the notes. The portion of the derivative liability remaining following the extinguishment of the notes is recorded at fair value, with changes in value recorded to the consolidated statement of operations. The adjustments shown above reflect the recognition of the derivative liability and the related impact to finance income and finance costs.

(iii) IAS 37 Provisions—IAS 37 requires an employee to have been made aware of a restructuring programme before their severance costs can be accrued. Under US GAAP, it was permitted to accrue severance costs for all employees affected by the December 2008 restructuring scheme in the year ending 31 December 2008; an IFRS transition adjustment has hence been made to record the accrued severance costs relating to employees who were unaware of the restructuring scheme as of 31 December 2008 in the first quarter of 2009.

PART V(A)

ACCOUNTANTS' REPORT ON HISTORICAL AUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 31 DECEMBER 2007 AND 31 DECEMBER 2008

PRICEWATERHOUSECOOPERS

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The Directors
Micro Focus International plc
The Lawn
22-30 Old Bath Road
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Berkshire RG14 1QN
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

24 June 2009

Dear Sirs

Borland Software Corporation

We report on the financial information set out in Section B of Part V for the three years ended 31 December 2008. This financial information has been prepared for inclusion in the circular dated 24 June 2009 (the "**Circular**") of Micro Focus International plc (the "**Company**") on the basis of the accounting policies set out in Note 1 of the summary of significant accounting policies within the financial information. This report is required by item 13.5.21R of the Listing Rules of the United Kingdom Listing Authority and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The Micro Focus Directors are responsible for preparing the financial information in accordance with the basis of preparation set out in Note 1 of the summary of significant accounting policies within the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to Borland Software Corporation's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the document dated 24 June 2009, a true and fair view of the state of affairs of Borland Software Corporation as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 of the summary of significant accounting policies within the financial information.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART V(B)

HISTORICAL AUDITED FINANCIAL INFORMATION ON THE BORLAND GROUP FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 31 DECEMBER 2007 AND 31 DECEMBER 2008

Consolidated income statement
for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008

	Notes	2008	2007	2006
		US$'000	US$'000	US$'000
Revenue	1,2	172,027	211,783	304,660
Cost of sales		(44,855)	(49,486)	(69,805)
Gross profit		127,172	162,297	234,855
Selling, distribution and administrative		295,285	164,401	218,983
Research and development		43,746	41,230	70,830
Other (income)/expense		(348)	1,023	790
Total operating expenses		**338,683**	**206,654**	**290,603**
Operating loss		**(211,511)**	**(44,357)**	**(55,748)**
Analysed as:				
Operating loss before exceptional items		(25,104)	(35,504)	(42,868)
Exceptional items	3	(186,407)	(8,853)	(12,880)
Operating loss		**(211,511)**	**(44,357)**	**(55,748)**
Finance costs	5	(18,637)	(16,060)	(374)
Finance income	5	27,493	40,277	3,168
Gain on debt repurchase, net	16	3,737	—	—
Gain on sale of fixed assets		—	—	1,658
Loss before tax	1,3	(198,918)	(20,140)	(51,296)
Taxation	9	8	(1,082)	(2,522)
Loss after tax from continuing operations		**(198,910)**	**(21,222)**	**(53,818)**
Loss for the period from discontinued operations	6	(11,350)	(17,805)	—
Net loss		**(210,260)**	**(39,027)**	**(53,818)**
Loss per share expressed in dollars per share —basic and diluted, continuing operations	10	(2.73)	(0.29)	(0.70)

The consolidated results for the year ended 31 December 2006 include the results of the CodeGear Division, which was treated as a discontinued operation in the years to 31 December 2008 and 2007. Details of the discontinued operation are given in Note 6.

The entire loss in each year is attributable to equity holders of the Borland Group.

The notes on pages 34 to 78 are an integral part of this consolidated financial information.

Consolidated balance sheet
for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008

	Notes	2008	2007	2006
		US$'000	US$'000	US$'000
Assets				
Non-current assets				
Goodwill	11	—	226,688	253,356
Other intangible assets	12	24,520	31,658	40,521
Property and equipment	13	8,494	9,978	11,176
Investments	8	—	37,970	—
Deferred tax assets	17	1,062	1,417	—
Other assets		4,790	3,445	6,705
		38,866	**311,156**	**311,758**
Current assets				
Trade receivables and other assets	14	43,342	68,951	76,824
Investments	8	59,575	68,061	—
Cash and cash equivalents		108,132	90,805	55,317
		211,049	**227,817**	**132,141**
Total assets		**249,915**	**538,973**	**443,899**
Liabilities				
Current liabilities				
Trade and other payables	15	68,989	99,992	120,118
Provisions	7	6,946	9,866	9,582
Derivatives	16	13,342	40,085	—
Current tax liabilities		13,136	16,503	12,425
		102,413	**166,446**	**142,125**
Non-current liabilities				
Non-current deferred income		2,298	1,715	1,610
Deferred tax liabilities	17	626	795	605
Provisions	7	1,941	5,472	6,231
Financial liabilities—borrowings	16	116,720	132,888	—
Other liabilities		7,059	5,116	7,848
		128,644	**145,986**	**16,294**
Net assets		**18,858**	**226,541**	**285,480**
Shareholders' equity				
Share capital	18	730	730	787
Share premium	19	650,665	650,189	649,244
Profit and loss deficit		(525,011)	(314,751)	(275,724)
Treasury stock		(140,409)	(140,409)	(110,468)
Other reserves		32,883	30,782	21,641
Total shareholders' equity		**18,858**	**226,541**	**285,480**

The notes on pages 34 to 78 are an integral part of this consolidated financial information.

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium	Treasury shares	Other Reserves	Profit and loss reserve (deficit)	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 31 December 2005	**778**	**645,216**	**(110,468)**	**6,532**	**(221,939)**	**320,119**
Opening balance sheet adjustment for fair market value adjustment on available-for-sale securities held in 2005	—	—	—	72	—	72
Adjusted balance as at 1 January 2006	**778**	**645,216**	**(110,468)**	**6,604**	**(221,939)**	**320,191**
Currency translation differences	—	—	—	2,484	—	2,484
Loss for the year	—	—	—	—	(53,818)	(53,818)
Deferred tax credited directly to equity	—	—	—	—	33	33
Issue of share capital—stock plans	11	4,863	—	—	—	4,874
Repurchase/retirement—restricted shares	(2)	(835)	—	—	—	(837)
Share-based compensation	—	—	—	12,553	—	12,553
Balance as at 31 December 2006	**787**	**649,244**	**(110,468)**	**21,641**	**(275,724)**	**285,480**
Currency translation differences	—	(41)	—	1,182	—	1,141
Loss for the year	—	—	—	—	(39,027)	(39,027)
Issue of share capital—stock plans	4	1,805	—	—	—	1,809
Repurchase of common shares	(60)	—	(29,941)	—	—	(30,001)
Repurchase/retirement—restricted shares	(1)	(819)	—	—	—	(820)
Share-based compensation	—	—	—	7,858	—	7,858
Other	—	—	—	87	—	87
Fair market value adjustment on available-for-sale securities	—	—	—	14	—	14
Balance as at 31 December 2007	**730**	**650,189**	**(140,409)**	**30,782**	**(314,751)**	**226,541**
Currency translation differences	—	—	—	(3,033)	—	(3,033)
Loss for the year	—	—	—	—	(210,260)	(210,260)
Issue of share capital—stock plans	5	534	—	—	—	539
Repurchase of common shares	(4)	—	—	—	—	(4)
Repurchase/retirement—restricted shares	(1)	(58)	—	—	—	(59)
Share-based compensation	—	—	—	5,087	—	5,087
Fair market value adjustment on available-for-sale securities	—	—	—	47	—	47
Balance as at 31 December 2008	**730**	**650,665**	**(140,409)**	**32,883**	**(525,011)**	**18,858**

The notes on pages 34 to 78 are an integral part of this consolidated financial information.

Consolidated cash flow statement
for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008

	Notes	2008	2007	2006
		US$'000	US$'000	US$'000
Cash flows used by operating activities				
Cash generated from operations	20	(10,827)	(20,358)	(26,134)
Interest received		5,122	7,553	2,039
Interest paid		(5,663)	(3,291)	(300)
Tax paid		(2,915)	(2,209)	(3,715)
Net cash used by operating activities		(14,283)	(18,305)	(28,110)
Cash flows from investing activities				
Purchase of property and equipment	13	(3,102)	(5,495)	(6,187)
Proceeds from sale of fixed assets		105	—	11,015
Acquisition of Segue Software, net of cash acquired	27	—	—	(102,457)
Proceeds from sale of CodeGear division	6	20,304	—	—
Acquisition of Simunication, net of cash acquired	27	(1,970)	—	—
Purchases of investments		(73,884)	(155,859)	—
Sales and maturities of investments		120,633	49,878	125,944
Other investing		—	178	(497)
Net cash from investing activities		62,086	(111,298)	27,818
Cash flows used in financing activities				
Issuance of convertible senior notes, net		—	194,230	—
Repurchase of convertible senior notes, net		(29,786)	—	—
Proceeds from issuance of common stock, employee Stock purchase plan and other, net		539	1,612	4,863
Repurchase of common stock and others, net of related fees		(63)	(29,941)	—
Net cash used in financing activities		(29,310)	165,901	4,863
Effects of exchange rate changes		(1,166)	(810)	1,671
Net increase in cash and cash equivalents		17,327	35,488	6,242
Cash and cash equivalents at 1 January		90,805	55,317	49,075
Cash and cash equivalents at 31 December		**108,132**	**90,805**	**55,317**

The notes on pages 34 to 78 are an integral part of this consolidated financial information.

Summary of significant accounting policies
for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008

General Information

The Borland Group is a leading vendor of ALM Software. ALM Solutions is a customer-centric approach to helping IT organisations transform software delivery into a managed, efficient and predictable business process. Borland offers a combination of software products as well as consulting and education services to help its customers better manage the growing complexity of software development. The Borland Group's goal is to provide customers with a foundation which will allow them to consistently deliver software on-time, on-budget and with increased business value.

Borland's solutions address four critical ALM processes: software delivery management, requirements definition and management, lifecycle quality management and software change management. Each solution can play an important role in helping enterprises manage the complexity of software development and delivery by providing business, development and operational teams with increased visibility and control over all phases of the software delivery lifecycle. The Borland Group believes this is especially crucial for large enterprises working within heterogeneous and distributed environments.

Borland is a US corporation, incorporated in California in 1983 and reincorporated in Delaware in 1989. Borland is domiciled in the United States of America. The address of the registered office is 8310 North Capital Of Texas Highway, Building 2, Suite 100, Austin, Texas 78731, US.

This financial information is presented in dollars, the currency of the primary economic environment in which Borland operates.

The principal accounting policies applied in the preparation of this consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Borland Group accounting policies

A Basis of preparation

This special purpose financial information of Borland has been prepared for the purposes of the Circular in accordance with the requirements of the Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU). This financial information has been prepared under the historical cost convention, modified for share options and convertible loan notes which are recorded at fair value.

The accounting policies used and disclosed below are consistent with those used by Micro Focus International plc and adopted in its latest annual accounts.

This is the first financial information prepared under IFRSs as adopted by the EU. Note 28 gives further details of the impact of the transition and application of IFRS 1 *First-time adoption of IFRS* ("IFRS 1").

The preparation of financial information in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Borland's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 2, *critical accounting estimates and assumptions*.

B Consolidation

The financial information of the Borland Group comprises the financial information of the Borland Group and entities controlled by the Borland Group, its subsidiaries, prepared at the balance sheet date. Control exists where the Borland Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Borland Group. The cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Borland Group's share of the identifiable net assets acquired is recorded as goodwill.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Inter-company transactions, balances and unrealised gains on transactions between Borland Group companies are eliminated.

C Revenue recognition

The Borland Group recognises revenue from sales of software licences to end-users or resellers upon persuasive evidence of an arrangement, delivery of the software and determination that collection of a fixed or determinable fee is reasonably assured. When the fees for maintenance, consulting and training are bundled with the licence fee, they are unbundled using the Borland Group's objective evidence of the fair value of the elements represented. Objective evidence of fair value for maintenance is based on the stated future renewal rates, if substantive, included in customer contracts. Objective evidence of fair value for the consulting and training element is based on the standard rates charged for services, given the complexity of the services and experience of the professional performing the services, or the amount charged on similar transactions.

If evidence of fair value exists for all undelivered elements and there is no such evidence of fair value established for delivered elements, revenue is first allocated to the elements where fair value has been established and the residual amount is allocated to the delivered elements. If evidence of fair value for any undelivered element of the arrangement does not exist, all revenue from the arrangement is deferred until such time that evidence of fair value exists or undelivered elements of the arrangement are delivered.

The Borland Group recognises revenue for the license portion of a multiple-element arrangement based upon the residual contract value. Generally revenue for the license portion is recognised upon delivery, provided all other revenue recognition criteria have been met. Revenue for the maintenance portion is recognised on a straight-line basis over the term of the contract, which is generally one year. In instances where payments are made in advance of maintenance delivered, the amount received, but not yet earned is shown as deferred maintenance. Revenue for the consulting and training services is recognised as the services are performed. If the Borland Group determines collection of a fee is not probable, it defers the fee and recognises revenue at the time collection becomes probable, which is generally upon receipt of payment. If the Borland Group determines that a fee is not fixed or determinable, it defers the fee and recognises revenue as payments become due and payable.

For solutions which involve significant implementation or integration essential to the functionality of the Borland Group's software, the Borland Group recognises license and service revenues on a percentage-of-completion basis. Percentage-of-completion accounting involves complex accounting decisions, judgments and estimates including recoverability of unbilled amounts. The Borland Group classifies revenue from these arrangements as license and/or service revenue, based on its objective evidence of fair value of each element. During 2008, 2007 and 2006 arrangements accounted for on a percentage-of-completion basis were not significant.

D Segmental reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Borland Group considers there to be only one business segment being the provision of enterprise application management and modernisation solutions.

E Leases

Leases of property and equipment where the Borland Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the liability outstanding. The corresponding rental obligations, net of finance charges, are included in financial liabilities—borrowings.

The property and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

F Foreign currency translation

a) Functional and presentation currency

Items included in the financial information of each of the Borland Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in US$, which is the Borland Group's presentational currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

c) Borland Group companies

The results and financial position of all the Borland Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

G Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Borland Group and the cost of the item can be measured reliably. All other repairs and maintenance expenditures are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful life as follows:

Leasehold improvements	Shorter of lease term or useful life
Furniture, fixtures and equipment	Three years
Computer software and equipment	Three years
Buildings	Thirty-one and a half years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

H Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets, measured at cost. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Borland Group's investment in each area of operation by each primary reporting segment.

In accordance with the exemption in IFRS 1, the Borland Group did not apply IFRS to business combinations that occurred prior to 1 January 2006. No adjustments to goodwill were required based on IFRS 1 and the US GAAP carrying value of goodwill at 1 January 2006 is the IFRS carrying value of goodwill at the transition date.

b) Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of three to five years.

c) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to the developing of new computer software programmes and significant enhancement of existing computer software programmes are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Only direct costs are capitalised which include the software development employee costs and an appropriate portion of relevant overheads. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, typically being three years. To date, products and enhancements have generally reached commercial and technological feasibility at substantially the same time and all research and development costs have been expensed.

d) Intangible assets—arising on business combinations

Other intangible assets that are acquired by the Borland Group are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use. The estimated useful lives will vary for each category of asset acquired and to date are as follows:

Acquired developed technology	Three to seven years
Maintenance agreements	Seven years
Tradenames and trademarks	Three years
Customer relationships	Three to seven years
Non-compete agreements	One to three years

I Impairment of tangible and intangible assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

J Employee benefit costs

a) Retirement benefit costs

Payments made to the 401(k) Plan are charged as an expense as they fall due.

b) Share-based compensation

The Borland Group operated various equity-settled, share-based compensation plans during the year.

The Borland Group has not applied IFRS 2, *Share-Based Payment* ("IFRS 2") to Borland Shares or Borland Share options granted prior to 7 November 2002, as permitted by IFRS 1. For Borland Shares or Borland Share options granted after 7 November 2002 and vested after 1 January 2006 the fair value of the employee services received in exchange for the grant of the Borland Shares or options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Borland Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The Borland Shares are recognised when the options are exercised and the proceeds received allocated between share capital and share premium.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Borland Group also provides employees with the ability to purchase the Borland Group's ordinary shares at 85% of the lower of the fair value of the common stock on the purchase date as reported by NASDAQ at the beginning of the offering period or the fair value on the purchase date. The Borland Group records an expense, based on fair value of the employee services received in exchange for the grant of the Borland Shares.

K Share capital, share premium and dividend distribution

Incremental costs directly attributable to the issue of new Borland Shares or options are shown in equity as a deduction, net of tax, from the proceeds.

L Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and further excludes items that are never taxable or deductible. The Borland Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Borland Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Borland Group intends to settle its current tax assets and liabilities on a net basis.

M Financial instruments

Financial assets and liabilities are recognised in the Borland Group's balance sheet when it becomes a party to the contractual provision of the instrument. Trade receivables are non-interest bearing and are stated at their nominal value (which approximates fair value) less the amount of any appropriate provision for irrecoverable amounts. Trade payables are non-interest bearing and are stated at their nominal value (which approximates fair value).

In accordance with its treasury policy, the Borland Group does not hold or issue derivative financial instruments other than derivatives embedded in the Borland Notes. Derivatives embedded in the Borland Notes issued by the Borland Group are treated as separate derivatives and are carried at fair value, with gains and losses reported in the income statement.

N Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

O Trade receivables

Trade receivables are recognised at their nominal value (which approximates fair value) less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Borland Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

P Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments held by the Borland Group are classified as securities available-for-sale and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve. Where the investment is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Impairment losses recognised in the income statement for equity investments classified as available for sale are not subsequently reversed through the income statement.

Impairment losses recognised in the income statement for debt instruments classified as available for sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Q Borrowings

The Borland Notes issued by Borland are compound financial instruments. Compound financial instruments are required to be analysed in order to identify and measure the different components, usually liability and equity. As the conversion option allows the Borland Noteholder to convert the outstanding amount into a variable number of Borland Shares, the conversion element of the Borland Notes does not meet the criteria of equity. Accordingly, the conversion element of the Borland Notes has been identified as an embedded derivative that is not closely related to the Borland Notes, which must be separately measured and recorded from the liability component of the instrument.

On initial recognition, the fair value of the embedded derivative is measured using an option pricing methodology. The liability is then recognised as the residual between the fair value of the compound financial instrument, and the embedded derivative.

Subsequent to initial recognition, changes in the fair value of the embedded derivative are recognised in the income statement, in accordance with the policy set out below. The liability is measured at amortised cost, using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date. The effective interest rate is determined as the interest rate that discounts the total cash flows over the life of the instrument to the value of the liability recognised on initial recognition.

R Impairment of investments

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Borland Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

S Trade payables

Trade payables are initially measured at nominal value (which approximates fair value), and are subsequently measured at amortised cost, using the effective interest rate method.

T Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into.

U Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Borland Group after deducting all of its liabilities. Equity instruments issued by the Borland Group are recorded at the proceeds received, net of direct issue costs.

V Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

W Provisions

Provisions are recognised when the Borland Group has a present obligation as a result of a past event, and it is probable that the Borland Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

X Restructuring costs

Restructuring costs are recognised when the Borland Group has a detailed formal plan for the restructuring identifying: a) the business or part of the business concerned, b) the principal locations affected, c) the location, function and approximate number of employees who will be compensated for terminating their services, d) the expenditures that will be undertaken and e) when the plan will be implemented. The Borland Group must also have raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Y Discontinued operations

A discontinued operation is a component of the combined businesses that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. When an operation is classified as discontinued, the comparative income and cash flow statements are re-presented as if the operation had been discontinued from the start of the comparative period.

Z Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Borland Group's financial performance.

AA Adoption of new and revised International Financial Reporting Standards

At the date of approval of this financial information, the following standards, amendments and interpretations were issued but not yet mandatory for the Borland Group:

International Financial Reporting Standards ("IFRS")

- IFRS 8, Operating Segments—1 January 2009

International Financial Reporting Interpretations Committee ("IFRIC") interpretations:

- IFRIC 13, Customer Loyalty Programmes—1 January 2009
- IFRIC 14, IAS 19—The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction—1 January 2009
- IFRIC 15—Agreements for the Construction of Real Estate
- IFRIC 16—Hedges of a Net Investment in a Foreign Operation
- IFRIC 17—Distributions of Non-cash Assets to Owners
- IFRIC 18—Transfers of Assets from Customers

Amendments to existing standards:

- Amendment to IAS 1, Presentation of Financial Statements—Capital Disclosures—1 January 2009
- Amendment to IAS 23, Borrowing Costs—1 January 2009
- Amendment to IAS 27, Consolidated and Separate Financial Statements—1 July 2009
- Amendment to IAS 39, Financial Instruments—31 July 2008
- Amendment to IFRS 2, Share-based Payment—Vesting Conditions and Cancellations—1 January 2009
- Amendment to IFRS 3, Business Combinations—1 July 2009

All the IFRS, IFRIC interpretations and amendments to existing standards had been endorsed by the EU at the date of approval of this consolidated financial information with the exception of: IFRIC 15, IFRIC 16, IFRIC 17, IFRIC 18, IAS 27 (revised), IAS 39 (revised), IFRS 1 (revised) and IFRS 3 (revised).

The implementation date for the above will be the annual period beginning on or after the date shown.

It is anticipated that the future adoption of these standards, interpretations and amendments listed above will not have a material impact on the consolidated financial information.

2 Critical accounting estimates and assumptions

The Borland Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarised below.

a) Income taxes

The Borland Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Borland Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

b) Acquisitions

When making acquisitions, the Borland Group has to make judgements and best estimates about the fair value allocation of the purchase price. Appropriate advice is sought from professional advisors before making such allocations. The valuation of goodwill and other intangibles is tested annually or whenever there are changes in circumstances indicating that the carrying amounts may not be recoverable. These tests require the use of estimates.

c) Restructuring charges

The Borland Group has to make certain judgements and estimates about the amount and timing of expenses that will be incurred as a result of restructurings.

d) Measurement of fair value for available for sale financial investments

Fair value is the amount at which a financial asset could be exchanged, or a liability settled, in an arm's length transaction between knowledgeable and willing parties, other than a forced or liquidation sale.

The estimation of fair value for available for sale investments is determined based on quoted market prices for assets where quoted market prices exist. When quoted market prices for available-for-sale investments are unavailable, the fair values are estimated using valuation techniques based on assumptions that are supported by observable market prices. For embedded derivatives held that are not traded on an open market and therefore have no quoted market price, an appropriate valuation model is required to be selected and consideration given to the inputs required for that model. In calculating the fair value of embedded derivatives held by the Borland Group, the binomial valuation model has been adopted.

3 Financial risk factors

The Borland Group's multi-national operations expose it to a variety of financial risks that include the effects of changes in credit risks, foreign currency exchange rates, liquidity and interest rates.

a) Credit risk

Financial instruments which potentially expose the Borland Group to a concentration of credit risk consist primarily of cash, cash equivalents, short-term investments and accounts receivable.

Cash, cash equivalents and short-term investments are in high-quality securities placed with major banks and financial institutions and commercial paper. The Borland Group has no exposure to auction rate securities as all such securities were sold during the first quarter of 2008, with an immaterial gain.

Concentrations of credit risk in respect to receivables are limited to the large number of customers and their dispersion across geographic areas. The Borland Group provides credit terms on the sale of software products to distributors, retail dealers and certain end-user customers and performs ongoing credit evaluations of customers' financial conditions. Generally, no collateral is required from customers. The Borland Group maintains a provision for impairment based upon the expected collectibility of accounts receivable. No single customer represented greater than 10% of total accounts receivables, net of allowance, as of December 2008, 2007 and 2006 and no single group or customer represented greater than 10% of the Borland Group's total revenues for the years ended December 2008, 2007 and 2006. The Borland Group sells products and services to a wide range of customers around the world and, therefore, believes there is no material concentration of credit risk.

b) Foreign currency risk

The Borland Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including the Euro, UK Sterling, Singapore dollar, Canadian dollar, Japanese Yen and Brazilian Real. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

There were no hedging transactions in place at 31 December 2008.

The Borland Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Management does not consider the exposure to foreign currency denominated financial instruments to be significant.

c) Interest rate risk

The Borland Group's income and operating cash flows are substantially independent of changes in market interest rates. The primary objective of the Borland Group's investment activities is to preserve principal while maximising income without significantly increasing risk. The Borland Group's exposure to market risk for changes in interest rates relates primarily to its investment portfolio. The Borland Group does not use derivative financial instruments in its investment portfolio. During 2007, the Borland Group initiated an investment strategy to achieve this objective by investing available funds in a portfolio of cash equivalents, short-term and long-term investments in a variety of securities, including but not limited to government and corporate securities, time deposits and money market funds.

At December 31, 2008, the Borland Group's short term investment balance was US$59.6 million. A hypothetical increase of 100 basis points in interest rates would reduce the Borland Group's marketable securities balance by approximately US$113,000. Actual results may differ from this estimate.

For financial instruments held, the Borland Group has used a sensitivity analysis technique that measures the change in the fair value and cash flows of the Borland Group's financial instruments for hypothetical changes in all relevant market risk variables.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global financial markets. Unless stated otherwise, the methods and assumptions used are the same as those applied in the previous reporting period.

The sensitivity analyses are for illustrative purposes only—in practice market rates rarely change in isolation and are likely to be interdependent.

The sensitivity analyses below have been determined based on the exposure to interest rates for convertible notes, both liability and embedded derivative components. The estimated changes in fair values for changes in interest rates are based on an instantaneous increase or decrease of 100 bps for interest rate at the reporting date, with all other variables remaining constant.

The methods and assumptions used in calculating are set out in note 16 to the financial information. The following tables set out the potential exposure:

	2008		2007	
Interest rate exposure	**1% increase ’000**	**1% decrease ’000**	**1% decrease ’000**	**1% decrease ’000**
Embedded derivative—conversion option	13,144	13,543	39,624	40,606

d) Liquidity risk

The Borland Group’s liquidity policy is designed to ensure that it can at all times meet its obligations as they fall due. As at 31 December 2008, the Borland Group had sufficient cash and cash equivalents to meet all of its current liabilities, and was not required to comply with any covenants.

The Borland Group issued the Borland Notes in February 2007 in the aggregate principal amount of US$200.0 million. Borland Noteholders will have the right to require the Borland Group to repurchase the Borland Notes upon the occurrence of a fundamental change of the Borland Group, including some types of change of control transactions.

The following tables detail the Borland Group’s remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Borland Group can be required to pay. The table includes both interest and principal cash flows.

2008	**Less than 1 month ’000**	**1-3 months ’000**	**3 months to 1 year ’000**	**1-5 years ’000**	**5+ years ’000**
Non-interest bearing trade payables	5,045				
Fixed rate 2.75% Borland Notes		2,190	2,190	170,252	
Derivative liability*	13,342				

2007	**Less than 1 month ’000**	**1-3 months ’000**	**3 months to 1 year ’000**	**1-5 years ’000**	**5+ years ’000**
Non-interest bearing trade payables	7,622				
Fixed rate 2.75% Borland Notes		2,750	2,750	219,250	
Derivative liability*	40,085				

2006	**Less than 1 month ’000**	**1-3 months ’000**	**3 months to 1 year ’000**	**1-5 years ’000**	**5+ years ’000**
Non-interest bearing trade payables	15,591				

* The embedded derivative liability is included on the basis of the earliest date on which the Borland Group can be required to pay in accordance with IFRS 7.

Notes to the financial information
For the year ended 31 December 2008

1 Segmental reporting

Primary reporting format—geographical segments

	Year ended 31 December 2008			
	Americas	**Europe and the Middle East**	**Asia Pacific**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Total revenue	106,675	59,164	29,867	195,706
Revenue—discontinued operations	(7,756)	(11,088)	(4,835)	(23,679)
Revenue—continuing operations	**98,919**	**48,076**	**25,032**	**172,027**
Segment result (operating (loss)/profit) before exceptional items	(20,420)	(9,733)	5,049	(25,104)
Exceptional items (Note 3)	(185,143)	(1,264)	—	(186,407)
Segment result (operating (loss)/profit)	(205,563)	(10,997)	5,049	(211,511)
Finance income—net	—	—	—	8,856
Gain on debt repurchase	—	—	—	3,737
(Loss)/profit before tax	(193,419)	(10,669)	5,170	(198,918)
Taxation	—	—	—	8
Net (loss)/profit from discontinued operations	—	—	—	(11,350)
Net loss attributable to equity shareholders	**—**	**—**	**—**	**(210,260)**
Segment assets	188,299	44,649	16,967	249,915
Other segment items				
Capital expenditure	1,675	721	706	3,102
Depreciation (note 13)	2,309	939	975	4,223
Amortisation of intangible assets (note 12)	8,691	—	—	8,691
Impairment of goodwill (note 11)	184,601	—	—	184,601

	Year ended 31 December 2007			
	Americas	**Europe and the Middle East**	**Rest of the world**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Total revenue	136,964	98,658	33,156	268,778
Revenue—discontinued operations	(18,400)	(27,677)	(10,918)	(56,995)
Revenue—continuing operations	**118,564**	**70,981**	**22,238**	**211,783**
Segment result (operating (loss)/profit) before exceptional items	(41,994)	7,696	(1,206)	(35,504)
Exceptional items	(5,363)	(3,326)	(164)	(8,853)
Segment result (operating (loss)/profit)	(47,357)	4,370	(1,370)	(44,357)
Finance income—net	—	—	—	24,217
(Loss)/profit before tax	—	—	—	(20,140)
Taxation	—	—	—	(1,082)
Net loss from discontinued operations	—	—	—	(17,805)
Net loss attributable to equity shareholders	**—**	**—**	**—**	**(39,027)**
Segment assets	448,206	71,762	19,005	538,973
Other segment items				
Capital expenditure	2,967	1,278	1,250	5,495
Depreciation (note 13)	3,355	1,197	1,315	5,867
Amortisation of intangible assets (note 12)	8,863	—	—	8,863

	Year ended 31 December 2006			
	Americas	Europe and the Middle East	Rest of the world	Total
	US$'000	US$'000	US$'000	US$'000
Revenue	**168,278**	**99,218**	**37,164**	**304,660**
Segment result (operating (loss)/profit) before exceptional items	(71,157)	22,576	5,713	(42,868)
Exceptional items	(6,436)	(4,136)	(2,308)	(12,880)
Segment result (operating (loss)/profit)	(77,593)	18,440	3,405	(55,748)
Finance income—net	—	—	—	2,794
Gain on sale of fixed assets	—	—	—	1,658
(Loss) before tax	—	—	—	(51,296)
Taxation	—	—	—	(2,522)
Net loss attributable to equity shareholders	**—**	**—**	**—**	**(53,818)**
Segment assets	363,329	58,875	21,695	443,899
Other segment items				
Capital expenditure	3,161	1,770	1,256	6,187
Depreciation (note 13)	4,153	724	1,023	5,900
Amortisation of intangible assets (note 12)	7,579	—	—	7,579

The Borland Group is organised on a worldwide basis into three main geographical segments.

- Americas
- Europe and the Middle East
- Rest of the world

There are immaterial sales between the geographical segments. The revenue analysis in the table above is based on the location of the customers where the order is received which is not materially different from the location of the assets.

Segment assets include goodwill, property, plant and equipment, inventory, debtors and operating cash, intangible assets and deferred tax assets. Capital expenditure comprises additions to property, plant and equipment.

Secondary reporting format—business segment

The Borland Group considers there is only one business segment being the provision of enterprise management and modernisation solutions.

2 Supplementary information

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

	2008	2007	2006
	US$'000	US$'000	US$'000
License and other revenues	68,100	96,686	165,886
Service revenues	103,927	115,097	138,774
Total	**172,027**	**211,783**	**304,660**

3 Loss before tax

Loss before tax is stated after charging:

	Note	2008	2007	2006
		US$'000	US$'000	US$'000
Staff costs	21	115,410	133,528	180,299
Depreciation of property and equipment—owned assets	13	4,223	5,867	5,900
Amortisation of intangibles	12	8,691	8,863	7,579
Impairment of goodwill	11	184,601	—	—
Impairment of IPR&D	12	4,800	—	—
Research and development expenditure (including staff costs)		43,746	41,230	70,830
Operating lease rentals payable (property)		6,400	9,500	12,300
Foreign exchange (gains)/losses		(400)	1,400	1,100

Exceptional items

	Note	2008	2007	2006
		US$'000	US$'000	US$'000
Impairment of goodwill	11	184,601	—	—
Reorganisation costs	7	1,806	8,853	12,880
		186,407	**8,853**	**12,880**

Impairments to goodwill (see note 11) and reorganisation costs are considered to be of an exceptional nature to the business. All exceptional items relate to selling, distribution and administrative expenses.

In 2008, reorganisation costs relate to a restructuring scheme involving the reduction of the Borland Group's worldwide headcount by 118 employees (approximately fifteen percent of its headcount prior to the reduction) and the consolidation of its facilities, combined with associated legal costs.

In 2007, reorganisation costs were incurred on two restructuring programmes, being reductions in workforce and the closing of underutilised facilities, and the relocation of the Borland Group's corporate headquarters from Cupertino, California to Austin, Texas.

Reorganisation costs in 2006 comprise severance costs and associated fees relating to the elimination of 315 positions, as well as the consolidation of underutilised facilities in the United States, Sweden, France, Taiwan, Singapore, Japan and Australia.

Severance costs included within the above reorganisation costs are included within the staff costs disclosed in note 21.

Services provided by the Borland Group's auditors and its member firms

During the year the Borland Group obtained the following services from the Borland Group's auditor as detailed below:

	2008	2007	2006
	US$'000	US$'000	US$'000
Audit services			
—Fees payable to the Borland Group auditor for the audit of the Borland Group accounts	560	1,170	2,109
—Fees payable to the Borland Group auditor for Services pursuant to Sarbanes Oxley 404 legislation	400	1,120	1,740
—Fees payable to the Borland Group auditor for audit-related services to the group*	20	11	91
Non-audit services			
Fees payable to the Borland Group's auditor for other services:			
—Services related to issuance of Borland Notes	—	242	—
—Services related to taxation	110	317	423
—Other services pursuant to legislation	330	1,222	1,353
—Other services	—	225	—
Total	**1,420**	**4,307**	**5,716**

* 2008 amount includes fees for professional services rendered in connection with audit-related services relating to the review of the Borland Group's responses to comments from the SEC on its Quarterly report on Form 10-Q for the quarter ended 30 June 2008. 2007 amount includes fees for professional services rendered in connection with audit-related services relating to the review of the Borland Group's responses to comments from the SEC on its 2006 Annual Report on Form 10-K. 2006 amount includes fees for professional services rendered in connection with audit-related services relating to the review of the Borland Group's responses to comments from the SEC on its 2005 Annual Report on Form 10-K.

The Borland Group's auditors for the year ended 31 December 2008 were KPMG LLP, who provided non-audit services for the Borland Group over and above the external audit (principally tax consulting services relating to transfer pricing). The Borland Directors reviewed the level of non-audit fees and was confident that the objectivity and independence of the auditors was not impaired in any way by reason of their non-audit work.

For the years ended 31 December 2007 and 2006 the Borland Group's auditors were PricewaterhouseCoopers LLP, who provided non-audit services for the Borland Group over and above the external audit (principally tax compliance, tax advice and tax planning services). The Borland Directors reviewed the level of non-audit fees and believed the Borland Group received particular benefit from tax advice provided by its auditors during this period, without compromising their independence.

4 Reconciliation of operating loss to EBITDA

	2008	2007	2006
	US$'000	US$'000	US$'000
Operating loss	**(211,511)**	**(44,357)**	**(55,748)**
Exceptional items	186,407	8,853	12,880
Share-based compensation charge	5,087	7,858	12,553
Amortisation of intangibles	8,691	8,863	7,579
Adjusted operating loss	**(11,326)**	**(18,783)**	**(22,736)**
Depreciation	4,223	5,867	5,900
Adjusted EBITDA	**(7,103)**	**(12,916)**	**(16,836)**
EBITDA	**(198,597)**	**(29,627)**	**(42,269)**
Exceptional items	186,407	8,853	12,880
Share-based compensation charge	5,087	7,858	12,553
Adjusted EBITDA	**(7,103)**	**(12,916)**	**(16,836)**

EBITDA and EBITDA before exceptional items, share based compensation and the loss on debt repurchase are used as key performance measures of the business.

5 Finance income and costs

	2008	2007	2006
	US$'000	US$'000	US$'000
Finance income			
Bank deposits	1,938	5,513	2,039
Available-for-sale securities	3,513	3,207	1,129
Derivative liability (Note 16)	22,042	31,557	—
Total	**27,493**	**40,277**	**3,168**

Finance costs

Finance costs consist of interest payable relating to the Borland Notes.

6 Discontinued Operations

On 30 June 2008, the Borland Group completed the sale of its CodeGear division to Embarcadero Technologies Inc. ("Embarcadero") for US$20.3 million in cash, net of closing adjustments. On February 20, 2009, the Borland Group received a working capital payment from Embarcadero of US$0.4 million.

The Borland Group discontinued the operations of its CodeGear division in the quarter ended 30 June 2008 in conjunction with the sale to Embarcadero, and has presented the operating results within discontinued operations in its 2008 and 2007 consolidated income statement. As the CodeGear division did not comprise a component of an entity as defined in IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, prior to 1 January 2007, the income statement for 2006 has not been reclassified to reflect discontinued operations.

The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

	Period ended 30 June 2008	Year ended 31 December 2007
	US$'000	US$'000
Revenue	23,679	56,995
Expenses	(32,775)	(73,886)
Loss from operations of CodeGear division, before tax	(9,096)	(16,891)
Tax expense attributable to operations	(735)	(914)
Loss from operations of CodeGear division, after tax	(9,831)	(17,805)
Loss on disposal of CodeGear division	(651)	—
Tax expense attributable to disposal	(868)	—
Net loss attributable to discontinued operation	**(11,350)**	**(17,805)**

In 2008, the CodeGear division business had net cash outflows of US$22.4 million in respect of operating cash flows and US$0.1 million in respect of investing activities. In 2007, the CodeGear division contributed US$23.4 million in respect of operating cash flows and had a net cash outflow of US$0.8 million in respect of investing activities. There were no cash flows associated with financing activities in 2008 or 2007.

A loss of US$0.7 million arose on the disposal of the CodeGear division, being the proceeds of disposal less the carrying amount of the subsidiary's net assets.

The net assets of the CodeGear division at the date of disposal, excluding cash of US$31.0 million, were US$20.9 million, comprising property and equipment of US$0.5 million, goodwill of US$27.5 million, trade receivables and other current assets of US$4.0 million, and trade payables and other current liabilities of $10.2 million.

The effect of discontinued operations on segment results is disclosed in note 1.

7 Provisions

	2008 Restructuring	2007 Restructuring		2006 Restructuring		
	Severance, Benefits and Other	Severance, Benefits and Other	Facilities	Severance, Benefits and Other	Facilities	Total
Accrual at 31 December 2005	0	0	0	496	12,684	13,180
Acquired from Segue	0	0	0	3,507	542	4,049
Charges/adjustments/accretion	0	0	0	9,755	3,125	12,880
Payments and adjustments for non-cash write-offs	0	0	0	(9,496)	(4,800)	(14,296)
Accrual at 31 December 2006	0	0	0	4,262	11,551	15,813
Charges/adjustments/accretion	0	6,755	4,800	(515)	(138)	10,902
Payments and adjustments for non-cash write-offs	0	(2,690)	0	(3,568)	(5,119)	(11,377)
Accrual at 31 December 2007	0	4,065	4,800	179	6,294	15,338
Charges/adjustments/accretion	604	570	976	37		2,187
Payments and adjustments for non-cash write-offs	0	(3,767)	(3,553)	(216)	(1,102)	(8,638)
Accrual at 31 December 2008	604	868	2,223	0	5,192	8,887

The restructuring accrual as at 31 December 2008, 2007 and 2006 was US$8.9 million, US$15.3 million and US$15.8 million, respectively. Of this amount, US$7.0 million, US$9.9 million and US$9.6 million respectively was classified as short-term, with US$1.9 million, US$5.5 million and US$6.2 million respectively being held within the long-term accrual. The long-term accrual in each year related to facility operating leases.

During the years ended 2008, 2007 and 2006, the Borland Group recorded net restructuring expenses of US$2.2 million, US$10.9 million and US$12.9 million, respectively, to continuing operations.

The restructuring charges relating to operating leases have been recorded, net of assumed sublease income and present value factors. Substantially all of these restructuring costs have or will require the outlay of cash, although the timing of lease payments relating to leased facilities over the next five years will be unchanged by the restructuring actions. The following are descriptions of each of the separate restructuring actions taken.

2008 restructuring scheme

In December 2008, the Borland Directors approved a worldwide reduction in workforce of approximately 118 employees, or approximately fifteen percent of the Borland Group's full-time regular work force prior to the reduction. The workforce reduction actions were primarily in the United States, Canada, and Europe, and to a lesser degree in other international locations. IAS 37 *Provisions*, requires accrual for severance expenses on the date that the proposed restructuring is communicated to those employees affected. The Borland Group recorded US$0.6 million of applicable severance expenses in 2008 relating to employees who had been notified prior to 31 December 2008.

It is expected that the group will record an additional US$2.4 million in applicable severance expenses related to this action in 2009. The 2008 restructure plan did not include any consolidations or closures of facilities.

2007 restructuring scheme

In December 2007, the Borland Group announced a worldwide reduction in workforce. The worldwide reduction in force involved approximately 90 employees, or approximately eight percent of headcount prior to the reduction, and the closing of facilities in approximately six locations. The workforce reduction and facility actions were primarily in the United States and Europe, and to a lesser degree in other international locations. The movement in the accrual in 2008 includes US$1.0 million of costs charged to continuing operations, of which US$726,000 relates to employee terminations and US$240,000 relates to consolidation of the Borland Group's facilities.

In April 2007, the Borland Group announced the relocation of its corporate headquarters from Cupertino, California to Austin, Texas. The relocation involved restructuring actions with respect to personnel and the consolidation of facilities. Approximately 70 employees, or approximately six percent of full-time staff, prior to the relocation, were affected.

2006 restructuring scheme

In 2006, the Borland Group initiated a restructuring plan in connection with the acquisition of Segue and in response to economic conditions in the software industry. Restructuring initiatives are ongoing and include the restructuring of the Borland Group's operations to eliminate certain duplicative activities, to focus its resources on future growth opportunities and to reduce its cost structure. During the year ended 31 December 2008, the Borland Group accrued US$75,000 related to its restructured facilities.

8 Investments

The following table summarises the Borland Group's investments in available-for-sale securities as of 31 December 2008 and 2007:

	2008	2007
	US$'000	US$'000
Corporate debt securities	26,902	46,009
US government debt securities	32,604	20,338
Equity instruments	69	—
Asset-backed securities	—	35,684
Auction rate securities	—	4,000
	59,575	**106,031**
Classified as:		
Short term—securities with a maturity less than one year	59,575	68,061
Long term—securities with a maturity greater than one year	—	37,970
	59,575	**106,031**

The Borland Group had no investments in available-for-sale securities as of 31 December 2006. None of the Borland Group's investments are designated as being measured at fair value through profit and loss.

Realised gains in available-for-sale securities recognised in profit and loss were US$66,000 and US$64,000 for the years ended 31 December 2008 and 2007, respectively. There were no gains or losses in 2006.

The amount of gain recognised directly in equity was US$47,000, US$14,000 and US$72,000 for the years ended 31 December 2008, 2007 and 2006, respectively.

The primary objective of the Borland Group's investment activities is to preserve principal while maximising income without significantly increasing risk.

9 Taxation

	2008	2007	2006
	US$'000	US$'000	US$'000
Current tax			
Current year	165	2,309	978
Adjustments to tax in respect of previous years	—	—	—
	165	**2,309**	**978**
Deferred tax			
Current year	(173)	(1,227)	796
Adjustments to tax in respect of previous years	—	—	748
	(173)	**(1,227)**	**1,544**
Total	**(8)**	**1,082**	**2,522**

The taxation for the period differs from the amount that would arise using the US statutory corporate income tax rate applicable to profits of the consolidated companies as explained below.

	2008	2007	2006
	US$'000	US$'000	US$'000
Loss before taxation	(198,918)	(20,140)	(51,296)
Tax calculated at US statutory corporate income tax rate of 35%	(69,621)	(7,049)	(17,954)
Effects of:			
State taxes	60	(1,721)	(2,966)
Goodwill impairment and amortisation of intangible assets	72,622	4,063	4,821
Effect of different tax rates of subsidiaries operating in other jurisdictions	(155)	(5,705)	(1,569)
Non-US withholding taxes	535	78	1,139
Movements in unrecognised deferred tax	—	(2,434)	1,839
Tax effect of utilisation of tax losses not previously recognised	(1,538)	—	—
Tax effect of tax losses generated on which no deferred tax asset recognised	—	10,984	14,003
Tax effect of tax losses not previously recognised	(1,472)	—	—
Other and permanent differences	(439)	2,866	3,209
Total taxation	**(8)**	**1,082**	**2,522**

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is provided in note 17.

10 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data (in thousands, except per share data):

	2008	2007	2006
Net loss from continuing operations for the purposes of basic and diluted earnings per share	(198,910)	(21,222)	(53,818)
Net loss from discontinued operations for the purposes of basic and diluted earnings per share	(11,350)	(17,805)	—
Net loss attributable to equity holders of the parent	(210,260)	(39,027)	(53,818)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	72,805	72,875	77,096
Net loss per share attributable to equity holders of the parent:			
Continuing operations	(2.73)	(0.29)	(0.70)
Discontinued operations	(0.15)	(0.24)	—
Net loss per share—basic and diluted	**(2.88)**	**(0.53)**	**(0.70)**

The computation of diluted net loss per share for the years ended 31 December 2008, 2007 and 2006 excluded the impact of all outstanding options to purchase 11.6 million, 13.3 million and 15.6 million Borland Shares, respectively, and 129,000, 481,000 and 1.0 million non-vested restricted common stock awards, respectively, because such impacts would be antidilutive due to being out-of-the-money or due to the Borland Group's net loss in each of the years ended 31 December 2008, 2007 and 2006. In addition, the dilutive net loss per share calculation for the years ended 31 December 2008 and 2007 excludes 28.5 million and 30.0 million Borland Shares, respectively, issuable upon conversion of the 2.75% Borland Notes due 15 February 2012 due to the Borland Group's net loss in the period. See Note 16 for more information on the Borland Notes.

11 Goodwill

	US$'000
Balance as of 31 December 2005	187,337
Acquisition of Segue (Note 26)	65,528
Foreign exchange and purchase accounting adjustments	491
Balance as of 31 December 2006	253,356
Impairment of CodeGear division goodwill	(26,509)
Other adjustments*	(159)
Balance as of 31 December 2007	226,688
Impairment of goodwill in continuing operations	(184,601)
Discontinued operations—CodeGear	
Impairment of goodwill	(13,300)
Sale of CodeGear	(27,531)
Acquisition of Simunication (Note 26)	889
Other adjustments*	(2,145)
Balance as of 31 December 2008	—

* Other adjustments consist primarily of changes in balances due to fluctuations in foreign exchange rates.

A segment-level summary of the goodwill allocation is presented below:

	2008	2007	2006
Americas	—	220,311	247,112
Europe, Middle East and Africa	—	6,377	6,244
Asia Pacific	—	—	—
Total	**—**	**226,688**	**253,356**

Details of the acquisitions made are shown in Note 26.

Goodwill is allocated to the Borland Group's cash generating units ("CGUs"). For each CGU the Borland Group has determined its recoverable amount. The recoverable amount is determined based on 'fair value less costs to sell' calculations. For the years ended 31 December 2008, 2007 and 2006, the Borland Group recorded impairment charges of US$197.9 million, US$26.5 million and US$nil. The Borland Group also disposed of US$27.5 million of goodwill on the sale of the CodeGear division.

The Borland Group performs its annual goodwill testing in the third quarter of each year, in the absence of any other triggering events during other quarters. Prior to, and as a result of the impending, sale of the CodeGear division on 30 June 2008, the Borland Group performed goodwill impairment testing on Enterprise and CodeGear. Goodwill in the Enterprise division related predominantly to the US, such that future impairments were considered at the business unit level.

As a result of the anticipated sale of the CodeGear division, the Borland Group recorded an impairment charge of US$13.3 million in the period to 30 June 2008. As a result of the sale, the remaining goodwill of US$27.5 million was disposed of on 30 June 2008. See additional discussion related to the sale of the CodeGear division in Note 6.

With respect to the Enterprise CGU, the Borland Group did not perform goodwill impairment testing prior to annual impairment testing in the third quarter of 2008. Although the Borland Group's stock price declined during this timeframe, the Borland Group viewed this to be primarily indicative of broader macroeconomic conditions and believed the decline to be short-term in nature. Additionally, the Borland Group considered positive business factors, including (i) the negotiation of the sale of the CodeGear division in support of its strategic focus (sale closed on 30 June 2008); (ii) the planned release of the Borland Group's Borland Management Solutions products; (iii) positive performance through the first half of 2008 under the Borland Group's internal operating plan; and (iv) the realisation of the benefits of various cost cutting measures. In evaluating all of these factors in the aggregate, management concluded that prior to annual impairment testing in the third quarter, there was not a change in events or circumstances that would more likely than not reduce the fair value of the Enterprise CGU below its recoverable amount.

In the third quarter of 2008, the Borland Group performed its annual goodwill impairment test on its remaining single CGU. The key assumptions utilised in the determination of value in use included the following:

- A forecast of operating results for 2009 through 2014 including projected revenues by product and revenue line, as well as operating expenses, expected margins and income taxes, were utilised in the analysis. Given the continued economic decline and the uncertainties in the global economy and in the Borland Group's market, forecasts assumed no significant revenue growth.
- Forecasts of working capital and capital expenditure requirements to support the revenue forecasts were utilised in the analysis. These assumptions were based upon the CGU's historical requirements and consideration of guideline company requirements within the industry. The Borland Group's forecasts assumed that it would make some investment to support innovation but also stayed consistent with its cost cutting efforts.
- The cash flows utilised in the discounted cash flow analysis were estimated into perpetuity based on a terminal year growth rate of 4%. A discount rate of 25% was used in the discounted cash flow analysis. The elements considered in developing the terminal year growth rate for the reporting unit were the long-term inflation forecast and long-term real growth potential for the Borland Group's business.
- The price of Borland Shares and overall market capitalisation was also considered in the fair value analysis. The Borland Group also factored in a control premium and the estimated fair value of the outstanding Borland Notes.

Based on the value in use determined as a result of the impairment test, the carrying value exceeded the fair value of the CGU and the Borland Group recorded an impairment charge of US$106.9 million in the third quarter.

In the fourth quarter of 2008, the Borland Group missed its revenue forecasts, continued to operate at a loss and its projections for future growth continued to decline due to (i) the uncertainty in the economy, (ii) the risks inherent in its evolving ALM market, and (iii) the executive management turnover. In addition, the Borland Group's share price and market capitalisation continued to decline. As a result, the Borland Group concluded that a change in circumstance occurred, which warranted an interim goodwill impairment test. Accordingly, the Borland Group tested goodwill for impairment again in the fourth quarter and, as a result, wrote off its remaining goodwill balance of US$77.7 million. The total goodwill impairment charged to continuing operations during the year ended 31 December 2008 was US$184.6 million. The key assumptions used in the determination of the value in use as of 31 December 2008 were the same as the assumption used to determine value in use when the Borland Group performed the annual impairment test during the 3rd quarter of 2008.

12 Other intangible assets

The following tables summarise the Borland Group's intangible assets:

	Maintenance agreements	Acquired developed technology	Trade names	Customer relationships	Non-compete agreements	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost						
At 1 January 2008	11,300	46,330	1,100	9,075	400	68,205
Exchange adjustments	—	(331)	—	—	(5)	(336)
Additions	—	1,861	—	—	26	1,887
At 31 December 2008	**11,300**	**47,860**	**1,100**	**9,075**	**421**	**69,756**
Aggregate amortisation and impairment						
At 1 January 2008	2,735	30,187	499	2,726	400	36,547
Exchange adjustments	—	—	—	—	(2)	(2)
Charge for the year	1,480	5,450	275	1,477	9	8,691
At 31 December 2008	**4,215**	**35,637**	**774**	**4,203**	**407**	**45,236**
Net book amount at 31 December 2008	**7,085**	**12,223**	**326**	**4,872**	**14**	**24,520**

	Maintenance agreements	Acquired developed technology	Trade names	Customer relationships	Non-compete agreements	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost						
At 1 January 2007	11,300	46,330	1,100	9,075	400	68,205
Additions	—	—	—	—	—	—
At 31 December 2007	**11,300**	**46,330**	**1,100**	**9,075**	**400**	**68,205**
Aggregate amortisation and impairment						
At 1 January 2007	1,121	24,701	215	1,376	271	27,684
Charge for the year	1,614	5,486	284	1,350	129	8,863
At 31 December 2007	**2,735**	**30,187**	**499**	**2,726**	**400**	**36,547**
Net book amount at 31 December 2007	**8,565**	**16,143**	**601**	**6,349**	**0**	**31,658**

	Maintenance agreements	Acquired developed technology	Trade names	Customer relationships	Other*	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost						
At 1 January 2006	—	33,120	8,400	1,521	5,199	48,240
Additions	11,300	23,400	1,000	7,554	5,100	48,354
Impairments	—	—	—	—	(4,800)	(4,800)
Disposals	—	(10,190)	(8,300)		(5,099)	(23,589)
At 31 December 2006	**11,300**	**46,330**	**1,100**	**9,075**	**400**	**68,205**
Aggregate amortisation and impairment						
At 1 January 2006	—	30,566	8,215	446	5,113	44,340
Charge for the year	1,121	3,678	50	930	1,800	7,579
Impairment	—	—	—	—	(4,800)	(4,800)
Disposals	—	(9,543)	(8,050)	—	(1,842)	(19,435)
At 31 December 2006	**1,121**	**24,701**	**215**	**1,376**	**271**	**27,684**
Net book amount at 31 December 2006	**10,179**	**21,629**	**885**	**7,699**	**129**	**40,521**

* Other in the table above reflects non-compete agreements and IPR&D.

The Borland Group tested its other intangible assets for impairment during 2008 and determined that no impairment existed. Intangible assets are amortised on a straight line basis which approximates their estimated useful lives. Fair market value is determined using the anticipated cash flows discounted at a rate commensurate with the risk involved. Most of the Borland Group's intangible assets are from its acquisition of Segue in 2006 and a significant amount of the value has been amortised. Consequently, although the Borland Group's market capitalisation and revenue declined in 2008, the carrying value of these assets was not determined to be impaired.

The impairment in 2006 of US$4.8 million relates to IPR&D acquired with Segue which had not yet reached technological feasibility and had no alternate future use, and was hence written-off.

13 Property and equipment

	Leasehold improvements	Land & Buildings	Computer equipment	Fixtures and fittings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2006	11,892	14,205	33,142	7,703	66,942
Exchange adjustments	(115)	—	(928)	(222)	(1,265)
Additions	3,247	—	2,819	121	6,187
Disposals	(2,451)	(14,205)	(966)	(465)	(18,087)
At 31 December 2006	**12,573**	**—**	**34,067**	**7,137**	**53,777**
Depreciation					
At 1 January 2006	7,753	4,594	29,588	4,670	46,605
Exchange adjustments	(77)	—	(896)	(201)	(1,174)
Charge for the year	1,092	254	3,407	1,147	5,900
Disposals	(2,451)	(4,848)	(966)	(465)	(8,730)
At 31 December 2006	6,317	—	31,133	5,151	42,601
Net book amount at 31 December 2006	**6,256**	**—**	**2,934**	**1,986**	**11,176**
Net book amount at 1 January 2006	4,139	9,611	3,554	3,033	20,337

	Leasehold improvements	Land & Buildings	Computer equipment	Fixtures and fittings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2007	12,573	—	34,067	7,137	53,777
Exchange adjustments	(150)	—	(330)	(61)	(541)
Additions	785	—	3,481	1,229	5,495
Disposals	(4,118)	—	(9,846)	(291)	(14,255)
At 31 December 2007	**9,090**	**—**	**27,372**	**8,014**	**44,476**
Depreciation					
At 1 January 2007	6,317	—	31,133	5,151	42,601
Exchange adjustments	(107)	—	(315)	(45)	(467)
Charge for the year	2,311	—	1,790	1,766	5,867
Disposals	(3,406)	—	(9,826)	(271)	(13,503)
At 31 December 2007	**5,115**	**—**	**22,782**	**6,601**	**34,498**
Net book amount at 31 December 2007	**3,975**	**—**	**4,590**	**1,413**	**9,978**
Net book amount at 1 January 2007	6,257	—	2,934	1,986	11,176

	Leasehold improvements	Land & Buildings	Computer equipment	Fixtures and fittings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2008	**9,090**	**—**	**27,372**	**8,014**	**44,476**
Exchange adjustments	(344)	—	(689)	(938)	(1,971)
Additions	894	—	2,691	788	4,373
Disposals	(1,039)	—	(5,169)	(1,513)	(7,721)
At 31 December 2008	**8,601**	**—**	**24,205**	**6,351**	**39,157**
Depreciation					
At 1 January 2008	5,115	—	22,782	6,601	34,498
Exchange adjustments	(219)	—	(509)	(549)	(1,277)
Charge for the year	1,123	—	2,548	552	4,223
Disposals	(1,039)	—	(4,229)	(1,513)	(6,781)
At 31 December 2008	**4,980**	**—**	**20,592**	**5,091**	**30,663**
Net book amount at 31 December 2008	**3,621**	**—**	**3,613**	**1,260**	**8,494**
Net book amount at 1 January 2008	3,975	—	4,590	1,413	9,978

14 Trade receivables and other assets

	2008	2007	2006
	US$'000	US$'000	US$'000
Trade receivables	34,333	60,736	67,567
Less: provision for impairment of trade receivables	(1,174)	(4,318)	(3,214)
Less: allowance for rebates and returns	—	(1,778)	(2,199)
Trade receivables, net	33,159	54,640	62,154
Prepayments and other	10,183	14,311	14,670
Total	**43,342**	**68,951**	**76,824**

Concentrations of credit risk with respect to trade receivables are limited due to the Borland Group's customer base being large and unrelated. In determining the recoverability of a trade receivable, the Borland Group considers the ageing of each debtor and any change in the circumstances of the individual debtor. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for doubtful receivables. At 31 December 2008, the carrying amount approximates the fair value of the instrument due to the short-term nature of the instrument.

The Borland Group performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. No single customer represented greater than 10% of total accounts receivable, net of allowances, as of December 31, 2008, 2007, 2006.

At 31 December 2008, trade receivables of US$7.3 million (2007: US$16.6 million, 2006: US$18.1 million) were past due but not impaired. These relate to a large number of independent companies for whom there is no recent history of default. The amounts are regarded as recoverable. The average age of these receivables was 35 days in excess of due date (2007: 95 days, 2006: 103 days).

As at 31 December 2008, trade receivables of US$1.2 million (2007: US$3.7 million, 2006: US$2.7) were either partially or fully impaired. The amount of the provision was US$1.2 million (2007: US$4.3 million, including a general provision of $0.4 million 2006: US$3.2 million including a general provision of $0.6 million). The ageing of these receivables is as follows:

	2008	2007	2006
	US$'000	US$'000	US$'000
91-180 days	322	1,031	768
181-360 days	258	1,393	1,037
360+ days	603	1,312	977
Total	**1,183**	**3,736**	**2,782**

15 Trade and other payables

	2008	2007	2006
	US$'000	US$'000	US$'000
Trade payables	5,045	7,622	15,591
Accrued expenses	13,956	30,900	36,438
Business taxes, net	2,370	2,046	4,197
Deferred income	40,720	51,449	58,930
Other	2,667	4,335	2,462
Total	**64,758**	**96,352**	**117,618**

At the balance sheet dates, the carrying value of trade and other payables approximates to the fair value due to their short-term nature.

16 Financial liabilities—borrowings

General

In February 2007, the Borland Group issued 2.75% Borland Notes due 15 February 2012, for an aggregate principal amount of US$200 million in a private offering. The Borland Notes bear interest at 2.75% per annum. Interest is payable semi-annually in arrears on 15 February and 15 August, of each year, beginning 15 August 2007. The Borland Group received proceeds of approximately US$194.2 million after the deduction the initial purchaser's fees and expenses in the aggregate amount of approximately US$5.8 million. Fees incurred relating to the offering are being amortised to interest expense over the term of the Borland Notes. The Borland Group used approximately US$30 million of the net proceeds from the sale of the Borland Notes to repurchase approximately 5.9 million Borland Shares.

During 2008, following authorisation by the Borland Directors, the Borland Group redeemed outstanding Borland Notes with a nominal value of US$40.7 million and a carrying value of US$28.8 million (net of related issue costs of US$0.8 million), for a consideration of US$29.8 million. The redeemed Borland Notes were retired and are no longer outstanding. The Borland Group recognised a US$3.7 million gain. Related accrued interest of US$0.2 million was paid at the same date.

Conversion Process and Other Terms of the Borland Notes

On or after 11 November 2011, Borland Noteholders will have the right to convert their Borland Notes. Upon conversion, the Borland Group will deliver a number of Borland Shares equal to the conversion rate for each US$1,000 of principal amount of Borland Notes converted, unless prior to the date of such conversion the Borland Group has obtained stockholder approval to settle conversions of the Borland Notes in cash and Borland Shares. If such approval is obtained, any Borland Notes converted after such approval will be convertible into (i) cash equal to the lesser of the aggregate principal amount of the Borland Notes to be converted and the total conversion value and (ii) Borland Shares for the remainder, if any, of the total conversion value. In addition, following specified corporate transactions, the Borland Group will increase the conversion rate for Borland Noteholders who elect to convert Borland Notes in connection with such corporate transactions, provided that in no event may the Borland Shares issued upon conversion, as a result of adjustment or otherwise, result in the issuance of more than approximately 31.2 million Borland Shares based on the current outstanding principal amount of the Borland Notes of US$159.3 million.

The carrying value and fair values of the liability component of Borland Notes held at 31 December 2008 and 2007 are as follows:

	Carrying Value	Fair Value
	US$'000	US$'000
2008	$116,720	$ 80,048
2007	$132,888	$105,727

The carrying values above are net of debt issuance costs of US$3.3 million in 2008 and US$5.0 million in 2007.

Borland Noteholders may convert their Borland Notes prior to maturity if: (1) the price of the Borland Shares reaches US$8.29 during periods of time specified in the Borland Notes, (2) specified corporate transactions occur or (3) the trading price of the Borland Notes falls below a certain threshold. Details of the maturity profile of the Borland Notes is disclosed in Part d of Note 3, *Financial Risk Factors*, within the Summary of Significant Account Policies section.

Each US$1,000 of principal of the Borland Notes will initially be convertible into 156.8627 Borland Shares, which is the equivalent of US$6.38 per Borland Share. Based on the Borland Notes outstanding as of 31 December 2008 conversion would result in the issuance of an aggregate of approximately 25.0 million Borland Shares. The number of Borland Shares issuable upon conversion is subject to adjustment under the following circumstances: (1) during any fiscal quarter beginning after March 31, 2007, if the last reported sale price of Borland Shares for at least 20 trading days during the 30 consecutive trading days ending on the last trading day of the immediate preceding fiscal quarter is greater or equal to 130% of the applicable conversion price on the last day of such preceding fiscal quarter; (2) during the five business day period after any ten consecutive trading day period in which the trading price per Borland Note for each day of that ten consecutive trading day period was less than 98% of the product of the last reported sale price of Borland Shares and the conversion rate for such day; and (3) upon the occurrence of specified corporate transactions.

The embedded conversion option has been evaluated in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* and concluded that the embedded conversion option contained within the Borland Notes should be accounted for separately because the conversion option allows the Borland Noteholder to convert the outstanding amount into a variable number of equity shares and therefore the conversion element of Borland Notes does not meet the criteria of equity.

The interest charged for the year is calculated by applying an effective interest rate of 12.3% to the liability component for the period from the date of issuance of the Borland Notes to the balance sheet date.

The carrying and fair value of the options embedded in Borland Notes held at 31 December 2008 and 2007 are as follows:

	2008	2007
	US$'000	US$'000
2012 Borland Notes—conversion option	13,342	40,085

The key inputs used in the valuation of the embedded derivatives in convertible debt instruments both for 2008 and 2007 were determined in the following manner:

- The underlying Borland Share price was the last traded price on the valuation day.
- Risk free rates have been estimated based on LIBOR and swap rates for the life of the instrument, in the country where the shares are traded.
- The volatility of the Borland Share price measures the uncertainty about the returns provided by the shares and is the implied volatility for a plain vanilla option at the money with start date the valuation date and exercise date the expiration date of the instrument or of the closest one traded.
- The valuation model is a variant of the binomial model with adjustments to the pay-off functions to account for the specifics of the conversion feature.
- The value of the embedded derivative is the value of the whole convertible less the present value of the coupons, discounted at the Borland Group's cost of debt.
- No dividends expected from the Borland Shares during the life of the bond

The Borland Group did not have any finance lease liabilities at 31 December 2008.

17 Deferred tax

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the offsetting of deferred tax balances for financial reporting purposes:

	2008	2007	2006
	US$'000	US$'000	US$'000
Gross deferred tax asset	26,892	31,653	25,546
Offset against deferred tax liability	(25,830)	(30,236)	(25,546)
Deferred tax asset on balance sheet	**1,062**	**1,417**	**—**
Gross deferred tax liability	(26,456)	(31,031)	(26,151)
Offset against deferred tax asset	25,830	30,236	25,546
Deferred tax liability on balance sheet	**(626)**	**(795)**	**(605)**
Net deferred tax asset/(liability)	**436**	**622**	**(605)**

Movements to the net deferred tax balances were as follows:

	2008	2007	2006
	US$'000	US$'000	US$'000
Net deferred tax asset/(liability)			
Beginning of the year	622	(605)	906
(Charged)/credited to income statement	173	1,227	(1,544)
Credited to equity	—	—	33
Acquisition of subsidiary	(359)	—	—
End of the year	**436**	**622**	**(605)**

	Tax losses	Other temporary differences	Total
	US$'000	US$'000	US$'000
Deferred tax assets			
At 1 January 2008	15,963	15,690	31,653
Credited/(charged) to income statement	19	(4,780)	(4,761)
At 31 December 2008	**15,982**	**10,910**	**26,892**

	Tax losses	Other temporary differences	Total
	US$'000	US$'000	US$'000
Deferred tax assets			
At 1 January 2007	5,844	19,702	25,546
Credited/(charged) to income statement	10,119	(4,012)	6,107
At 31 December 2007	**15,963**	**15,690**	**31,653**

	Tax losses	Other temporary differences	Total
	US$'000	US$'000	US$'000
Deferred tax assets			
At 1 January 2006	—	3,386	3,386
Credited to income statement	5,844	16,316	22,160
At 31 December 2006	**5,844**	**19,702**	**25,546**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the utilisation of future taxable profits is probable.

Gross deferred tax liabilities (before offset) recognised on the balance sheet are as follows:

	Other temporary differences	Total
	US$'000	US$'000
Deferred tax liabilities		
At 1 January 2008	31,031	31,031
Credited to income statement	(4,934)	(4,934)
Acquisition of subsidiary	359	359
At 31 December 2008	**26,456**	**26,456**

	Other temporary differences	Total
	US$'000	US$'000
Deferred tax liabilities		
At 1 January 2007	26,151	26,151
Charged to income statement	4,880	4,880
At 31 December 2007	**31,031**	**31,031**

	Other temporary differences	Total
	US$'000	US$'000
Deferred tax liabilities		
At 1 January 2006	2,480	2,480
Charged to income statement	23,704	23,704
Credited to equity	(33)	(33)
At 31 December 2006	**26,151**	**26,151**

At the balance sheet date, the group has US federal and state tax losses carried forward of US$371.3 million and US$38.2 million respectively (2007: US$393.0 million and US$40.9 million) available for offset against future profits. These losses will expire between 2009 and 2027. The Borland Group also has approximately US$13.9 million of losses carried forward in various overseas jurisdictions.

A deferred tax asset of US$16.0 million (2007: US$16.0 million) has been recognised in respect of these losses. No deferred tax asset has been recognised in respect of the remainder of the losses, due to the unpredictability of future profit streams.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was US$20.4 million (2007: US$19.0 million). No liability has been recognised in respect of these differences because the Borland Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Deferred tax assets expected to reverse within 12 months of the balance sheet date are US$5.6 million (2007: US$4.8 million; 2006: US$nil).

Deferred tax liabilities expected to reverse within 12 months of the balance sheet date are as US$6.3 million (2007: US$4.6 million; 2006: US$nil).

18 Called up share capital

	2008	2007	2006
	US$'000	US$'000	US$'000
Authorised			
1,000,000 preference shares of $0.01 each	10	10	10
200,000,000 ordinary shares of $0.01 each	2,000	2,000	2,000
Total authorised share capital	**2,010**	**2,010**	**2,010**

	2008		2007		2006	
	Number	$'000	Number	$'000	Number	$'000
Issued and fully paid						
Ordinary shares of $0.10 each	73,015,772	730	72,975,972	730	78,704,764	787
Total share capital allotted, called up and fully paid	**73,015,772**	**730**	**72,975,972**	**730**	**78,704,764**	**787**

Potential issues of Borland Shares

Certain employees hold options to subscribe for shares in the Borland Group at prices ranging from US$1.05-US$714.22 under the 2003 Supplemental Stock Option Plan and 2002 Stock Incentive Plan. At 31 December 2008, the number of Borland Shares available for future grant under these stock option plans was 5,213,059 (2007: 5,695,409; 2006: 5,748,860).

Additionally, eligible employees are able to subscribe for Borland Shares under the Employee Stock Purchase Plan ("ESPP"), originally approved by Borland Shareholders in 1999, at a cost of 85% of the lower of the fair value of Borland Shares on the purchase date as reported by the NASDAQ at the beginning of the offering period or the fair value on the purchase date. The number of authorised Borland Shares for issue under the ESPP at 31 December 2008 was 6,500,000, of which 4,386,882 had been issued as at this date (2007: 3,926,418; 2006: 3,690,363).

Further information on the stock option plans and ESPP is disclosed in Note 21.

Each Borland Shareholder is entitled to one vote for each Borland Share held at all meetings of Borland Shareholders and will be entitled to any dividends declared by the Borland Directors.

19 Share premium account

	2008	2007	2006
	US$'000	US$'000	US$'000
Beginning of year	650,189	649,244	652,407
Opening balance sheet adjustment for reclassification of unearned stock based compensation upon initial application of IFRS 2	—	—	(7,191)
Issuance under employee stock plans	534	1,805	4,863
Repurchases and retirements of restricted stock	(58)	(819)	(835)
Foreign currency translation adjustments	—	(41)	—
End of the year	**650,665**	**650,189**	**649,244**

20 Cash generated from operations

	2008	2007	2006
	US$'000	US$'000	US$'000
Net loss	(210,260)	(39,027)	(53,818)
Adjustments for:			
Net interest	(8,856)	(24,217)	(2,794)
Taxation	(8)	1,082	2,522
Write-off of acquired IPR&D	—	—	4,800
Developed technology impairment charge	—	—	497
Gain on debt repurchase, net	(3,737)	—	—
Depreciation and amortization (note 12 and 13)	12,914	14,730	13,479
Loss on closure of subsidiaries	366	226	—
Loss on sale of CodeGear division	651	—	—
Provision for (recovery of) trade receivables	(3,103)	1,570	(2,952)
Loss/(gain) on disposal of property and equipment	423	751	(1,658)
Impairment of goodwill (note 11)	197,901	26,509	—
Share-based compensation	5,087	7,858	12,553
Changes in working capital:			
Trade and other receivables	27,665	5,807	6,839
Payables and other non-current liabilities	(29,870)	(15,647)	(5,602)
Cash generated from continuing operations	**(10,827)**	**(20,358)**	**(26,134)**

21 Employees and directors

	2008	2007	2006
	US$'000	US$'000	US$'000
Staff costs			
Wages and salaries	92,973	104,226	146,135
Social security costs	15,719	19,431	18,831
401K costs (note 23)	1,006	1,212	1,500
Share-based compensation	5,087	7,858	12,553
Other post-retirement benefits	625	801	1,280
Total	**115,410**	**133,528**	**180,299**

	2008	2007	2006
Average monthly number of people (including executive Borland Directors) employed by business group:			
Research and development	346	353	387
Selling, general and administration	642	769	832
Total	**988**	**1,122**	**1,219**

Details of Borland Directors' emoluments

The aggregate remuneration paid to Borland Directors during the year ended 31 December 2008 was as follows:

	Base salary and fees	Bonus	Stock Awards	Gains on exercise of share options	All Other Compensation(1)	Total 2008
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive Directors						
Tod Nielsen	600	300	59	—	68	1,027
Erik E. Prusch	425	106	242	—	90	863
Pete Morowski (resigned January 2009)	320	80	147	—	40	587
Gregory J. Wrenn (resigned February 2009)	280	70	115	—	49	514
David Packer (resigned August 2008)	340	150	—	—	33	523
Richard Novak (appointed July 2008)	136	—	—	—	10	146
Total	**2,101**	**706**	**563**	**—**	**290**	**3,660**
Non-Executive Directors						
John F. Olsen	56	—	—	—	—	56
William K. Hooper	71	—	—	—	—	71
Charles Kane	64	—	—	—	—	64
T. Michael Nevens	67	—	—	—	—	67
Bryan LeBlanc	55	—	—	—	—	55
Robert M. Tarkoff	43	—	—	—	—	43
Total	**356**	**—**	**—**	**—**	**—**	**356**

The aggregate remuneration paid to Borland Directors during the year ended 31 December 2007 was as follows:

	Base salary and fees	Bonus	Stock Awards	Gains on exercise of share options	All Other Compensation(1)	Total 2007
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive Directors						
Tod Nielsen	600	307	226	—	126	1,259
Erik E. Prusch	425	215	265	—	161	1,066
Pete Morowski	320	84	235	—	23	662
Gregory J. Wrenn	280	74	138	—	32	524
David Packer (appointed January 2007)	300	158	106	—	24	588
Total	**1,925**	**838**	**970**	**—**	**366**	**4,099**
Non-Executive Directors						
John F. Olsen	49	—	—	—	—	49
William K. Hooper	76	—	—	—	—	76
Charles Kane (appointed August 2007)	24	—	—	—	—	24
Mark Garrett (resigned August 2007)	49	—	—	—	—	49
T. Michael Nevens	69	—	—	—	—	69
Bryan LeBlanc (appointed June 2007)	33	—	—	—	—	33
Robert M. Tarkoff (appointed January 2007)	46	—	—	—	—	46
Total	**346**	**—**	**—**	**—**	**—**	**346**

The aggregate remuneration paid to Borland Directors during the year ended 31 December 2006 was as follows:

	Base salary and fees	Bonus	Stock Awards	Gains on exercise of share options	All Other Compensation[1]	Total 2006
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive Directors						
Tod Nielsen	600	810	1,204	—	312	2,926
Erik E. Prusch (appointed November 2006)	44	100	23	—	35	202
Pete Morowski (appointed August 2006)	123	216	88	—	8	435
Gregory J. Wrenn (appointed October 2006)	59	35	23	—	5	122
Matthew Thompson (resigned January 2007)	300	—	312	—	216	828
Michael Sullivan (resigned September 2006)	136	300	—	—	352	788
Timothy J. Stevens (resigned June 2006)	120	—	85	—	341	546
Kenneth R. Hahn (resigned July 2006)	203	—	58	11	14	286
Total	**1,585**	**1,461**	**1,793**	**11**	**1,283**	**6,133**
Non-Executive Directors						
John F. Olsen	66	—	—	—	—	66
William K. Hooper	77	—	—	—	—	77
Charles J. Robel (resigned January 2007)	76	—	—	—	—	76
Mark Garrett	66	—	—	—	—	66
T. Michael Nevens	69	—	—	—	—	69
Dale Fuller (resigned June 2006)	21	—	—	342	—	363
Total	**375**	**—**	**—**	**342**	**—**	**717**

(1) All other compensation includes life and health insurance premiums, allowances for relocation, cars and housing, and payments made by Borland Group into the 401(k) retirement plan (see note 22).

The fair value of stock option expense recognised in respect of Borland directors was as follows:

31 December 2008	31 December 2007	31 December 2006
US$'000	US$'000	US$'000
1,265	3,421	3,893

Share-based payments

The Borland Group has various equity-settled share-based compensation plans details of which are provided below.

General

The Borland Group's employee stock incentive plans are long-term retention plans that are intended to attract, retain and provide incentives for talented employees, including officers and non-employee Borland Directors, and to align stockholder and employee interests. The Borland Directors believe the Borland Group's employee stock incentive plans are critical to its operations and productivity. The employee stock incentive plans allow the Borland Group to grant, on a discretionary basis, both incentive stock options and non-qualified stock options, as well as restricted stock and stock bonuses.

Stock Incentive Plans

As of December 31, 2008, the Borland Group has various stock-based compensation plans. Currently, stock options are granted to employees, including executive officers from the 2003 Supplemental Stock Option Plan, and the 2002 Stock Incentive Plan. Standard options vest over a four-year period, with 25% vesting after one year from the date of grant and 75% vesting monthly over the following three years. For most grantees, options expire at the earlier of either three months after termination of the grantee's employment or ten years after the date of grant.

Under the 2002 Stock Incentive Plan, options are automatically granted to non-employee Borland Directors on a non-discretionary basis. Upon first joining the Board of Borland Directors, each non-employee Borland Director is granted options to acquire 30,000 Borland Shares. Such Borland Shares vest one-third one year from the date of grant and 1/24th per month over the ensuing two years. Effective 1 July 2001, and on 1 July of each year thereafter, each non-employee Borland Director (excluding the chairman of the Board of Borland Directors) receives an annual stock option to purchase 12,500 Borland Shares. The chairman of the Board of Borland Directors receives an annual stock option grant to purchase 17,500 Borland Shares. In addition, each non-employee Borland Director that serves as a member on a committee of the Board of Borland Directors receives an additional annual stock option to purchase 1,000 Borland Shares for each committee on which they serve as a member. In addition to the options for service on the committee, a non-employee director that serves as the chairman of a committee of the Board of Borland Directors receives an additional stock option to purchase 1,000 Borland Shares for each such chairman position held per year. These stock options vest over a three-year vesting schedule with one-third of the options vesting one year from the date of the grant and the remaining two-thirds of the options vesting over the remaining two years on a monthly basis. In the event of a change of control of the Borland Group, the options would become 100% vested.

At 31 December 2008, 5,213,059 Borland Shares were available for future grant under the various stock option plans. All options granted under the plans for the years ended December 31, 2008, 2007 and 2006 were priced at the fair market value on the date of grant, based on the closing price of common stock as reported on NASDAQ on the date of grant, or if the date of grant is not a trading day, the trading day immediately prior to the date of grant.

Stock Option Activities

The following table presents a reconciliation of stock options outstanding and the related weighted average exercise price (shares in thousands):

	2008		2007		2006	
	Number of Borland Share options	Weighted average exercise price	Number of Borland Share options	Weighted average exercise price	Number of Borland Share options	Weighted average exercise price
Beginning of period	12,610	US$7.38	14,840	US$8.04	16,030	US$9.23
Granted	2,588	1.47	2,861	5.69	4,290	5.44
Exercised	—	—	(217)	5.35	(389)	4.59
Lapsed	(5,070)	7.55	(4,874)	8.49	(5,091)	9.87
End of period	**10,128**	**5.78**	**12,610**	**7.38**	**14,840**	**8.04**
Exercisable	**5,294**	**7.83**	**7,231**	**8.64**	**9,283**	**9.47**

The weighted average Borland Share price of options exercised for 2007 and 2006 was US$5.35 and US$4.59, respectively. No Borland Share options were exercised during 2008.

The following tables summarise information about the stock options outstanding at 31 December 2008, 2007 and 2006 (options outstanding are in thousands):

	2008		
Range of exercise prices	Number of Borland Share options	Weighted average exercise price	Weighted average remaining contractual life
US$1.05-US$1.42	2,057	US$ 1.41	9.42
US$1.50-US$5.29	2,273	4.50	8.03
US$5.31-US$5.96	2,772	5.82	7.88
US$5.98-US$8.11	2,270	6.66	6.56
US$8.20-US$714.22	756	18.72	4.08
	10,128	**US$ 5.78**	**7.65**

	2007		
Range of exercise prices	Number of Borland Share options	Weighted average exercise price	Weighted average remaining contractual life
US$3.05-US$5.44	2,763	US$ 5.11	8.42
US$5.45-US$5.84	2,600	5.60	4.61
US$5.85-US$6.42	3,954	6.14	8.62
US$6.50-US$13.17	2,608	9.26	3.91
US$13.30-US$714.22	685	23.17	2.72
	12,610	**US$ 7.38**	**6.46**

	2006		
Range of exercise prices	Number of Borland Share options	Weighted average exercise price	Weighted average remaining contractual life
US$3.50-US$5.44	3,200	US$ 5.21	9.25
US$5.45-US$5.84	3,269	5.64	6.78
US$5.85-US$7.45	3,104	6.43	8.39
US$7.49-US$10.15	3,008	8.88	7.29
US$10.18-US$714.22	2,259	16.61	5.07
	14,840	**US$ 8.04**	**7.49**

The weighted-average fair value of the stock options granted under the employee stock incentive plans during the years ended 31 December 2008, 2007 and 2006 was US$0.73, US$2.45 and US$2.56, respectively.

Restricted Stock

The Borland Group has granted restricted shares to key employees, including officers, under the 2003 Supplemental Stock Option Plan and the 2002 Stock Incentive Plan. These plans provide for the granting of restricted stock and/or performance awards to officers and key employees. Restricted shares issued under these plans are considered outstanding at the time of grant, as the stockholders are entitled to voting rights.

During the years ended 31 December 2008 and 2007, the Borland Group did not grant any shares of restricted stock to its employees or officers. During the year ended 31 December 2006, the Borland Group granted 362,500 shares of restricted stock to certain employees and officers with a cash purchase price of US$0.01 per share and a vesting term of up to five years. The restricted stock granted to an employee or officer is forfeited if their employment terminates prior to vesting. During the years ended 31 December 2008, 2007 and 2006 the Borland Group recognised US$0.3 million, US$1.3 million and US$4.2 million, respectively, of compensation expense related to its restricted stock grants. At 31 December 2008, 62,613 restricted shares remained outstanding and the unamortised compensation balance related to these shares was US$49,000.

A summary of the status for unvested stock awards as of 31 December 2008, 2007 and 2006, and activities during those years, is presented as follows (in thousands, except per share data):

	Unvested Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at 1 January 2008	255	US$6.14
Granted	—	—
Vested	(182)	5.87
Forfeited	(10)	9.08
Balance at 31 December 2008	**63**	**US$6.43**

	Unvested Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at 1 January 2007	850	US$5.95
Granted	—	—
Vested	(465)	5.91
Forfeited	(130)	5.73
Balance at 31 December 2007	**255**	**US$6.14**

	Unvested Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at 1 January 2006	1,310	US$6.42
Granted	363	5.55
Vested	(433)	6.10
Forfeited	(390)	7.00
Balance at 31 December 2006	**850**	**US$5.94**

The weighted average fair value of restricted stock granted during the year ended 31 December 2006 was US$5.55. No restricted stock was granted during the years ended 31 December 2008 and 2007. The fair value of restricted stock vested during the years ended 31 December 2008, 2007 and 2006 was US$0.3 million, US$2.2 million and US$2.5 million, respectively.

Employee Stock Purchase Plan

The Borland Group's Employee Stock Purchase Plan, or ESPP, allows eligible employees, and eligible employees of its subsidiaries, to purchase Borland Shares through payroll deductions. Purchases are limited to a maximum of 10% of the employee's eligible compensation, subject to a total annual employee purchase limit of US$25,000 worth of Borland Shares. In addition, the maximum number of Borland Shares a participant may purchase in an offering period is 1,250 Borland Shares. The ESPP Borland Shares may be purchased by participants at 85% of the lower of the fair value of the common stock on the purchase date as reported by NASDAQ at the beginning of the offering period or the fair value on the purchase date.

There are two offering periods which last six months each and generally begin on or about 1 December each year and on or about 1 June each year. Each offering period may be adjusted or suspended under the ESPP by the Borland Directors. Each offering period comprises a single purchase period.

In June 2003, the Borland Group's stockholders approved an amendment to the 1999 Employee Stock Purchase Plan to increase the Borland Shares authorised for issuance by 900,000 Borland Shares. In May 2005, the Borland Group's stockholders approved an amendment to the 1999 Employee Stock Purchase Plan to increase the Borland Shares authorised for issuance by an additional 900,000, bringing the total authorised to 4,000,000. In May 2007, the Borland Group's stockholders approved an amendment to the 1999 Employee Stock Purchase Plan to increase the Borland Shares authorised for issuance by an additional 2,500,000, bringing the total authorised to 6,500,000.

Of the 6,500,000 Borland Shares that have been reserved for issuance under the plan, 4,386,882 Borland Shares were issued through 31 December 2008. Sales to employees under the plan during the years ended 31 December 2008, 2007 and 2006 were 460,464, 236,055 and 686,188 Borland Shares at an average price of US$1.16, US$2.75 and US$4.50 per share, respectively.

The weighted-average fair value of those purchase rights granted during the years ended 31 December 2008, 2007 and 2006 was US$0.43, US$1.40 and US$1.76, respectively.

Stock-Based Compensation Expense

During the years ended 31 December 2008, 2007 and 2006, the Borland Group recorded total stock based compensation expense of US$5.0 million, US$7.6 million and US$12.6 million, respectively. No stock-based compensation costs were capitalised as part of the cost of an asset as of 31 December 2008, 2007 and 2006. As of 31 December 2008, 2007 and 2006, total unrecognised stock-based compensation costs related to stock options, employee stock purchase plan and restricted stock amounted to US$7.8 million, US$7.7 million and US$11.2 million, respectively, net of estimated forfeitures. Unvested stock-based compensation costs will be recognised as the underlying stock option or restricted stock vests over a period of up to 5 years.

As of 31 December 2008, 2007 and 2006, unrecognised compensation cost related to stock options amounted to US$7.6 million, US$7.2 million and US$9.5 million, respectively and is expected to be recognised over a weighted-average period of 2.5, 2.6 and 1.59 years, respectively. At 31 December 2008, 2007 and 2006, unrecognised stock-based compensation cost related to restricted stock amounted to US$49,000, US$0.4 million and US$1.7 million respectively, and is expected to be recognised over a weighted-average period of 0.9, 1.31 and 1.38 years, respectively. The amount of unrecognised stock-based compensation will be affected by any future stock option or restricted stock grants and by restructuring activities that include the termination of any employee that has received stock option or restricted stock grants that are unvested as of their termination date.

At 31 December 2008, 2007 and 2006, based on historical experience of unvested option cancellations, management has assumed an annualised forfeiture rate of approximately 12.2%, 12.2% and 1.3%, respectively, for options granted to executive officers and 23.2%, 24.2% and 14.7%, respectively, for options granted to non-executive officers. Additional expense will be recorded if the actual forfeiture rate is lower than the estimate, and a recovery of prior expense will be recorded if the actual forfeiture is higher than the estimate.

Assumptions for Estimating Fair Value of Stock Option Grants and Stock Purchases

Management selected the Black-Scholes option pricing model as the most appropriate model for determining the estimated fair value for stock-based awards. The use of the Black-Scholes model requires the use of extensive actual employee exercise behaviour data and the use of a number of complex assumptions including expected volatility, risk-free interest rate and expected dividends.

The following table summarises the assumptions used to value options granted in the respective periods:

	Year Ended 31 December,		
	2008	2007	2006
Weighted average share price	1.47	5.69	5.44
Weighted average exercise price	1.47	5.69	5.44
Expected term	5.1 years	4.9 years	5.0 years
Risk-free interest rate	3.23%	4.74%	4.51%
Volatility	53.2%	41.7%	47.5%
Dividend yield	0.00%	0.00%	0.00%

The following table summarises the assumptions used to value employee stock purchase plan rights granted in the respective periods:

	Year Ended 31 December,		
	2008	2007	2006
Expected life	6 months	6 months	6 months
Risk-free interest rate	1.36%	5.02%	4.39%
Volatility	67.0%	31.0%	40.7%
Dividend yield	0.00%	0.00%	0.00%

The share prices used in the valuation of the employee stock purchase plan rights were US$1.32 and US$1.21 as of 1 June 2008 and 1 December 2008, respectively, US$5.99 and US$3.05 as of 1 June 2007 and 3 December 2007, respectively and US$5.40 and US$5.31 as of 1 June 2006 and 1 December 2006, respectively.

The expected term of employee stock options represents the weighted-average period that the stock options are expected to remain outstanding. Management derived the expected term assumption based on historical settlement experience, while giving consideration to options that have lives less than the contractual terms and vesting schedules. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of the employee stock options.

Beginning 1 January 2006, the Borland Group estimated the volatility of its stock using historical volatility as well as the implied volatility in market-traded options on its common stock. Management determined that a blend of implied volatility and historical volatility is more reflective of market conditions and a better indicator of expected volatility than using purely historical volatility. Management will continue to monitor these and other relevant factors used to measure expected volatility for future option grants. The dividend yield assumption is based on historical data and the expectation of dividend payouts.

22 Employee 401(k) plan

The Borland Group maintains a 401(k) defined contribution retirement savings plan (the "Plan") for full-time employees. Each participant in the Plan may elect to contribute up to US$15,500 of his or her annual compensation to the Plan for 2008. The Borland Group matches employee contributions at a rate of 50% to a maximum of 6% of the employees' annual compensation. Employer contributions are fully vested at the time they occur. During 2008, 2007 and 2006, contributions amounted to US$1.0 million, US$1.2 million and US$1.5 million, respectively.

23 Stockholder rights agreement

In October 2001, the Borland Group adopted a Stockholder Rights Plan to protect stockholders in the event that a third party proposes an unsolicited takeover of Borland that has not been recommended or approved by the Borland Directors. Under the Stockholder Rights Plan, each share of outstanding common stock carries one preferred share purchase right, or Right. Each Right entitles the holder, other than the acquiring person or entity to purchase 1/1,000 of a share of series d junior participating preferred stock at an exercise price of US$80.00. The Rights only become exercisable in certain limited circumstances following the tenth day after a person or group announces acquisition of or tender offers for 15% or more of common stock. For a limited period of time after the time the Rights become exercisable, each Right is redeemable at US$0.01 per Right at a nominal price and expires in December 2011.

24 Operating lease commitments—minimum lease payments

At 31 December 2008 the Borland Group has total lease agreements in respect of its properties and facilities for which the payments extend over a number of years.

	2008	2007	2006
	US$'000	US$'000	US$'000
Commitments under non-cancellable operating leases expiring:			
Within one year	12,661	16,635	18,078
Later than one year and less than five years	23,352	43,790	40,245
After five years	9,713	6,639	19,328
Total	**45,726**	**67,064**	**77,651**

The Borland Group leases its facilities under various cancellable and non-cancellable operating lease agreements that are included in the table. The leases have various terms, escalation clauses and renewal rights.

25 Capital commitments and contingent liabilities

The following is a summary of indemnification agreements and guarantees the Borland Group has entered into. The Borland Group has no liabilities recorded for these agreements as of 31 December 2008.

The Borland Group has agreements whereby it indemnifies its officers and Borland Directors for certain events or occurrences while the officer or Borland Directors is, or was, serving in such capacity. The term of the indemnification period is for the officers' or Borland Directors' lifetime. In connection with certain previous acquisitions, the Borland Group has assumed the acquired entity's obligations to indemnify its Borland Directors and officers prior to the closing of the respective acquisition. The maximum potential amount of future payments the Borland Group could be required to make under these indemnification agreements is unlimited; however, the Borland Group has a director and officer insurance policy that in certain circumstances enables the Borland Group to recover a portion of any future amounts paid. As a result of the insurance coverage, the Borland Group believes the estimated fair value of these indemnification agreements is minimal.

As part of the past acquisitions, the Borland Group entered into agreements whereby it indemnifies the officers and Borland Directors of the acquired companies for certain events or occurrences while such officers or Borland Directors served in such capacity. The term of the indemnification period in the Starbase and TogetherSoft acquisitions is for the officers' or Borland Directors' lifetime, and in the Segue acquisition the term is for six years. The maximum potential amount of future payments the Borland Group could be required to make under these indemnification agreements is unlimited; however, the Borland Group has purchased Borland Directors' and officers' insurance policies for Starbase and TogetherSoft, if applicable, through 2009, and for Segue through 2012, which in certain circumstances enable the Borland Group to recover a portion of any future amounts paid. As a result of the insurance coverage, management believes the estimated fair value of these indemnification agreements is minimal.

In connection with the sale of the CodeGear division, the Borland Group entered into a Purchase Agreement whereby the Borland Group is obligated to indemnify Embarcadero for certain potential liabilities of the CodeGear division prior to the closing of the transaction. The term of the indemnification period is for one year from closing, being June 30, 2009. The maximum potential amount of future payments the Borland Group could be required to make under this indemnification obligation is up to ten percent (10%) of the purchase price, unless the liability requiring indemnification is related to fraud or intentional wrongdoing, in which case the liability would be unlimited. The Borland Group had not incurred significant liabilities relating to the CodeGear division business prior to the closing of the sale. Consequently, the Borland Group believes the estimated fair value of this indemnification agreement is minimal.

The Borland Group sells software licenses and services to its customers via contractual arrangements. As part of those contractual arrangements, the Borland Group generally provides a warranty for the software products and services to its customers. The products are generally warranted to perform substantially as described in the associated product documentation. The services are generally warranted to be performed in a professional manner. The Borland Group has not incurred significant expense under the product or services warranties. As a result, the Borland Group believes the estimated fair value of these agreements is minimal.

The Borland Group also enters into standard indemnification agreements in its ordinary course of business with its customers, suppliers and other third-party providers. With respect to the customer license agreements, each contract generally includes certain provisions for indemnifying the customer against losses, damages, expenses and liabilities incurred by the customer in the event the Borland Group's software is found to infringe upon certain intellectual property rights of a third-party. In the services agreements, the Borland Group generally agrees to indemnify its customers against any acts by Borland Group employees or agents that cause property damage or personal injury. In the technology license agreements, the Borland Group also generally agrees to indemnify its technology suppliers against any losses, damages, expenses and liabilities incurred by the suppliers in connection with certain intellectual property right infringement claims by any third-party with respect to the products. Finally, from time to time the Borland Group enters into other industry-standard indemnification agreements with third-party providers. The maximum potential amount of future payments the Borland Group could be required to make under any of these indemnification agreements is presently unknown. To date, the Borland Group has not incurred significant expense to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Borland Group believes the estimated fair value of these agreements is minimal.

26 Business combinations

Simunication, Inc.

On 2 January 2008, the Borland Group executed a Share Purchase Agreement to purchase all of the outstanding shares of Simunication, Inc. ("Simunication") for approximately US$2.4 million in cash, as well as the assumption of US$450,000 of liabilities. Simunication was a Canadian-based provider of leading edge software simulation technology for global organisations that develop software for external or internal use. The Borland Group funded this acquisition with available cash.

The purchase price of the transaction was allocated to the acquired assets and assumed liabilities based on their estimated fair values at the date of acquisition, including identifiable intangible assets, with the remaining amount being recorded as goodwill. The estimated fair value of the net assets acquired was approximately US$2.0 million, of which approximately US$1.8 million was allocated to acquired developed technology. This acquisition resulted in US$0.9 million of goodwill. The acquired developed technology is being amortised over seven years.

The operations of Simunication have been integrated with the Borland Group, and thus it is impracticable to determine the revenues or profit or loss contributed by Simunication for the period between the date of acquisition and the balance sheet date.

Pro forma financial information has not been provided as the acquisition did not have a material impact on the Borland Group's results of operations.

Segue Software, Inc.

In April 2006, the Borland Group completed the acquisition of Segue, pursuant to an Agreement and Plan of Merger (the "Segue Agreement"), dated 7 February 2006. Segue was a US-based provider of quality and testing solutions which defined, measured, managed and improved software quality throughout the entire application lifecycle. Under the terms of the Segue Agreement, the Borland Group paid US$8.67 per share in cash for all outstanding shares of Segue. The purchase price was approximately US$115.9 million and consisted of fixed consideration of US$105.4 million in cash used to purchase all of Segue's outstanding common shares, US$8.1 million in cash paid to eligible Segue employees who held vested common stock options on the closing date of the acquisition and US$2.5 million of direct acquisition-related costs. The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values as of the date of the acquisition, including identifiable intangible assets, with the remaining amount being classified as goodwill. Additionally, the Borland Group expects to pay contingent consideration through 2009 of up to a maximum of US$1.3 million, of which a total of US$0.6 million has been paid to eligible former Segue employees who held unvested common stock options on the closing date of the acquisition and were retained as Borland employees. The contingent consideration is based upon continued employment with Borland and paid in accordance with the vesting schedules of the original Segue common stock options. This contingent consideration is recognised as compensation expense in the periods when it is earned and paid. Cash acquired in the acquisition was US$13.5 million.

The results of operations for Segue have been included in the Borland Group's consolidated financial information from the date of acquisition.

Net assets acquired	Book Value	Fair value
	US$'000	US$'000
Cash	13,482	13,482
Trade receivables	4,158	4,199
Other current assets	1,450	1,210
Property and equipment	902	902
Deferred tax assets	—	17,835
Intangible assets	—	48,300
Deferred revenues	(8,396)	(9,042)
Current liabilities	(4,576)	(7,276)
Deferred tax liabilities	—	(17,835)
Other long-term liabilities	(1,364)	(1,364)
Net assets/(liabilities)	5,656	50,411
Goodwill		65,528
Consideration		115,939
Consideration satisfied by:		
Cash		115,939
Outflow of cash to acquire business, net of cash acquired:		
Cash consideration		113,488
Acquisition costs		2,451
Cash acquired		(13,482)
		102,457

The fair value adjustment to current liabilities reflects the creation of a provision for US$2.7 million relating to five Segue employees and three executive Directors of Segue who had change of control provisions in their contracts entitling them to severance benefits in the event that their employment be terminated following a change in control of Segue.

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

Developed technology	23,400
In-process research and development	4,800
Customer relationships	7,500
Trademarks	1,000
Non-compete agreements	300
Maintenance agreements	11,300
Total	**48,300**

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

27 Events after the balance sheet date

On 27 February 2009, the Borland Directors authorised the Borland Group to utilise up to approximately US$36 million of its available cash to repurchase a portion of its outstanding 2.75% Borland Notes due 15 February 2012 in open market or privately negotiated transactions.

On 5 March 2009, the Borland Group repurchased US$44.3 million of the outstanding Borland Notes for a cash consideration of US$27.5 million, comprised of US$0.1 million in accrued interest and US$27.4 million in principal value. The redeemed Borland Notes were retired and are no longer outstanding.

28 Transition to IFRS

IFRS 1 Exemption

For the purposes of this IFRS Financial Information Table, the Borland Group's date of transition to IFRS is 1 January 2006 and all comparative information in this financial information has been restated to reflect the Borland Group's adoption of IFRS, except where otherwise required or permitted by International Financial Reporting Standard 1—"First Time Adoption of International Financial Reporting Standards" (IFRS 1).

IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for its first IFRS financial statements. As a general principle, IFRS 1 requires the standards effective at the reporting date to be applied retrospectively; however, retrospective application is prohibited in some areas. In addition, there are a number of optional exemptions from full retrospective application of IFRS within IFRS 1.

Borland's policy on optional IFRS 1 exemptions is as follows:

- Not to apply International Financial Reporting Standard 3, *Business Combinations* ("IFRS 3") before transition date to past business combinations; and
- Not to apply the requirements of International Financial Reporting Standard 2, *Share Based Payments* ("IFRS 2") to options granted prior to 7 November 2002 or to options granted between 7 November 2002 and 1 January 2006 that vested prior to 1 January 2006.

Reconciliations between IFRS and US GAAP

(a) Reconciliation of cash flows

The adoption of IFRS did not have a material effect on Borland's cash flow statements, so no reconciliation of cash flows has been included.

The tables below show the impact of IFRS on the income statement for the year ended 31 December 2008 as well as the impact on net assets at 1 January 2006 and 31 December 2008.

(b) Balance sheet as at 31 December 2008

	US GAAP	Share based payments Note (i)	Convertible notes Note (ii)	Reclassifications Note (iii)	Restructuring costs Note (iv)	IFRS
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Assets						
Non-current assets						
Goodwill	—	—	—	—	—	—
Other intangible assets	24,520	—	—	—	—	24,520
Property and equipment	8,494	—	—	—	—	8,494
Investments	—	—	—	—	—	—
Deferred tax assets	1,099	—	—	(37)	—	1,062
Other assets	7,820	—	—	(3,030)	—	4,790
	41,933	—	—	(3,067)	—	38,866
Current Assets						
Trade receivables and other assets	43,342	—	—	—	—	43,342
Investments	59,575	—	—	—	—	59,575
Cash and cash equivalents	108,132	—	—	—	—	108,132
	211,049	—	—	—	—	211,049
Total Assets	**252,982**	**—**	**—**	**(3,067)**	**—**	**249,915**
Liabilities						
Current liabilities						
Trade and other payables	65,421	—	—	(663)	—	64,758
Provisions	8,152	—	—	—	(1,206)	6,946
Derivatives	—	—	13,342	—	—	13,342
Current tax liabilities	210	—	—	12,926	—	13,136
	73,783	**—**	**13,342**	**12,263**	**(1,206)**	**98,182**
Non-current liabilities						
Non-current deferred income	2,298	—	—	—	—	2,298
Income tax liabilities	17,157	—	—	(12,926)	—	4,231
Deferred tax liabilities	—	—	—	626	—	626
Provisions	1,941	—	—	—	—	1,941
Financial liabilities—borrowings	159,300	—	(39,550)	(3,030)	—	116,720
Other liabilities	7,059	—	—	4,231	—	11,290
	187,755	**—**	**(39,550)**	**(11,099)**	**—**	**137,106**
Net assets/(liabilities)	(8,556)	—	26,208	(4,231)	1,206	14,627
Shareholders' equity						
Share capital	730	—	—	—	—	730
Share premium	672,524	—	—	(21,859)	—	650,665
Profit and loss reserve (deficit)	(548,732)	(3,726)	26,208	—	1,206	(525,044)
Other reserves	(133,078)	3,726	—	21,859	—	(107,493)
Total shareholders' equity	**(8,556)**	**—**	**26,208**	**—**	**1,206**	**18,858**

(c) Balance sheet as at 1 January 2006

	US GAAP	Reclassifications Note (iii)	IFRS
	$'000s	$'000s	$'000s
Assets			
Non-current assets			
Goodwill	187,337	—	187,337
Other intangible assets	3,900	—	3,900
Property and equipment	17,837	—	17,837
Other assets	10,103	—	10,103
	219,177	—	219,177
Current Assets			
Trade receivables and other assets	70,275	—	70,275
Investments	126,003	—	126,003
Cash and cash equivalents	49,075	—	49,075
	245,353	—	245,353
Total Assets	**464,530**	**—**	**464,530**
Liabilities			
Current liabilities			
Trade and other payables	115,886	—	115,886
Provisions	3,905	—	3,905
Current tax liabilities	17,285	—	17,285
	137,076	**—**	**137,076**
Non-current liabilities			
Non-current deferred income	1,709	—	1,709
Provisions	9,275	—	9,275
Other liabilities	4,530	—	4,530
	152,590	**—**	**15,514**
Net assets/(liabilities)	311,940	—	311,940
Shareholders' equity			
Share capital	778	—	778
Share premium	650,947	—	650,947
Profit and loss reserve (deficit)	(228,658)	—	(228,658)
Treasury stock	(110,468)	—	(110,468)
Other reserves	(659)	—	(659)
Total shareholders' equity	**311,940**	**—**	**311,940**

(d) Income statement for the year ended 31 December 2008

	US GAAP	Share based payments Note (i)	Convertible notes Note (ii)	Reclassifications Note (iii)	Restructuring costs Note (iv)	IFRS
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Revenue	**172,027**	**—**	**—**	**—**	**—**	**172,027**
Cost of sales	(44,871)	16	—	—	—	(44,855)
Gross profit	127,156	16	—	—	—	127,172
Selling, general and adminstrative	(296,405)	(86)	—	—	1,206	(295,285)
Research and development	(43,867)	121	—	—	—	(43,746)
Other income	—	—	—	348	—	348
Operating loss	**(213,116)**	**51**	**—**	**348**	**1,206**	**(211,511)**
Analysed as:						
Operating loss before exceptional items	(25,503)	51	—	348	—	(25,104)
Exceptional items	(187,613)	—	—	—	1,206	(186,407)
Operating loss	**(213,116)**	**51**	**—**	**348**	**1,206**	**(211,511)**
Finance costs	(6,501)	—	(11,545)	(591)	—	(18,637)
Finance income	5,451	—	22,042	—	—	27,493
Gain on debt repurchase	10,029	—	(6,292)	—	—	3,737
Other income	348	—	—	(348)	—	—
Loss before tax	**(203,789)**	**51**	**4,205**	**(591)**	**1,206**	**(198,918)**
Taxation	(583)	—	—	591	—	8
Loss for the period from continuing operations	**(204,372)**	**51**	**4,205**	**—**	**1,206**	**(198,910)**
Discontinued operations						
Loss for the period from discontinued operations	**(11,350)**	**—**	**—**	**—**	**—**	**(11,350)**
Net loss for the period	**(215,722)**	**51**	**4,205**	**—**	**1,206**	**(210,260)**

The main areas impacted by the transition, as presented above, are discussed below:

(i) *IFRS 2 Share based payment*—Under US GAAP, compensation expense related to share-based payments was recorded on a straight line basis. To conform with IFRS, compensation expense was recorded as the options are earned by the option holders. The adjustments shown above reflect the difference in the recording of this expense.

(ii) *IAS 39 Financial Instruments*—Under US GAAP, the Borland Notes were classified as debt and held at amortised cost. Further, when the Borland Group repurchased a portion of the notes, a gain on repurchase was recognised, consistent with the treatment of the extinguishment of debt.

Under IAS 32, the conversion feature has been separately accounted for as a derivative liability, leaving the host instrument as debt and held at amortised cost. This results in a lower carrying value of the debt component of the Borland Notes, which additionally means no gain is recognised upon the extinguishment of the Borland Notes. The portion of debt remaining following the extinguishment of the Borland Notes continues to be held at amortised cost, and will accrete to par using the effective interest rate method over the life of the Borland Notes. The portion of the derivative liability remaining following the extinguishment of the Borland Notes is recorded at fair value, with changes in value recorded to the consolidated statement of operations. The adjustments shown above reflect the recognition of the derivative liability and the related impact to finance income and finance costs.

(iii) *Reclassifications*—The following reclassification adjustments were made to reflect the difference in accounting treatment under IFRS as opposed to US GAAP:

- The credit relating to stock option expense was reclassified from additional paid in capital to the profit and loss reserve.

- The current portion of deferred taxes was reclassified as non-current.
- Debt issuance costs, presented as an asset under US GAAP, were offset against the debt liability.
- Other expense/(income) amounts were reclassified to be included in the determination of operating profit.
- Taxation related interest and penalities were reclassified from taxation to finance costs.

(iv) *IAS 37 Provisions*—IAS 37 requires an employee to have been made aware of a restructuring programme before their severance costs can be accrued. Under US GAAP, it was permitted to accrue severance costs for all employees affected by the December 2008 restructuring scheme; an adjustment has hence been made to reverse the accrued severance costs relating to employees who were unaware of the restructuring scheme as of 31 December 2008.

PART VI(A)

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP AS AT 31 OCTOBER 2008

This unaudited pro forma statement of net assets of the Enlarged Group in this Part VI has been prepared on the basis of the notes set out below.

The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the proposed acquisition of Borland on the net assets of Micro Focus as if it had taken place on 31 October 2008. The pro forma statement of net assets, which is prepared under IFRS and has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and does not, therefore, represent the Enlarged Group's actual financial position or results following the acquisition.

The unaudited pro forma statement of net assets has been compiled under IFRS and has been prepared in a form consistent with the accounting policies adopted in the Micro Focus Group's latest annual accounts.

Unaudited pro forma statement of net assets of the Enlarged Group

		Adjustments			
	Micro Focus as at 31 October 2008 (Note 1)	Borland as at 31 March 2009 (Note 2)	New loan facility (Note 3)	Acquisition accounting (Note 4)	Pro forma enlarged Group
	US$'000	US$'000	US$'000	US$'000	US$'000
Assets					
Non-current assets					
Goodwill	113,368	—	—	99,473	212,841
Other intangible assets	64,186	22,452	—	—	86,638
Property, plant and equipment	5,105	7,943	—	—	13,048
Deferred tax assets	19,516	1,170	—	—	20,686
Other assets	—	870	—	—	870
	202,175	32,435	—	99,473	334,083
Current assets					
Inventories	138	—	—	—	138
Trade and other receivables	62,091	50,442	—	—	112,533
Investments	—	40,653	—	(21,042)	19,611
Cash and cash equivalents	40,735	93,951	98,000	(191,942)	40,744
	102,964	185,046	98,000	(212,984)	173,026
Total assets	**305,139**	**217,481**	**98,000**	**(113,511)**	**507,109**
Liabilities					
Current liabilities					
Trade and other payables	107,842	75,990	—	—	183,832
Provisions	—	6,940	—	—	6,940
Derivatives	—	7,580	—	(7,580)	—
Current tax liabilities	19,835	12,361	—	—	32,196
	127,677	102,871	—	(7,580)	222,968
Non-current liabilities					
Borrowings—loan facility	—	—	98,000	—	98,000
Non-current deferred income	7,066	2,038	—	—	9,104
Deferred tax liabilities	29,860	314	—	—	30,174
Provisions	—	576	—	—	576
Borland Notes	—	86,760	—	(86,760)	—
Other liabilities	—	5,751	—	—	5,751
	36,926	95,439	98,000	(86,760)	143,605
Net assets	**140,536**	**19,171**	**—**	**(19,171)**	**140,536**

Notes to the unaudited pro forma statement of net assets

(1) The unaudited pro forma statement of net assets of Micro Focus as at 31 October 2008 is based on the consolidated balance sheet of the Micro Focus Group as at 31 October 2008 extracted without material adjustment from the unaudited interim results of Micro Focus in respect of the six months then ended, which are publicly available.

(2) The unaudited net assets of Borland as at 31 March 2009 are based on the consolidated US GAAP balance sheet of the Borland Group as at 31 March 2009 extracted without material adjustment from the unaudited interim results from Borland's publicly available Form 10-Q filing with the SEC in respect of the three months then ended, and adjusted for the US GAAP to IFRS transition, as presented below:

Borland Group balance sheet as at 31 March 2009

	US GAAP	Borland Notes Note (i)	Reclassifications Note (ii)	IFRS
	US$'000	**US$'000**	**US$'000**	**US$'000**
Assets				
Non-current assets				
Other intangible assets	22,452	—	—	22,452
Property and equipment	7,943	—	—	7,943
Deferred tax assets	585	—	585	1,170
Other assets	3,091	—	(2,221)	870
	34,071	—	(1,636)	32,435
Current assets				
Trade receivables and other assets	50,442	—	—	50,442
Investments	40,653	—	—	40,653
Cash and cash equivalents	93,951	—	—	93,951
	185,046	—	—	185,046
Total assets	**219,117**	**—**	**(1,636)**	**217,481**
Liabilities				
Current liabilities				
Trade and other payables	72,133	—	3,857	75,990
Provisions	6,940	—	—	6,940
Derivatives	—	7,580	—	7,580
Current tax liabilities	—	—	12,361	12,361
	79,073	**7,580**	**16,218**	**102,871**
Non-current liabilities				
Non-current deferred income	2,038	—	—	2,038
Income tax liabilities	16,532	—	(16,532)	—
Deferred tax liabilities	—	—	314	314
Provisions	576	—	—	576
Borland Notes	98,548	(10,152)	(1,636)	86,760
Other liabilities	5,751	—	—	5,751
	123,445	**(10,152)**	**(17,854)**	**95,439**
Net assets	**16,599**	**2,572**	**—**	**19,171**

The main areas impacted by the transition, as presented above, are discussed below:

(i) *IAS 39 Financial Instruments*—Under US GAAP, the Borland Notes were classified as debt and held at amortised cost. Further, when the Borland Group repurchased a portion of the Borland Notes, a gain on repurchase was recognised, consistent with the treatment of the extinguishment of debt.

Under IAS 32, the conversion feature has been separately accounted for as a derivative liability, leaving the host instrument as debt and held at amortised cost. This results in a lower carrying value of the debt component of the Borland Notes, which additionally means no gain is recognised upon the extinguishment of the Borland Notes. The portion of debt remaining following the extinguishment of the Borland Notes continues to be held at amortised cost, and will accrete to par using the effective interest rate method over the life of the notes. The portion of the derivative liability remaining following the extinguishment of the Borland Notes is recorded at fair value, with changes in value recorded to the consolidated statement of operations. The adjustments shown above reflect the recognition of the derivative liability and the related impact to finance income and finance costs.

(ii) *Reclassifications*—The following presentational adjustments were made to reflect the difference in accounting treatment under IFRS as opposed to US GAAP:

a. Debt issuance costs, presented as an asset under US GAAP, were offset against the debt liability.

b. Deferred tax assets and liabilities, split between current and non-current under US GAAP, were adjusted to all be presented as non-current under IFRS. Deferred taxes were additionally adjusted to be presented within their own disclosure lines.

c. Potential tax exposures (including interest and penalties) are included within non-current liabilities under US GAAP. An adjustment was made to include this within current liabilities under IFRS.

(3) The adjustment comprises an increase in cash of US$98.0 million, representing the drawdown on the Loan Facility Agreement further details of which are contained in paragraph 9.1.3 of Part VIII of this document, combined with an adjustment to defer

the associated fees in respect of the new debt facility of US$3.5 million, which has been shown net against the related borrowings.

Micro Focus' existing cash and cash equivalents of US$40.7 million, as per the above pro forma, along with an additional US$20.0 million to be drawn from the Loan Facility Agreement over and above the US$98.0 million being used to fund the Acquisition, will be used to fund the acquisition of the suite of Application Testing / Automated Software Quality solutions and all related sales, support and development infrastructure from Compuware Corporation, for US$64.8 million. This acquisition, including the additional US$20.0 million drawn down from the Loan Facility Agreement, has not been included in this pro forma statement due to the absence of publicly available information on the suite of Application Testing / Automated Software Quality solutions and all related sales, support and development infrastructure from Compuware Corporation.

(4) An adjustment has been made to reflect the accounting for the Acquisition. The Acquisition has been accounted for using the acquisition method of accounting. The excess of consideration over the book value of the assets acquired has been reflected as goodwill and other intangibles. A fair value exercise will be completed post acquisition, therefore no account has been taken of any fair value adjustments which may arise on the Acquisition. The amount of goodwill and other intangible assets has been calculated as follows:

	Note	US$m
Cash consideration	(i)	88.0
Estimated acquisition expenses		10.0
Cost of settlement of Borland Notes	(ii)	115.0
Gross consideration	(iii)	**213.0**
Less net assets acquired (under (IFRS) of Borland Group	(iv)	19.2
Less extinguishment of Borland Notes	(v)	94.3
Goodwill and other intangible assets		**99.5**

(i) The cash consideration amount assumes the acquisition of the Borland Shares, as outlined in Part VII of this document, combined with US$2.0 million required to settle the outstanding share options of the Borland Group. The purchase price has been funded entirely through the net drawings under the new credit facility.

(ii) The Borland Notes at a principal amount of US$115.0 million have been extinguished as a result of the change of control of Borland. This principal amount equates to the cash consideration required to completely settle all outstanding Borland Notes as at 31 March 2009.

(iii) The gross cost of the acquisition as stated above is not adjusted for the cash and cash equivalents and short-term investments acquired with Borland of US$94.0 million and US$40.7 million respectively, as at 31 March 2009 as per the above pro forma, which effectively reduce the net cost of the acquisition to Micro Focus to US$78.3 million. The gross cost of the acquisition will be funded as set out below, with figures taken from the above pro forma:

	US$m
Draw down on Loan Facility Agreement	98.0
Cash and cash equivalents acquired with Borland Group	94.0
Realisation of investments acquired with Borland Group	21.0
Gross consideration	**213.0**

(iv) The net assets acquired of the Borland Group of US$19.2 million, as at 31 March 2009 as per the above pro forma, comprises net assets under US GAAP of US$16.6 million combined with IFRS transition adjustments of US$2.6 million, as presented in Note 2 above.

(v) The US$94.3 million relating to the extinguishment of the Borland Notes comprises all necessary accounting entries required to completely eliminate the Borland Notes from the balance sheet. The amount comprises the carrying value of the Borland Notes under US GAAP of US$98.5 million, reduced by the net IFRS transition adjustment to the Borland Notes of US$4.2 million, as described in Note 2 above. The amount represents the fair value of the Borland Notes as at 31 March 2009 and as such the actual adjustment will be dependent on the fair value of the Borland Notes at the date of extinguishment.

(5) No account has been taken of any trading or other transactions of Micro Focus or Borland since 31 October 2008 and 31 March 2009 respectively, including the impact of the purchase of certain assets from Compuware, described in Note 3 above.

PART VI(B)

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP AS AT 31 OCTOBER 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
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Micro Focus International plc
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UBS Limited
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24 June 2009

Dear Sirs

Micro Focus International plc (the "Company")

We report on the pro forma net asset statement (the "**Pro forma financial information**") set out in Part VI of the Company's circular dated 24 June 2009 (the "**Circular**" which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed Acquisition by the Company might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ending 30 April 2008. This report is required by item 13.3.3R of the Listing Rules and is given for the purpose of complying with that Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the Micro Focus Directors to prepare the Pro forma financial information in accordance with item 13.3.3R of the Listing Rules of the United Kingdom Listing Authority (the "**Listing Rules**").

It is our responsibility to form an opinion, as required by item 13.3.3R of the Listing Rules as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART VII

PRINCIPAL TERMS OF THE ACQUISITION

1. Principal Terms of the Borland Merger Agreement

Pursuant to the Borland Merger Agreement amongst Micro Focus, Borland, Micro Focus US and Borland Merger Sub, Merger Sub will be merged with and into Borland, and each outstanding Borland Share other than Borland Shares held by the Borland Shareholders who do not vote in favour of the adoption of the Borland Merger Agreement and who properly demand appraisal rights in accordance with Delaware law, if any, and shares held by Borland, Micro Focus or Micro Focus US or any of their subsidiaries ("**Dissenting Shares**"), will be converted into the right to receive the Consideration on the basis of US$1.15 per Borland Share (subject to downward adjustment in the event that there are more Borland Shares in issue or issuable than have been represented and warranted in the Borland Merger Agreement) without interest and less any applicable withholding tax, to be paid in cash. Borland will survive as a wholly-owned subsidiary of Micro Focus US. Pursuant to the Borland Amendment Agreement the consideration for the entire issued and outstanding share capital of Borland was increased from US$1.00 per Borland Share to US$1.15 per Borland Share and the Termination Fee was increased from US$3.0 million to US$4.0 million.

2. Consideration, Exchange and Payment Procedures

After entering into the Borland Merger Agreement, Borland shall prepare and file with the SEC a proxy statement, describing the effects of the Borland Merger and the terms of the Borland Merger Agreement and convening a meeting of the Borland Shareholders to adopt the Borland Merger Agreement and approve the Acquisition, or to adjourn the meeting, if necessary, to solicit additional proxies. The SEC has an opportunity to review and comment on the proxy statement. Following the resolution of any such comments, Borland shall send the proxy statement to the Borland Shareholders.

On the Effective Date, each Borland Share issued and outstanding immediately prior to the Effective Time (other than any Dissenting Shares) will automatically be converted into the right to receive the Consideration on the basis of US$1.15 per Borland Share, without interest or dividends and less any applicable withholding tax.

At the Effective Date, each vested Borland stock option that remains outstanding, unexercised, and if vested will convert into the right to receive a cash payment, less any applicable withholding tax, equal to the product of (i) the total number of shares of Borland common stock otherwise issuable upon exercise of such vested Borland stock option; and (ii) US$1.15 (subject to adjustment, if any) less the exercise price per share of Borland common stock subject to such Borland stock options. As of the Effective Date, all Borland stock options will be terminated or cancelled in accordance with the terms of the Borland stock plan under which it was granted, and a holder of a Borland stock option will cease to have any rights other than a right to receive a pro rata proportion of the Consideration, if applicable.

At or immediately following the Effective Date, Micro Focus will deposit a cash amount sufficient to pay the aggregate Consideration to the holders of Borland Shares with a commercial bank or trust company (a "Paying Agent") designated by Merger Sub. The paying agent will invest such cash amount as directed by Micro Focus, Micro Focus US or Borland subject to certain limitations customary in such arrangements.

Following the Effective Date, the paying agent will inform Borland Shareholders of the effectiveness of the Borland Merger and the procedure for surrendering Borland Shares to the Paying Agent. After a Borland Shareholder surrenders the certificate(s) representing its Borland Shares and properly completes the necessary share transmittal documentation to the Paying Agent, such Borland Shareholders will receive a cash amount equal to US$1.15 (subject to adjustment, if any) for each Borland Share held by such Borland Shareholder, without interest or dividends and less any applicable withholding tax.

Any part of the cash deposited with the paying agent which is not distributed to Borland Shareholders by the first anniversary of the Effective Date will be delivered to Borland, together with interest. The Borland Shareholders who at that time have not yet complied with the exchange procedures in the Borland Merger Agreement shall look only to Borland, as general creditors of Borland, for payment of the Consideration to which they are entitled, without interest, or dividends thereon.

Micro Focus, Micro Focus US, Borland and the paying agent shall be entitled to deduct and withhold from any payment to be made pursuant to the Borland Merger Agreement any amounts as may be required to be deducted and withheld under the US tax code or any other applicable law.

3. Conditionality and pre-completion arrangements

The obligations of the parties to complete the Borland Merger are subject to the satisfaction or waiver of certain mutual conditions including:

- the approval of the Borland Merger Agreement by the requisite vote of Borland's Stockholders;
- the approval of the Borland Merger Agreement by the requisite vote of Micro Focus's Shareholders;
- the expiry of any applicable waiting period under the Hart-Scott-Rodino Act; and
- Readmission.

The obligation of Borland to complete the Acquisition is subject to the accuracy in all respects of certain of the representations and warranties made by Micro Focus, Micro Focus US and Merger Sub usual for a transaction of this nature.

The obligations of Micro Focus, Micro Focus US and Merger Sub to complete the merger are subject to the satisfaction or waiver of the following additional conditions:

- the accuracy of certain of the representations and warranties made by Borland usual for a transaction of this nature;
- Borland providing reasonably satisfactory evidence to Micro Focus and Micro Focus US that Borland and its subsidiaries have, immediately prior to the Effective Date, cash and cash equivalents in an aggregate amount of not less than US$122.5 million;
- there being no pending action that has a reasonable likelihood of successfully challenging the consummation of the Borland Merger or the Borland Merger Agreement, or delaying, restraining or prohibiting the Borland Merger or prohibiting or imposing material limitations on the ownership or operations of Borland, after the Effective Date; and
- holders of not more than ten (10) per cent. of the outstanding Borland Shares shall have made a demand for appraisal rights under Delaware law and not withdrawn such demand in a manner that has resulted in holder legally losing such rights.

If the Conditions have not been satisfied by the Expiration Date, either Micro Focus US and Merger Sub on the one hand, or Borland on the other, may terminate the Borland Merger Agreement; provided, however, that the right to terminate the Borland Merger Agreement for failure to satisfy conditions shall not be available to any party who caused such failure.

The Borland Merger Agreement contains undertakings given by Borland to Micro Focus in relation to the conduct of the business of the Borland Group during the period from execution until the Effective Date. In particular, Borland has undertaken to procure that the business of each company in the Borland Group is carried on in the ordinary course consistent with past practice.

The Borland Merger Agreement contains termination rights for the parties in certain circumstances usual for a transaction of this nature.

4. Break Fee

Borland may be obliged to pay Micro Focus US the Termination Fee in certain circumstances.

The Termination Fee is payable by Borland to Merger Sub and Micro Focus US in the following circumstances:

- where Borland or any of its subsidiaries enter into a definitive agreement for or complete an Acquisition Proposal within 12 months of terminating the Borland Merger Agreement because the Borland Merger has not been consummated on or before the Expiration Date; provided that an Acquisition Proposal shall have been made to Borland prior to the date of such termination; provided, however, that for purposes of this section, the reference to 20 per cent. in the definition of Acquisition Proposal shall be deemed to be references to 50 per cent.;

- where Borland or any of its subsidiaries enter into a definitive agreement for or complete an Acquisition Proposal within 12 months of terminating the Borland Merger Agreement as a result of a failure of the Borland Shareholders to approve the Borland Merger Agreement at the earlier to occur of (i) the meeting of the Borland Shareholders or at any adjournment or postponement thereof at which a vote on such approval was taken or (ii) the date that is two business days prior to the Expiration Date; provided, that an Acquisition Proposal shall have been made to Borland prior to the date of such termination; provided, however, that for purposes of this section, the references to 20 per cent. in the definition of Acquisition Proposal shall be deemed to be references to 50 per cent. and provided that the fee payable shall be reduced by any payment made by Borland for the reimbursement of expenses to Micro Focus;
- where Micro Focus US and Merger Sub terminate the Borland Merger Agreement because (i) the Borland Directors approve or recommend to the Borland Shareholders, take no position with respect to, or fail to recommend against the acceptance of, any Acquisition Proposal, (ii) Borland fails to convene a meeting of the Borland Shareholders or fails to mail a proxy statement within 10 days after being cleared by the SEC or fails to include in such proxy statement the recommendation of the Borland Directors that the Borland Shareholders approve the Borland Merger Agreement, (iii) the Borland Directors withdraw or modify their favourable recommendation that the Borland Shareholders approve the Borland Merger Agreement or (iv) the Borland Directors resolve to do any of the foregoing;
- where Merger Sub and Micro Focus US terminate the Borland Merger Agreement because Borland materially breached is non-solicitation obligations; or
- where Borland terminates the Borland Merger Agreement because, prior to the adoption of the Borland Merger Agreement by the Borland Shareholders, the Borland Directors have concluded in good faith, after consultation with independent outside legal counsel, that (i) an Acquisition Proposal constitutes a Superior Proposal and (ii) failure to take such action would be inconsistent with their fiduciary duties to the Borland Shareholders under applicable law.

Separately to the Termination Fee, the Borland Merger Agreement provides that:

- Borland is obliged to reimburse Micro Focus US, Micro Focus and Merger Sub for their expenses, up to US$1.5 million, incurred in connection with the Borland Merger Agreement and the Borland Merger if Micro Focus US and Merger Sub terminate the Borland Merger Agreement as a result of the Borland Shareholders failing to approve the Borland Merger Agreement by the earlier to occur of (i) the meeting of the Borland Shareholders or at any adjournment or postponement thereof at which a vote on such approval was taken or (ii) the date that is two business days prior to the Expiration Date.
- Micro Focus is obliged to reimburse Borland for its expenses, up to US$1.5 million, incurred in connection with the Borland Merger Agreement and the Borland Merger if Borland terminates the Borland Merger Agreement as a result of the Micro Focus Shareholders failing to approve the Borland Merger Agreement by the earlier to occur of (i) the meeting of the Micro Focus Shareholders at which a vote on such approval was taken or at any adjournment or postponement thereof or (ii) the date that is two business days prior to the Expiration Date.

In the event of the termination of the Borland Merger Agreement as a result of a Superior Proposal at least three business days prior to any such termination of the Borland Merger Agreement, Borland must give Micro Focus notice of such proposed termination. During such three business day period Borland and Micro Focus shall negotiate in good faith in relation to any revised proposal to acquire the issued and outstanding share capital of Borland made by Micro Focus.

5. Warranties and Indemnities

Under the Borland Merger Agreement, Borland has given representations and warranties to Micro Focus regarding the Borland Group and its activities, which are customary for a transaction of this nature. After completion of the Acquisition, breaches of the representations and warranties in the Borland Merger Agreement shall not be indemnified. There is no escrow account being established in relation to potential claims under the Borland Merger Agreement.

Micro Focus has given representations and warranties to the Borland Shareholders customary for a transaction of this nature. Again, breaches of such representations and warranties will not be indemnified following completion of the Acquisition.

6. Law and Jurisdiction

The Borland Merger Agreement is governed by, and is to be construed in accordance with, the laws of the State of Delaware, USA and the parties have agreed to the exclusive jurisdiction of the Delaware Court of Chancery, or in the event such court does not have jurisdiction, any other court of the state of Delaware or the United States District Court for the District of Delaware.

7. Borland Notes

After the Effective Date, the Borland Noteholders have the right to cause Borland to repurchase the Borland Notes at 100 per cent. of the principal amount of the Borland Notes, together with accrued and unpaid interest thereon. On or before the 20th day after the Effective Date, Borland shall provide to all Borland Noteholders, the trustee and the paying agent for the Borland Notes a notice of the occurrence of the Borland Merger and of the repurchase right exercisable at the Borland Noteholders (the "**Borland Notice**"). Any Borland Noteholder that wishes to participate in the repurchase must deliver to the trustee, prior to a date specified by Borland (being not less than 20 nor more than 35 calendar days after the date of the Borland Notice), written notice specifying that such Borland Noteholder wishes to have their Borland Notes, or any portion thereof, repurchased by Borland (or the Enlarged Group following completion of the Acquisition).

In addition to the right for Borland Noteholders to require the repurchase of their Borland Notes, the Borland Notes are convertible into new Borland Shares (based on a conversion rate of 156.8627 new Borland Shares per US$1,000 principal amount of Borland Notes) under certain circumstances, including upon a merger. However, as a result of the Acquisition, the Borland Notes will become convertible on the Effective Date (and remain convertible for 20 calendar days) into cash. In connection with the Acquisition, Borland and a payment trustee will execute a supplemental indenture providing that the Borland Notes are convertible into cash. On the Effective Date, the Borland Notes will, therefore for a period of 20 calendar days, become convertible into such cash amount that would have been received by the Borland Noteholders if the Borland Notes had been converted into new Borland Shares immediately prior to completion of the Acquisition.

A Borland Note held by a Borland Noteholder that does not elect conversion into cash during the 20 calendar days following the Acquisition and that does not elect to have its Borland Note repurchased as described above, will remain outstanding until the maturity date of the Borland Note.

PART VIII

ADDITIONAL INFORMATION

1. Responsibility and Provision of Accurate Information

The Micro Focus Directors, whose names appear on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Micro Focus Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information on the Company

2.1 Micro Focus International plc was incorporated in England and Wales (where it is domiciled) on 21 May 2004 under the 1985 Act as a private company limited by shares with registration number 05134647 and with the name Hackremco (No. 2158) Limited.

2.2 The Company was re-registered as a public company limited by shares and its company name was changed from Hackremco (No. 2158) Limited to Micro Focus International plc.

2.3 On 17 May 2005, Micro Focus became the holding company for the Micro Focus Group and the Ordinary Shares were admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities.

2.4 The liability of the members of the Company is limited.

2.5 The Company's registered office and principal place of business is at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN (tel. no. +44 (0)163 532 646).

3. Share Capital

The following table sets out the authorised and issued share capital of Micro Focus as at 23 June (the last practicable date prior to this document):

	£	Number	Nominal Value
Authorised	250,000,000.00	2,500,000,000	£0.10
Issued	202,161,381	202,161,381	£0.10

4. Directors' Interests

4.1 As at 23 June 2009 (being the latest practicable date prior to the publication of this document), the interests (all of which are beneficial) of the Micro Focus Directors, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of FSMA) with the Micro Focus Directors in the issued share capital of Micro Focus, including: (i) those arising pursuant to transactions notified to Micro Focus pursuant to DTR 3.1.2R; or (ii) those of the connected persons of the Micro Focus Directors, which would, if such connected person were a Micro Focus Director, be required to be disclosed under (i) above are set out in the following table:

	Number of Ordinary Shares	Percentage of issued ordinary share capital of Micro Focus
Kevin Loosemore	300,000	0.15
Stephen Kelly	125,000	0.06
Nicholas Bray	57,770	0.03
David Maloney	50,000	0.02
Paul Pester	—	—
Tom Skelton	—	—

4.2 Taken together, the combined percentage interest of the Micro Focus Directors in the issued ordinary share capital of Micro Focus as at 23 June 2009 (the latest practicable date prior to publication of this document) was approximately 0.3 per cent.

4.3 Details of other rights over Ordinary Shares held by the Micro Focus Directors as at 23 June 2009 (the latest practicable date prior to publication of this document) are set out below. Those rights are not included in the interests of the Micro Focus Directors shown in the table set out in paragraph 4.1 of Part VIII of this document.

4.4 The interests of the Micro Focus Directors in Ordinary Shares under the Micro Focus Incentive Plan 2005 (in respect of market value options) as at 23 June 2009 are as follows:

Name of Director	Total number of Ordinary Shares	Exercise Price	Exercise period
Stephen Kelly	1,153,846	104.0p	17 July 2009 to 16 July 2016
	169,332	265.75p	12 July 2010 to 11 July 2017
	134,831	244.75p	3 July 2011 to 2 July 2018
Nicholas Bray	100,000	104.0p	17 July 2009 to 16 July 2016
	75,258	265.75p	12 July 2010 to 11 July 2017
	89,888	244.75p	3 July 2011 to 2 July 2018

4.5 The interests of the Micro Focus Directors in Ordinary Shares under the Micro Focus Incentive Plan 2005 (in respect of matching conditional awards) as at 23 June 2009 are as follows:

Name of Director	Total number of Ordinary Shares	Exercise Price	Vesting date
Stephen Kelly	125,000	10p	11 January 2010
Nicholas Bray	57,659	10p	17 October 2009

4.6 The interests of the Micro Focus Directors in Ordinary Shares under the Sharesave Plan as at 23 June 2009 are as follows:

Name of Director	Total number of Ordinary Shares	Exercise Price	Exercise period
Nicholas Bray	11,130	84.0p	1 October 2009 to 1 April 2010

5. Micro Focus Directors' Service Agreements

5.1 *Executive Directors' Service Agreements*

Details of the terms of each executive Micro Focus Director's service agreement are set out below:

Name	Date of Agreement	Salary per annum as at 30 April 08 (£)*	Holiday (days)	Benefits on Termination	Term	Company Notice Period	Executive Notice Period	Expenses	Confidentiality Obligations
Stephen Kelly .	1 May 2006	300,000	25	None other than payment in lieu of Notice Period	Indefinite	12 months	6 months	All reasonable business expenses	During and after employment
Nicholas Bray .	30 November 2005	200,000	26	None other than payment in lieu of Notice Period	Indefinite	12 months	6 months	All reasonable business expenses	During and after employment

* Salaries have been increased since the dates of appointment by the remuneration committee, the figures shown are as at 30 April 2008.

In addition, the Company will reimburse Stephen Kelly and Nicholas Bray for all reasonable expenses properly incurred in the execution of their duties for the Micro Focus Group.

5.2 ***Non-Executive Directors' Letters of Appointment***

Details of the terms of each non-executive Micro Focus Director's letter of appointment are set out below:

Name Appointment	Date of Appointment	Date of Expiry of Current 3 year Appointment	Non-executive fee per annum as at 30 April 08 (£)*	Expenses	Confidentiality Obligations	Termination Provisions
Kevin Loosemore .	4 April 2005	3 April 2011	150,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days but no notice and/or compensation if removed from office by shareholders in general meeting.
David Maloney . . .	4 April 2005	3 April 2011	60,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days but no notice and/or compensation if removed from office by shareholders in general meeting.
Paul Pester	27 June 2007	26 June 2010	45,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days but no notice and/or compensation if removed from office by shareholders in general meeting.
Tom Skelton	23 October 2006	22 October 2009	40,000	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	90 days but no notice and/or compensation if removed from office by shareholders in general meeting.

* Fees have been increased since the dates of appointment by the remuneration committee, the figures shown are as at 30 April 2008.

5.3 Save as set out in paragraph 5.1 and 5.2 of Part VIII of this document, there are no existing or proposed service agreements between any Micro Focus Director and any member of the Micro Focus Group providing for benefits upon termination of employment.

5.4 ***Benefits***

5.4.1 The Micro Focus Directors are entitled to receive the following benefits:

(i) *Stephen Kelly, Chief Executive Officer*

Stephen Kelly participates in the Micro Focus Group Personal Pension Scheme providing scheme benefits on a defined contribution basis. He receives a company contribution of 5 per cent of pensionable salary. Stephen Kelly also participates in a performance related bonus scheme, has a lump sum life assurance benefit of four times his salary, permanent health insurance and medical insurance. Stephen Kelly also receives the benefit of a driver to the Newbury office.

(ii) *Nicholas Bray, Chief Financial Officer*

Nicholas Bray participates in the Micro Focus Group Personal Pension Scheme providing scheme benefits on a defined contribution basis. He receives a company contribution of 5 per cent of pensionable salary. Nicholas Bray also participates in a performance related bonus scheme, has a lump sum life assurance benefit of four times his salary, permanent health insurance and medical insurance. Nicholas Bray also receives a car allowance of £9,000 per annum and is reimbursed reasonable petrol costs.

5.5 Save as set out in paragraph 5.5.1 of Part VIII of this document, no Micro Focus Director is a member of any Micro Focus Group pension arrangement or otherwise entitled to receive any other benefits.

6. Major Interests in Shares

6.1 So far as the Company is aware, as at 23 June 2009 (being the latest practicable date prior to publication of this document) the following persons (other than the Micro Focus Directors) hold directly or indirectly three per cent. or more of the Company's voting rights:

Shareholder	Number of Ordinary Shares	Percentage holding of Micro Focus voting rights
Standard Life Investments Limited	22,023,644	10.9
Majedie Asset Management Limited	16,330,461	8.2
GAM International Management Limited	11,717,270	5.8
BlackRock, Inc.	12,863,784	6.4
JP Morgan Chase & Co	9,963,590	5.0
Legal & General Group Plc	7,835,219	3.9
Fidelity International Limited	6,605,572	3.3

6.2 So far as the Company is aware, the information given in paragraph 6.1 Part VIII of this document will remain correct as at the Effective Date. Save as set out in this Part VIII, the Company is not aware of any person who holds, or who will immediately following the completion of the Acquisition hold, as shareholder (within the meaning of the Disclosure Rules and Transparency Rules published by the FSA), directly or indirectly, three per cent. or more of the voting rights of the Company.

7. Details of the Borland Group's Key Individuals

Name	Position	Age
Erik Prusch	Acting President & Chief Executive Officer	42
Chuck Maples	Senior Vice President, Research and Development	55
Richard Novak	Senior Vice President of Worldwide Field Operations	53
Melissa Frugé	Vice President, General Counsel and Corporate Secretary	36
Thomas Wilkas	Chief Financial Officer	48

7.1 *Erik E. Prusch.* Mr. Prusch has served as President and Chief Executive Officer since January 2009 (having been appointed as Acting President and Chief Executive Officer in January 2009 and confirmed as the President and Chief Executive Officer in May 2009) and as Chief Financial Officer since November 2006. From January 2004 to November 2006, Mr. Prusch served as Vice President, Finance at Intuit, Inc., a provider of business and financial management software, in its Consumer Tax Group. From April 2001 to January 2004, Mr. Prusch served as Chief Financial Officer of Identix Incorporated, an identity solutions company. Mr. Prusch earned an MBA from the Stern School of Business at New York University and a bachelor's degree in economics from Yale University.

7.2 *Chuck Maples.* Mr. Maples was promoted to the position of Senior Vice President of Research and Development in February 2009. From January 2007 to February 2009, Mr. Maples served as Borland's Vice President of Products. From April 2006 to January 2007, Mr. Maples served as Senior Director of Products at Vignette Corporation, a web content management solutions company. From September 2005 to April 2006, Mr. Maples served as Vice President of Development at BetweenMarkets, Inc., an on-demand software company. From September 2003 to September 2005, Mr. Maples served as the Director of Software Development at Dell, Inc., a computer hardware company. Mr. Maples holds a BS Degree in Business Administration from the University of Louisiana.

7.3 *Richard E. Novak.* Mr. Novak has served as Senior Vice President of Worldwide Field Operations since July 2008. From September 2006 to February 2008, Mr. Novak served as Vice President of Worldwide Sales and Services of Cape Clear Software, Inc., an enterprise software company. From June 2002 to August 2006, Mr. Novak served as the Vice President of North America Sales for Marimba, Inc., a configuration management software company, and then as Vice President of Worldwide Product Specialization for BMC Software, Inc., a business service management software company, after Marimba was acquired by BMC in July 2004. Prior to BMC, Mr. Novak held sales management positions at Net Perceptions, an e-commerce marketing software and services company, MicroStrategy, a business intelligence software and services company, Tandem

Computers and General Electric. Novak holds a BS degree in Business Administration and Marketing from Southern Illinois University.

7.4 *Melissa Frugé.* Ms. Frugé was promoted to the position of Vice President, General Counsel and Secretary in February 2009. From November 2006 to February 2009, Ms. Frugé served as Borland's Vice President, Associate General Counsel and Assistant Secretary. From April 2005 to November 2006, Ms. Fruge was a partner of GCA Law Partners LLP, a law firm in Mountain View California. From August 1999 to April 2005, Ms. Fruge was an associate with DLA Piper LLP, a law firm, in its Silicon Valley office. Ms. Fruge holds a BA in Political Science from the University of Southern California and a JD from the Santa Clara University School of Law.

7.5 *Thomas Wilkas.* Mr. Wilkas was appointed as Borland's Chief Financial Officer in March 2009. Prior to Borland, Mr. Wilkas served as the Senior Vice President and Chief Financial Officer of PSAV Presentation Services, a provider of technology to the hospitality and event industries, from March 2008 to March 2009. From October 2003 to October 2006, Mr. Wilkas served as the Senior Vice President and Chief Financial Officer of Solucient LLC, a healthcare software, information and professional services company. Mr. Wilkas holds an MBA from Indiana University and a BS Degree in Chemical Engineering from Notre Dame University.

8. Undertakings that will become part of the Enlarged Group

The subsidiary undertakings of Borland are set out in the table below. The proportion of share capital directly or indirectly owned by Borland in each of these companies is set out below. The issued share capital of each company is fully paid.

Company name	Country of Incorporation	Percentage of share capital owned by Borland
Borland Corporation	USA (Delaware)	100
Borland Technology Corporation	USA (Delaware)	100
Borland Entwicklung GmbH	Austria	100
Borland Labs, Inc.	USA (Delaware)	100
Object UK Limited	United Kingdom	100
Borland Software Czech Republic s.r.o.	Czech Republic	100
Borland (Holding) UK Limited	United Kingdom	100
Borland UK Limited(1)	United Kingdom	100
Togethersoft (UK) Limited(2)	United Kingdom	100
Borland Australia Pty Ltd.	Australia	99
Borland Latin America Ltda.(3)	Brazil	99.9
Borland Canada, Inc.	Canada	100
Borland Software (Beijing) Co. Ltd.	China	100
Borland France SARL(4)	France	99
Borland GmbH	Germany	100
Borland (H.K.) Limited(5)	Hong Kong	99
Borland Software (India) Private Limited(6)	India	98
Borland Co., Ltd.	Japan	100
Borland B.V.	Netherlands	100
Borland S.r.l.-Roma(7)	Italy	100
Borland Finland Oy(8)	Finland	100
Borland Sweden AB(9)	Sweden	100
Borland Russia AO	Russia	100
Borland (Singapore) Pte Ltd.	Singapore	100

(1) 100 per cent. interest owned by Borland (Holding) UK Ltd

(2) 100 per cent. interest owned by Borland (UK) Ltd

(3) 0.01 per cent. interest owned by Borland Corporation and 99.9 per cent. interest owned by Borland Technology Corporation

(4) 1 per cent. interest owned by Borland Technology Corporation and 99 per cent. interest owned by Borland

(5) 1 per cent. interest owned by Borland (Singapore) Pte Ltd. and 99 per cent. interest owned by Borland

(6) 1 per cent. interest owned by Laurence Pinto, 1 per cent. interest owned by Satyen Parikh and 98 per cent. interest owned by Borland

(7) 100 per cent. interest owned by Borland B.V.

(8) 100 per cent. interest owned by Borland B.V.

(9) 100 per cent. interest owned by Borland B.V.

9. Material Contracts

9.1 *Micro Focus*

The following are all of the contracts, not being contracts entered into in the ordinary course of business, which: (i) are or may be material to the Micro Focus Group, and have been entered into by Micro Focus and/or a member of the Micro Focus Group within the two years immediately preceding the date of this document; or (ii) (regardless of when entered into) contain provisions under which a member of the Micro Focus Group has an obligation or entitlement which is or may be material to the Micro Focus Group, as at the date of this document:

9.1.1 *Borland Merger Agreement and Borland Amendment Agreement*

The Borland Merger Agreement and the Borland Amendment Agreement, a summary of which are set out in Part VII of this document.

9.1.2 *Compuware Corporation Asset Purchase Agreement*

On 5 May 2009 Micro Focus Holdings Limited ("**MF Holdings**") entered into an asset purchase agreement with Compuware Corporation pursuant to which MF Holdings and certain of its affiliates agreed to purchase certain assets and liabilities relating to the Application Testing / Automated Software Quality solutions business owned by Compuware Corporation and its affiliates (the "**Compuware Agreement**"). Completion of the asset purchase is conditional upon, inter alia, receipt of certain third party consents to the transfer of contracts and governmental filings having been made. Completion of the Compuware Agreement took place on 29 May 2009 (the "**Closing Date**").

The consideration to be paid by MF Holdings to Compuware Corporation pursuant to the Compuware Agreement (and related agreements) was payable in cash on completion and will be US$80.0 million subject to adjustment. At the Closing Date a sum representing the aggregate amount of all cash or cash equivalents received or collected as at the Closing Date relating to deferred maintenance, consulting, services or training fees in respect of any maintenance or professional services obligations that are to be performed by the Micro Focus Group following the Closing Date (the "Deferred Maintenance Adjustment") was deducted from the consideration payable by MF Holdings. At completion the cash consideration of US$64.8 million was paid by MF Holdings to Compuware Corporation. The Deferred Maintenance Adjustment was estimated by the parties at completion. The actual Deferred Maintenance Adjustment shall be calculated following completion and the consideration is therefore subject to further adjustment. The Compuware Agreement does not require Compuware to place any portion of the consideration into an escrow account.

The Compuware Agreement contains negotiated indemnification provisions relating to the parties' breaches of representations, warranties, covenants and agreements set forth therein. Indemnification claims for breaches of representations and warranties may generally be brought for 24 months after completion of the transaction. Claims in respect of representations and warranties relating to certain fundamental matters may be brought indefinitely Claims in respect of representations and warranties relating to tax and employee benefit plan matters may be brought until the 30th day after expiration of the applicable statute of limitations. Compuware Corporation's liability for breaches of representation and warranties (other than those in respect of certain fundamental matters) is capped at US$17.5 million and no claims may be brought against Compuware Corporation unless the value of all claims is at least US$400,000.

The Compuware Agreement is governed by the laws of Delaware, US.

9.1.3 *Loan Facility Agreement*

On 6 May 2009 a Loan Facility Agreement was entered into between Micro Focus (as parent company) (1), Micro Focus Holdings Limited (as borrower) (2), Micro Focus and certain other subsidiaries (as original guarantors) (3), HSBC Bank plc, Barclays Capital, Lloyds TSB Bank plc, Corporate Markets, The Royal Bank of Scotland plc (as arrangers) (4), HSBC Bank plc, Barclays Bank PLC, Lloyds TSB Bank plc, The Royal Bank of Scotland plc (as original lenders) (5), and HSBC Bank plc (as agent) (6), pursuant to which the original lenders have made available to the Micro Focus Group a fully fluctuating revolving credit facility of up to US$175 million to assist with the funding of the Acquisition (including related costs) and for the general corporate purposes of the Enlarged Group, including acquisitions. On 12 June 2009 Micro Focus, Micro Focus Holdings Limited, HSBC Bank plc, Barclays Capital, Lloyds TSB Bank plc, Corporate Markets and The Royal Bank of Scotland plc entered into a supplemental agreement pursuant to which the original lenders have agreed to make available an additional US$40 million of funds to the Micro Focus Group to assist with the funding of the Acquisition at the revised offer price of US$1.15 per Borland Share. (the "**facility**").

Drawdown under the facility for the purpose of the Acquisition is conditional upon satisfaction of standard conditions usual in facility agreements of this nature and, in relation to any drawdown in respect of the Acquisition, includes, inter alia, completion of the following conditions prior to the earlier of the completion of the Acquisition and the date falling six months after the date of the facility:

(i) all conditions to the consummation of the Acquisition pursuant to the Acquisition documents having been complied with or waived by the Company (subject to the provisions of the facility), other than payment of the consideration and the issue of the merger certificate; and

(ii) cross guarantees from certain companies in the Micro Focus Group.

The facility is available for drawing in minimum amounts of US$2 million. All facilities are available for drawing in Sterling, US$ and/or Euros, subject to the overall US$ equivalent not exceeding the agreed total limit of the facility.

The facility is repayable on the date being 36 months after the date of the Loan Facility Agreement.

On a 'change of control' of Micro Focus, all facilities become immediately due and payable.

Interest is payable by Micro Focus to the agent at the end of each interest period, and where an interest period exceeds six months, at six monthly intervals, at the rate of 2.5 per cent. per annum over LIBOR for the period from drawdown and for the first twelve months of the relevant facility and thereafter the margin over LIBOR shall be set according to the level of consolidated net debt to consolidated EBITDA as set out in the most recently delivered compliance certificate under the Loan Facility Agreement on the basis of the following margin ratchet:

Consolidated net debt to consolidated EBITDA	Margin
> 2.0 & ≤ 2.5 times	3.5 per cent.
> 1.5 & ≤ 2.0 times	2.75 per cent.
> 1.0 & ≤ 1.5 times	2.5 per cent.
≤ 1.0 times	2.25 per cent.

Cross-guarantees have been or are to be given by Micro Focus and certain companies within the Micro Focus Group.

The Loan Facility Agreement contains certain covenants and certain events of default which are customary in agreements of this type, upon the happening of which the principal monies and accrued interest (at a default rate) become immediately due and payable. These include cross default with any indebtedness exceeding US$5 million in aggregate.

The Micro Focus Group's US$40 million revolving credit facility, details of which are set out in paragraph 9.1.4 of Part VIII of this document, (which remained undrawn) expired on 12 May 2009.

9.1.4 *Cancellation of the Micro Focus Group's existing US$40 million credit facility*

On 13 May 2008 a loan facility agreement was entered into between Micro Focus (as parent company) (1), Micro Focus Holdings Limited (as original borrower) (2), Micro Focus, Micro Focus (IP) Limited and Micro Focus Limited (as original guarantors) (3), HSBC Bank plc and Lloyds TSB Bank plc (together the arranger) (4), HSBC Bank plc and Lloyds TSB Bank plc (as original lenders) (5), and HSBC Bank plc (as agent) (6), pursuant to which HSBC Bank plc and Lloyds TSB Bank plc made available to the Micro Focus Group a credit facility for the general corporate purposes of the Micro Focus Group of up to US$40 million (the "**2008 Facility Agreement**").

Under the 2008 Facility Agreement a revolving loan facility has been made available for drawdown at any time up until 12 May 2009 in tranches of US$1 million or more. In the event of drawdown, interest shall accrue on any sum outstanding for the period from the date of drawdown to the date of repayment of the relevant sum drawndown at the rate of 0.8 per cent. per annum over LIBOR, and is payable by Micro Focus on the date of repayment of each tranche drawndown.

As at the date of this document, the Micro Focus Group had not drawn down any amounts under the 2008 Facility Agreement nor had the Micro Focus Group provided any security in relation to the 2008 Facility Agreement. The 2008 Facility Agreement expired and has been cancelled as described in paragraph 9.1.4 of Part VIII of this document.

9.1.5 *Agreement for the acquisition of HAL Knowledge Solutions SpA*

On 2 November 2006 Micro Focus Holdings Limited ("**MF Holdings**") entered into a share purchase agreement with Apax Knowledge Solutions SARL (registered in Luxembourg) ("**Apax**") (1) Roberto di Martino (2) Walter Panighel (3) Karen Slatford (4) Niccolo Garzelli (5) Ernest O'Leary (6) Alfredo Enrique Kowal (7) and Marco Leonardi (8) (the "**HAL Agreement**"). The HAL Agreement is governed by the laws of the Republic of Italy.

The HAL Agreement provides for the acquisition by MF Holdings of the entire issued share capital of HAL Knowledge Solutions SpA ("**HAL**"), an Italian joint stock company, for a consideration of US$3.5 million (subject to adjustment based on a completion balance sheet). The acquisition was completed on 10 November 2006.

Apax provided MF Holdings with warranties usual in a transaction of this nature which expired one year following completion of the acquisition.

The HAL Agreement acknowledges that as part of the arrangements between the parties to the HAL Agreement, HAL was required to transfer to a third party the division of HAL's business which provided enterprise resource planning ("**ERP**") software services. Pursuant to these arrangements HAL entered into a business transfer agreement on 31 October 2006, transferring the ERP software services business to Every Software Solutions Srl ("**ESS**"). Under the terms of the business transfer agreement, HAL gave an undertaking not to compete with ESS in relation to the activity of the transferred business, or to divert clients away from the transferred business, for the period of five years from the date of the agreement.

9.1.6 *Agreement for the acquisition of Acucorp, Inc.*

On 3 May 2007, Micro Focus US and Micro Merger Sub, Inc. ("**Micro Merger Sub**", a wholly-owned subsidiary of Micro Focus US) entered into an agreement and plan for merger with Acucorp, Inc. ("**Acucorp**"), and Pamela Coker as representative (the "**Acucorp Agreement**") pursuant to which, Micro Merger Sub merged with and into Acucorp, with Acucorp continuing thereafter as the surviving corporation. The merger completed on 3 May 2007. The aggregate consideration paid by Micro Focus US to the security holders of Acucorp pursuant to the Acucorp Agreement and agreements executed in connection therewith was approximately US$40.7 million, subject to adjustment pursuant to the terms of the Acucorp Agreement. The consideration was paid in cash at completion. The Acucorp Agreement provides for (i) an adjustment to the purchase price to take into account any difference between an estimated amount (calculated at the closing of the transaction) and the actual amount (calculated shortly after the closing of the transaction) of Acucorp's working capital, indebtedness, and cash at the closing of the transaction, and (ii) an escrow fund of US$8 million to be used for certain indemnification claims and for the remainder of the fund, if any, to be periodically released pursuant to the terms of an escrow agreement entered into at the closing of the transaction. The Acucorp Agreement contains negotiated indemnification provisions relating to the parties' breaches of representations, warranties, covenants and agreements set forth therein. Indemnification claims for breaches of representations and warranties (including tax and non-tax matters) may be brought for two years after the completion of the transaction. The negotiated indemnification provisions include (i) a cap on the stockholders' indemnification liability of US$8 million (plus any accrued interest earned while held in escrow) for breaches of representations and warranties, and (ii) a de minimis claim basket of US$5,000 and a tipping basket of US$200,000 for breaches of representations and warranties, except for representations and warranties relating to certain fundamental matters. The Acucorp Agreement is governed by the laws of California, US.

9.1.7 *Agreement for the acquisition of NetManage, Inc*

On 30 April 2008, Micro Focus US and Micro Focus Merger Sub, Inc. ("**NM Merger Sub**", a Delaware corporation and direct subsidiary of Micro Focus US) entered into an agreement and plan of merger with Netmanage, Inc. ("**NetManage**"), a Delaware corporation (the "**NetManage Agreement**"). The agreement is governed and construed in accordance with the laws of the State of Delaware, US.

The NetManage Agreement provides for the merger of NM Merger Sub with and into NetManage, with NetManage continuing as the surviving corporation (the "**NM Merger**"). The NM Merger was completed on 17 June 2008 (the "**Effective Date**").

Pursuant to the NetManage Agreement, each share of common stock in NetManage (other than those held in NetManage's treasury stock or owned by NM Merger Sub or by stockholders exercising appraisal rights under Delaware law) converted into the right to receive the merger consideration of US$7.20 for each common share in cash from Micro Focus US. Following completion of the NetManage Merger, NetManage's common stock was delisted from public trading on NASDAQ and NetManage became a privately held corporation. The total consideration paid by Micro Focus US for the NetManage common stock was approximately US$73.3 million.

Outstanding options to purchase common stock in NetManage automatically became fully vested on completion of the NM Merger and converted into a right to receive a cash payment from Micro Focus US of the difference between the merger consideration (per share) and the exercise price (per share) of the option.

The NetManage Agreement contains representations and warranties of the parties made to and solely for the benefit of each other, such representations and warranties being qualified by disclosure schedules. Micro Focus US received warranties from NetManage in relation to, inter alia, the accuracy of SEC filings and financial statements, tax, employee benefit plans, employment matters, commercial matters and intellectual property. Micro Focus US gave limited warranties to NetManage relating to, inter alia, its authority to enter into the NetManage Agreement. The stockholders have no post-closing indemnification obligations relating to breaches of the representations and warranties set forth in the NetManage Agreement.

Micro Focus US agreed that all current rights of indemnification provided by NetManage for its directors, officers, employees and agents shall survive the merger and continue in full force and effect for a period of not less than six years following the Effective Date. Micro Focus US also agreed that the surviving company will continue to indemnify, defend and hold harmless, and advance expenses to NetManage's directors, officers, employees and agents to the fullest extent required by NetManage's certificate of incorporation or bylaws.

In addition, Micro Focus US agreed to cause the surviving corporation to obtain insurance policies with a claims period of at least six years from the Effective Date with respect to directors' and officers' liability insurance that provides coverage for events occurring on or before the Effective Date. The terms of the policies will be no less favourable than the directors' and officers' liability insurance and fiduciary insurance policies of NetManage as at the Effective Date, unless the cost of the policies would exceed US$100,000, in which case the coverage will be the greatest amount available for an amount not exceeding US$160,000.

9.1.8 *Agreement for the acquisition for Liant Software Corporation*

On 11 July 2008, Micro Focus US and Liant Merger Sub, Inc. ("**Liant Merger Sub**", a wholly-owned subsidiary of Micro Focus US) entered into an agreement and plan of merger with Liant Software Corporation ("**Liant**") and John M. Bradley, as stockholder representative (the "**Liant Agreement**") pursuant to which Liant Merger Sub merged with and into Liant, with Liant continuing thereafter as the surviving corporation. The merger completed on 11 July 2008. The aggregate consideration paid by Parent to the securityholders of Liant pursuant to the Liant Agreement and agreements executed in connection therewith was approximately US$7 million, subject to adjustment pursuant to the terms of the Liant Agreement. The consideration was paid in cash at completion. The Liant Agreement provides for (i) an adjustment to the purchase price to take into account any difference between an estimated amount (calculated at the closing of the transaction) and the actual amount (calculated shortly after the closing of the transaction) of Liant's working capital, indebtedness, and transaction expenses at the closing of the transaction, and (ii) an escrow fund of US$1.8 million to be used for certain indemnification claims and for the remainder of the fund, if any, to be periodically released pursuant to the terms of an escrow agreement entered into at the closing of the transaction. The Liant Agreement contains negotiated indemnification provisions and escrow arrangements relating to the parties' breaches of representations, warranties, covenants and agreements set forth therein. Indemnification claims for breaches of representations and warranties may be brought for 18 months after the completion of the transaction, provided that representations and warranties relating to certain fundamental matters (including tax matters) may be brought for three years after the consummation of the transaction. The negotiated indemnification provisions include (i) a cap on the stockholders indemnification liability of US$1.8 million (plus any accrued interest earned while held in escrow) for breaches of representation and warranties, and (ii) a deductible basket of US$50,000 for breaches and warranties, except for representations and warranties relating to certain fundamental matters. The Liant Agreement is governed by the laws of Delaware, US.

9.1.9 *Agreement for the acquisition of Relativity Technologies, Inc.*

On 5 December 2008, Micro Focus US and Relativity Merger Sub, Inc., ("**Relativity Merger Sub**") (a wholly owned subsidiary of Micro Focus US), entered into an agreement and plan of merger with Relativity Technologies, Inc. ("**Relativity**") and Wachovia Investment Holdings, LLC, as Stockholder Representative (the "**Relativity Agreement**") pursuant to which Relativity Merger Sub merged with and into Relativity, with Relativity continuing thereafter as the surviving corporation. The merger completed on 30 December 2008. The aggregate consideration paid by Parent to the security holders of Relativity pursuant to the Relativity Agreement and agreements executed in connection therewith was approximately US$9.7 million, subject to adjustment pursuant to the terms of the Relativity Agreement. The consideration was paid in cash at completion. The Relativity Agreement provides for (i) an adjustment to the purchase price to take into account any difference between an estimated amount (calculated at the closing of the transaction) and the actual amount (calculated shortly after the closing of the transaction) of Relativity's net asset value and indebtedness at the closing of the transaction, and (ii) an escrow fund of US$1.0 million to be used for certain indemnification claims and for the remainder of the fund, if any, to be periodically released pursuant to the terms of an escrow agreement entered into at the closing of the transaction. The Relativity Agreement contains negotiated indemnification provisions relating to the parties' breaches of representations, warranties, covenants and agreements set forth therein. Indemnification claims for breaches of representations and warranties may be brought for 18 months after the completion of the transaction, provided that representations and warranties relating to certain fundamental matters (including tax matters) may be brought for three years after the completion of the transaction. The negotiated indemnification provisions include (i) a cap on the stockholders' indemnification liability of US$1 million (plus any accrued interest earned while held in escrow) for breaches of representation and warranties, and (ii) a deductible basket of US$100,000 for breaches and warranties, except for representations and warranties relating to certain fundamental matters. The Relativity Agreement is governed by the laws of Delaware, US.

9.1.10 *Sponsor's Agreement with UBS Limited*

On 24 June 2009 UBS and Micro Focus entered into a sponsor's agreement pursuant to which UBS has agreed to act as Micro Focus's sponsor in relation to Readmission. In consideration for their services as sponsor the Company fees are payable to UBS by Micro Focus on Readmission following completion of the Acquisition and Micro Focus has agreed to reimburse certain expenses and to pay certain other costs, charges and fees incurred in connection with Readmission. Micro Focus is providing UBS with certain representations and warranties in relation to the Micro Focus Group and the Borland Group which are unlimited in time and are not subject to any financial limit. In addition Micro Focus is providing UBS with the benefit of certain indemnities standard for a document of this nature.

9.2 ***The Borland Group***

The following are all of the contracts, not being contracts entered into in the ordinary course of business, which: (i) are or may be material to the Borland Group, and have been entered into by Borland and/or a member of the Borland Group within the two years immediately preceding the date of this document; or (ii) (regardless of when entered into) contain provisions under which a member of the Borland Group has an obligation or entitlement which is or may be material to the Borland Group, as at the date of this document:

9.2.1 *Acquisition of Segue Software, Inc.*

On February 7, 2006, Borland entered into an agreement and plan of merger with Segue Software, Inc. ("**Segue**"), a publicly traded company and provider of global software quality and testing solutions (the "**Segue Agreement**"). Pursuant to the terms of the Segue Agreement, Borland acquired Segue in a merger transaction for consideration of approximately US$115.9 million. The transaction closed on 19 April 19 2006. None of the representations and warranties made in the merger agreement survived the consummation of the transaction. The Segue Agreement contained an affirmative covenant requiring Borland to maintain for a period of six years after the closing directors' and officers' liability insurance covering the former Segue directors and officers. The Segue Agreement is governed by the laws of the State of Delaware, US.

9.2.2 *Acquisition of Simunication, Inc.*

On 2 January 2008, Borland entered into a share purchase agreement with Bryan MacLean, James Enman, Richard Ormston, Michael Barnaby, Craig Heimark, Patrick Kerpan and Dale Fuller (the "**Simunication Agreement**") to purchase all of the outstanding shares of Simunication, a Canadian-based provider of leading edge software simulation technology for global organisations that develop software for external or internal use, for approximately US$2.4 million, including US$450,000 of assumed liabilities. The Simunication Agreement included a three year escrow in the amount of US$250,000. The representations and warranties provided by the sellers under the Simunication share purchase agreement survive for two years and are capped at the purchase price. The Simunication Agreement completed on 2 January 2008. The Simunication Agreement contains negotiated indemnification provisions relating to the parties' breaches of representations, warranties, covenants and agreements set forth therein. Indemnification claims for breaches of representations and warranties may be brought for two years after completion of the transaction, provided that representations and warranties relating to certain fundamental matters (including tax matters) may be brought without limitation of time (though the tax representation survives only until the date following the expiry of all periods allowed for objecting to the final determination of such taxes). The negotiated indemnification provisions include (i) a cap on the indemnification liability equal to the purchase price, except in the event of fraud or intentional wrongdoing, and (ii) dollar-one indemnity (there being no deductible basket) for breaches of the Simunication Agreement. The Simunication Agreement is governed by the laws of the State of Texas, US.

9.2.3 *Disposal of CodeGear*

On 6 May 2008, Borland and certain of its foreign subsidiaries entered into a purchase agreement (the "**CodeGear Agreement**") pursuant to which Borland agreed to sell the assets, operations and certain liabilities of its CodeGear division comprising IDE and database products and services business, to Embarcadero Technologies, Inc. ("**Embarcadero**"). The transaction closed on 30 June 2008 (the "**Closing Date**"). Borland received US$20.7 million net of certain post-closing accounts receivable and working capital adjustments. The CodeGear Agreement provides for an adjustment to the purchase price to take into account any difference between an estimated amount (calculated at the closing of the transaction) and the actual amount (calculated shortly after the closing of the transaction) of the CodeGear division's working capital and accounts receivable balance at the closing of the transaction. The CodeGear Agreement did not require Borland to place any portion of the purchase price in an escrow account. Under the terms of the CodeGear Agreement Borland's indemnification obligations to Embarcadero survived for one year (except for certain fundamental representations and warranties that survive in perpetuity) and are subject to a "tipping-basket" in an amount equal to 0.05 per cent. of the purchase price and a cap in an amount equal to 10 per cent. of the purchase price. Borland agreed that for a period of three years from the Closing Date it will not solicit any employee of Embarcadero or of the CodeGear division, and (ii) for a period of five years from the Closing Date design, develop, market, sell, license, sublicense, support, distribute or service IDE products, subject to certain customary exceptions. Further, Borland granted Embarcadero a one-year limited, non-exclusive, non-transferable, royalty-free license to use Borland's trademarks to the extent Borland's trademarks appear on or are contained in the existing inventory of the CodeGear business. The CodeGear Agreement is governed by the laws of the State of Delaware, US.

In connection with the CodeGear Agreement, Borland entered into the following ancillary agreements with Embarcadero:

(a) a transition services agreement (the "**TSA**") pursuant to which Borland agreed to provide Embarcadero with services relating to the CodeGear division. A number of the Borland's obligations under the terms of the TSA expired 180 days after the Closing Date. Borland's continuing obligations under the TSA are (i) for a period of one year, provide reasonable consultation and cooperation to Embarcadero to resolve customer problems (ii) for a period of one year, provide answers to questions regarding agreements entered into by Borland relating to the CodeGear business and (iii) for a period of three years, respond to requests for copies of materials licensed or transferred pursuant to the CodeGear Agreement;

(b) a patent license agreement, whereby Borland and CodeGear each granted to the other a non-exclusive, irrevocable, worldwide, royalty-free license for the use of patents, CodeGear in respect of the patents which Borland assigned to it pursuant to the CodeGear agreement but are necessary to operate Borland's business, and Borland in respect of the retained patents which are necessary to operate the CodeGear business. The license granted by Borland relates to all patents owned by it as at the Closing Date but is limited to use in connection with databases, compilers or tools for the development of software. The licence granted by CodeGear is limited to use in relation to the software products and tools offered by Borland as of the Closing Date;

(c) a technology cross-licensing agreement, whereby Borland and CodeGear each granted to the other a perpetual, non-exclusive, irrevocable, worldwide, royalty-free license to use certain intellectual property, Borland in respect of the products retained by Borland that are necessary to operate the CodeGear Business (such as the intellectual property rights in the Together and Star Team products), and CodeGear in respect of certain products transferred to Codegear that are necessary to operate Borland's retained business (such as the intellectual property rights in the JDataStore product).

(d) an assignment and assumption agreement whereby Borland assigned to CodeGear certain agreements relating to the operation of the CodeGear business. Most agreements were transferred in their entirety to CodeGear as they related exclusively to the CG Business. Certain agreements which related to both the CodeGear business and the retained business were agreed to be bifurcated.

9.2.4 *Borland Notes*

On 6 February 2007, Borland issued an aggregate principal amount of US$200 million of 2.75 per cent convertible senior notes (the "**Borland Notes**"). The Borland Notes are due to be repaid in full on 15 February 2012 and bear interest at a rate of 2.75 per cent per year. Interest on the Borland Notes is payable semi-annually in arrears on 15 February and 15 August of each year, beginning on 15 August 2007. The aggregate principal amount outstanding under the Borland Notes as at 31 March 2009 was US$115.0 million.

The Borland Noteholders may convert the Borland Notes based on an initial conversion rate of 156.8627 new Borland Shares per US$1,000 principal amount of the Borland Notes. The Borland Notes are initially convertible at a conversion price of US$6.38 per share. The Borland Noteholders may elect to convert the Borland Notes at any time prior to 15 November, 2011 under the following circumstances: (1) if the last reported sale price of Borland Shares for at least 20 of the 30 consecutive trading days ending on the last trading day of the immediately preceding financial quarter is greater than or equal to 130 per cent of the conversion price on the last trading day of such preceding financial quarter; (2) during the five business day period after any ten consecutive trading day period in which the trading price per Borland Note for each day of that 10 consecutive trading day period was less than 98 per cent of the product of the last reported sale price of Borland Shares and the conversion rate on such day; or (3) upon the occurrence of specified corporate transactions (including a merger). Borland must provide notice of the Borland Merger to the Noteholders at least 20 trading days prior to completion of the Acquisition. The Borland Notes will remain convertible until 20 calendar days after completion of the Acquisition. On or after 15 November 2011, the Borland Noteholders may convert the Borland Notes at any time prior to the close of business on the business day immediately preceding the maturity date.

Pursuant to the terms of the instrument constituting the Borland Notes, Borland cannot consolidate with or merge into another person unless the surviving corporation in such transaction is a corporation organised under the laws of the United States, or, if the surviving corporation is not a United States corporation, then a number of additional requirements must be fulfilled in order for the transaction to qualify as an approved change of control. The Acquisition is permitted under the terms of the Borland Notes.

Following the Acquisition, the Borland Notes will become convertible into such cash amount as would have been received by the Borland Noteholders if the Borland Notes had been converted immediately prior to completion of the Acquisition. A Borland Noteholder who does not elect to convert into cash during the 20 calendar days following completion of the Acquisition and who does not elect to have their Borland Notes repurchased as described above, will remain outstanding until 15 February 2012, being the maturity date for the Borland Notes. In connection with the Acquisition, Borland and an appointed trustee will execute a supplemental indenture providing that the Borland Notes are convertible into cash.

On or before the 20th day following completion of the Acquisition, Borland must provide Borland Noteholders with notice of the occurrence of the Acquisition (the "**Borland Notice**"). Upon the Acquisition, the Borland Noteholders have the right, at their option, to require Borland to repurchase all of the Borland Notes held by such Borland Noteholder's or any portion thereof that is a multiple of US$1,000 of the principal amount, on a business day specified by Borland that is not less than 20 nor more than 35 calendar days after the date of Borland Notice, at a repurchase price equal to 100 per cent of the principal amount thereof, together with accrued and unpaid interest thereon.

Further details of the repurchase right to be offered to Borland Noteholders on completion of the Acquisition are set out in paragraph 7 of Part VII.

9.3 *Enlarged Group*

Save as disclosed in paragraphs 9.1 and 9.2 of Part VIII of this document and subject to completion of the Acquisition, no contracts have been entered into in the ordinary course of business, which: (i) are or may be material to the Enlarged Group, and have been entered into by Micro Focus and/or a member of the Enlarged Group within the two years immediately preceding the date of this document; or (ii) (regardless of when entered into) contain provisions under which a member of the Enlarged Group has an obligation or entitlement which is or may be material to the Enlarged Group, as at the date of this document.

10. Related Party Transactions

10.1 Save as disclosed in the financial information set out in the related party transactions notes to the financial statements of Micro Focus for the financial years ended 30 April 2006 (page 55), 30 April 2007 (page 61) and 30 April 2008 (page 73), which are incorporated by reference into this document, the Micro Focus Group, and subject to completion of the Acquisition, the Enlarged Group entered into no material transactions with related parties during the financial years ended 30 April 2006, 30 April 2007 and 30 April 2008 or during the period between 1 May 2008 and 23 June 2009 (the last practicable date prior to the publication of this document).

10.2 The Borland Group did not enter into any material transactions with related parties during the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 or during the period between 1 January 2009 and 23 June 2009 (the last practicable date prior to the publication of this document).

11. Litigation

11.1 Other than as set out at paragraph 11.3 below, neither the Company nor any member of the Micro Focus Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had, a significant effect on the financial position or profitability of the Micro Focus Group.

11.2 Other than as set out at paragraph 11.3 below, neither Borland nor any member of the Borland Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Micro Focus is aware) during the 12 months preceding the date of this document which may have, or have had, a significant effect on the financial position or profitability of the Borland Group.

11.3 On 17 May 2009, a putative class action lawsuit was filed in the District Court of Travis County, Texas against Borland, the Borland Directors, Merger Sub, Micro Focus and Micro Focus US. The claim generally alleges that the Borland Directors breached their fiduciary duties owed to the Borland Shareholders in the attempt to sell Borland to Merger Sub, Micro Focus and Micro Focus US by means of an unfair process and for an unfair price. The claim further alleges that the Borland Directors agreed to onerous and preclusive deal protection devices within the Borland Merger Agreement, that operate to ensure that no competing offers for Borland will emerge or be successful. The claim also alleges that the Borland Directors are in possession of information concerning Borland's financial condition and prospects which has not been disclosed to the Borland Shareholders, including the true value and expected increased future value of the Borland Group and its assets. The claim alleges that the Borland Directors have clear and material conflicts of interest and are acting to better their own interests at the expense of the Borland Shareholders. The claim further alleges that Borland filed a materially misleading and/or incomplete proxy statement and that Borland committed multiple disclosure violations. The claim seeks to obtain an injunction against completion of the merger and seeks unspecified damages including 'rescissory' damages. Based on a review of the lawsuit, the Borland directors believe that the claim is without merit and intend to vigorously defend the claim.

11.4 Other than as set out in paragraph 11.3 above, no member of the Enlarged Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Micro Focus is aware) during the 12 months preceding the date of this document which may have, or have had, a significant effect on the financial position or profitability of the Enlarged Group.

12. Significant Change

12.1 Other than the acquisition of Relativity Technologies, Inc. (further details of which are set out in paragraph 9.1.9 of Part VIII of this document) and the acquisition of the Application Testing / Automated Software Quality solutions business from Compuware Corporation (further details of which are set out in paragraph 9.1.1 of Part VIII of this document), there has been no significant change in the financial or trading position of the Micro Focus Group since 31 October 2008, the date to which the last published interim results were prepared.

12.2 There has been no significant change in the financial or trading position of the Borland Group since 31 March 2009, the date to which the last published interim results were prepared.

12.3 Other than the Acquisition or as set out in paragraphs 12.1 and 12.2 of Part VIII of this document there has been no significant change in the financial or trading position of the Enlarged Group since 31 October 2008, the date to which the last published interim results were prepared.

13. Working Capital

13.1 The Company is of the opinion that, taking into account the bank facilities available to it, the Micro Focus Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this document.

13.2 The Company is of the opinion that, taking into account the bank facilities available, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this document.

14. Consents

14.1 Arma Partners LLP has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

14.2 UBS Limited has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.

14.3 PricewaterhouseCoopers LLP, whose registered office is at 1 Embankment Place, London WC2N 6RH, is a member of the Institute of Charted Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its reports on (i) the financial information on the Borland Group for the period 1 January 2009 to 31 December 2009 set out in Part IV(B); and (ii) the historical financial information on the Borland Group set out in Part V(B); and (iii) the pro forma financial information set out in Part VI(A); the form and consent in which they appear and has authorised the contents of such reports for the purposes of items 5.5.3(R)(2)(f) of the Prospectus Rules.

15. Documents for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at Micro Focus International plc, The Lawn, Old Bath Road, Newbury, Berkshire RG14 IQN and at Field Fisher Waterhouse LLP, 35 Vine Street, London EC3N 2AA to and including the date of Readmission:

(a) the Memorandum and Articles of Association of the Company;

(b) the report on the financial information on the Borland Group for the period 1 January 2009 to 31 December 2009 set out in Part IV(B), the report on the historical financial information of the Borland Group by PricewaterhouseCoopers LLP set out in Part IV(B) of this document and the report by PricewaterhouseCoopers LLP on the pro forma financial information set out in Part VI(B) of this document;

(c) the audited consolidated accounts of the Micro Focus Group for the three financial years ended 30 April 2006, 30 April 2007 and 30 April 2008 and the unaudited interim financial statements for the six months ended 31 October 2008;

(d) the Borland Merger Agreement; and

(e) this document.

Dated 24 June 2009

PART IX

DEFINITIONS/GLOSSARY

The following definitions apply throughout this document, unless the context requires otherwise:

"1985 Act"	the Companies Act 1985, as amended and for the time being in force;
"2006 Act"	the Companies Act 2006, as amended and for the time being in force;
"Acquisition"	the recommended acquisition by Micro Focus of all the Borland Shares on the terms and subject to the conditions set out in the Borland Merger Agreement as amended by the Borland Amendment Agreement;
"Acquisition Proposal"	other than the Borland Merger, any offer or proposal for, or any indication of interest in, (i) any direct or indirect acquisition or purchase of 20 per cent. or more of the total assets of Borland or any of its subsidiaries, in a single transaction or series of related transactions, (ii) any direct or indirect acquisition or purchase of 20 per cent. or more of any class of equity securities of Borland or any of its subsidiaries, in a single transaction or series of related transactions, (iii) any tender offer or exchange offer (including a self-tender offer) that if consummated would result in any person beneficially owning 20 per cent. or more of any class of equity securities of Borland or any of its subsidiaries, (iv) any merger, consolidation, share exchange, business combination, recapitalisation, reclassification or other similar transaction involving Borland or any of its subsidiaries, or (v) any public announcement of an agreement, proposal or plan to do any of the foregoing;
"ALM"	application lifecycle management solutions;
"Application Testing / Automated Software Quality"	a set of activities conducted to provide information about the quality of the software product or service under test, finding and managing the process of fixing errors or bugs in software and validating that software meets the business and technical requirements set out initially;
"Arma Partners LLP"	Arma Partners LLP of 11 Berkeley Street, London W1J 8DS;
"Australia"	the Commonwealth of Australia and its dependent territories;
"Board"	the Micro Focus Directors;
"Borland"	Borland Software Corporation, incorporated in Delaware, US and with registered number 94-2895440;
"Borland Amendment Agreement"	the agreement to amend the Borland Merger Agreement dated 17 June 2009, a summary of which is set out in Part VII of this document;
"Borland Directors"	the directors of Borland;
"Borland Group"	Borland, its subsidiaries and subsidiary undertakings;
"Borland Merger"	the merger (in accordance with the laws of the State of Delaware) of Borland and Merger Sub, with Merger

	Sub surviving such merger in accordance with the terms of the Borland Merger Agreement;
"Borland Merger Agreement"	the conditional agreement and plan of merger dated 5 May 2009 in relation to the Borland Merger, a summary of which is set out in Part VII of this document as amended by the Borland Amendment Agreement;
"Borland Noteholders"	holders of Borland Notes;
"Borland Notes"	2.75 per cent. convertible senior notes issued by Borland due on 15 February 2012;
"Borland Shareholders"	holders of Borland Shares;
"Borland Shares"	the unconditionally allotted or issued and fully paid common shares of US$0.10 each in the capital of Borland;
"Business Day"	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London;
"Canada"	Canada, its provinces and territories and all areas subject to its jurisdiction or any political subdivision thereof;
"CodeGear"	the IDE and database products and services business disposed of by Borland to Embarcadero Technologies, Inc. pursuant to an agreement dated 6 May 2008;
"Company" or **"Micro Focus"**	Micro Focus International plc being part of the Micro Focus Group and with effect from the Effective Date, part of the Enlarged Group;
"Companies Acts"	the 1985 Act and the 2006 Act;
"Compuware Corporation"	Compuware Corporation, incorporated in Michigan, US;
"Conditions"	the conditions to the implementation of the Acquisition which are summarised in paragraph 3 of Part I of this document;
"Consideration"	US$88 million;
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended;
"Disclosure and Transparency Rules" or **"DTR"**	the Disclosure and Transparency Rules as published by the FSA;
"DPG"	deployment product group including products that are designed to enable interoperability for major critical applications running in distributed heterogenous computing environments;
"EBITDA"	earnings before interest, taxes, depreciation and amortisation;
"Effective"	the Borland Merger Agreement becoming unconditional in all respects;
"Effective Date"	the date on which the Acquisition becomes Effective;

"Enlarged Group"	with effect from the Effective Date, the combined Micro Focus Group and Borland Group;
"EU"	the European Union;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;
"Expiration Date"	5 November 2009;
"Form of Proxy"	the form of proxy for use at the Micro Focus General Meeting which accompanies this document;
"FSA"	the United Kingdom Financial Services Authority;
"FSMA"	the Financial Services and Markets Act 2000, as amended from time to time;
"Hart-Scott-Rodino Act"	Hart-Scott-Rodino Antitrust Improvements Act 1976;
"IAS"	international accounting standards;
"IDE"	an integrated development environment also known as integrated design environment, being a software application that provides computer programmers with comprehensive tools for software development;
"IFRS"	International Financial Reporting Standards;
"IPR&D"	intellectual property rights and development;
"IT"	information technology;
"Internet"	the worldwide system of connected computers enabling information and communications to be shared by people;
"LIBOR"	London Interbank Offered Rate published by the British Bankers' Association;
"Listing Rules"	the listing rules made by the FSA under section 73A of the Financial Services and Markets Act 2000;
"Loan Facility Agreement"	the loan facility agreement further details of which are set out in paragraph 9.1.3 of Part VIII of this document;
"London Stock Exchange"	the London Stock Exchange plc or its successor;
"MDD"	model driven development being model based software design which provides guidelines for the structuring of specifications and functionality;
"Merger Sub"	Borland Merger Sub, Inc., a subsidiary of Micro Focus US established for the purposes of the Borland Merger;
"Micro Focus Board"	the board of directors of Micro Focus;
"Micro Focus Directors"	the directors of Micro Focus;
"Micro Focus General Meeting" or **"General Meeting"**	the general meeting of Micro Focus to be held on 17 July 2009 to vote on the resolution set out in the notice of general meeting contained in this document;
"Micro Focus Group"	Micro Focus, its subsidiaries and subsidiary undertakings;
"Micro Focus Incentive Plan 2005"	the Micro Focus Incentive Plan 2005 adopted by the Company on 27 April 2005 (as amended by the remuneration committee of the Company from time to time);

"Micro Focus Shareholders" or **"Shareholder"**	holders of Ordinary Shares;
"Micro Focus US"	Micro Focus (US) Inc., a Delaware corporation and indirect subsidiary of Micro Focus;
"NASDAQ"	the NASDAQ Global Market of the NASDAQ Stock Market Inc.;
"Official List"	the official list of the UK Listing Authority;
"Open Source"	computer software for which the source code is freely available or in the public domain under a software license that permits users to use, change and improve the software and to redistribute it in modified or unmodified forms;
"Options"	any unissued Ordinary Shares which are the subject of options granted by the Company;
"Ordinary Shares"	ordinary shares of ten pence each in the capital of Micro Focus International plc;
"Pence", "Sterling" and **"£"**	the lawful currency of the United Kingdom;
"PPM"	project and portfolio management solutions providing analysis and reporting tools to determine the optimal mix and sequencing of individual projects which are a subset of the broader project portfolio to best achieve predefined overall goals;
"Prospectus"	the document comprising a prospectus relating to the Company and the Enlarged Group to be published by the Company as soon as practicable following the date of this document and following approval by the UK Listing Authority (together with any supplements or amendments thereto);
"Prospectus Rules"	the rules for the purposes of Part VI of the Financial Services and Markets Act 2000 in relation to offers of securities to the public and the admission of securities to trading on a regulated market;
"RDM"	requirements definition and management solutions providing frameworks and tools for iterative and collaborative approaches for defining, validating and managing software requirements during the software development process;
"Readmission"	readmission of the Ordinary Shares to listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective;
"Regulation S"	Regulation S under the US Securities Act;
"Resolution"	the resolution to be proposed at the Micro Focus General Meeting (and set out in the notice of general meeting contained in this document) to approve the Acquisition;
"SCM"	software change management, being the task of tracking and controlling changes, revisions and modifications in software, particularly during the software development process;
"SEC"	the US Securities and Exchange Commission;

"Segue"	Segue Software, Inc. incorporated in Delaware, US;
"Sharesave Plan"	the Micro Focus Sharesave Plan 2006 adopted by the Company in July 2006 (as amended by the remuneration committee of the Company from time to time);
"Silk"	the Silk product range added to Borland's product portfolio through the acquisition of Segue on 19 April 2006 which addresses the full range of software quality assurance challenges through an integrated suite of quality management software;
"SilkCentral"	an Application Testing / Automated Software Quality tool that helps manage the software testing process;
"Superior Proposal"	any Acquisition Proposal by a person that (i) Borland's board of directors has determined in good faith, after consultation with an independent financial advisor of nationally recognised reputation in the US, is more favourable from a financial point of view to the Borland Shareholders than the Borland Merger (including any adjustment to the terms and conditions thereof proposed in writing by Micro Focus or Micro Focus US in response to any such Acquisition Proposal), (ii) Borland's board of directors has determined in good faith, after consultation with its independent outside legal counsel, that is of such a nature that failure to accept such Acquisition Proposal would be inconsistent with its fiduciary duties to the Borland Shareholders under applicable law and (iii) is reasonably capable of being consummated in a timely manner (taking into account all financial, regulatory, legal and other aspects of such proposal (including, without limitation, the ready availability of cash on hand and/or commitments for the same, in each case as applicable, required to consummate any such Acquisition Proposal and any antitrust or competition law approvals or non-objections));
"Termination Fee"	the termination fee of US$3.0 million payable to the Micro Focus Group in accordance with the terms of the Borland Merger Agreement as increased to US$4.0 million pursuant to the Borland Amendment Agreement;
"UBS" or **"UBS Investment Bank"**	UBS Limited of 1 Finsbury Avenue, London EC2M 2PP;
"UK Listing Authority"	the FSA in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland;
"US" or **"United States"**	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction;
"US GAAP"	US generally accepted accounting principles;
"US Person"	as defined in Regulation S;

"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
"US$"	the lawful currency of the US.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

For the purpose of this document, "**subsidiary**" and "**subsidiary undertaking**" have the meanings given by the 2006 Act.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

DIRECTORS	Kevin Loosemore *(Non-Executive Chairman)* Stephen Kelly *(Chief Executive Officer)* Nicholas Bray *(Chief Financial Officer)* David Maloney *(Non-Executive Director)* Paul Pester *(Non-Executive Director)* Tom Skelton *(Non-Executive Director)*
COMPANY SECRETARY	Jane Smithard
REGISTERED OFFICE	The Lawn 22-30 Old Bath Road Newbury Berkshire RG14 1QN
SPONSOR AND BROKER	UBS Limited 1 Finsbury Avenue London EC2M 2PP
FINANCIAL ADVISER TO MICRO FOCUS	Arma Partners LLP 11 Berkeley Street London W1J 8DS
LEGAL ADVISERS TO MICRO FOCUS	Field Fisher Waterhouse LLP (in the UK) 35 Vine Street London EC3N 2AA *and* Kirkland & Ellis (in the US in relation to the Acquisition) 555 California Street San Francisco CA94104 USA *and* Lawrence Graham (outside the US in relation to the Acquisition) 4 More London Riverside London SE1 2AU
LEGAL ADVISER TO SPONSOR AND BROKER	White & Case LLP 5 Broad Street London EC2N 1DW
REGISTRARS TO MICRO FOCUS	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
AUDITORS TO MICRO FOCUS AND REPORTING ACCOUNTANTS	PricewaterhouseCoopers LLP 9 Greyfriars Road Reading Berkshire RG1 1JG

MICRO FOCUS INTERNATIONAL PLC

(registered in England and Wales with registered number 05134647)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Micro Focus International plc (the "**Company**") will be held at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN at 5 p.m. on 17 July 2009 for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT the proposed acquisition by the Company of the entire issued and to be issued share capital of Borland Software Corporation (the "**Acquisition**"), substantially on the terms and subject to the conditions set out in the circular to shareholders of the Company outlining the Acquisition dated 24 June 2009 (a copy of which is produced to the meeting and signed for identification purposes by the chairman of the meeting) be and is hereby approved and the directors of the Company (or any duly constituted committee thereof) be authorised (1) to take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and (2) to agree such modifications, variations, revisions or amendments to the terms and conditions of the Acquisition (provided such modifications, variations, revisions or amendments are not material), and to any documents relating thereto, as they may in their absolute discretion think fit.

24 June 2009

Registered office:
The Lawn
22-30 Old Bath Road
Newbury
Berkshire
RG14 1QN

By Order of the Board

JANE SMITHARD
Secretary

NOTES

(i) The holders of Ordinary Shares are entitled to attend this meeting. A member entitled to attend and vote may appoint a proxy to exercise all or any of his rights to attend, speak and vote at the meeting. Such a member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company.

(ii) A form of proxy is enclosed with this notice. To be effective, a form of proxy must be completed, signed and deposited, together with any power of attorney or authority under which it is signed or a certified copy of such power or authority, with the Company's registrars at the address specified on the form of proxy by 5 p.m. on 15 July 2009. Depositing a completed form of proxy will not preclude a member from attending the meeting and voting in person.

(iii) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**nominated person**") may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a nominated person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

(iv) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.00 p.m. on 15 July 2009. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(v) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that

(a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

(b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives—*www.icsa.org.uk* — for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (a) above.

Merrill Corporation Ltd, London
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