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15 September 2014

Micro Focus International plc

Proposed Merger with The Attachmate Group, Inc
and
Proposed Return of Value of 60 pence per Existing Ordinary Share

The Boards of Micro Focus International plc ("Micro Focus" or the "Company") and The Attachmate Group, Inc ("Attachmate Inc") are pleased to announce that they have reached agreement on the terms of a merger (the "Merger") pursuant to which the Company will acquire the entire issued share capital of Attachmate Inc, in exchange for the issue of approximately 86.60 million Ordinary Shares (the "Consideration Shares") to Attachmate Inc's parent company, Wizard Parent LLC ("Wizard"). This is equal to approximately 40.0 per cent. of the Enlarged Share Capital following the Merger, assuming Micro Focus's previously announced Return of Value is implemented. Based on Micro Focus's closing share price as at 12 September 2014 of 842.5p, the value of the Consideration Shares to be allotted to Wizard is approximately £729.6 million ($1,184.0 million) which together with net debt of the Attachmate Group as at 31 July 2014 of $1,165.8 million values the transaction at $2,349.8 million before costs. In the year ended 31 March 2014 the Attachmate Group generated revenues of $956.8 million and Underlying Adjusted EBITDA of $312.8 million. The Merger constitutes a reverse takeover for the purposes of the Listing Rules.

Micro Focus also today announces details of its proposed Return of Value of 60 pence per share, totalling approximately £83.9 million ($136.2 million). The Return of Value will be accompanied by a proportionate share consolidation, whereby Shareholders will receive 0.9285 new Ordinary Shares for each existing Ordinary Share held.

Highlights

- The Micro Focus Board believes that the proposed Merger presents a rare opportunity to achieve a significant increase in the scale and breadth of Micro Focus, through a merger with a business operating in market segments adjacent and complementary to Micro Focus and sharing the same characteristics of high recurring revenues, high operating margins and strong cash conversion; and with the potential to deliver Total Shareholder Returns ("TSRs") that are superior to those likely to be achieved on an organic basis.

- Creation of an enlarged global infrastructure software company with a top three global market position in a number of key segments, including off-mainframe COBOL, mainframe modernisation, host connectivity and Linux.

- The Enlarged Group's combined annual revenues amount to approximately $1.4 billion, with combined Underlying Adjusted EBITDA and cash generated from operations each amounting to approximately $0.5 billion p.a.(1)

- The Merger is expected to significantly enhance adjusted earnings per share for Micro Focus shareholders in the current financial year ending 30 April 2015 and thereafter, with scope for further benefits as operational improvements are realised across the Enlarged Group.(2)

- It is intended that, on completion of the Merger, as previously announced at the time of the interim management statement in August, Micro Focus shareholders will receive a further return of value of 60 pence per share costing approximately £83.9 million ($136.2 million) through a similar share scheme mechanism to previous returns of value. The Return of Value is not conditional on the Merger and the Consideration Shares will not rank for the Return of Value or for the final dividend payable of 17.7 pence per share in respect of the year ended 30 April 2014.

- Completion of the Merger will be subject to the satisfaction of a number of conditions, including, amongst other things, publication of a prospectus relating to the Enlarged Group, applicable regulatory and anti-trust approvals having been obtained, consummation of the Refinancing and Micro Focus shareholder approval. Subject to these conditions, the Company currently expects completion of the Merger to occur in November 2014.

Strategic rationale and operational benefits

The Board believes that the proposed Merger presents a rare opportunity to achieve a significant increase in the scale and breadth of Micro Focus, with the potential to deliver TSRs that are superior to those likely to be achieved on an organic basis.

The Directors consider that the businesses of Micro Focus and the Attachmate Group share a number of important attributes:

- both are well established enterprise software vendors operating at a global scale with a presence in all significant international markets;
- both are characterised by high Underlying Adjusted EBITDA margins (Micro Focus 45.4 per cent., Attachmate Group 32.7 per cent.)(3) and high recurring revenues (Micro Focus 66.3 per cent., Attachmate Group 71.3 per cent.);
- both hold a portfolio of software solutions organised into different product groups which address specific aspects of the infrastructure software requirements of a substantial installed base of large enterprise customers, with no material customer concentration; and
- both the Attachmate Group's and Micro Focus's respective product groups are (with exceptions) predominantly mature solution sets which are embedded within the IT infrastructures of large corporate customers.

Integration benefits

- The Board believes that the principal benefits of the Merger will arise mainly from the delivery, over the medium term, of operational improvements across the Enlarged Group.
- Given the scale of the Enlarged Group, the Board believes that the operational efficiencies will be achieved in the medium term, primarily through reducing duplicated central costs and combining corporate support functions where appropriate. The Board will also seek to reduce or reverse areas of revenue decline, accelerate revenue growth where achievable, and enhance operating margins.

The Attachmate Group's business

The Attachmate Group is one of the leading global providers of enterprise infrastructure software solutions to businesses, governments and other large organizations in order to extend, manage and secure complex IT environments. The Attachmate Group maintains its principal office in Houston, Texas and operates its business from four main distributed offices in Provo, Utah; Houston, Texas; Seattle, Washington and Nuremburg, Germany. It comprises four principal software product portfolios:

- Attachmate, which delivers advanced software for terminal emulation, legacy modernization, managed file transfer and enterprise fraud management;
- NetIQ, which helps organisations tackle information protection challenges cost-effectively and manage the complexity of dynamic, highly-distributed application environments;
- Novell, which helps businesses work more efficiently and collaborate more effectively; and
- SUSE Linux, which offers a family of software products centred around SUSE Linux Enterprise, an interoperable platform for core computing needs supported by a shared global support and services organisation.

The Attachmate Group has a stable base of core relationship customers whose existence supports a strong recurring revenue base, with recurring revenues representing 71.3, 71.0 and 68.9 per cent. of total revenue for the financial years ended 31 March 2014, 2013 and 2012. The group has been in business for over 30 years. It has approximately 3,300 employees across 80 offices worldwide from which it serves more than 23,000 customers.

Summary financial information on Micro Focus, the Attachmate Group and the Enlarged Group

	Micro Focus - financial year ended 30 April 2014 US$'000	Attachmate Group - financial year ended 31 March 2014 US$'000	Adjustments* US$'000	Pro forma total US$'000
Revenue	433,058	956,829		1,389,887
Underlying Adjusted EBITDA	196,402	312,846		509,248
Cash generated from operations	206,775	284,458		491,233
Underlying Adjusted EBITDA margin	45.4%	32.7%		36.6%
Cash conversion**	107.7%	102.7%		104.7%
Net debt as at 31 July 2014	232,881	1,165,836	304,222	1,702,939

**Adjustments represent payment of the Return of Value, arrangement fees relating to the New Facilities, transaction fees payable to certain shareholders of Wizard in connection with the Merger, employment related change of control payments to Attachmate Group employees and the transaction costs of Micro Focus and the Attachmate Group, estimated through to Completion.*

***Consistent with Micro Focus's past reporting, the cash conversion ratio is calculated as cash generated from operations divided by Adjusted EBITDA less exceptional items. Adjusted EBITDA is arrived at by adding/(deducting) net capitalization/(amortization) of development costs and foreign exchange gains/(losses) to/from Underlying Adjusted EBITDA.*

Board and management of the Enlarged Group

Subject to the necessary regulatory approvals, following the Merger the Company will remain listed on the premium segment of the Official List of the UKLA and admitted to trading on the London Stock Exchange's Main Market for listed securities.

Kevin Loosemore and Mike Phillips will continue as Executive Chairman and Chief Financial Officer respectively of the Enlarged Group. Prescott Ashe, Managing Director of Golden Gate Capital and David Golob, Partner of Francisco Partners, will join the Board as Non-Executive Directors at Completion. To ensure an appropriate balance between Independent and Non-Independent Directors, Stephen Murdoch will step down from the Board at Completion whilst remaining as an employee of the Enlarged Group and a key member of the operating board. Other than David Maloney who will retire from the Micro Focus Board at the annual general meeting of the Company to be held on 25 September 2014, the remaining Directors will continue to perform their existing roles on the Board as part of the Enlarged Group. The Board intends to appoint another (as yet unidentified) independent Non-Executive Director to the Board following Completion, which will increase the number of Independent Non-Executive Directors from four to five.

Micro Focus will enter into a relationship agreement with Wizard and the Wizard Shareholders (being the Francisco Partners Funds, the Golden Gate Funds, the Thoma Bravo Funds and the Elliott Management Fund, who collectively hold approximately 88.75 per cent. of the economic interests in Wizard).

In order to ensure the success of the integration of Micro Focus and the Attachmate Group, and of the Merger as a whole, subject to Micro Focus shareholder approval, new management incentive arrangements based on demanding TSR targets will be put in place.

Financing of the Enlarged Group

It is proposed that the existing indebtedness of both the Attachmate Group and Micro Focus will be refinanced by the New Facilities as part of the Merger. As at 31 July 2014 Micro Focus and the Attachmate Group had net indebtedness of $232.9 million and $1,165.8 million, respectively. Taking into account payment of the Return of Value and total estimated transaction and other costs of Micro Focus and the Attachmate Group (including arrangement fees related to the New Facilities and transaction fees payable to certain Wizard Shareholders), the aggregate net indebtedness of the Enlarged Group following Completion is estimated to be approximately $1.7 billion.

Underwriting commitments have been secured from Bank of America Merrill Lynch, HSBC, RBC Capital Markets, Goldman Sachs and Credit Suisse in respect of the New Facilities in an aggregate amount of $2.0 billion which will be available to the Enlarged Group as at Completion. The New Facilities will comprise:

(a) a syndicated senior secured term loan B of $1,350 million, with a 7 year term;

(b) a syndicated senior secured term loan C of $500 million, with a 5 year term; and

(c) a senior secured revolving credit facility of $150 million.

The only financial covenant attaching to the New Facilities relates to the revolving credit facility, which will be subject to an aggregate net leverage covenant only in circumstances where more than 35 per cent. of the revolving credit facility is outstanding at a fiscal quarter end.

Financial effects of the Merger

(a) Impact on earnings

The Board believes that, taking into account the business and prospects of the Enlarged Group, the Merger will significantly enhance adjusted earnings per share for Micro Focus shareholders in the current financial year ending 30 April 2015 and thereafter. This statement is not intended to be a profit forecast, and should not be interpreted to mean that the earnings per share of the Micro Focus Group following completion of the Merger will necessarily be above or below the historical published earnings per share.

(b) Impact on leverage

The Board estimates that the initial pro forma net leverage of the Enlarged Group will be approximately 3.3x Facility EBITDA (being Underlying Adjusted EBITDA plus foreign exchange gains less losses, plus development costs capitalised). The Board recognises that this leverage ratio is above the Board's previously stated target net debt ratio of 2.5x Facility EBITDA, and accordingly intends that the strong operating cashflows of the Enlarged Group should reduce net debt to approximately this target level before considering any further returns of value or share buybacks, other than normal dividends.

The Board is targeting to achieve a net debt ratio of 2.5x Facility EBITDA within two years of Completion.

(c) Impact on tax rate

The structure of the New Facilities is anticipated to have a beneficial impact on the effective tax rate of the Enlarged Group, which the Board currently expects to be in the range of approximately 25 to 27 per cent. going forwards.

(d) Impact on dividend and cash returns policy of the Enlarged Group

The Board has in recent periods had a dividend policy to award a level of dividend covered approximately two times on a pre-exceptional earnings basis. Following Completion, unless the performance of the Enlarged Group were to fall significantly below the Board's expectations, the Board intends to implement a progressive dividend policy, but to suspend consideration of further returns of value and share buybacks until such time as the Enlarged Group's target net debt level of 2.5x Facility EBITDA is achieved.

Rule 9 Waiver

As a result of Completion, Wizard will hold in excess of 30 per cent. of the voting rights in Micro Focus. The Takeover Panel has agreed, subject to the approval of the Independent Shareholders, to waive the obligation on Wizard to make a general offer for all of the issued shares in the Company which it does not already own that would otherwise arise as a consequence of the issue of the Consideration Shares. As required by the Takeover Code, Wizard has confirmed to the Company that, *inter alia*, save for the future intentions and strategy of the Enlarged Group as set out in this announcement, it does not intend to make any changes regarding the future strategy of the Enlarged Group's business, and intends to maintain the listing of the Ordinary Shares on the premium listing segment of the Official List and the trading of the Ordinary Shares on the London Stock Exchange's main market for listed securities.

New Incentive Arrangements

In order to ensure the success of the integration of the Company and the Attachmate Group, and the Merger as a whole, it is proposed that the New Incentive Arrangements are put in place, conditional in each case upon Shareholder approval and Completion. It is proposed that the Additional Responsibility Allowance (subject to revision by the Remuneration Committee, up or down, within set limits) is paid monthly to certain Executive Directors and senior managers temporarily to raise salary levels to comparable market rates pending the outcome of the integration process, whereupon it will be clear what the appropriate salary levels will be. It is also proposed that Additional Share Grants be made to certain Executive Directors, senior managers and to select key new hires in order to ensure that an appropriate incentivisation package is in place. The Additional Share Grants, when combined with awards under all other employee share plans, will not exceed 10 per cent. of the issued share capital of the Company over any 10 year period.

Prospectus and recommendation

The Prospectus is currently expected to be published within the next few weeks containing, *inter alia*, full details of the Merger, the Rule 9 Waiver, the New Incentive Arrangements and the Return of Value. Copies of the Prospectus will be available from the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL during normal business hours on any day (except Saturdays, Sundays and public holidays) from the date of its publication until Completion.

The Board, which has been so advised by Numis, considers the terms of the Merger, the Rule 9 Waiver and the Return of Value, to be fair and reasonable and in the best interests of the Shareholders taken as a whole. The Non-Executive Directors, who have been so advised by Numis, consider the terms of the New Incentive Arrangements to be fair and reasonable and in the best interests of the Shareholders taken as a whole. In providing advice to the Board and to the Non-Executive Directors, Numis has taken account of the Directors' commercial assessment. Accordingly, the Board will recommend unanimously that Shareholders vote in favour of the Merger, the Rule 9 Waiver and the Return of Value and the Non-Executive Directors will recommend unanimously that Shareholders vote in favour of the New Incentive Arrangements.

Further information

As the Merger is classified as a reverse takeover under the Listing Rules, upon Completion the listing on the premium listing segment of the Official List of all of the Existing Ordinary Shares will be cancelled, and application will be made for the immediate readmission of the Ordinary Shares and the admission of the Consideration Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities.

The Directors of Micro Focus confirm that Micro Focus has made the necessary arrangements with Wizard to enable the Company to keep the market informed without delay of any developments concerning the Attachmate Group that would be required to be released were the Attachmate Group part of Micro Focus. The Board of Micro Focus today also confirms that, until such time that a prospectus is published in relation to the Transaction, or discussions between the parties are terminated or such other date as required by the UK Listing Authority, Micro Focus will without delay make any announcements regarding developments affecting the Attachmate Group's business that would normally be required under the Disclosure and Transparency Rules if the Attachmate Group were already part of Micro Focus.

The Directors of Micro Focus consider that this announcement contains sufficient information about the Attachmate Group to provide a properly informed basis for assessing the Attachmate Group's financial position.

Commenting on today's announcement, Kevin Loosemore, Executive Chairman of Micro Focus, said:

"This is a transformational deal for Micro Focus. The Merger presents a rare opportunity to create a leading infrastructure software company with the scale and breadth to compete successfully at a global level. It provides us with a platform from which I am confident we can deliver significant and sustainable returns."

Analyst meeting

A presentation for analysts and institutional investors will be held today at 9.00 am at Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT. Please contact Powerscourt (microfocus@powerscourt-group.com) for further details. The presentation for analysts will be available on the Company's website: www.microfocus.com

For further information, please contact:

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Notes

(1) Based on revenue, Underlying Adjusted EBITDA and cash generated from operations for Micro Focus for the financial year ended 30 April 2014 and revenue, Underlying Adjusted EBITDA and cash generated from operations for the Attachmate Group for the financial year ended 31 March 2014.

(2) This statement is not intended to be a profit forecast, and should not be interpreted to mean that the earnings per share of the Company following completion of the Merger will necessarily be above or below the historical published earnings per share.

(3) Based on revenue and Underlying Adjusted EBITDA for the Company for the financial year ended 30 April 2014 and revenue and Underlying Adjusted EBITDA for the Attachmate Group for the financial year ended 31 March 2014.

Important notice:

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sponsor and financial adviser to Micro Focus in connection with the Merger, Admission, the Rule 9 Waiver and the Return of Value referred to in this announcement. Numis is acting exclusively for Micro Focus and no-one else in connection with the Merger, Admission, the Rule 9 Waiver and the Return of Value and will not be responsible to anyone other than Micro Focus for providing the protections afforded to clients of Numis or for providing advice in relation to the Transaction or the contents of this announcement or any transaction, arrangement or matter referred to herein.

Morgan Stanley & Co. International plc ("Morgan Stanley") which is authorised by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority is acting as exclusive financial adviser to the Attachmate Group and no one else in connection with the matters described in this announcement. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the transaction, the contents of this announcement or any other matter referred to herein.

This announcement has been issued by and is the sole responsibility of the Company.

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities pursuant to this announcement or otherwise.

This announcement has been prepared in accordance with English law, the Listing Rules and the Disclosure and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

This announcement does not constitute an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States of America. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, and no offer of securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States of America or any other country in which such offer may not be made other than (i) in accordance with the requirements under the US Securities Exchange Act of 1934, as amended, a registration statement under the US Securities Act of 1933, as amended, or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption therefrom.

Certain information in this announcement is based on management estimates. By their nature, estimates may not be correct or complete. Accordingly, no representation or warranty (express or implied) is given that such estimates are correct or complete or founded on reasonable grounds. No representation or warranty (express or implied) is given that such estimates are founded on reasonable grounds. Neither Micro Focus nor Numis undertake any obligation to correct or complete any estimate whether as a result of being aware of information (new or otherwise), future events or otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "envisages", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: Micro Focus's ability to successfully combine the business of Micro Focus (and its group) and the Attachmate Group and to realise operational efficiencies from that combination; conditions in the markets; the market position of Micro Focus (and its group), the Attachmate Group and/or the resulting enlarged group; earnings, financial position, cash flows, return on capital and operating margins of Micro Focus (and its group), the Attachmate Group and/or the Enlarged Group; anticipated investments and capital expenditures of Micro Focus (and its group), the Attachmate Group and/or the Enlarged Group; changing business or other market conditions; and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. Forward-looking statements contained in this announcement based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Listing Rules, Prospectus Rules, the Disclosure and Transparency Rules or other applicable legislation or regulation, neither Micro Focus nor Numis undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

Nothing in this announcement is intended, or is to be construed, as a profit forecast or to be interpreted to mean that earnings per Micro Focus share or the Attachmate Group share for the current or future financial years, or those of the Enlarged Group, will necessarily match or exceed the historical published earnings per Micro Focus or the Attachmate Group share (as applicable).

This announcement is an advertisement and not a prospectus and has been prepared solely for the purpose of the Transaction. A prospectus (incorporating a shareholder circular) in respect of the Transaction will be published by Micro Focus within the next few weeks.

Micro Focus International plc

Proposed Merger with The Attachmate Group Inc
and
Proposed Return of Value of 60 pence per Existing Ordinary Share

1. Introduction

The Company is pleased to announce that it has agreed to the Merger with the Attachmate Group pursuant to which the Company will acquire the entire issued share capital of Attachmate Inc, the holding company of the Attachmate Group, which is an enterprise software infrastructure business, in exchange for the issue of approximately 86.60 million Ordinary Shares to the Attachmate Group's parent company, Wizard. This is equal to approximately 40.0 per cent. of the Enlarged Share Capital following the Merger if the Return of Value as described below is implemented and approximately 38.2 per cent. of the Enlarged Share Capital following the Merger if the Return of Value is not implemented. Completion is subject to the satisfaction of a number of conditions, including, amongst other things, consummation of the Refinancing, applicable regulatory and anti-trust approvals having been obtained, Micro Focus Shareholder approval of the Merger and Admission.

The Company also announces that it proposes, subject to Shareholder approval, to return 60 pence per share, approximately £83.9 million (US$136.2 million) to Shareholders. The Board has decided to effect the Return of Value, which is not conditional on the Merger, through a structure which may enable Existing Ordinary Shareholders, subject to applicable overseas restrictions and tax laws, to elect to receive their cash proceeds as income or capital or any combination of the two. The Record Date for the Return of Value will occur prior to Completion and so the Consideration Shares to be issued in connection with the Merger will not be entitled to receive the Return of Value nor to participate in the final dividend payable of 17.7 pence per share in respect of the year ended 30 April 2014.

2. Background to and reasons for the Merger

Strategic and operational benefits

The Board has set out a clear strategy of delivering consistent TSRs in excess of Micro Focus's risk adjusted cost of capital, with an objective of achieving TSRs of 15 to 20 per cent. per annum over the long term. This objective has been comfortably exceeded over the three financial years ended 30 April 2014, through a combination of growing earnings per share, improving the consistency of the Company's financial performance, returning cash to Shareholders, and selectively reinvesting cashflow from operations into accretive acquisitions and into improving the quality of the Company's product portfolio and "Go to Market" propositions.

The Board believes that the proposed Merger presents a rare opportunity to achieve a significant increase in the scale and breadth of Micro Focus, with the potential to deliver TSRs that are superior to those likely to be achieved on an organic basis.

Attachmate Inc is a privately held enterprise software infrastructure company headquartered in Houston, Texas, United States with approximately 3,300 employees. The Attachmate Group's consolidated revenues for the financial year ended 31 March 2014 were US$956.8 million and Underlying Adjusted EBITDA was US$312.8 million for the same period.

The Directors consider that the businesses of Micro Focus and the Attachmate Group share a number of important attributes:

- both Micro Focus and the Attachmate Group are well established enterprise software vendors operating at a global scale with a presence in all significant international markets;

- both Micro Focus and the Attachmate Group are characterised by high Underlying Adjusted EBITDA margins (Micro Focus 45.4 per cent., Attachmate Group 32.7 per cent.), and high recurring revenues (Micro Focus 66.3 per cent., Attachmate Group 71.3 per cent.);

- both Micro Focus and the Attachmate Group hold a portfolio of software solutions organised into different product groups which address specific aspects of the infrastructure software requirements of a substantial installed base of large enterprise customers; and
- both Micro Focus's and the Attachmate Group's respective product portfolios are (with exceptions) predominantly mature solution sets which are embedded within the IT infrastructures of large corporate customers.

The Board and Wizard (the owner of the Attachmate Group) have for some time recognised the potential for a combination of the two businesses and have held exploratory discussions in the past which have helped the parties to gain a greater understanding of the performance and trajectory of their respective businesses. Micro Focus's executive team has, over the three years ended 30 April 2014, proven adept at managing Micro Focus's product portfolio to arrest declining revenues through invigorated product management and improved sales effectiveness and a strong alignment of employee and management incentives to shareholder returns and cash generation, coupled with tight financial discipline and strongly improving operating margins.

With the Company performing strongly the Board believes that the Merger represents a substantial opportunity to:

- create significantly greater scale and breadth of product portfolio covering adjacent areas of the infrastructure market, with limited direct overlaps to create a leading global infrastructure software company with a top three global market position in a number of key segments, including off-mainframe COBOL, mainframe modernisation, host connectivity and Linux;
- add a substantial recurring revenue base to Micro Focus's existing "Core" products, together with accessing important new growth drivers and new revenue models within Attachmate's product set, including, for example, maintenance and subscription revenues from Attachmate's SUSE Linux product portfolio which were US$181.8 million for the financial year ended 31 March 2014;
- accelerate operational effectiveness over the medium term, through the alignment of best practices between Micro Focus and the Attachmate Group in areas such as product development, support, product management, account management, and sales force productivity, as well as achieving operational efficiencies where appropriate; and
- exploit and further develop cross-selling opportunities between the Enlarged Group's enterprise customers.

Integration benefits

The Board believes that the principal benefits of the Merger will arise mainly from the delivery, over the medium term, of operational improvements across the Enlarged Group. Given the scale of the Enlarged Group, the Board believes that the operational efficiencies will be achieved in the medium term, primarily through reducing duplicated central costs and combining corporate support functions where appropriate. The Board will also seek to reduce or reverse areas of revenue decline, accelerate revenue growth where achievable, and enhance operating margins. However, the immediate imperative will be to ensure that the Merger is effected without undue disruption to the product development, sales, support and administrative functions of the Enlarged Group. As at the date of this announcement, an outline integration and alignment plan has been developed. A more detailed alignment plan will set out the scope of the wider and longer term alignment process, quantifiable objectives and the proposed organisation structure of the Enlarged Group.

Management, employees and locations of business

On Completion, Prescott Ashe (a Managing Director of Golden Gate Capital) and David Golob (a Partner in Francisco Partners) will join the Board as Non-Executive Directors. To ensure an appropriate balance between independent and non-independent Directors, Stephen Murdoch will step down from the Board at Completion whilst remaining as an employee of the Enlarged Group and a key member of the operating board. Other than David Maloney, who will retire from the Micro Focus Board at the annual general meeting of the Company to be held on 25 September 2014, the remaining Directors will continue to perform their existing roles on the Board as part of the Enlarged Group. The Board intends to appoint another (as yet unidentified) independent Non-

Executive Director to the Board following Completion, which will increase the number of Independent Non-Executive Directors from four to five.

An operating board will be formed comprising senior management of Micro Focus and the Attachmate Group in order to ensure that the Enlarged Group benefits from the skills and experience of both Micro Focus and the Attachmate Group to deliver best practice and operational excellence across the Enlarged Group.

The Enlarged Group's headquarters will be located at Micro Focus's registered office at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN, England.

3. Information on the Attachmate Group

The Attachmate Group is one of the leading global providers of enterprise infrastructure software solutions to businesses, governments and other large organizations in order to extend, manage and secure complex IT environments. The Attachmate Group maintains its registered office in Houston, Texas and operates its business from four distributed offices in Provo, Utah; Houston, Texas; Seattle, Washington and Nuremburg, Germany. It comprises four principal software product portfolios:

- Attachmate, which delivers advanced software for terminal emulation, legacy modernization, managed file transfer and enterprise fraud management;
- NetIQ, which helps organisations tackle information protection challenges cost-effectively and manage the complexity of dynamic, highly-distributed application environments;
- Novell, which helps businesses work more efficiently and collaborate more effectively; and
- SUSE Linux, which offers a family of software products centred around SUSE Linux Enterprise, an interoperable platform for core computing needs supported by a shared global support and services organisation.

The Attachmate Group has a stable base of core relationship customers whose existence supports a strong recurring revenue base, with recurring revenues representing 71.3, 71.0 and 68.9 per cent. of total revenue for the financial years ended 31 March 2014, 2013 and 2012. The Attachmate Group has been in business for over 30 years. It has approximately 3,300 employees across 80 offices worldwide from which it serves more than 23,000 customers.

Summary financial information

	Years ended 31 March		
	2012	2013	2014
	US$'000	US$'000	US$'000
Revenue	1,013,350	995,783	956,829
Analysed as:			
Licence	219,976	192,084	192,440
Maintenance and subscription	697,831	706,877	681,861
Services	95,543	96,822	82,528
Underlying Adjusted EBITDA	343,961	328,181	312,846
Cash generated from operations	316,645	254,794	284,458

Detailed financial information on the Attachmate Group is set out in Appendix 2 of this announcement.

4. Information on Wizard and Wizard Shareholders

Wizard is the holding company of the Attachmate Group and is the entity through which the following entities have invested in the Attachmate Group:

Name of Wizard Shareholders	*Beneficial economic interest in Wizard*
(a) Golden Gate Capital Funds	31.52%
(b) Francisco Partners Funds	29.92%
(c) Thoma Bravo Funds	14.14%
(d) Elliot Management Fund	13.17%
(e) Attachmate Group management and others	11.25%

Golden Gate Capital is a privately held enterprise with over $12 billion in committed capital. Unlike conventional private equity firms, it operates as a private holding company and recapitalizes, restructures, and ultimately builds meaningful businesses in partnership with management over an indefinite time horizon. Golden Gate is one of the most active software investors in the world, having invested in or acquired more than 65 software companies since its inception in 2000. Other software investee companies of Golden Gate include Aspect Software, BMC Software, Ex Libris, Infor, JDA Software, and LiveVox. Golden Gate was also the majority shareholder of Micro Focus from 2001 until Micro Focus's IPO in 2005, and fully divested its holding in 2009.

Francisco Partners is a global private equity firm that specializes in investments in technology companies. Francisco Partners was formed in 1999 to provide transformational capital to technology companies facing strategic or operational inflection points. Francisco Partners has raised approximately $7 billion across three funds. Francisco Partners has invested in more than 100 technology companies through a wide variety of transaction structures including: divisional carve-outs, acquisitions from founders, growth equity, public-to-privates, and sponsored M&A. Other software investee companies of Francisco Partners include Barracuda Networks, eFront, Frontrange Solutions, Kewill and Webtrends.

Thoma Bravo is a leading private equity investment firm building on a 30+ year history of providing equity and strategic support to experienced management teams and growing companies. Through a series of private equity funds, including the Thoma Bravo Funds, Thoma Bravo currently manages over $7 billion of equity capital. In the technology industry, Thoma Bravo has completed over 100 acquisitions representing approximately $10 billion in aggregate enterprise value over the past ten years. Other software investee companies of Thoma Bravo include Blue Coat Systems, Embarcadero Technologies, Hyland Software, Keynote Systems, LANDESK Software, Sirius Computer Solutions, Sparta Systems, Tripwire, Vision Solutions, and (transaction pending) Compuware Corporation.

Elliott Management Corporation manages two multi-strategy hedge funds which combined have approximately $25 billion of assets under management. Its flagship fund, Elliott Associates, L.P., was founded in 1977, making it one of the oldest hedge funds under continuous management. Elliott has extensive experience in the technology sector in both public and private investments and has made over 30 large investments across the technology landscape. Other software investee companies of Elliott include EMC Corporation / VMware, BMC Software, Compuware Corporation, and MSC Software. Prior software investments include Blue Coat, Agile Software, Epicor Software and others.

Wizard has no revenues other than those generated by the Attachmate Group and its only other asset is its 100 per cent. holding in Novell Intellectual Property Holdings, Inc., which is the holding company for various intellectual property licenses and patents which will continue to be licensed to the Attachmate Group on a perpetual, royalty- free basis following Completion.

Management and Governance of Wizard

The board of representatives of Wizard will, from Completion, consist of six representatives of Wizard's equity holders, of which two will be appointed by Francisco Partners, two by Golden Gate Capital and one each by Thoma Bravo and Elliott Management. In order for the board of representatives of Wizard to take any action, a majority of the voting power of the entire board must vote in favour of the action or provide written consent, although certain matters require the consent of 75 per cent. of the votes in Wizard which are controlled by Golden Gate, Francisco Partners and Thoma Bravo.

5. Summary financial information on Micro Focus, the Attachmate Group and the Enlarged Group

The table below sets out selected historical consolidated financial information relating to the Company and the Attachmate Group, which have been extracted without material adjustment from (i) the unaudited consolidated financial statements of Attachmate prepared under IFRS in respect of the financial year ended 31 March 2014 which will appear in the prospectus; and (ii) the audited consolidated financial statements of the Company prepared under IFRS in respect of the financial year ended 30 April 2014.

	Micro Focus - financial year ended 30 April 2014 US$'000	Attachmate Group - financial year ended 31 March 2014 US$'000	Adjustments* US$'000	Pro forma total US$'000
Revenue	433,058	956,829		1,389,887
Underlying Adjusted EBITDA	196,402	312,846		509,248
Cash generated from operations	206,775	284,458		491,233
Underlying Adjusted EBITDA margin	45.4%	32.7%		36.6%
Cash conversion**	107.7%	102.7%		104.7%
Net debt as at 31 July 2014	232,881	1,165,836	304,222	1,702,939

**Adjustments represent payment of the Return of Value, arrangement fees relating to the New Facilities, transaction fees payable to certain shareholders of Wizard in connection with the Merger, employment related change of control payments to the Attachmate Group employees and the transaction costs of Micro Focus and the Attachmate Group, estimated through to Completion.*

***Consistent with Micro Focus's past reporting, the cash conversion ratio is calculated as Cash Generated from Operations divided by Adjusted EBITDA less exceptional items. Adjusted EBITDA is arrived at by adding/(deducting) net capitalization/(amortization) of development costs and foreign exchange gains/(losses) to/from Underlying Adjusted EBITDA.*

6. Financing of the Enlarged Group

It is intended that the existing indebtedness of both the Attachmate Group and Micro Focus will be refinanced by the New Facilities as part of the Merger. As at 31 July 2014 Micro Focus and the Attachmate Group had net indebtedness of $232.9 million and $1,165.8 million, respectively. Taking into account payment of the Return of Value and total estimated transaction costs of Micro Focus and the Attachmate Group (including arrangement fees related to the New Facilities and transaction fees payable to certain Wizard Shareholders), the aggregate net indebtedness of the Enlarged Group following Completion is estimated to be approximately $1.7 billion.

Underwriting commitments have been secured from Bank of America Merrill Lynch, HSBC, RBC Capital Markets, Goldman Sachs and Credit Suisse (the "Underwriters") in respect of the New Facilities in an aggregate amount of $2.0 billion which will be available to the Enlarged Group as at completion of the Merger. The New Facilities will comprise:

(a) a syndicated senior secured term loan B of $1,350 million, amortising at 1.0% per annum, with a 7 year term;

(b) a syndicated senior secured term loan C of $500 million, amortising at 10.0% per annum, with a 5 year term; and

(c) a senior secured revolving credit facility of $150 million.

The only financial covenant attaching to the New Facilities relates to the revolving credit facility, which will be subject to an aggregate net leverage covenant only in circumstances where more than 35 per cent. of the revolving credit facility is outstanding at a fiscal quarter end. The New Facilities will be used to finance the Return of Value and the Refinancing, and to pay fees and costs arising from the Transaction.

The process of obtaining credit ratings for the New Facilities and the Enlarged Group from Standard & Poor's and Moody's is well advanced, and these will be notified via RNS once published, together with the indicative interest rates which will be used for the purposes of syndicating the New Facilities. These will remain subject to variation within limited parameters pending syndication.

Debt funds associated with Golden Gate Capital have committed to subscribe for US$108 million of the term loan B and US$40 million of the term loan C from the applicable facility agent(s).

7. Financial effects of the Merger

(a) Impact on earnings

The Board believes that, taking into account the business and prospects of the Enlarged Group, the Merger will significantly enhance adjusted earnings per share in the current financial year ending 30 April 2015 and thereafter. This statement is not intended to be a profit forecast, and should not be interpreted to mean that the earnings per share of Micro Focus following completion of the Merger will necessarily be above or below the historical published earnings per share.

(b) Impact on leverage

The Enlarged Group has pro forma Underlying Adjusted EBITDA of US$509.2 million. This equates to Facility EBITDA (being Underlying Adjusted EBITDA plus foreign exchange gains less losses, plus development costs capitalised) of US$518.8 million. On the same basis, and including the proposed Return of Value and estimated transaction costs, the Enlarged Group has pro forma net debt of US$1.7 billion, which equates to pro forma leverage of approximately 3.3x Facility EBITDA. The Board recognises that this leverage ratio is above the Board's previously stated target net debt ratio of 2.5x Facility EBITDA, and accordingly intends that the strong operating cashflows of the Enlarged Group should reduce net debt to approximately this target level before considering any further returns of value or share buybacks, other than normal dividends.

The Board is targeting to achieve a net debt ratio of 2.5x Facility EBITDA within two years of Completion.

(c) Impact on tax rate

The structure of the New Facilities is anticipated to have a beneficial impact on the effective tax rate of the Enlarged Group, which the Board currently expects to be in the range of approximately 25 to 27 per cent. going forwards.

(d) Impact on dividend and cash returns policy of the Enlarged Group

The Board has in recent periods had a dividend policy to award a level of dividend covered approximately two times on a pre-exceptional earnings basis. Following Completion, unless the performance of the Enlarged Group were to fall significantly below the Board's expectations, the Board intends to implement a progressive dividend policy, but to suspend consideration of further returns of value or share buy-backs until such time as Micro Focus's target net debt level of 2.5x Facility EBITDA is achieved.

8. Further details on the terms and conditions of the Merger

Further details on the terms and conditions of the Merger are set out in Appendix 1 to this announcement.

As the Merger is classified as a reverse takeover under the Listing Rules, upon Completion the listing on the premium listing segment of the Official List of all of the Ordinary Shares will be cancelled, and application will be made for the immediate readmission of those Ordinary Shares and the admission of the Consideration Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. The maximum number of Ordinary Shares which will be the subject of Admission is expected to be 216,489,278

New Ordinary Shares if the Merger completes following the Record Date or 226,491,853 Ordinary Shares if the Return of Value is not implemented but the Merger completes. Because no value is to be accorded to Wizard in respect of the Return of Value, the number of Consideration Shares (being 86,595,711) will be the same whether or not the Return of Value is completed.

The Directors, who beneficially own, in aggregate, 0.63 per cent. of the Existing Ordinary Shares, have given irrevocable undertakings to vote in favour of the Merger Resolutions (other than the Executive Directors in relation to the New Incentive Arrangements described below, in relation to which they are ineligible to vote) in respect of their directly controlled beneficial holdings, amounting to in aggregate 0.59 per cent. of the Existing Ordinary Shares.

9. Current trading and future prospects of the Enlarged Group

Micro Focus

For the financial year ended 30 April 2014, Micro Focus's revenue grew by 6.4 per cent. on a constant currency basis, including acquisitions made during the current and prior year. This was marginally ahead of the top end of Micro Focus's previous guidance range of 3 per cent. to 6 per cent.. The Underlying Adjusted EBITDA margin was 45.4 per cent., which was ahead of market expectations. During the financial year ended 30 April 2014, the Company also returned 60 pence per share in cash to Shareholders.

On 14 August 2014, Micro Focus issued an interim management statement covering the period from 30 April 2014 to 14 August 2014. Total revenues in the period ended 31 July 2014 on a constant currency basis were in line with the same period last year whilst Underlying Adjusted EBITDA was ahead of the comparable period. Growth in maintenance revenues was balanced by a decline in licence revenues. After a strong close to the financial year ended 2014, licence revenues in International remained strong, whilst there was a small decline in Asia Pacific & Japan against a strong comparative period and the sales force restructuring in North America caused a drag in the quarter.

Micro Focus's net debt position at 31 July 2014 was US$232.9m (30 April 2014: US$261.0m) demonstrating further good operational cash generation during the period. In the preliminary results, the Board announced an increase in the Board's target net debt ratio to 2.5x to Facility EBITDA.

Since 14 August 2014, the Company has continued to trade in line with its guidance and the Board believes that by continuing to execute the current business strategy and financial model, Micro Focus is well positioned to deliver shareholder returns at their target level. However, it is to be expected that the announcement of the Merger may cause some customers who would otherwise have intended to sign new contracts by the end of October 2014 to defer their purchase decisions beyond the end of Micro Focus's half yearly reporting period, until the outcome of the Merger becomes clear. As at 31 August 2014, Micro Focus had incurred approximately $10 million of costs related to the transaction process and due diligence which will be treated as exceptional in the current financial year. Ongoing costs will be incurred up to publication of the Prospectus with further success fees payable at closing relating to the transaction and successful syndication of the New Facilities.

The Attachmate Group

Based on the Attachmate Group's unaudited management information prepared under IFRS, total consolidated revenues in the first quarter of its current financial year were marginally (2 per cent.) below the prior year comparative, driven by lower licence revenues. The SUSE product portfolio achieved revenues ahead of prior year (up 15 per cent.); NetIQ revenues were marginally (1 per cent.) behind the prior year; and the combined revenues of the Novell and Attachmate product portfolios were down 10 per cent. against the prior year period.

Operating expenses were below prior year, resulting in Underlying Adjusted EBITDA for the first quarter being ahead of the prior year.

Trading in the Attachmate Group's second quarter ending on 30 September 2014 is currently in line with the Attachmate Group management's expectations, with the normal weighting of revenues towards the last month of the fiscal quarter. It is to be expected that the announcement of the Merger may cause some customers who would otherwise have intended to sign new contracts by the end of September to defer their purchase decisions beyond the quarter end, until the outcome of the Merger becomes clear. As at 31 August 2014, the Attachmate Group had incurred approximately $8 million of costs related to the transaction process and due diligence which will be treated as exceptional in the current financial year. Ongoing costs will be incurred up to publication of the Prospectus with further success fees payable at closing.

10. New Incentive Arrangements

In order to ensure the success of the integration of Micro Focus and the Attachmate Group, and the Merger as a whole, the Directors believe that it is essential to retain, incentivise and recruit the best talent from both organisations, as well as from outside the Enlarged Group, and to recognise the significant incremental workload and responsibility that will fall on Executive Directors and senior managers during the integration period.

On Completion, the salaries of Executive Directors and senior managers will be considerably below market rate for comparable businesses. However, depending upon the success of the integration project, it will not be clear what the appropriate new salary levels should be. Accordingly, subject to Shareholder approval it is proposed that, conditional upon Completion, an Additional Responsibility Allowance ("ARA") is paid monthly to certain Executive Directors and senior managers of the Enlarged Group until such time as clear determinations of the relevant base salaries can be made. The ARA is a monthly fixed payment per individual (subject to the deduction of PAYE income tax and National Insurance contributions) for a period of at least six months but not exceeding three years, such payment only being made to a recipient being in employment with the Enlarged Group on the date of each payment. During this period, the Remuneration Committee will be able to revise individual ARAs up or down, should it become clear that the relevant ARA has become greater than the potential final salary uplift that will be attained based on Company performance. The alternative would have been to raise base salaries at Completion when insufficient knowledge is available to determine the appropriate level. The ARA will not be paid to Attachmate Group executives whose work during the integration period has already been recognised prior to Completion by the award of bonuses, accelerated cash awards, retention payments, change of control payments and in some cases the vesting of significant share awards. At the conclusion of the integration period, the ARA will fall away and appropriate base salaries proposed.

The aggregate payments made under the ARA will not exceed £1.0 million per annum. The total number of ARA recipients will not exceed 12. The initial monthly amounts payable under the ARA to Kevin Loosemore, Mike Phillips and Stephen Murdoch will not exceed £21,667, £10,000 and £6,667 respectively. Kevin Loosemore's and Mike Phillips's ARA will be capped at these amounts.

In addition, it is proposed that Additional Share Grants ("ASGs") be made to certain Executive Directors and senior managers of the Enlarged Group following Completion by way of the grant of nil cost options in order to incentivise key management to deliver exceptional returns. The ASGs will comprise nil cost options over such number of Ordinary Shares as is equal to up to 2.5 per cent. of the Enlarged Share Capital and, when combined with awards under all other employee share plans, will not exceed 10 per cent. of the issued ordinary share capital of the Company over any 10 year period. None of the ASGs will vest unless the TSRs measured over the period to the third anniversary of Completion (or 1 November 2017 if earlier) exceeds 50 per cent., and the ASGs will vest in full only if the TSRs exceeds 100 per cent., with straight line vesting between 50 per cent. and 100 per cent.. These TSR thresholds will be calculated with reference to a reference share price of 819.4 pence per Ordinary Share (being the 20 day average closing share price prior to signature of heads of terms relating to the Merger on 3 June 2014). These thresholds have been set to incentivise the senior executive management of the Enlarged Group to achieve TSRs in excess of Micro Focus's stated minimum standalone TSRs objective of 15 per cent. to 20 per cent. per annum over the long term. By way of illustration, if the Enlarged Group was to achieve a TSR of 15 per cent. per annum over the reference price over a three year period from Completion this would result in a cumulative TSR of approximately 52 per cent., in which event only approximately 4 per cent. of the ASGs would vest. An annual TSR of 20 per cent. would result in a cumulative three year TSR of approximately 73 per cent. and vesting of approximately 46 per cent. of the ASGs. Full vesting of the ASGs would require an annual TSR of approximately 26 per cent.. In these last two scenarios the maximum pre-tax value of all awards under the ASGs would represent 2.71 per cent. and a maximum of 5.00 per cent. respectively of the total increase in value to Shareholders, relative to the reference price over the reference period.

Holders of ASGs will be required, (subject to continued employment with, or being a director of any member of the Enlarged Group on the vesting date), to hold the nil cost options or, in the event of exercise of such options, the Ordinary Shares arising on exercise (after allowing for the sale of a sufficient number to allow for the payment of income tax and National Insurance contributions payable on sale) for a minimum of 12 months after the date of vesting. The ASGs, combined with awards under all other employee share plans, will not exceed 10 per cent. of the issued ordinary share capital of the Company over any 10 year period.

It is proposed that, subject to the approval of Shareholders and Completion, Kevin Loosemore, Mike Phillips and Stephen Murdoch will receive ASGs over no more than such number of Ordinary Shares as equals 0.44 per cent., 0.315 per cent. and 0.188 per cent. respectively of the Enlarged Share Capital, with the balance of the available ASGs (being over Ordinary Shares equal to 1.557 per cent. of the Enlarged Share Capital) to be allocated (subject to a 0.5 per cent. individual maximum) to a select number of the existing senior management of the Attachmate Group and Micro Focus, and to select key new hires, who are deemed critical to ensuring the success of the Merger. The total number of ASG recipients will not exceed 15.

The Directors believe that the significant challenges represented by the integration of Micro Focus and the Attachmate Group will require the best and most motivated managerial talent available both from within and outside the Enlarged Group and an appropriate incentivisation package to ensure complete alignment between senior management and Shareholders. The Directors therefore believe that the ARA, the ASGs and the consequential revisions to the Remuneration Policy are essential to the success of the Merger. Accordingly, the Directors do not believe that the Merger should be implemented without such alignment in place. Thus the Merger is conditional upon the approval of the ARA, the ASGs and the revisions to the Remuneration Policy by Shareholders at the General Meeting. The Executive Directors will be ineligible to vote on this resolution in accordance with the Takeover Code.

11. Relationship with Wizard, Wizard's intentions and Rule 9 Waiver

As a result of Completion, Wizard will hold in excess of 30 per cent. of the voting rights in Micro Focus, so that the Company is required to seek a waiver in this regard under Rule 9 of the Takeover Code. In addition, the Takeover Code will impose certain requirements on Wizard. As required by the Takeover Code, Wizard has confirmed to the Company that, save for the future intentions and strategy of the Enlarged Group as set out in this announcement, it does not intend to make any changes regarding the future strategy of the Enlarged Group's business, the locations of the Enlarged Group's places of business, and the continued employment of the Enlarged Group's employees and management, including any material change in conditions of employment, including pension rights, and the deployment of the fixed assets of the Enlarged Group. Following Admission, Wizard intends to maintain the listing of the Ordinary Shares on the premium listing segment of the Official List and the trading of the Ordinary Shares on the London Stock Exchange's Main Market for listed securities.

On Completion, the Company will enter into the Relationship Agreement with Wizard and the Wizard Shareholders which will take effect on and from Admission and will continue until Wizard, the Wizard Shareholders and their respective associates cease to hold an interest, either direct or indirect, which carries 10 per cent. or more of the aggregate voting rights in the Company from time to time. The Relationship Agreement will regulate the continuing relationship between Wizard, the Wizard Shareholders and the Company to ensure that, in accordance with the Listing Rules, the Enlarged Group will be able to carry on its business independently of Wizard, the Wizard Shareholders and their respective associates.

In addition, Wizard shall have the right to nominate up to two persons to be Non-Executive Directors for so long as Wizard, the Wizard Shareholders and their respective associates together hold an interest, either direct or indirect, in 30 per cent. or more of the aggregate voting rights in the Company from time to time and one person to be a Non-Executive Director for so long as Wizard, the Wizard Shareholders and their respective associates together hold an interest, either direct or indirect, in 15 per cent. or more of the aggregate voting rights in the Company from time to time.

The Relationship Agreement also provides that, subject to certain limited carve-outs, Wizard will not, for a period of 365 days from Admission, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any interest in any Ordinary Shares held by it whether directly or indirectly, or any other securities it holds that are exchangeable for (or convertible to) Ordinary Shares, without the prior written consent of the Board (excluding, for these purposes, any Representative Director).

As at close of business on 12 September 2014, being the last practicable day prior to this announcement, neither Wizard, nor any Wizard director, nor, so far as Wizard is aware, any person acting in concert (within the meaning of the Takeover Code) with Wizard has any interest in, owns or has owned or controls or has controlled any Ordinary Shares (including pursuant to any short or long exposure, whether conditional or absolute, to changes in the prices of the securities) or any rights to subscribe for or purchase the same, or holds or has held options (including traded options) in respect of, or has or has had any option to acquire, any Ordinary Shares or has entered into any derivatives referenced to Ordinary Shares ("Relevant Shares") which remain outstanding, nor does any person have or has any such person had any arrangements in relation to Relevant Shares. An "arrangement" for these purposes also includes any indemnity or option arrangement, or any arrangement or understanding, formal or informal, of whatever nature, relevant to Relevant Shares which may be an inducement to deal or refrain from dealing in such securities, or any borrowing or lending of Relevant Shares that have not been on-lent or sold.

12. Proposed Directors

It is intended that Prescott Ashe and David Golob will be appointed as Non-Executive Directors on Completion. Their biographies are below. There is no other information required to be disclosed under Listing Rule 9.6.13.

Prescott Ashe

Prescott is a Managing Director of Golden Gate Capital. He has 15 years of private equity investing experience and has participated in both growth-equity and management buyout transactions with more than US$10 billion in value. Prescott focuses on (i) technology-related industries (specifically software, IT services, electronic hardware and manufacturing services), (ii) the consumer products and retail sectors, and (iii) business services. Prior to joining Golden Gate Capital, Prescott was a Principal at Bain Capital, which he initially joined in 1991, and a strategy consultant at Bain & Company. Prescott was one of two Non-Executive Directors nominated by Golden Gate pursuant to a relationship agreement with the Company dating from its IPO in 2005, which entitled Golden Gate, *inter alia*, to appoint up to two Directors. On 8 September 2008, following a reduction in Golden Gate Capital's shareholding in the Company, Prescott resigned his directorship. He holds a J.D. From Stanford Law School and a B.S. in Business Administration from the University of California at Berkeley (graduating first in his class).

David Golob

David joined Francisco Partners as a Partner in 2001. He focuses primarily on investments in the software and services sectors. Prior to joining Francisco Partners, David was a Managing Director with Tiger Management, where he was co-head of the global technology group and focused in the software industry. Prior to Tiger Management, David spent seven years as a private equity investor focused on the software industry at General Atlantic Partners and Sutter Hill Ventures. Earlier in his career, David was a management consultant with McKinsey & Company and a Product Manager with Newport Systems Solutions, Inc. (acquired by Cisco). He holds an M.B.A. from Stanford Graduate School of Business and an A.B. from Harvard College, summa cum laude.

13. Proposed Return of Value

The proposed Return of Value of 60 pence per Existing Ordinary Share will cost approximately £83.9 million (US$136.2 million) and will follow a similar process and structure to the previous returns of value made in October 2013 through a D share scheme and in January and November 2012 through B/C share schemes. These previous returns of value provided Shareholders, subject to applicable overseas restrictions and tax laws, with the option of receiving their cash proceeds as income or capital, or any combination of the two. The Board has decided to preserve this capital and income election option for the Return of Value.

Under this proposal, for every one Ordinary Share held at the Record Time, 60 pence per Ordinary Share (equivalent to approximately 97.4 cents) would be returned to Shareholders. If the Return of Value is implemented at the same time as the Merger completes, this will be effected through the issue of either one B Share, which will be redeemed by the Company for 60 pence, or one C Share, on which a dividend of 60 pence will be payable. If the Merger is terminated for any reason, the Return of Value will be effected through the issue of C Shares on which either a dividend of 60 pence will be payable, or which will be purchased by Numis, acting as principal (and not as agent, nominee or trustee), at 60 pence per C Share. The Consideration Shares will not rank for the Return of Value.

Shareholders (other than Overseas Shareholders resident, or with a registered address, in a Restricted Territory) will be able to elect for either the income option or the capital option. Shareholders who do not make a valid election for either the income option or the capital option will be deemed to have elected for the income option in respect of all of their entitlement under the Return of Value.

Whilst the Return of Value is not conditional on the Merger, it is intended that it will be funded out of the New Facilities and will accordingly be paid following Completion by reference to a Record Date shortly prior to Completion, the expected date of which will be set out in the Prospectus. If, however, the Merger is terminated for any reason, it is intended instead that the Return of Value will be funded out of the Existing Facility, as augmented (if required) by the Accordion Facility. Following any termination of the Merger Agreement, the Company will announce a revised Record Date and Election Deadline by RIS, giving not less than three business days' prior notice thereof.

In order that the market price for Ordinary Shares is not materially affected by the implementation of the Return of Value, a proportional share capital consolidation of the Existing Ordinary Shares is also proposed. Under this consolidation, Shareholders will receive 0.9285 Ordinary Shares in substitution for each existing Ordinary Share held by them at the Record Time. After the Return of Value, and disregarding the dilutive effect of the Merger should it complete, Existing Ordinary Shareholders will own the same proportion of the Company as they did immediately beforehand, subject only to fractional entitlements.

This structure has been chosen to complete the Return of Value because:

- it gives all Shareholders (with the exception of Overseas Shareholders resident, or with a registered address, in a Restricted Territory) a choice as to how they receive their cash, which is intended to afford UK tax-resident Shareholders flexibility in the tax treatment of their proceeds; and

- it treats all Shareholders equally relative to the size of their existing shareholdings in the Company.

The Consideration Shares shall not rank for the Return of Value.

14. General Meeting

The Prospectus will contain a notice convening a general meeting of Micro Focus Shareholders, the purpose of which will be, *inter alia*, to consider and, if thought fit, pass the resolutions necessary to implement the Merger, the Return of Value and the New Incentive Arrangements and approve the Rule 9 Waiver.

15. Recommendation

The Board, which has been so advised by Numis, considers the terms of the Merger, the Rule 9 Waiver and the Return of Value, to be fair and reasonable and in the best interests of the Shareholders taken as a whole. The Non-Executive Directors, who have been so advised by Numis, consider the terms of the New Incentive Arrangements to be fair and reasonable and in the best interests of the Shareholders taken as a whole. In providing advice to the Board and to the Non-Executive Directors, Numis has taken account of the Directors' commercial assessment. Accordingly, the Board will recommend unanimously that Shareholders vote in favour of the Merger, the Rule 9 Waiver and the Return of Value and the Non-Executive Directors will recommend unanimously that Shareholders vote in favour of the New Incentive Arrangements.

Appendix 1

Details of the Merger

1. Merger Structure

The Merger Agreement was entered into on 15 September 2014 between Micro Focus, Merger Sub (a wholly-owned subsidiary of Micro Focus), Wizard and Attachmate Inc. The Merger shall become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware, whereupon Merger Sub shall be merged with and into Attachmate Inc, and the separate corporate existence of Merger Sub shall cease. Attachmate Inc shall continue as the surviving corporation and succeed to and assume all the rights and obligations of Merger Sub in accordance with the General Corporation Law of the State of Delaware.

2. Merger Consideration

The consideration payable by Micro Focus pursuant to the Merger Agreement is the allotment and issue to Wizard of the Consideration Shares, credited as fully paid. The number of Consideration Shares to be issued shall be equitably adjusted to reflect appropriately the effect of any stock split, reverse stock split, dividend or other distribution, reorganisation, recapitalisation, reclassification or other similar change with respect to the capital of Micro Focus occurring on or after the date of the Merger Agreement and prior to Completion, other than the Return of Value and the final dividend payable in respect of the financial year ended 31 March 2014.

3. Conditions to Completion

3.1 The obligations of Wizard, Attachmate Inc, Micro Focus and Merger Sub to consummate the Merger are subject to the satisfaction of the following conditions:

> 3.1.1 the approval of the Merger by the Micro Focus Shareholders at the General Meeting;
>
> 3.1.2 no governmental authority having enacted or issued any law, rule, regulation, executive orderor decree, judgment, injunction, ruling or other order, that has the effect of preventing or prohibiting the consummation of the Merger or that otherwise imposes material limitations on the ability of Merger Sub and Micro Focus to effectively acquire or hold the business of the Attachmate Group;
>
> 3.1.3 the waiting period under the Hart-Scott-Rodino Act has expired or been terminated, the applicable waiting period has expired in accordance with Austrian merger control legislation and merger control clearance has been issued or deemed issued by the German competition authorities;
>
> 3.1.4 consummation of the debt financing contemplated by the Commitment Letter; and
>
> 3.1.5 Admission occurring.

3.2 The obligations of Micro Focus and Merger Sub to consummate the Merger are subject, *inter alia*, to the satisfaction or waiver of the following additional conditions:

> 3.2.1 the representations and warranties of Attachmate Inc being true and correct as of the date of the Merger Agreement and as of the date of Completion provided that, in the event of a breach of such a representation or warranty, the condition shall be deemed satisfied unless the effect of all such breaches taken together had, or would reasonably be expected to have, a Material Adverse Effect in respect of Attachmate Inc;
>
> 3.2.2 the covenants of Wizard and Attachmate Inc having been performed and complied with in all material respects; and
>
> 3.2.3 no circumstance, effect or change having occurred which individually or in the aggregate has had, or would reasonably be expected to have, a Material Adverse Effect in respect of Attachmate Inc.

3.3 The obligations of Attachmate Inc to complete the Merger are subject, inter alia, to the satisfaction or waiver of the following additional conditions:

> 3.3.1 the representations and warranties of Micro Focus and Merger Sub being true and correct as of the date of the Merger Agreement and as of the date of Completion provided that, in the event of a breach of such a representation or warranty, the condition shall be deemed satisfied unless the effect of all such breaches taken together had, or would reasonably be expected to have, a Material Adverse Effect in respect of Micro Focus;
>
> 3.3.2 the covenants of Micro Focus and Merger Sub having been performed and complied with in all material respects; and
>
> 3.3.3 no circumstance, effect or change having occurred which individually or in the aggregate has had, or would reasonably be expected to have, a Material Adverse Effect in respect of Micro Focus.

A "Material Adverse Effect" means, for the purposes of the Merger Agreement, in relation to the Attachmate Group or Micro Focus (as the context requires) any circumstance, effect, event, or change that, individually or in the aggregate, (i) has, or is reasonably likely to have, a materially adverse effect on the business, assets, condition (financial or otherwise) or results of operations, of the Attachmate Group or Micro Focus (as the context requires), taken as a whole, other than resulting from an Excluded Matter or (ii) prevents or materially delays, or is reasonably likely to prevent or materially delay, the ability of its and its subsidiaries to perform their obligations under the Merger Agreement or to consummate the transactions contemplated by the Merger Agreement in accordance with its terms. "Excluded Matter" means, for the purposes of the Merger Agreement, in relation to the Attachmate Group or Micro Focus (as the context requires), any one or more of the following: (a) changes in general economic conditions which do not have a materially disproportionate effect on it and its subsidiaries taken as a whole relative to other industry participants, (b) changes affecting the specific industry in which it and its subsidiaries operate which do not have a materially disproportionate effect on it and its subsidiaries taken as a whole relative to other industry participants, (c) changes caused by the taking of any action expressly required by the Merger Agreement, (d) the taking of any action by it that has been previously approved in writing by Attachmate Inc or Micro Focus (as the context requires), (e) changes resulting from a modification after the date of the Merger Agreement in accounting rules applicable to its and its subsidiaries, (f) changes resulting from a breach of the Merger Agreement by Attachmate Inc or Micro Focus or Merger Sub (as the context requires), (g) changes resulting from any modification in any law or regulation after the date of the Merger Agreement applicable to it and its subsidiaries, (h) any failure of it to meet internal projections or forecasts, or analysts' expectations for any financial period, whether as a result of the announcement of the Transaction or otherwise (provided that the underlying causes of such failure shall not be excluded pursuant to this sub-paragraph (h)), (i) any change in the financial performance of the Attachmate Group or the Micro Focus Group (as the context requires) as a result of the announcement of the Transaction or (j) any act of terrorism or war (whether threatened, pending or declared) or act of civil disturbance, any armed conflict (or any escalation or worsening of any of the same) or any natural disaster.

4. Representations and Warranties

The Merger Agreement contains customary representations and warranties made by Attachmate Inc, on the one hand, and by Micro Focus and Merger Sub on the other, relating to their respective businesses as at the date of the signing of the Merger Agreement, with each such representation and warranty being repeated immediately prior to Completion. As the representations and warranties in relation to the Attachmate Group are given by Attachmate Inc only (and not by Wizard), the Company will not have recourse against, or otherwise be able to recover from, Wizard or any other party, in respect of any losses which it may suffer in respect of a breach of warranty and its only remedy will be to terminate the Merger Agreement prior to Completion if such a breach (or breaches) has (or have) a Material Adverse Effect in respect of the Attachmate Group.

5. Covenants

The Merger Agreement includes customary restrictions regarding the conduct of the business of the Attachmate Group pending Completion, including a restriction on the declaration of dividends, capital expenditure and incurring any indebtedness.

The Merger Agreement also includes customary restrictions regarding the conduct of the business of Micro Focus pending Completion, including a restriction on the declaration of dividends, capital expenditure and incurring any indebtedness.

In addition, the Merger Agreement includes an obligation that the Board (or in the case of the New Incentive Arrangements, the Non-Executive Directors) shall recommend to Shareholders in the Prospectus to vote in favour of the Merger Resolutions and include such a recommendation in the Prospectus and an obligation upon them not to withdraw, modify, qualify or fail to make such recommendation unless in either case:

(a) an announcement is made under Rule 2.4 or Rule 2.7 of the Takeover Code and as a consequence the Board resolves to withdraw, modify, qualify or not to make its recommendation of the transactions contemplated by the Merger Agreement; or

(b) a new event or circumstance occurs or becomes known to the Board after the date of the Merger Agreement (other than any proposal made in respect of the acquisition of Ordinary Shares) that was not known to or reasonably foreseeable to the Board on or prior to the date of the Merger Agreement, and the Board concludes, having been advised by its financial and legal advisers, that it would be inconsistent with the duties that they owe to Micro Focus in their capacity as Directors to maintain or make (or maintain or make without qualification or modification) the recommendation. Micro Focus agrees and acknowledges that the following events or circumstances will not constitute an event or circumstance that would require the recommendation to be withdrawn, qualified, modified or not to be made: (a) any new event or circumstance relating to the Attachmate Group other than an event or circumstance that permits Micro Focus to terminate the Merger Agreement; (b) any change in the trading or financial performance of Micro Focus after the date of the Merger Agreement; and (c) any Excluded Matter in relation to Micro Focus.

The only remedy of Wizard and Attachmate Inc for any breach of this obligation to recommend the Merger Resolutions is for Micro Focus to pay an amount equal to the break fee referred to in paragraph 7 below to the extent the same does not otherwise become payable, provided that if the provisions are breached during an offer period for Micro Focus (as defined in the Takeover Code), Micro Focus shall have no liability if any offer for Micro Focus that is made during such offer period is declared unconditional.

6. Termination

The Merger Agreement may be terminated at any time prior to Completion by Attachmate Inc or Micro Focus by mutual consent and by either Attachmate Inc or Micro Focus if:

(a) any governmental authority permanently restrains, enjoins or otherwise prohibits the consummation of the Merger (provided that the terminating party shall have used its commercially reasonable efforts to take all actions necessary to consummate the Merger);

(b) the Merger shall not have been consummated on or before 12 February 2015;

(c) consummation of the Merger becomes unlawful or otherwise prohibited;

(d) Shareholders do not approve the Merger at the General Meeting; or

(e) an offer for Micro Focus becomes or is declared wholly unconditional.

Each of Attachmate Inc and Micro Focus may terminate the Merger Agreement if Micro Focus or Merger Sub (in the case of Attachmate Inc) or Attachmate Inc or Wizard (in the case of Micro Focus) shall have breached any of their respective representations, warranties, covenants or other agreements set forth in the Merger Agreement, or if any representation or warranty shall have become, in each case where such breach would lead to a Material Adverse Effect and such breach is not cured within ten business days of notice received from the other party.

Attachmate Inc may also terminate the Merger Agreement if:

(f) (i) Micro Focus fails to send out notice of the General Meeting to consider the Merger Resolutions on or prior to the date that is 15 days after completion of the syndication of the Refinancing or, if earlier, 10 days after the Prospectus is approved by the UKLA or (ii) Micro Focus sends out the notice of the General Meeting without a recommendation in it from the Micro Focus Board or (iii) if the Directors modify, qualify or withdraw their recommendation; or

(g) the General Meeting has not been held within two weeks after the original date set for that meeting in the Prospectus.

If the Merger Agreement is terminated in accordance with its terms, it shall be of no further effect, other than customary provisions related to, *inter alia*, confidentiality, information, break fees and governing law.

7. Break fee

If the Merger Agreement is terminated by Attachmate Inc under paragraph (f) above, Micro Focus has agreed to pay the Attachmate Group a break fee of £11,786,249 in cash (inclusive of any associated tax) other than where the Micro Focus Board has failed to send notice of the General Meeting during an offer period relating to Micro Focus and/or withdrawn its recommendation during such an offer period. If Attachmate Inc terminates the Merger Agreement where Micro Focus has failed to send notice of the General Meeting during an offer period relating to Micro Focus and/or has withdrawn, modified, qualified or not made its recommendation during such an offer period, if the related third party offer that commenced the offer period and all competing offers subsequently lapse or are withdrawn, then such break fee shall be payable by Micro Focus within five business days of the lapsing or withdrawal of all such third party offers.

8. Expenses

Attachmate Inc shall bear the fees and expenses of itself and Wizard relating to the Merger and the Refinancing. Attachmate Inc shall, in addition, pay to the Wizard Shareholders a transaction fee of US$44 million and employment related change of control payments to the Attachmate Group employees of approximately US$14 million.

If the Merger Agreement is terminated by any party for any reason, Attachmate Inc and Micro Focus will bear equally the costs and expenses associated with entering into the New Facilities and any filings made in connection with the Hart-Scott-Rodino Act and all other relevant merger control or anti-trust legislation.

9. Law and jurisdiction

The Merger Agreement is governed by the laws of England and Wales. The parties have irrevocably and unconditionally submitted to the exclusive jurisdiction of the courts of England and Wales in relation to any action or proceeding (including in relation to any non-contractual obligations) arising out of the Merger Agreement.

Appendix 2 - Financial information on the Attachmate Group

Set out below are the unaudited primary financial statements on the Attachmate Group for the three financial years ended 31 March 2014, together with certain additional supplementary disclosures. This information has been prepared in accordance with IFRS and on a consistent basis with the accounting policies of Micro Focus.

Consolidated statements of comprehensive income for the years ended 31 March 2012, 2013 and 2014.

		Years ended 31 March		
		2012	**2013**	**2014**
	Notes	**$'000**	**$'000**	**$'000**
Revenue	1,2	1,013,350	995,783	956,829
Cost of sales		(167,847)	(156,161)	(151,188)
Gross profit		845,503	839,622	805,641
Selling and distribution costs		(354,341)	(347,146)	(341,833)
Research and development expense		(247,234)	(210,555)	(212,875)
Administrative expense		(127,866)	(85,139)	(78,086)
Operating profit	3	116,062	196,782	172,847
Analysed as:				
Operating profit before exceptional items		213,925	200,563	204,088
Exceptional items	4	(97,863)	(3,781)	(31,241)
Operating profit	3	116,062	196,782	172,847
Finance costs - pre-exceptional		(86,218)	(118,893)	(116,437)
Finance costs - exceptional	5	(56,595)	(68,962)	-
Finance costs		(142,813)	(187,855)	(116,437)
Finance income		673	644	320
Finance costs - net		(142,140)	(187,211)	(116,117)
Share of (loss) profit of associates accounted for using the equity method		(899)	4,228	(1,586)
Other expense, net		(413)	(378)	(529)
(Loss) profit before tax	6	(27,390)	13,421	54,615
Taxation		(1,648)	57,405	(27,224)
(Loss) profit for the period		(29,038)	70,826	27,391
Other comprehensive income (loss):				
Items that will not be reclassified to profit or loss				
Actuarial gains (losses) on defined benefit pension plans		52	(3,394)	(633)
Items that may be subsequently be reclassified to profit or loss				
Currency translation differences		(12,679)	3,651	3,414
Other comprehensive (loss) income for the period		(12,627)	257	2,781
Total comprehensive income		(41,665)	71,083	30,172
Attributable to:				
— Owners of the parent		(41,881)	70,900	29,816
— Non-controlling interests		216	183	356
Total comprehensive income		(41,665)	71,083	30,172

Consolidated statements of financial position as at, 31 March 2012, 2013 and 2014.

	Notes	31 March 2012 $'000	31 March 2013 $'000	31 March 2014 $'000
Non-current assets				
Goodwill		906,052	906,052	906,052
Other intangible assets		473,803	364,504	268,122
Property, plant and equipment		37,723	32,753	25,293
Assets held for sale		105,722	-	888
Deferred tax assets		211,503	235,423	196,862
Investment in associates		14,044	18,272	16,685
Long-term pension assets		13,889	14,203	15,991
Long-term income tax receivable		10,047	10,047	10,047
Other non-current assets		4,293	3,546	6,347
		1,777,076	1,584,800	1,446,287
Current assets				
Trade and other receivables		224,045	213,806	220,051
Restricted cash	8	975	137	803
Cash and cash equivalents	8	375,869	160,229	151,415
		600,889	374,172	372,269
Total assets		**2,377,965**	**1,958,972**	**1,818,556**
Current liabilities				
Trade and other payables		134,784	126,848	140,583
Borrowings	9	104,945	115,799	32,383
Provisions		21,003	3,699	7,571
Current tax liabilities		36,576	29,947	25,753
Deferred income - current		513,020	488,238	502,392
		810,328	764,531	708,682
Non-current liabilities				
Deferred income - non-current		263,073	253,711	220,429
Long-term provisions		7,175	4,018	4,472
Long-term derivative liabilities		4,761	-	-
Pension liability		13,497	19,303	22,848
Preferred share liabilities		-	-	-
Borrowings	9	1,023,180	1,322,326	1,262,343
Deferred tax liabilities		133,755	82,311	52,637
Other non-current liabilities		1,527	4,893	7,259
		1,446,968	1,686,562	1,569,988
Total liabilities		2,257,296	2,451,093	2,278,670
Net assets (liabilities)		120,669	(492,121)	(460,114)
Equity (deficit) attributable to the owners of the parent				
Share capital		-	-	-
Share option reserve		6,263	7,161	6,197
Retained earnings (deficit)		126,869	(490,653)	(461,452)
Foreign currency translation deficit		(12,679)	(9,028)	(5,614)
Owners of the parent		120,453	(492,520)	(460,869)
Non-controlling interests		216	399	755

Total equity (deficit)	120,669	(492,121)	(460,114)

Consolidated statements of cash flows for the years ended 31 March 2012, 2013 and 2014.

		Years ended 31 March		
		2012	**2013**	**2014**
	Notes	**$'000**	**$'000**	**$'000**
Cash flows from operating activities				
Cash generated from operations	11	316,645	254,794	284,458
Interest paid		(75,864)	(115,603)	(118,568)
Tax paid		(93,023)	(21,951)	(16,882)
Net cash generated from operating activities		147,758	117,240	149,008
Cash flows from investing activities				
Payments for intangible assets		(466)	(2,163)	(6,745)
Purchase of property, plant and equipment		(7,249)	(7,563)	(7,567)
Proceeds from sales of property		-	116,936	-
Other investing activities		8,858	116	562
Changes in restricted cash		288	827	(673)
Payments for the acquisition of business, net of cash acquired		(615,441)	-	-
Net cash (used in)/generated from investing activities		(614,010)	108,153	(14,423)
Cash flows from financing activities				
Repayment of bank borrowings		(631,930)	(1,190,000)	(143,399)
Proceeds from bank borrowings		1,150,000	1,500,000	-
Bank loan costs		(50,283)	(63,462)	-
Contributions from owners		230,055	-	-
Dividends paid to owners		-	(687,571)	-
Net cash generated from/(used in) financing activities		697,842	(441,033)	(143,399)
Net increase (decrease) in cash and cash equivalents		231,590	(215,640)	(8,814)
Cash and cash equivalents at period beginning		144,279	375,869	160,229
Cash and cash equivalents at period end		375,869	160,229	151,415

Summary of significant accounting policies

General information

The Attachmate Group, Inc., ("Attachmate Group") is a holding company, with ownership of both direct and indirect subsidiaries, incorporated under the laws of Delaware and is domiciled in the United States of America ('USA'). The Attachmate Group is privately held and owned by Wizard Parent, LLC ('Wizard'). Wizard is controlled by the following private equity sponsors: Francisco Partners, L.P., Golden Gate Private Equity, Inc., Thoma Bravo and Elliott Management Associates. The address of the Attachmate Group's registered office is 515 Poast Oak Boulevard, Suite 1200, Houston, TX 77027, USA.

The Attachmate Group and its subsidiaries' principal brands include Attachmate , NetIQ, Novell and SUSE which develop, sell and install Enterprise software that is positioned in the operating systems and infrastructure software layers of the information technology ('IT') industry. The Attachmate Group's enterprise solutions include systems and security management and host connectivity to corporations and government agencies worldwide. The Attachmate Group has a presence in 36 countries worldwide, with its most significant international operations based in Ireland, United Kingdom, Germany, India, and Australia, and employs approximately 3,300 people.

The principal accounting policies adopted by the Attachmate Group in the preparation of these unaudited consolidated financial statements are set out below. These policies have been applied consistently to all periods presented unless stated otherwise.

I Attachmate Group accounting policies

A Basis of preparation

The unaudited consolidated financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulations, the Listing Rules, and in accordance with this basis of preparation. This basis of preparation describes how the consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs') as adopted by the EU, interpretations issued by the IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention.

These are the Attachmate Group's first consolidated financial statements prepared under IFRS. The Attachmate Group's consolidated financial statements for all periods presented were previously prepared in accordance with United States generally accepted accounting principles ('US GAAP').

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Attachmate Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below in II, 'Critical accounting estimates and assumptions'.

B Consolidation

The consolidated financial statements of the Attachmate Group comprise the financial statements of the Attachmate Group and entities controlled by the Attachmate Group, its subsidiaries, prepared at the balance sheet date. Control exists where the Attachmate Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The results of subsidiaries are consolidated from the date on which control passes to the Attachmate Group. The results of disposed subsidiaries are consolidated up to the date on which control passes from the Attachmate Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Attachmate Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, with costs directly attributable to the acquisition being expensed. 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 non-controlling interest. The excess of the cost of acquisition over the fair value of the Attachmate Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Attachmate Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Attachmate Group***.***

C Revenue recognition
The Attachmate Group recognizes revenues from sales of software licences, software maintenance, subscriptions, technical support, training and professional services upon persuasive evidence of an arrangement, delivery of the software and determination that collection of a fixed or determinable fee is reasonably assured. Revenue is derived primarily from sales to distributors, who sell the Attachmate Group's products to resellers, and value added resellers ('VARs') who provide solutions across multiple vertical market segments which usually include services; original equipment manufacturers ('OEMs'), who integrate the Attachmate Group's products with their products or solutions; and end users, who may purchase the Attachmate Group's products and services directly from the Attachmate Group or from other partners or resellers.

When the fees for software upgrades and enhancements, maintenance, consulting and training are bundled with the licence fee, they are unbundled using the Attachmate Group's objective evidence of the fair value of the elements represented by the Attachmate Group's customary pricing for each element in separate 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 Attachmate Group recognizes licence revenue derived from sales to resellers upon delivery to resellers, provided that all other revenue recognition criteria are met, otherwise revenue is deferred and recognized upon delivery of the product to the end-user. Where the Attachmate Group sells access to a licence for a specified period of time and collection of a fixed or determinable fee is reasonably assured, licence revenue is recognised upon delivery, unless future substantive upgrades or similar future performance obligations are committed to, in which case revenue is deferred and recognised rateably over the specified period. This is typically the case for subscriptions where access and performance obligations are performed over a defined term. Maintenance revenue is derived from providing technical support and software updates to customers. Maintenance revenue is recognized on a straight-line basis over the term of the contract, which in most cases is one year. Revenue from consulting and training services is recognized as the services are performed. Amounts collected prior to satisfying the above revenue recognition criteria are included in deferred income.

D Determination and presentation of operating segments
The Attachmate Group determines and presents operating segments based on the information that internally is provided to the chief executive officer, who is the Attachmate Group's Chief Operating Decision Maker ('CODM'). An operating segment is a component of the Attachmate Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Attachmate Group's other components. An operating segment's operating results are reviewed regularly by the CODM to make decisions about resources for the segment and assess its performance, and for which discrete financial information is available. The Attachmate Group has determined that it only has one operating and reportable segment. This position will be monitored as the Attachmate Group develops.

E Exceptional items
a) Exceptional items are those significant items which are separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Attachmate Group's financial performance. Examples of transactions which may be considered of an exceptional nature include major restructuring programmes, impairments, and disposal of assets held for sale.

b) Exceptional finance costs are those significant items which are separately disclosed by virtue of their size, nature or incidence to enable a full understanding of the Attachmate Group's financial performance. Examples of transactions which may be considered of an exceptional nature include the costs associated with debt extinguishment.

F Employee benefit costs
a) Pension obligations

Attachmate Group entities operate various pension schemes. All of the major schemes are defined contribution plans for which the Attachmate Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Attachmate Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

As part of the Novell purchase, the Attachmate Group acquired defined benefit pension plans sponsored by a German subsidiary that covers 53 current employees and 241 former employees or retirees as of 31 March 2014. The plans were closed to new members in 1995 and November 2004. The Attachmate Group also has a separate immaterial defined benefit plan for another German subsidiary that was closed to members as of November 2010.

For defined benefit plans, pension costs are assessed using the projected unit credit method: Pension cost is recognized in the consolidated income statement so as to spread the current service cost over the service lives of employees. Pension obligation is measured as the present value of the estimated future cash outflows using interest rates on high quality corporate bonds with appropriate maturities. Remeasurement gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs and settlement gains and losses are recognized immediately in income as part of service cost, when the plan amendment or settlement occurs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statements of financial position is the present value of the pension obligation at the balance sheet date less the fair value of plan assets. Certain long term pension assets do not meet the definition of plan assets as they have not been pledged to the plan and are subject to the creditors of the Attachmate Group. Such assets are recorded separately in the statement of financial position as long term pension assets.

Actuarial valuations for the Attachmate Group's defined benefit pension plans are performed annually. In addition, actuarial valuations are performed when a curtailment or settlement of a defined benefit plan occurs.

b) Stock based compensation

As of 27 April 2011, all stock issuances from the Attachmate Group to employees were exchanged for Legacy Common Units. However, Wizard has issued equity settled stock awards to certain employees of the Attachmate Group. As these awards are in substance for work performed for the benefit of the Attachmate Group, stock-based compensation expense and the related capital contribution is recorded for these awards.

For stock units granted, the fair value is determined at grant date. The total amount to be expensed over the vesting period is determined by reference to the fair value of the stock units granted. Non-market vesting conditions are included in assumptions about the number of stock units that are expected to vest. Market vesting conditions are taken into account when determining the fair value of the stock units at grant date. At each balance sheet date, the Attachmate Group revises its estimates of the number of stock units that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, and a corresponding adjustment to equity through the share option reserve over the remaining vesting period.

The social security contributions payable in connection with the grant of the stock units is considered an integral part of the grant itself, and the charge is treated as a cash-settled transaction.

G Foreign currency translation

a) Functional and presentation currency

The presentation currency of the Attachmate Group is US dollars. Items included in the financial statements of each of the Attachmate Group's entities are measured in the functional currency of each entity, except for an Ireland entity and a German holding company, where the functional currency is the US dollar.

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 recognized in the consolidated statement of comprehensive income.

c) Attachmate Group entities

The results and financial position of all the Attachmate 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 consolidated statement of comprehensive income item 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 recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income.

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.

d) Exchange rates

The most important foreign currencies for the Attachmate Group are the Canadian dollar, the Euro, the Australian dollar and the Japanese Yen. The exchange rates used are as follows:

	31 March 2012		31 March 2013		31 March 2014	
	Average	Closing	Average	Closing	Average	Closing
CAD 1 = $	1.0081	1.0012	1.0006	0.9854	0.9525	0.9042
EUR 1 = $	1.3858	1.3332	1.2929	1.2838	1.3379	1.3761
AUD 1 = $	1.0423	1.0367	1.0337	1.0424	0.9364	0.9243
JPY 1 = $	0.0127	0.0121	0.0121	0.0106	0.0100	0.0097

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 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. The Attachmate Group has one segment and one cash generating unit ('CGU') to which Goodwill has been attributed for the purpose of impairment testing.

b) Computer software

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

c) Research and development

Research expenditures are recognized as an expense as incurred. Costs incurred on development projects relating to developing new computer software programmes and significant enhancement of existing computer software programmes are recognized 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. The Attachmate Group has determined that commercial and technological feasibility is established at the time a working model of products is complete. To date, the Attachmate Group has not incurred significant costs between the establishment of technological feasibility and the release of a product for sale.

d) Intangible assets – arising on business combinations

Intangible assets that are acquired by the Attachmate Group are stated at cost less accumulated amortization. Amortization is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful life of each intangible asset. Intangible assets are amortized from the date they are available for use. The estimated useful lives will vary for each category of asset acquired as follows:

Customer relationships	Five to twelve years
Developed technology	Two to seven years
In process research and development	Two to five years
Non-competition agreements	Two years
Trade names, trademarks and other	Three to eight years

The Attachmate Group has indefinite lived trade names and trademarks that are not subject to amortization. These indefinite-lived intangible assets are classified as indefinite-lived since they are expected to generate perpetual cash flows. They are tested for impairment annually, or when there may be an indication they may be impaired. These indefinite-lived intangible assets are carried at cost less accumulated impairment losses.

I Property, plant and equipment

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

Land and buildings	Thirty years
Leasehold improvements	Lesser of useful life or life of lease
Fixtures and fittings	Two to seven years
Computer equipment	Three years

The assets' 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 consolidated statement of comprehensive income.

Property held for sale is measured at the lower of its carrying amount or estimated fair value less costs to sell.

J Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 ('VIU'). For the purposes of assessing impairment, assets are Attachmate Group at the lowest levels for which there are separately identifiable cash flows. It has been determined that there is a single CGU. Any non-financial assets other than goodwill which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

K Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost less provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Attachmate Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is based on historical collection trends and the collection risk of specific customer accounts due to a change in their financial condition identified subsequent to the revenue transaction. The amount of the provision is recognized in the consolidated statement of comprehensive income.

L 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.

M Restricted Cash
Restricted cash held in deposit accounts are reserved primarily to meet the Attachmate Group's performance obligations in relation to certain leasing arrangements.

N Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest bearing borrowings are stated at amortized cost with any difference between cost and redemption value recognized in the consolidated statement of comprehensive income over the period of borrowing on an effective interest basis. All outstanding borrowings have been issued at face value.

O Leases
Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. All other leases are classified as finance leases. The Attachmate Group currently does not have any finance leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

P Taxation
Current and deferred tax are recognized in the consolidated statement of comprehensive income, except when the tax relates to items charged or credited directly to equity, in which case the tax is also recorded directly in equity.

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 statements. 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 recognized 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 Attachmate Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax is recognized based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Q Ordinary shares, share premium and dividend distribution
Incremental costs directly attributable to the issue of new stock are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distributions to the Attachmate Group's shareholders are recognized as a liability in the Attachmate Group's financial statements in the period in which the dividends are approved by the Attachmate Group's shareholders. Dividends are recognized when they are declared.

R Financial instruments and hedge accounting
Financial assets and liabilities are recognized in the Attachmate Group's balance sheet when the Attachmate Group becomes a party to the contractual provision of the instrument. The Attachmate Group's principal financial assets are cash and cash equivalents and trade receivables. Trade receivables are non-interest bearing and are stated at their fair value less the amount of any appropriate provision for irrecoverable amounts. The Attachmate Group's principal financial liabilities are non-interest bearing trade payables and variable-rate bank borrowings. Trade payables and bank borrowings are stated at their fair value.

From time-to-time, the Attachmate Group has entered into interest rate swap and interest rate cap contracts to manage interest rate risk in order to reduce the proportion of total debt that is subject to variable interest rates since all of the Attachmate Group's outstanding debt is at variable rates. The Attachmate Group does not use interest rate derivatives for trading or speculative purposes. Historically, the derivatives have not been designated as hedges for accounting purposes and thus are not linked to the Attachmate Group's debt obligations. Accordingly, the adjustment to the derivatives' fair value is recognized in the period of change in the accompanying consolidated statements of comprehensive income within the line item finance costs and actual settlements are recognized in the period incurred and are reflected in the accompanying consolidated statements of comprehensive income within the line item finance costs. The estimated fair values of our derivatives fluctuate over time and should be viewed in relation to the underlying hedged transaction and the overall management of the Attachmate Group's exposure to fluctuations in the underlying risk.

The Attachmate Group's interest rate swap agreements that were outstanding are set forth in the table below:

As of	Notional Amount $'000	Receive	Pay	Maturity Date
1 April 2011	200,000	Floating	2.790% - 2.890%	Through 31 December 2012
31 March 2012	400,000	Floating	0.500% - 2.500%	Through 27 April 2013
31 March 2013	400,000	Floating	0.500% - 2.500%	Through 27 April 2013

The Attachmate Group did not have any outstanding interest rate swaps as of 31 March 2014.

In August 2011, the Attachmate Group entered into two interest rate cap contracts. A total of $0.1m was paid for both contracts at the inception of the agreements for the right to receive payment if interest rates go above the contractual rate of 1.5%. Both contracts terminated on 27 April 2013 and had a combined notional amount of $175m. The Attachmate Group did not have any outstanding interest rate caps as of 31 March 2014.

S Provisions
Provisions for restructuring costs and legal claims are recognized when the Attachmate Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease and other contractual termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

T Investments in associates
Associates are investees over which the Attachmate Group has significant influence on the financial or operating decisions. Significant influence is presumed to exist when ownership interest is between 20% and 50% of the outstanding stock of the investee, but can also arise where the Attachmate Group holds less than 20% if it has the power to be actively involved and influential in policy decisions affecting the investee. Investments in associates are accounted for using the equity method. The Attachmate Group initially records the investment at cost and adjusts the carrying amount each period to recognize its share of the earnings or losses of the investee based on its percentage of ownership.

Adjustments are made to align the accounting policies of the associate with those of the

Attachmate Group before applying the equity method. When the Attachmate Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Attachmate Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Attachmate Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

At 31 March 2014, the Attachmate Group had a 14.3% interest, or $16.7m and $16.5m investment, respectively, in Open Invention Network, LLC ('OIN'), which it accounts for as an associate given the Attachmate Group's significant influence over OIN's operations. At 31 March 2012 and 2013 the Attachmate Group had a 16.7%, or $14.0m and $18.3m investment, respectively, in OIN. OIN is a privately-held limited liability company that acquires patents to promote Linux and open source by offering its patents on a royalty-free basis to any company, institution or individual that agrees not to assert its patents against the Linux operating system or certain Linux-related applications. During the years ended 31 March 2012, 2013 and 2014 the Attachmate Group recorded income (loss) of $(0.9)m, $4.2m, $(1.6)m, $(0.1)m and $(0.2)m, respectively, related to OIN, which is shown in the line item 'Share of income (loss) of associates' in the accompanying consolidated statements of comprehensive income. The Attachmate Group reviews its equity investments periodically for indicators of impairment.

U Self-insurance reserves

The Attachmate Group retains a significant portion of the risk related to its employee health programs. The exposure for unpaid claims and associated expenses, including incurred but not reported losses, generally is estimated by factoring in (1) pending claims and historical trends and data and (2) the assessment of external actuaries. The Attachmate Group limits its exposure by having specific stop-loss coverage per individual per year. The total liability is calculated at the end of the plan year based on the enrolment each month throughout the plan year. The gross estimated liability associated with settling unpaid claims is included in the line item, trade and other payables in the Attachmate Group's consolidated statement of financial position.

V Guarantees and Warranties

Indemnification and warranty provisions are sometimes contained within the Attachmate Group's customer license and service agreements. These are standard terms generally consistent with those prevalent in the Attachmate Group's industry. The duration of product warranties generally does not exceed 90 days following delivery of products. The Attachmate Group has not incurred significant costs under customer indemnification or warranty provisions historically and management does not expect to incur significant obligations in the future. Accordingly, the Attachmate Group does not record a liability for potential costs to rectify customer indemnification or warranty-related obligations unless and until the Attachmate Group concludes the likelihood of a material obligation is probable and estimable. The Attachmate Group reviews its receivables that may not be collected due to warranty related issues and provides an allowance as necessary.

The debt obligations on the consolidated balance sheets are obligations of the Attachmate Group's subsidiaries: Attachmate, NetIQ and Novell. The Attachmate Group has fully and unconditionally guaranteed all the bank debt obligations of the Attachmate Group, NetIQ and Novell. Performance under this guarantee agreement would be required if there was a default on the obligation. No additional liabilities have been recorded for these guarantees because the underlying obligations are reflected in the Attachmate Group's consolidated balance sheets.

W Fair Value

Due to the short-term nature of the Attachmate Group's financial instruments, which include cash, accounts receivable, accounts payable and other accrued liabilities, the Attachmate Group believes that the carrying amount approximates fair value. The carrying value of the Attachmate Group's borrowing obligations approximates fair value as the interest rates vary with market rates. The carrying value of the Attachmate Group's investment in OIN approximates fair value as most of OIN's assets are comprised of cash, and short and long-term investments.

Fair value is estimated market value that one could obtain when settling an asset or transferring a liability. Authoritative guidance associated with fair value measurements provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The Attachmate Group's interest rate swaps and caps at 31 March 2013 and 2012 were Level 2, meaning that the fair value of these financial instruments were not determined by quoted market prices in active markets but by observable inputs, either directly or indirectly, such as quoted prices for similar assets. Specifically, the Attachmate Group's interest rate swaps and interest rate cap contracts were recorded at their estimated fair values based on quotes received from the financial institutions that trade these accounts.

The fair value of the Attachmate Group's interest rate swaps were liabilities of $4.8m as at 31 March 2012. The fair value of the Attachmate Group's interest rate swaps were liabilities of $0.4m and an asset of $0.1m as at 31 March 2013. The liability amounts are shown in the line item, 'trade and other payables', and the asset amount is shown in the line item, 'trade and other receivables' in the Attachmate Group's consolidated statements of financial position. The fair value of the Attachmate Group's interest rate cap contracts was approximately nil as at 31 March 2012 and 2013 due to the short remaining life of the contracts.

The fair value of the Attachmate Group's assets that have been designated to fund one of the Attachmate Group's defined benefit plans are Level 2 financial instruments, as the fair value is determined based on quotes received from the financial institution that holds these assets.

As of 31 March 2014 and 2013, the Attachmate Group had no Level 3 financial instruments.

X Adoption of new and revised International Financial Reporting Standards
The accounting policies adopted in these consolidated financial statements reflect the most recent IFRS required adoptions as of the year ended 31 March 2014 with the exception of the following published standards adopted during the year:

(a) The following standards, interpretations and amendments to existing standards are now effective and have been adopted by the Attachmate Group as of 31 March 2014:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities for periods beginning on or after 1 January 2013. This amendment includes new disclosures to aid comparison between those entities that prepare IFRS financial statements to those that prepare their financial statements according to US GAAP.
- Amendment to IAS 12, 'Income Taxes' applies for periods beginning on or after 1 January 2013.
- Amendment to IAS 19, 'Employee Benefits', for periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- Amendment to IAS 1, 'Financial Statement Presentation' applies for periods beginning on or after 1 January 2013.
- IFRS 13, 'Fair Value Measurement' applies for periods beginning on or after 1 January 2013 and aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements.
- Amendment to IAS 32, 'Financial Instruments: Presentation' applies to periods beginning on or after 1 January 2014 and clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendment to IAS 36, 'Impairment of Assets' applies to periods beginning on or after 1 January 2014 and relates to the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement' applies to periods beginning on or after 1 January 2014 and provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets certain criteria. The Attachmate Group directors anticipate that the future introduction of those standards, amendments and interpretations listed above will not have a material impact on the consolidated financial statements.
- IFRS 11, 'Joint Arrangements' applies to periods beginning on or after 1 January 2014 and provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12, 'Disclosure of Interests in Other Entities' applies for periods beginning on or after 1 January 2014 and includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purchase vehicles and other off-balance sheet vehicles.

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

- IFRS 9, ‘Financial Instruments’ for periods beginning on or after 1 January 2018 and is the first standard issued as part of a process to replace IAS 39. It simplifies the mixed measurement model and establishes two primary measurement categories for financial assets, amortized cost and fair value.
- IFRS 15, ‘Revenue From Contracts With Customers Issued’ applies for periods beginning on or after 1 January 2017 and specifies how and when revenue is recognized as well as requiring such entities to provide users of the financial statements with more informative, relevant disclosures.
- IFRS 10, ‘Consolidated Financial Statements’ applies for periods beginning on or after 1 January 2013 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of control and establishes controls as the basis for consolidation.

II Critical accounting estimates and assumptions

In preparing the consolidated financial statements, the Attachmate Group has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Attachmate Group regularly reviews these estimates and updates them as required. Actual results could differ from these estimates. Unless otherwise indicated, the Attachmate Group does not believe that it is likely that materially different amounts would be reported related to the accounting estimates and assumptions described below. The Attachmate Group considers the following to be a description of the most significant estimates, which require the Attachmate Group to make subjective and complex judgments, and matters that are inherently uncertain.

a) Impairment of goodwill and indefinite-lived intangible assets

The Attachmate Group tests annually whether goodwill or indefinite-lived intangible assets have suffered any impairment in accordance with the accounting policy IJ. The recoverable amount of the Attachmate Group’s CGU has been determined based on the higher of an asset’s fair value less costs to sell and VIU calculations. These calculations require the use of estimates.

b) Income taxes

The Attachmate Group is subject to income taxes in numerous jurisdictions. Significant judgment 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 Attachmate Group recognizes liabilities for anticipated settlement of tax 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.

The Attachmate Group carries appropriate provision, based on best estimates, until tax computations are agreed with the taxation authorities.

c) Acquisitions

When making acquisitions, the Attachmate Group has to make judgments and best estimates about the fair value allocation of the purchase price. Appropriate advice is sought from professional advisors before making such allocations.

c) Revenue recognition

The key area of judgement in respect of recognising revenue is the timing of recognition, specifically in relation to recognition and deferral of revenue on support contracts where management assumptions and estimates are necessary.

III Financial risk factors

The Attachmate Group’s multi-national operations expose it to a variety of financial risks that include the effects of changes in credit risk, foreign currency risk, interest rate risk and liquidity risk. Risk management is carried out by a central treasury department under directives approved by the board of directors. The Attachmate Group Treasury identifies and evaluates financial risks. The board provides guidance for risk management together with specific directives covering areas such as foreign currency risk, interest rate risk, credit risk and liquidity risk, use of derivative financial instruments and non-derivative financial instruments as appropriate, and investment of excess funds.

In accordance with the treasury policy, the Attachmate Group does not currently hold or issue derivative financial instruments.

a) Credit risk
Financial instruments which potentially expose the Attachmate Group to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash equivalents are deposited with high-credit quality financial institutions. The Attachmate Group provides credit to customers in the normal course of business. Collateral is not required for those receivables, but ongoing credit evaluations of customers' financial conditions are performed. The Attachmate Group maintains a provision for impairment based upon the expected collectability of accounts receivable. The Attachmate 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 Attachmate Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Canadian dollar, Euro, Australian dollar and Japanese Yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

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

c) Interest rate risk
The Attachmate Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Attachmate Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Attachmate to cash flow interest rate risk which is partially offset by cash held at variable rates. The Attachmate Group did not have any interest rate swaps or interest rate caps as of 31 March 2014.

d) Liquidity risk
Central Treasury carries out cash flow forecasting for the Attachmate Group to ensure that it has sufficient cash to meet operational requirements and to allow the repayment of the bank facility.

Surplus cash in the operating units over and above what is required for working capital needs is transferred to the Attachmate Group treasury. These funds are used to repay bank borrowings or invested in interest bearing current accounts, time deposits or money market deposits of the appropriate maturity period determined by consolidated cash forecasts.

Trade payables arise in the normal course of business and are all current.

Total secured borrowings of $1,294.7m are related to the Attachmate Group's credit agreements as at 31 March 2014. Current portion of borrowings of $32.4m at 31 March 2014 are due within the next 12 months.

1 Segmental reporting

IFRS 8, 'Operating Segments', requires the Attachmate Group to determine its operating segments based on information which is provided internally to the CODM. Based on the internal reporting information and management structures within the Attachmate Group, it has been determined that there is only one operating segment being the Attachmate Group as the information reported to the CODM includes operating results at a consolidated Group level only. There is also considered to be only one reporting segment which is the Attachmate Group, the results of which are shown in these consolidated statements of comprehensive income.

Analysis by geography

The Attachmate Group is domiciled in the USA. The results of its revenue from external customers in the USA in the year ended 31 March 2014 is $438.6m, 31 March 2013 is $480.0m and for 31 March 2012 is $494.7m. The total of revenue from external customers from other countries was $518.2m in the year ended 31 March 2014, 31 March 2013 is $515.8m and for 31 March 2012 is $518.7m.

The total of non-current assets other than deferred tax assets and post employment benefit assets located in the USA as at 31 March 2014 is $1,217.8m, as at 31 March 2013 is $1,320.3m and as at 31 March 2012 is $1,521.2m. The total of such non current assets located in other countries as at 31 March 2014 is $15.6m, as at 31 March 2013 is $14.9m and as at 31 March 2012 is $30.5m.

Within the Attachmate Group's one reporting segment the Attachmate Board monitors revenues both by geographic region and by product portfolio and further disclosures in this regard are given below.

The Group operates globally, with primary operations in North America; International, which consists of Europe, Middle East, Africa and Latin America; and the Asia Pacific ('APAC') regions. Revenue by geographical region is presented below:

	Years ended 31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Geographic revenue:			
North America	542,082	529,515	489,383
International	369,812	363,336	373,629
APAC	101,456	102,932	93,817
Total revenue	1,013,350	995,783	956,829

Revenue by product category is presented below:

	Years ended 31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Revenue type:			
Licence	219,976	192,084	192,440
Maintenance and subscription	697,831	706,877	681,861
Services	95,543	96,822	82,528
Total revenue	1,013,350	995,783	956,829

2 Supplementary information

Set out below is an analysis of revenue recognized by product portfolio and revenue type for the year ended 31 March 2012:

	Attachmate $'000	**Novell $'000**	**NetIQ $'000**	**SUSE $'000**	**Total $'000**
Licence	101,749	47,070	71,015	142	219,976
Maintenance and subscription	100,687	280,008	168,867	148,269	697,831
Services	6,004	23,077	50,497	15,965	95,543
Total	**208,440**	**350,155**	**290,379**	**164,376**	**1,013,350**

Set out below is an analysis of revenue recognized by product portfolio and revenue type for the year ended 31 March 2013:

	Attachmate $'000	**Novell $'000**	**NetIQ $'000**	**SUSE $'000**	**Total $'000**
Licence	95,231	33,512	62,840	501	192,084
Maintenance and subscription	101,143	264,416	177,657	163,661	706,877
Services	5,600	27,654	47,276	16,292	96,822
Total	**201,974**	**325,582**	**287,773**	**180,454**	**995,783**

Set out below is an analysis of revenue recognized by product portfolio and revenue type for the year ended 31 March 2014:

	Attachmate $'000	**Novell $'000**	**NetIQ $'000**	**SUSE $'000**	**Total $'000**
Licence	79,936	37,752	74,752	-	192,440
Maintenance and subscription	100,367	228,692	170,974	181,828	681,861
Services	5,471	18,566	43,621	14,870	82,528
Total	**185,774**	**285,010**	**289,347**	**196,698**	**956,829**

In the year ended 31 March 2014, the renewal rates on maintenance contracts in each of the product portfolios was approximately within the following ranges; Attachmate: 88-92%, Novell: 80-85%, NetIQ: 88-90% and SUSE: 87-89%. The renewals rates for Attachmate Group are estimates based on third party analysis and Attachmate Group management analysis. It is expected that the disclosure of these renewal rates will change post-closing as Micro Focus will apply its calculation methodology to Attachmate Group's renewals data.

3 Reconciliation of operating profit to EBITDA

	Years ended 31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Operating profit	116,062	196,782	172,847
Amortization of intangible assets	105,083	108,891	90,200
Depreciation of property, plant and equipment	19,931	13,175	12,182
EBITDA	241,076	318,848	275,229
Exceptional items	97,863	3,781	31,241
Share based compensation charge	9,966	3,698	1,836
Adjusted EBITDA	348,905	326,327	308,306
Foreign exchange (gains) and losses	(4,944)	1,854	4,540
Net (Capitalization)/Amortization of Development Costs	-	-	-
Underlying Adjusted EBITDA	343,961	328,181	312,846

The directors use earnings before interest, taxes, depreciation and amortization ('EBITDA'), EBITDA before exceptional items, share based compensation charge and amortization of purchased intangibles ('Adjusted EBITDA') and Adjusted EBITDA before Foreign exchange (gains) and Losses and net (capitalisation)/ amortisation of development ("Underlying Adjusted EBITDA") as key performance measures of the business.

4 Exceptional items

	Years ended 31 March		
	2012	2013	2014
	$'000	$'000	$'000
Restructuring costs and property rationalization	59,332	-	18,314
Acquisition transaction costs	8,120	-	-
Advisor fees	24,234	10,488	-
Impairment of trademarks	-	2,571	12,927
Impairment of property held for sale	6,177	-	-
Gain on sale of property	-	(9,278)	-
Total	97,863	3,781	31,241

5 Exceptional finance costs

	Years ended 31 March		
	2012	2013	2014
	$'000	$'000	$'000
Extinguishment of debt	56,595	68,962	-

6 Profit before tax

Profit before tax is stated after charging / (crediting) the following operating costs / (gains) classified by the nature of the costs / (gains):

	Years ended 31 March		
	2012	2013	2014
	$'000	$'000	$'000
Staff costs	447,674	443,824	442,799
Depreciation of property, plant and equipment			
– Owned assets	19,931	13,175	12,182
Amortization of intangibles	105,083	108,891	90,200
Operating lease rentals payable, net			
– Other - buildings	16,250	21,650	22,652
– Plant and machinery	3,846	3,327	3,104
Provision for receivables impairment	1,310	(311)	149
Foreign exchange (gains) and losses	(4,944)	1,854	4,540

Services provided by the Attachmate Group's auditors and network of firms
The Attachmate Group obtained the following services from the Attachmate Group's auditors as detailed below:

	Years ended 31 March		
	2012	2013	2014
	$'000	$'000	$'000
Audit of company	1,827	1,977	1,819

Audit of subsidiaries	555	1,341	1,297
Total audit	**2,382**	**3,318**	**3,116**
Tax advisory services	121	101	50
Total	2,503	3,419	3,166

7 Employees and directors

	Years ended 31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Staff costs			
Wages and salaries	370,171	372,208	372,890
Social security costs	54,374	56,437	55,844
Other pension costs	13,163	11,481	12,229
Share based payments	9,966	3,698	1,836
Total	447,674	443,824	442,799

	Years ended 31 March		
	2012	**2013**	**2014**
	Number	**Number**	**Number**
Average monthly number of people (including executive directors) employed by the Group:			
Cost of sales	859	801	800
Selling and distribution	1,039	1,029	937
Research and development	1,297	1,311	1,319
Administration	417	404	372
Total	3,612	3,545	3,428

	Years ended 31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Key management compensation			
Short-term employee benefits	9,649	11,520	9,000
Share based payments	9,966	3,698	1,836
Other compensation schemes	34	95	47
Total	19,649	15,313	10,883

The key management figures above include the executive management team and directors. There are no post-employment benefits.

8 Cash and cash equivalents and restricted cash

	31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Cash at bank and in hand	276,484	132,112	128,860
Short-term bank deposits	99,385	28,117	22,555
Total cash and cash equivalents	**375,869**	**160,229**	**151,415**

The carrying amount approximates the fair value at each period end. The Attachmate Group's credit risk on cash and cash equivalents is limited as the counterparties are well established banks with high credit ratings.

	31 March		
	2012	2013	2014
	$'000	$'000	$'000
Total restricted cash	**975**	**137**	**803**

The carrying amount approximates the fair value at each period end. The Attachmate Group maintains cash in deposit accounts that are reserved primarily to meet our performance obligations in relation to certain leasing arrangements.

9 Borrowings

	31 March		
	2012	2013	2014
	$'000	$'000	$'000
First lien - due 13 April 2013	-	-	-
Second lien - due 13 October 2013	-	-	-
First lien - due 27 April 2017	853,125	-	-
Second lien - due 27 October 2017	275,000	-	-
First lien - due 22 November 2017	-	1,038,125	905,508
Second lien - due 22 November 2018	-	400,000	389,218
Total borrowings	1,128,125	1,438,125	1,294,726
Unamortized prepaid credit arrangement fees	-	-	-
Total borrowings, net	1,128,125	1,438,125	1,294,726
Less: current borrowings	104,945	115,799	32,383
Total borrowings, net of current portion	**1,023,180**	**1,322,326**	**1,262,343**

Line of credit agreement
At 31 March 2014, the Attachmate Group had a revolving line of credit with a limit up to $40m. This line of credit has a maturity date of 22 May 2017 and bears interest at a base rate equal to the higher of the prime rate or 0.5% above the overnight federal funds rate or 1.0% above the one month Eurodollar rate, plus an applicable margin that is no greater than 4.75%, with an optional Eurodollar rate also available. The interest rate on this line of credit was 7.25% at 31 March 2014. Outstanding borrowings under the Attachmate Group's $40m line of credit were nil during the year ended 31 March 2014 (2013: $nil). Therefore, no interest expense was incurred during those periods. The Attachmate Group was charged commitment and administration fees which is included in the line item, 'finance costs' in the consolidated statements of comprehensive income.

Term loan credit agreements
At 31 March 2014, the Attachmate Group had total secured borrowings of $1,294.7m in place, denominated in US dollars, comprised of a first lien secured borrowing on 22 May 2012 and second lien secured borrowing on 22 May 2012, which is subordinate to the first lien borrowing. The Attachmate Group entered into these agreements to repay previous loans and to help fund an equity distribution to shareholders. The previous loans were entered into 27 April 2011 in order to fund the Attachmate Group's acquisition of Novell.

The first lien secured borrowing of $905.5m outstanding at 31 March 2014 expires on 22 November 2017 and bears interest at a base rate equal to the higher of the prime rate or 0.5% above the overnight US federal funds rate or 1.0% above the one month Eurodollar rate, plus an applicable margin that is not greater than 4.75%, with an optional Eurodollar rate also available. The interest rate at 31 March 2014 was 7.25%.

The second lien secured borrowing of $389.2m outstanding as of 31 March 2014 expires 22 November 2018. Borrowings under the second lien bear interest at a base rate equal to the higher of the prime rate or 0.5% above the overnight federal funds rate or 1.0% above the one month Eurodollar rate, plus an applicable margin of 8.5%, with an optional Eurodollar rate also available. The interest rate at 31 March 2014 was 11.0%.

The first lien and second lien loans are subject to affirmative and negative financial covenants. The Attachmate Group is in compliance with all financial covenants as of 31 March 2014.

The repayment schedule of the principal portion of the outstanding borrowings as of 31 March 2014 is:

	$'000
2015	32,383
2016	82,500
2017	103,125
2018	687,500
2019	389,218
Total	1,294,726
Less current portion	(32,383)
Long-term debt — less current portion	1,262,343

10 Operating lease commitments
The Attachmate Group has a number of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years:

	31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Commitments under non-cancellable operating leases:			
Within one year	18,404	21,737	24,606
Between one and five years	33,683	62,803	75,572
Beyond five years	2,748	67,691	70,339
Total	54,835	152,231	170,517

The Attachmate Group leases various offices under non-cancellable operating lease agreements that are included in the table. The leases have various terms, escalation clauses and renewal rights. Some of the offices leases have been sublet to unrelated third parties and the Attachmate Group has not been released from their primary obligations under these leases. The above operating lease payments are presented at their gross amounts, before sublease rental income.

11 Cash generated from operations

	Years ended 31 March		
	2012	**2013**	**2014**
	$'000	**$'000**	**$'000**
Profit after tax	(29,038)	70,826	27,391
Adjustments for:			
Net interest	85,545	118,249	116,117
Taxation	1,648	(57,405)	27,224
Foreign exchange (gains) losses	(4,944)	1,854	4,540
Depreciation	19,931	13,175	12,182
Impairment of facilities held for sale	6,177	-	-

Gain on sale of facilities	-	(9,278)	-
Impairment of tradenames	-	2,571	12,927
Amortization of intangibles	105,083	108,891	90,200
Debt issuance cost amortization/writeoff	56,823	63,462	-
Provision for doubtful note receivable	3,039	274	(15)
Share based compensation charges	9,966	3,698	1,836
Exchange movements	(1,573)	(8,264)	(4,306)
Provisions and other non-cash items	(36,254)	(15,247)	8,091
Changes in working capital:			
Trade and other receivables	19,703	4,397	(15,582)
Payables and other non-current liabilities	(70,578)	(12,939)	20,902
Deferred income	151,117	(29,470)	(17,049)
Cash generated from operating activities	316,645	254,794	284,458

Appendix 3 – Commentary on Attachmate Group Financial Information

1. Acquisition of Novell

On 27 April 2011 the Attachmate Group acquired 100 per cent. of the stock of Novell at a total cost of US$2,216.9 million, which was comprised of US$2,118.9 million in cash and US$97.9 million in equity consideration. As a result, the financial year ended 31 March 2013 is not fully comparable to the financial year ended 31 March 2012 as the financial year ended 31 March 2013 incorporates the results of Novell for the entire financial year whereas the financial year ended 31 March 2012 contains 26 days of trading (1 April 2011 to 26 April 2011) which do not include the results of Novell. Over that 26 day period, Novell recognized approximately US$53.5 million of revenue for the year ended 31 March 2012.

2. Key Factors Affecting the Attachmate Group's Results of Operations

Set forth below is a description of certain key factors that have historically affected the Attachmate Group's business and which may impact its business in the future.

2.1 Global and regional economic conditions

The Attachmate Group's financial results depend to a large extent on continued levels of customer spending on software products, which, in turn, is influenced by general levels of corporate profitability and expectations for future profitability. As a result, macroeconomic factors such as inflation, interest rates, business confidence, investment levels and corporate profitability all can have an impact on the Attachmate Group's revenue and financial results. This impact can be at a global level, such as occurred during the global economic crisis that started in 2008, or at a regional or national level as the Attachmate Group operates in three distinct economic regions: North America, International and the Asia- Pacific regions.

For example, in the financial year ended 31 March 2013, International revenues decreased by US$6.5 million, or 1.8 per cent. primarily as a result of the Eurozone economic crisis during which there was a reduction in the willingness of businesses and governments in the region to invest in improving their software capacity. Similarly, in the financial year ended 31 March 2014 revenues from the region returned to their prior level as countries in Western Europe, particularly the countries where the Attachmate Group is particularly active such as Germany and the United Kingdom, recovered economically.

As over 50 per cent of the Attachmate Group's revenues come from the North American region, it is most impacted by changes in general economic conditions in that region. However, economic conditions in the International and Asia-Pacific regions have had a significant effect on the Attachmate Group's revenues as well. The table below sets out the Attachmate Group's revenues by region for the financial years ended 31 March 2014, 2013 and 2012.

	Year ended 31 March		
	2012	**2013**	**2014**
	US$'000	**US$'000**	**US$'000**
North America	542,082	529,515	489,383

International	369,812	363,336	373,629
Asia-Pacific	101,456	102,932	93,817
Total	1,013,350	995,783	956,829

2.2 Lifecycle of the Attachmate Group's product offerings

The Attachmate Group's business model is based upon the development and licensing of various "portfolios" of software products to its customers. Once a software product has been licensed, the Attachmate Group then seeks to sell maintenance, which includes both technical support and product upgrades, and services, such as product customization, consulting and advanced training, to the users of its software products. As a result, recently developed software products will primarily generate licensing revenue whereas more mature products primarily generate maintenance and subscription and services revenue. One exception to this model involves the Attachmate Group's SUSE Linux product portfolio. As these products are based on Open Source software, the Attachmate Group does not charge licensing fees for software in this product portfolio and only charges for support and maintenance which it categorises as maintenance and subscription revenue. For any given financial period, revenue from the provision of maintenance and subscription services constitutes the substantial majority of the Attachmate Group's revenue.

The table below sets out the Attachmate Group's revenue by type of revenue for the three financial years ended 31 March 2014, 2013 and 2012.

	Year ended 31 March		
	2012	**2013**	**2014**
	US$'000	**US$'000**	**US$'000**
Licence	219,976	192,084	192,440
Maintenance and Subscription	697,831	706,877	681,861
Services	95,543	96,822	82,528
Total	1,013,350	995,783	956,829

As software products become more mature, it is increasingly likely that customers will migrate from those products to newer or alternate products as competitive pressures, particularly on price, increase as mature products become commoditized and more competitors produce products with similar features. When customers migrate to newer products, they do not renew their maintenance and service contracts for those products. To the extent that the Attachmate Group is unable to provide new products that are competitively priced and have equivalent or better functionality than those of its competitors or if the Attachmate Group's marketing and sales force is not effective in informing customers about such new products, the Attachmate Group's revenues will decline. When such a decline occurs, it will first impact licensing revenues and then lead to a reduction of maintenance and subscription revenues.

To manage the cycle described above, the Attachmate Group needs to generate sufficient licensing revenue from its newer software products in any given financial period such that those products will generate maintenance and subscription revenues in subsequent periods to replace revenues lost as a result of customer migration away from its mature products. In the periods under review, licensing revenue fell by US$27.9 million in the financial year ended 31 March 2013 as compared to the financial year ended 31 March 2012. In subsequent periods, maintenance and subscription revenues fell by US$25.0 million and services revenues fell by US$14.3 million in the financial year ended 31 March 2014 as compared to the financial year ended 31 March 2013 even though licensing revenues stabilised in the same period.

This decline in revenue over the period under review is an example of the general trend discussed above. A reduction or lack of growth in licensing revenue in one period will usually lead to a reduction in maintenance and subscription and service revenues in subsequent periods.

2.3 Recurring revenues

As the substantial majority of the Attachmate Group's revenues relate to its maintenance and subscription contracts with existing customers, the extent to which those customers renew their contracts has a substantial impact on the Attachmate Group's overall revenues. If customers do not renew their contracts, whether as the result of a product or a product upgrade not being competitive on price or function or as a result of an increased customer willingness to make adjustments to core software platforms, there would be a significant impact on the Attachmate Group's revenue. In each of the years ended 31 March 2014, 2013 and 2012, the Attachmate Group has generated recurring revenue (which is calculated as a percentage on a revenue basis, of contracts for maintenance and subscription services) of 71.3, 71.0 and 68.9 per cent., respectively. However, changes to the Attachmate Group's ability to generate recurring revenues in the future could have a direct impact on the Attachmate Group's financial results.

2.4 Accounting treatment due to the acquisition of Novell

Upon the acquisition of Novell, the Attachmate Group fair valued acquired deferred income that had been booked by Novell prior to acquisition, primarily related to multi-period maintenance and subscription revenues. This resulted in a reduction in the value of acquired deferred income by approximately 7.5 per cent. This fair value adjustment had a greater impact on the Attachmate Group's recognised revenues in the financial year ended 31 March 2012 ($28.6 million) than on the subsequent financial years ended 31 March 2013 and 2014 ($7.9 million and $2.8 million respectively).

2.5 Customer mix

While the Attachmate Group is exposed to a variety of economic sectors, including financial services and telecoms, none of them account for more than a quarter of the Attachmate Group's overall revenues. The Attachmate Group made in each of the last three financial years slightly less than a fifth of its sales to various departments of the U.S. federal government, state, municipal and foreign governments as well as to supranational organisations. Sales to governments, in addition to being impacted by general economic conditions are impacted by political uncertainty, budget pressures and other government procurement requirements. In particular, the sequestration of the United States government in the beginning of the 2013 calendar year caused many federal agencies to cancel or defer spending, including spending on software products. As a result, the Attachmate Group's revenue in the financial year ended 31 March 2013 was materially impacted by the sequestration.

2.6 Restructuring of the Attachmate Group's operations

The Attachmate Group has engaged in activities designed to realign its cost structure with its current and expected business opportunities. These activities have included employee redundancies and facility closures. In the financial year ended 31 March 2012, the year in which the Attachmate Group acquired Novell and made the most significant operational changes as a result of the acquisition, the Attachmate Group incurred restructuring charges (which were primarily severance payments to terminated employees and the cost of closing certain facilities) of US$59.3 million. Similar costs were minimal in the financial year ended 31 March 2013 and largely related to restructuring actions planned in the financial year ended 31 March 2012, but not enacted until the following year.

In the financial year ended 31 March 2014, the Attachmate Group identified further redundancies resulting from its acquisition of Novell and undertook to further streamline its operations via additional employee redundancies and, to a lesser extent, facility consolidation. As a result of such activity, the Attachmate Group incurred US$18.3 million of restructuring costs in that year.

2.7 Refinancing of the Attachmate Group's principal debt obligations

In the periods under review, the Attachmate Group refinanced its principal debt obligations twice. The first refinancing was in connection with the acquisition of Novell when the Attachmate Group entered into two term loan agreements on 27 April 2011 (the "2011 Term Loans"). The second was done on 22 May 2012 (the "2012 Term Loans") in order to refinance the 2011 Term Loans and to fund an equity distribution to the Attachmate Group's shareholders.

As of 1 April 2011, the Attachmate Group had capitalised $5.8m of costs related to prior debt and $0.7m prepaid loan costs related to new debt that Attachmate Group entered into effective 27 April 2011. In connection with the acquisition of Novell on 27 April 2011, the Attachmate Group refinanced the debt; as a result of the refinancing, $5.6m was expensed as early extinguishment of debt and is included in the line item 'finance costs - exceptional' in the consolidated statements of comprehensive income. During the year ended 31 March 2012, the Attachmate Group also expensed $51.0m in costs related to the debt agreements issued on 27 April 2011 and is included in the line item ‘finance costs - exceptional’ in the consolidated statements of comprehensive income.

During the year ended 31 March 2013, the Attachmate Group expensed $63.5m of fees and costs related to the refinancing of the borrowings and paid $5.5m in breakage fees on its pre-existing debt, totalling $69.0m. This refinancing was accounted for as an extinguishment of debt and the $69.0m is shown in the line item, ‘finance costs - exceptional’ within the accompanying consolidated statement of comprehensive income.

In addition to additional expenses, the refinancings substantially increased the total amount of the Attachmate Group’s outstanding debt. The April 2011 refinancing increased outstanding debt by approximately US$539.9 million and the May 2012 refinancing increased outstanding debt by approximately US$371.9 million. The May 2012 refinancing also resulted in a revised quarterly schedule for the repayment of the principal amount of the outstanding debt and switched the calculation of interest payments from a fixed interest rate to a quarterly floating interest rate. By switching to a floating interest rate, though the Attachmate Group has experienced a lower interest rate since the refinancing than its previous fixed interest rate, it has increased its exposure to interest rate movements. If interest rates were to rise in the future, this would have a material impact on the Attachmate Group’s interest expense.

Even though interest rates reduced slightly at the time of each refinancing and have not increased since then, as a result of the increased amount of debt outstanding, the Attachmate Group’s pre-exceptional finance costs increased from US$86.2 million in the financial year ended 31 March 2012 to US$116.4 million in the financial year ended 31 March 2014 as a result of the refinancings.

2.8 Sale and lease-back of substantially all of the Attachmate Group’s land and owned buildings

During the financial year ended 31 March 2013, the Attachmate Group sold all of the property and land associated with its Provo, Utah campus as well as a building in Bracknell, United Kingdom which it had acquired as a result of its acquisition of Novell, in order to implement its policy of leasing rather than owning its office facilities. These sales accounted for the substantial majority of the property and buildings owned by the Attachmate Group, though it still owns a building in South Africa that it classifies as property held for sale with a carrying value of approximately US$0.9 million. The Attachmate Group received net proceeds of US$117.0 million for the properties sold in the financial year ended 31 March 2013. The Provo campus was sold for a net gain of US$9.3 million while the remaining properties were sold at a loss of US$6.2 million. Simultaneously with the sale of the Provo campus, the Attachmate Group leased the Provo campus directly back from the purchaser. Under IFRS, the gain on the sale-leaseback transaction was recognised immediately as the lease was an operating lease and the sale was executed at the fair value of the asset. In addition, the average annual rent expense increased as a result of the lease. This expense impacted the Attachmate Group’s operating costs for the financial year ended 31 March 2014 and are expected to continue to do so for the life of the lease.

3. <u>Results of Operations</u>

3.1 Results of operations for the year ended 31 March 2014 compared to the year ended 31 March 2013

The table below presents the Attachmate Group’s results of operations for the financial years ended 31 March 2014 and 2013.

	Years ended 31 March	
	2013	**2014**
	$'000	**$'000**
Revenue	995,783	956,829
Cost of sales	(156,161)	(151,188)
Gross profit	839,622	805,641
Selling and distribution costs	(347,146)	(341,833)

Research and development expense	(210,555)	(212,875)
Administrative expense	(85,139)	(78,086)
Operating profit	196,782	172,847
Analysed as:		
Operating profit before exceptional items	200,563	204,088
Exceptional items	(3,781)	(31,241)
Operating profit	196,782	172,847
Finance costs - pre-exceptional	(118,893)	(116,437)
Finance costs - exceptional	(68,962)	-
Finance costs	(187,855)	(116,437)
Finance income	644	320
Finance costs - net	(187,211)	(116,117)
Share of profit (loss) of associates accounted for using the equity method	4,228	(1,586)
Other expense, net	(378)	(529)
Profit before tax	13,421	54,615
Taxation	57,405	(27,224)
Profit for the period	70,826	27,391
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss		
Actuarial losses on defined benefit pension plans	(3,394)	(633)
Items that may be subsequently be reclassified to profit or loss		
Currency translation differences	3,651	3,414
Other comprehensive income for the period	257	2,781
Total comprehensive income	71,083	30,172
Attributable to:		
— Owners of the parent	70,900	29,816
— Non-controlling interests	183	356
Total comprehensive income	71,083	30,172

3.1.1 Revenue

For the financial year ended 31 March 2014, revenue decreased by US$39.0 million, or 3.9 per cent., to US$956.8 million from US$995.8 million for the financial year ended 31 March 2013. This decrease was primarily due to declining performance across all three revenue types in the Attachmate Group's North American operations. This was partially offset by improved licensing revenue performance in the International region, which was enough to offset the decline in licensing revenue in North America. However maintenance and subscription and services revenues in the International and Asia-Pacific regions were also down, though not to the same extent as in North America.

(a) Revenue by geography

The Attachmate Group reports revenue across three geographical regions: North America, Asia-Pacific and International. For the financial year ended 31 March 2014, revenue in North America decreased by US$40.1 million, or 7.6 per cent., to US$489.4 million from US$529.5 million for the financial year ended 31 March 2013. This decrease was primarily due to a reduction in maintenance and subscription revenue, as well as moderate declines in licensing and services revenue.

For the financial year ended 31 March 2014, revenue in the Asia-Pacific region decreased by US$9.1 million, or 8.9 per cent., to US$93.8 million from US$102.9 million for the financial year ended 31 March 2013. This decrease was primarily due to reductions in licensing and services revenue.

For the financial year ended 31 March 2014, revenue in the International region increased by US$10.3 million, or 2.8 per cent., to US$373.6 million from US$363.3 million for the financial year ended 31 March 2013. This increase was primarily due to an increase in licensing revenue as a result of the general economic recovery (particularly in key national markets such as the United Kingdom and Germany), partially offset by mild declines in revenue from maintenance and subscription and services.

(b) Revenue by type

The Attachmate Group also reports three revenue types: Licences, which includes revenue received from the licensing of the Attachmate Group's software products to end customers or to resellers who bundle the Attachmate Group's software with other products for resale to end users, maintenance and subscription, which includes revenue received for the provision of technical support and product upgrades to existing customers, and services, which includes premium support for the Attachmate Group's software products including consulting and advanced training.

For the financial year ended 31 March 2014, revenue from licences increased slightly by US$0.3 million to US$192.4 million from US$192.1 million for the financial year ended 31 March 2013. This lack of growth was primarily due to the decrease in North America being offset by an increase in the International region while Asia Pacific remained static. The decline in licensing revenue was within the Attachmate family of software products offset by increasing sales and licensing revenue from the Attachmate Group's NetIQ licensing product family.

For the financial year ended 31 March 2014, revenue from maintenance and subscription decreased by US$25.0 million, or 3.5 per cent., to US$681.9 million from US$706.9 million for the financial year ended 31 March 2013. This decrease was primarily due to decreases in North America complemented by minor reductions in maintenance and subscription revenue globally. Of the Attachmate Group's software families, the decline in maintenance and subscription revenue is focused on the Novell product family.

For the financial year ended 31 March 2014, revenue from Services decreased by US$14.3 million, or 14.8 per cent., to US$82.5 million from US$96.8 million for the financial year ended 31 March 2013. This decrease was primarily due to a declining North America, supplemented by minor declines in other geographies. On a product family basis, services sold to customers using Attachmate and Novell software decline sharply, but NetIQ services revenue was sharply up over the same period, though not enough to fully offset the other declines.

3.1.2 Cost of sales

For the financial year ended 31 March 2014, cost of sales decreased by US$5.0 million, or 3.2 per cent., to US$151.2 million from US$156.2 million in the financial year ended 31 March 2013, primarily due to lower costs in providing maintenance and services.

3.1.3 Gross profit

For the financial year ended 31 March 2014, gross profit decreased by US$34.0 million, or 4.0 per cent., to US$805.6 million from US$839.6 million in the financial year ended 31 March 2013.

3.1.4 Selling and distribution costs

For the financial year ended 31 March 2014, selling and distribution costs decreased by US$5.3 million, or 1.5 per cent., to US$341.8 million from US$347.1 million in the financial year ended 31 March 2013, primarily due to a rebalancing of resources within the sales force. Sales resources were reduced in certain geographies and product portfolios where management observed underperformance in revenue. This was partially offset by increased costs in the Attachmate Group's internal sales team due to increased headcount.

3.1.5 Research and development expense

For the financial year ended 31 March 2014, research and development expense increased by US$2.3 million, or 1.1 per cent., to US$212.9 million from US$210.6 million in the financial year ended 31 March 2013, primarily due to the fact that the Attachmate Group restructured its software development to improve the efficiency of its development teams and focused its efforts on certain of its software portfolios.

3.1.6 Administrative expenses
For the financial year ended 31 March 2014, administrative expenses decreased by US$7.1 million, or 8.3 per cent., to US$78.1 million from US$85.1 million in the financial year ended 31 March 2013, reflecting the impact of the realisation of cost savings associated with the Attachmate Group's restructuring activity in the financial year ended 31 March 2014.

3.1.7 Operating profit before exceptional items
For the financial year ended 31 March 2014, operating profit before exceptional items increased by US$3.5 million, or 1.8 per cent., to US$204.1 million from US$200.6 million in the financial year ended 31 March 2013 due to changes in the line items discussed above.

3.1.8 Exceptional items
For the financial year ended 31 March 2014, exceptional items increased by US$ 27.5 million to a loss of US$31.2 million from a loss of US$3.8 million in the financial year ended 31 March 2013, primarily due to the impact of costs associated with the Attachmate Group's restructuring activities in the financial year ended 31 March 2014 and a charge for trademark impairment related to a revaluation of expected future revenues from certain Novell software products.

3.1.9 Finance costs
For the financial year ended 31 March 2014, pre-exceptional finance costs decreased by US$2.5 million, or 2.1 per cent., to US$116.4 million from US$118.9 million in the financial year ended 31 March 2013, primarily due to lower interest payments associated with principal payments of corporate debt.

3.1.10 Exceptional Finance costs
For the financial year ended 31 March 2014, exceptional finance costs decreased US$69.0 million to US$nil million in the financial year ended 31 March 2013, primarily due to the absence of any exceptional finance costs in the financial year ended 31 March 2014.

3.1.11 Profit (loss) before tax
For the financial year ended 31 March 2014, profit before tax increased by US$41.2 million to US$54.6 million from US$13.4 million in the financial year ended 31 March 2013, as a result of the changes in the line items discussed above.

3.1.12 Taxation
For the financial year ended 31 March 2014, taxation decreased by US$84.6 million, to a loss of US$27.2 million from a gain of US$57.4 million in the financial year ended 31 March 2013.

3.1.13 Currency translation differences
For the financial year ended 31 March 2014, currency translation differences decreased by US$0.2 million, or 6.5 per cent., to US$3.4 million from US$3.7 million for the financial year ended 31 March 2013.

3.1.14 Actuarial losses on defined benefit pension plans
For the financial year ended 31 March 2014, the Actuarial losses on defined benefit pension plans decreased by US$2.8 million, or 81.3 per cent., to US$0.6 million from US$3.4 million in the financial year ended 31 March 2013.

3.1.15 Total comprehensive income
For the financial year ended 31 March 2014, total comprehensive income decreased by US$40.9 million or 57.6 per cent., to US$30.2 million from US$71.1 million for the financial year ended 31 March 2013 as a result of the factors discussed above.

3.2 Results of operations for the year ended 31 March 2013 compared to the year ended 31 March 2012

The table below presents the Attachmate Group's results of operations for the financial years ended 31 March 2013 and 2012.

	Years ended 31 March

	2012	2013
	$'000	$'000
Revenue	1,013,350	995,783
Cost of sales	(167,847)	(156,161)
Gross profit	845,503	839,622
Selling and distribution costs	(354,341)	(347,146)
Research and development expense	(247,234)	(210,555)
Administrative expense	(127,866)	(85,139)
Operating profit	116,062	196,782
Analysed as:		
Operating profit before exceptional items	213,925	200,563
Exceptional items	(97,863)	(3,781)
Operating profit	116,062	196,782
Finance costs - pre-exceptional	(86,218)	(118,893)
Finance costs - exceptional	(56,595)	(68,962)
Finance costs	(142,813)	(187,855)
Finance income	673	644
Finance costs - net	(142,140)	(187,211)
Share of (loss) profit of associates accounted for using the equity method	(899)	4,228
Other expense, net	(413)	(378)
(Loss) Profit before tax	(27,390)	13,421
Taxation	(1,648)	57,405
(Loss) Profit for the period	(29,038)	70,826
Other comprehensive income (loss):		
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit pension plans	52	(3,394)
Items that may be subsequently be reclassified to profit or loss		
Currency translation differences	(12,679)	3,651
Other comprehensive (loss) income for the period	(12,627)	257
Total comprehensive (loss) income	(41,665)	71,083
Attributable to:		
— Owners of the parent	(41,881)	70,900
— Non-controlling interests	216	183
Total comprehensive income	(41,665)	71,083

3.2.1 *Revenue*

For the financial year ended 31 March 2013, revenue decreased by US$17.6 million, or 1.7 per cent., to US$995.8 million from US$1,013.4 million for the financial year ended 31 March 2012. This decrease was primarily due to declines in maintenance and subscription revenue as well as licensing revenue. The decline was most significant in the North American region, but the International region was also impacted by this decline.

(a) Revenue by geography

For the financial year ended 31 March 2013, revenue in the North America region decreased by US$12.6 million, or 2.3 per cent., to US$529.5 million from US$542.1 million for the financial year ended 31 March 2012. This decrease was primarily due to a decrease in maintenance and subscription revenue and, to a lesser extent, a decrease in services revenue.

For the financial year ended 31 March 2013, revenue in the Asia-Pacific region increased by US$1.5 million, or 1.4 per cent., to US$102.9 million from US$101.5 million for the financial year ended 31 March 2012. This increase was primarily due to increases in maintenance and subscription revenue and services revenue, partially offset by a decline in licensing revenue.

For the financial year ended 31 March 2013, revenue in the International region decreased by US$6.5 million, or 1.8 per cent., to US$363.3 million from US$369.8 million for the financial year ended 31 March 2012. This decrease was primarily due to a decline in licensing revenues as a result of the Eurozone crisis in Europe.

(b) Revenue by type

For the financial year ended 31 March 2013, revenue from licenses decreased by US$27.9 million, or 12.7 per cent., to US$192.1 million from US$220.0 million for the financial year ended 31 March 2012. This decrease impacted the Attachmate group's operations globally, though it was most pronounced in the International region. Both Novell software products as well as NetIQ software products drove the decline.

For the financial year ended 31 March 2013, revenue from maintenance and subscriptions increased by US$9.1 million, or 1.3 per cent., to US$706.9 million from US$697.8 million for the financial year ended 31 March 2012. This increase was primarily due to an increase in the International region and, to a lesser extent, in the Asia Pacific region, though largely offset by a decline in the North American region. This increase was driven by growth of the NetIQ and SUSE product portfolios while the offsetting decline was focused on Novell software products.

For the financial year ended 31 March 2013, revenue from services increased by US$1.3 million, or 1.3 per cent., to US$96.8 million from US$95.5 million for the financial year ended 31 March 2012. This increase was primarily due to small increases in International and Asia Pacific revenues being offset by a moderate decline in North America. From a product perspective, moderate increases occurred in the SUSE and NetIQ product portfolios whereas moderate declines occurred in the Novell and the Attachmate product portfolios.

3.2.2 *Cost of sales*

For the financial year ended 31 March 2013, cost of sales decreased by US$11.7 million, or 7.0 per cent., to US$156.2 million from US$167.8 million in the financial year ended 31 March 2012.

3.2.3 *Gross profit*

For the financial year ended 31 March 2013, gross profit decreased by US$5.9 million, or 0.7 per cent., to US$839.6 million from US$845.5 million in the financial year ended 31 March 2012.

3.2.4 *Selling and distribution costs*

For the financial year ended 31 March 2013, selling and distribution costs decreased by US$7.2 million, or 2.0 per cent., to US$347.1 million from US$354.3 million in the financial year ended 31 March 2012, primarily due to lower expenses associated with lower revenue offset by investments in product specialist resources and marketing expenditures.

3.2.5 *Research and development expense*

For the financial year ended 31 March 2013, research and development expense decreased by US$36.7 million, or 14.8 per cent., to US$210.6 million from US$247.2 million in the financial year ended 31 March 2012, primarily due to lower bonus payments for the Attachmate Group's salaried employees in the financial year ended 31 March 2013 when compared to the payments in the financial year ended 31 March 2012.

3.2.6 *Administrative expenses*

For the financial year ended 31 March 2013, administrative expenses decreased by US$42.7 million, or 33.4 per cent., to US$85.1 million from US$127.9 million in the financial year ended 31 March 2012, reflecting costs savings realised from the Attachmate Group's restructuring activity undertaken in the financial year ended 31 March 2013 as a result of the acquisition of Novell and lower bonus payments for the Attachmate Group's salaried employees in the financial year ended 31 March 2013 when compared to the payments in the financial year ended 31 March 2012.

3.2.7 *Operating profit before exceptional items*

For the financial year ended 31 March 2013, operating profit before exceptional items decreased by US$13.4 million, or 6.3 per cent. to US$200.6 million from US$213.9 million in the financial year ended 31 March 2012, due to changes in the line items discussed above.

3.2.8 *Exceptional items*

For the financial year ended 31 March 2013, exceptional costs decreased by US$94.1 million to a loss of US$3.8 million from a loss of US$97.9 million in the financial year ended 31March 2012, primarily due to the absence of the restructuring costs associated with the Novell acquisition as well as a gain from the sale of real estate which was partially offset by further small restructuring and impairment costs.

3.2.9 *Finance costs*

For the financial year ended 31 March 2013, pre-exceptional finance costs increased by US$32.7 million, or 37.8 per cent., to US$118.9 million from US$86.2 million in the financial year ended 31 March 2012.

3.2.10 *Exceptional finance costs*

For the financial year ended 31 March 2013, exceptional finance costs increased by US$12.4 million, or 21.9 per cent., to US$69.0 million from US$56.6 million in the financial year ended 31 March 2012.

3.2.11 *Profit before tax*

For the financial year ended 31 March 2013, the Attachmate Group generated a profit before tax of US$13.4 million compared with a loss before tax of US$27.4 million in the financial year ended 31 March 2012, an improvement of US$40.8 million.

3.2.12 *Taxation*

For the financial year ended 31 March 2013, taxation decreased by US$59.1 million to a gain of US$57.4 million from a loss of US$1.7 million in the financial year ended 31 March 2012.

3.2.13 *Currency translation differences*

For the financial year ended 31 March 2013, currency translation differences increased by US$16.3 million to a gain of US$3.7 million from a loss of US$12.7 million for the financial year ended 31 March 2012.

3.2.14 *Actuarial gains (losses) on defined benefit pension plans*

For the financial year ended 31 March 2013, the net pension adjustment decreased by US$3.5 million to a loss of US$3.4 million from a gain of US$0.05 million in the financial year ended 31 March 2012.

3.2.15 *Total comprehensive income*

For the financial year ended 31 March 2013, total comprehensive income increased to a gain of US$71.1 million as compared to a loss of US$41.7 million for the financial year ended 31 March 2012 as a result of the factors discussed above.

Appendix 4 – Definitions

"Accordion Facility"	the up to US$100,000,000 increase to the Existing Facility which may be requested by Micro Focus under the terms of the Existing Facility;
"Admission"	on Completion, the admission of the Consideration Shares and the re-admission of the Ordinary Shares to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with the Admission and Disclosure Standards;
"Additional Responsibility Allowance" or **"ARA"**	has the meaning given to it in paragraph 10 of this announcement;
"Additional Share Grants" or **"ASGs"**	has the meaning given to it in paragraph 10 of this announcement;
" Attachmate"	the Attachmate division of the Attachmate Group,;
"Attachmate Group"	Attachmate Inc. and its subsidiaries and subsidiary undertakings from time to time;
"Attachmate Inc"	The Attachmate Group Inc., a company incorporated in Delaware whose address is at 1233 West Loop South, Suite 810, Houston, TX 77027;
"Board" or "Micro Focus Board"	the board of Directors from time to time
"Borrower"	MA FinanceCo LLC, a wholly owned subsidiary of Micro Focus;
"Commitment Letter"	the letter dated 7 September 2014 between the Borrower and the Commitment Parties pursuant to which the Commitment Parties have agreed, subject to certain conditions, to make the New Facilities available to the Borrower;
"Commitment Parties"	Bank of America, N.A. ("Bank of America"), HSBC Bank PLC ("HSBC"), Royal Bank of Canada ("Royal Bank"), Goldman Sachs Bank USA ("GS") and Credit Suisse AG, Cayman Islands Branch ("CS") in such person's capacity as an initial lender, and (ii) Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPFS"), HSBC Securities (USA) Inc. ("HSBC Securities"), RBC Capital Markets[1] ("RBCCM"), GS and Credit Suisse Securities (USA) LLC ("CS Securities"), in such person's capacity as a lead arranger
"Completion"	completion of the Merger in accordance with the terms of the Merger Agreement;
"Consideration Shares"	the 86,595,711 Ordinary Shares to be issued pursuant to the Merger Agreement;

"Directors"	directors of Micro Focus and "Director" means any one of them;
"Disclosure and Transparency Rules" or "DTRs"	the disclosure and transparency rules of the UK Listing Authority made pursuant to Part VI of FSMA;
“Election Deadline”	the time and date by which elections under the Return of Value are to be received by the Company's registrars;
"Elliott Management"	collectively, (i) the Elliott Management Fund, and (ii) Elliott International, L.P., being the general partner of the Elliott Management Fund;
"Elliott Management Fund"	Waverly Securities L.P., whose registered office is c/o The Corporation Trust Center, 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801, and which holds approximately 13.17 per cent. of the economic interests in Wizard (based on recent estimated aggregate equity valuation);
"Enlarged Group"	Micro Focus as enlarged by the Merger;
"Enlarged Share Capital"	the expected issued ordinary share capital of the Company following the Merger;
"Executive Directors"	the executive directors of the Company from time to time, which at the date of this document are Kevin Loosemore, Stephen Murdoch and Mike Phillips;
"Existing Facility"	the facility agreement dated 17 July 2013 relating to a US$420,000,000 revolving credit facility with Barclays Bank plc, Clydesdale Bank plc, HSBC Bank plc, Lloyds Bank plc, Santander UK plc and The Royal Bank of Scotland plc;
"Existing Ordinary Shares"	the Ordinary Shares in issue prior to Completion;
"Existing Shareholders"	the holders of Existing Ordinary Shares;
"Facility EBITDA"	the Company’s Adjusted EBITDA before amortisation of capitalised development costs referred to in the annual report and accounts for the year ended 30 April 2014 as RCF EBITDA;
"Financial Conduct Authority" or "FCA"	the Financial Conduct Authority in the UK;
"Financial Sponsors' Agreement"	the conditional agreement dated 15 September 2014 between Wizard, the Attachmate Group, Micro Focus, Merger Sub and the Wizard Shareholders;
"Francisco Partners"	collectively, (i) the Francisco Partner Funds, (ii) Francisco Partners Management, L.P. (being the investment manager of the Francisco Partners Funds and the manager of FP Annual Fund Investors LLC), (iii) Francisco Partners GP LLC (being the general partner of Francisco Partners L.P. and Francisco Partners Fund A L.P.), (iv) Francisco Partners GP II, L.P. (being the general partner of Francisco Partners II L.P. and

	Francisco Partners Parallel Fund II L.P.), and (v) Francisco Partners II L.P. (being the managing member of Francisco Partners Fund E LLC);
"**Francisco Partners Funds**"	Francisco Partners L.P., Francisco Partners Fund A L.P., Francisco Partners GP LLC, FP Annual Fund Investors LLC, Francisco Partners II L.P., Francisco Partners Parallel Fund II L.P., and Francisco Partners Fund E LLC., collectively holding approximately 29.92 per cent. of the economic interests in Wizard (based on recent estimated aggregate equity valuation);
"FSMA"	the Financial Services and Markets Act 2000, as amended;
"General Meeting"	the general meeting of the Company to be convened to consider and, if thought fit, to approve, inter alia, the Merger, the Return of Value, the Rule 9 Waiver and the New Incentive Arrangements;
"Golden Gate Capital"	Golden Gate Private Equity, Inc., being the investment manager of the Golden Gate Funds;
"Golden Gate Funds"	(i) CCG AV LLC – Series A, CCG AV LLC – Series C, Golden Gate Capital Investment Fund II L.P., Golden Gate Capital Investment Fund II (AI) L.P., Golden Gate Capital Associates II-QP LLC, Golden Gate Capital Associates II-AI LLC, whose registered offices are located at 4001 Kennett Pike, Suite 302, Wilmington, DE 19807, and (b) Golden Gate Capital Opportunity Fund L.P., Golden Gate Capital Opportunity Fund-A L.P., GGCOF Co-Invest L.P., and GGCOF Third Party Co-Invest L.P., whose registered offices are located at Ugland House, PO Box 309, Grand Cayman KY1-1104 Cayman Islands, which entities identified in the preceding clauses (i) and (ii) collectively holding approximately 31.52 per cent. of the economic interests in Wizard (based on recent estimated aggregate equity valuation);
"Independent Shareholders"	for the purposes of the Rule 9 Waiver, Shareholders other than Wizard;
"International"	the geographical area, excluding North America and Asia Pacific and Japan, in which Micro Focus operates;
"Listing Rules"	the Listing Rules of the UK Listing Authority made pursuant to Part VI of FSMA;
"Merger"	the proposed merger between Micro Focus and Attachmate;
"Merger Agreement"	the conditional agreement and plan of Merger dated 15 September 2014, a summary of the principal terms and conditions of which is set out in Appendix 1 of this Announcement;
"Merger Resolutions"	the resolutions (to be set out in the notice convening the General Meeting) in relation to the

	Merger (including approval of the New Incentive Arrangements) which must be passed in order for the Merger to proceed;
"Merger Sub"	Minerva Merger Sub, Inc, a Delaware incorporated corporation and wholly-owned subsidiary of Micro Focus;
"Micro Focus" or the "Company"	Micro Focus International plc and (where the context permits) its subsidiaries and subsidiary undertakings from time to time;
"New Facilities"	the $2,000,000,000 senior secured facilities to be made available to the Borrower pursuant to the Commitment Letter;
"New Incentive Arrangements"	the ARA, the ASGs and the consequent amendment to the remuneration policy of the Company;
"Non-Executive Directors"	the non-executive directors of the Company from time to time, which at the date of this announcement are David Maloney, Tom Skelton, Karen Slatford, Tom Virden and Richard Atkins;
"Numis"	Numis Securities Limited;
"Ordinary Shares"	the ordinary shares in the capital of the Company;
“Overseas Shareholders”	Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of a country other than the United Kingdom or who have a registered address which is not in the United Kingdom. For the avoidance of doubt, Shareholders who are not resident in the United Kingdom include Shareholders who are resident in the Channel Islands or the Isle of Man;
"Prospectus"	the combined final prospectus as approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73a of FSMA in connection with the Merger and shareholder circular relating to the Return of Value to be published, attaching a notice convening the General Meeting;
"Prospectus Rules"	the prospectus rules made by the UK Listing Authority pursuant to section 73a of FSMA;
“Record Date”	the record date for the Return of Value, which is expected to be one business day prior to Completion;
“Record Time”	the record time for the Return of Value;
“Refinancing”	the refinancing of the existing borrowings of the Attachmate Group and Micro Focus pursuant to the Commitment Letter;
"Relationship Agreement"	the relationship agreement to be entered into between the Company, Wizard and the Wizard

	Shareholders in relation to the Company and in accordance with Listing Rule 6.1.4BR;
"Remuneration Committee"	the remuneration committee of the Company established by the Board;
"Representative Director"	a Non-Executive Director appointed pursuant to the Relationship Agreement;
"Restricted Territory"	United States, Canada, Australia, Japan, the Republic of South Africa or New Zealand;
"Return of Value"	the proposed return of approximately of 60 pence per share costing approximately £83.9 million (US$ 136.2 million) to Shareholders, details of which will be set out in the Prospectus;
"Rule 9 Waiver"	the proposed waiver by the Takeover Panel of the obligation of Wizard to make a general offer under Rule 9 of the Takeover Code, which would otherwise arise as a consequence of the Merger, granted by the Takeover Panel conditional upon the approval by the Independent Shareholders in general meeting;
"Shareholder"	a holder of Ordinary Shares;
"Takeover Code"	the UK Takeover Code on Takeovers and Mergers;
"Thoma Bravo"	collectively, (i) the Thoma Bravo Funds, (ii) TC Partners VII, L.P. (being the general partner of Thoma Cressey Fund VII, L.P. and Thoma Cressey Friends Fund VII, L.P.), (iii) Thoma Bravo Partners IX, L.P. (being the general partner of Thoma Bravo Fund IX, L.P.), and (iv) Thoma Bravo, LLC (being the general partner of Thoma Bravo Partners IX, L.P.);
"Thoma Bravo Funds"	Thoma Cressey Fund VII, L.P., Thoma Cressey Friends Fund VII, L.P. and Thoma Bravo Fund IX, L. P., collectively holding approximately 14.14 per cent. of the economic interests in Wizard (based on recent estimated aggregate equity valuation);
"Total Shareholder Returns" or "TSRs"	the return to a shareholder over a period of time from the increase in the price of Ordinary Shares over that period as well as any cash received in the period from dividend payments;
"Transaction"	the Merger, Admission and the Return of Value;
"UK Listing Authority" or "UKLA"	the Financial Conduct Authority in its capacity as the competent authority for listing in the United Kingdom;
"Underlying Adjusted EBITDA"	EBITDA before exceptional items, capitalisation and amortisation of research & development, share based compensation charge and amortization of purchased intangibles and before foreign exchange movements;

"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia;
"Wizard"	Wizard Parent, LLC, the direct parent company of Attachmate, a company incorporated in Delaware whose address is at 705 5th Avenue South, Suite 1100, Seattle WA 98104; and
"Wizard Shareholders"	the Francisco Partners Funds, the Golden Gate Funds, the Thoma Bravo Funds and the Elliott Management Fund.