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Emerging Growth Company	Off
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Description	20-F
EX-1.1	ex1_1.htm
Description	Exhibit 1.1
EX-2.1	ex2_1.htm
Description	Exhibit 2.1
EX-8.1	ex8_1.htm
Description	Exhibit 8.1
EX-11.1	ex11_1.htm
Description	Exhibit 11.1
EX-12.1	ex12_1.htm
Description	Exhibit 12.1
EX-12.2	ex12_2.htm
Description	Exhibit 12.2
EX-13.1	ex13_1.htm
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Description	Exhibit 13.2
EX-15.1	ex15_1.htm
Description	Exhibit 15.1
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Description	Exhibit 15.2
EX-15.4	ex15_4.htm
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **Registration statement pursuant to section 12(b) or (g) of the Securities Exchange Act of 1934**

or

☒ **Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**
For the 12 months ended October 31, 2019

or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

or

☐ **Shell company report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission file number 001-38187

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class:	**Trading Symbol(s):**	**Name of each exchange on which registered:**
Ordinary Shares and* American Depository Shares, each representing one ordinary share of Micro Focus International plc	MFGP	New York Stock Exchange

*Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of October 31, 2019, 84,223,580 American Depository Shares were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "accelerated filer", "large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. :

Large accelerated filer	Accelerated filer	Non-accelerated filer	Emerging growth company
☒	☐	☐	☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

†The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ☐
International Financial Reporting Standards as issued by the International Accounting Standards Board ☒
Other ☐

If "Other" has been checked in the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

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Introduction

In connection with the completion ("Closing") of the merger between Micro Focus International plc ("the Company" or "the Group", LSE: MCRO.L, NYSE: MFGP) and HPE Software's business segment ("HPE Software business"), together the "Enlarged Group" or "Enlarged Company", the Board of Directors authorized a change of fiscal year end from April 30, 2018 to October 31, 2018 to allow the Company to launch the Enlarged Company's financial year with effect from November 1, 2018. As a result, the Company was required to file the prior Annual Report on Form 20-F for the period of May 1, 2017 to October 31, 2018.

Audited financial information presented in this Annual Report on Form 20-F is for the 12-month period ended October 31, 2019 and the comparative 18-month period ended October 31, 2018 and the 12-month period ended April 30, 2017.

Exhibit 15.4 further presents the unaudited financial information presented for the 12-month period ended October 31, 2018 and the 6-month period ended October 31, 2017.

Cautionary statement on forward looking statements

The Securities and Exchange Commission, or the SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. Except for the historical information contained in this Annual Report on Form 20-F, the statements contained in this annual report are "forward-looking statements" which reflect our current view with respect to future events and financial results.

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance, identify forward looking statements. Forward-looking statements represent management's present judgment regarding future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

These risks include, but are not limited to, risks and uncertainties regarding:

- our ability to develop products and services that satisfy the needs of our customers;
- the effectiveness of our sales force and distribution channels;
- competition in the markets in which we operate;
- our ability to attract and retain sufficiently qualified management and key employees;
- the ongoing integration of HPE Software into the Company, which may impede the ability of the Enlarged Group to obtain the same types and levels of benefits, services and resources that have historically been provided to HPE Software by HPE, which could lead to a failure to realize the anticipated benefits of the merger;
- our ability to identify, manage, complete and integrate acquisitions, divestitures and other significant transactions successfully;
- the availability, integrity and security of our IT systems;
- our ability to comply with national and regional laws and regulations across the various jurisdictions in which the Group operates;
- our dependence on intellectual property, our ability to protect intellectual property and third-party claims of infringement on intellectual property;
- our exposure to fluctuations in currency exchange rates and interest rates, which could affect our variable rate indebtedness;
- restrictions on our ability to secure additional financing or refinance our existing financing;
- our ability to comply with the covenants under our Credit Facilities (see note 20 of the consolidated financial statements in Item 18);
- the possibility of being required, in certain circumstances, to make tax indemnification payments to the former owner of the HPE Software business;

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- the impact of future changes to, or interpretations of, US and non-US tax laws;
- our exposure to political developments in the United Kingdom, including the terms and manner of the UK's withdrawal from the EU;
- Our exposure to prevailing macro economic trends;
- our ability to protect the personal information of our customers;
- our ability to discover and address any material weaknesses or deficiencies in the Group's internal controls over financial reporting; and
- our ability to manage the risks involved in the foregoing.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this annual report might not occur. Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward- looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document.

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PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Item 3. A. Selected financial data.

Selected consolidated financial data

The table below shows the Group's selected consolidated financial data prepared under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The selected consolidated income statement data for the 12-months ended October 31, 2019, the 18-months ended October 31, 2018 and the 12-months ended April 30, 2017 and the selected consolidated balance sheet data as at October 31, 2019 and October 31, 2018 have been derived from our audited consolidated financial statements included in "Item 18. Financial Statements" in this Annual Report on Form 20-F. The selected consolidated income statement data for the 12-months ended April 30, 2016 and April 30, 2015 and the selected consolidated balance sheet data as at April 30, 2017, 2016 and 2015 have been derived from our consolidated financial statements not included in this Annual Report on Form 20-F.

The Group's financial statements reflect the trading performance of the continuing and discontinued operations for the 12-months ended October 31, 2019 compared to the 18-months ended October 31, 2018 and the 12-months ended April 30, 2017.

Within the 12-months, the Group has undertaken one corporate development activity, which has had a material impact on the Group's reported results:

- On March 15, 2019 the Group completed the disposal of SUSE, the profits from which have been reported within the profit from discontinued operations in the year. Previously on August 21, 2018, shareholders had voted to approve the proposed transaction whereby the Group agreed to sell its SUSE Product Portfolio at which point the SUSE operating segment met the definition of a discontinued operation under IFRS 5 and was treated as such in these financial statements. This meant that during the 18- months ended October 31, 2018, the SUSE results were excluded from the individual line items of the income statement and balance sheet. SUSE was instead included as a single line entitled "profits from discontinued operations" within the income statement and as an "asset held for sale" or "liability held for sale" on the balance sheet through to the date of disposal. The transaction was completed on March 15, 2019.

The selected consolidated financial information should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 20-F. The information provided below is not necessarily indicative of the results that may be expected from future operations.

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Summarized Group consolidated statement of comprehensive income:

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018[1] $m	12 months ended April 30, 2017 $m	12 months ended April 30, 2016 $m	12 months ended April 30, 2015 $m
Revenue	**3,348.4**	4,754.4	1,077.3	991.2	733.4
Cost of sales	**(789.9)**	(1,302.7)	(216.4)	(202.5)	(83.3)
Gross Profit	**2,558.5**	3,451.7	860.9	788.7	650.1
Selling and distribution costs	**(1,224.8)**	(1,764.2)	(363.1)	(312.6)	(252.4)
Research and development expenses	**(491.2)**	(680.8)	(122.8)	(117.4)	(141.9)
Administrative expenses	**(620.8)**	(629.9)	(147.6)	(111.5)	(119.2)
Operating profit	**221.7**	376.8	227.4	247.2	136.6
Finance costs	**(282.4)**	(350.4)	(96.8)	(98.4)	(56.2)
Finance income	**(26.6)**	7.7	1.0	1.0	1.2
(Loss)/profit before tax	**(34.1)**	34.1	131.6	149.8	81.6
Taxation	**16.0**	673.1	(7.5)	(13.9)	14.3
(Loss)/profit from continuing operations	**(18.1)**	707.2	124.1	135.9	95.9
Profit from discontinued operation (attributable to equity shareholders of the Company)	**1,487.2**	76.9	33.7	27.0	5.5
Profit after tax	**1,469.1**	784.1	157.8	162.9	101.4
Other comprehensive (expense)/income	**(306.0)**	29.3	(5.7)	0.6	(11.3)
Total comprehensive income for the period	**1,163.1**	813.4	152.1	163.5	90.1
Attributable to:					
Equity shareholders of the Company	**1,162.8**	813.3	152.2	163.4	90.4
Non-controlling interest	**0.3**	0.1	(0.1)	0.1	(0.3)
Total comprehensive income for the period	**1,163.1**	813.4	152.1	163.5	90.1
Continuing and Discontinued Operations					
Earnings per share					
Basic (cents)	**388.50**	201.70	68.88	74.50	58.54
Diluted (cents)	**384.35**	196.17	66.51	71.61	56.71
Continuing Operations					
Earnings per share					
Basic (cents)	**(4.87)**	181.91	54.17	62.40	55.36
Diluted (cents)	**(4.87)**	176.92	52.31	59.97	53.64

[1] In the 18 months ended October 31, 2018 certain costs were incorrectly presented as administrative expenses and should have been classified in costs of sale, selling and distribution expenses and research and development expenses. Management has therefore elected to correct the presentation and record these immaterial adjustments to revise the Consolidated Statement of comprehensive income for the 18 months ended October 31, 2018. The revision has no impact on the operating profit, profit for the period, assets and liabilities or cashflows for the 18 months ended October 31, 2018. For further information see the basis of preparation of the Consolidated financial statements in Item 18.

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Summarized Group consolidated statement of financial position:

	October 31, 2019 $m	October 31, 2018 $m	April 30, 2017 $m	April 30, 2016 $m	April 30, 2015 $m
Non-current assets	**12,846.7**	13,720.5	3,995.5	3,482.6	3,629.7
Current assets	**1,448.1**	1,917.6	442.2	954.4	460.9
Current assets classified as held for sale	**-**	1,142.5	-	-	-
Total assets	**14,294.8**	16,780.6	4,437.7	4,437.0	4,090.6
Current liabilities	**1,802.0**	2,010.4	944.7	1,061.8	988.0
Current liabilities classified as held for sale	**-**	437.7	-	-	-
Non-current liabilities	**6,216.5**	6,540.5	1,879.5	1,781.4	1,824.6
Total liabilities	**8,018.5**	8,988.6	2,824.2	2,843.2	2,812.6
Net Assets/(Liabilities)	**6,276.3**	7,792.0	1,613.5	1,593.8	1,278.0
Share Capital	**47.2**	65.8	39.7	39.6	39.6
Number of shares	**363,583,328**	436,800,513	229,674,479	228,706,210	228,587,397

	12 months ended October 31, 2019	**18 months ended October 31, 2019**	**12 months ended April 30, 2017**	**12 months ended April 30, 2016**	**12 months ended April 30, 2015**
Interim dividend 1	**58.33**	34.60	29.73	16.94	15.40
Interim dividend 2	**-**	58.33	-	-	-
Final dividend	**58.33**	58.33	58.33	49.74	33.00
Dividend declared per share (cents)	**116.66**	151.26	88.06	66.68	48.40

Dividends

The Group's dividend policy remains unchanged at two times covered by the Adjusted earnings of the Group (defined as profit after tax excluding the effects of share-based compensation, amortization of purchased intangible assets and exceptional items including gain on disposal of discontinued operation), of which one third will be paid as interim and two thirds as final.

The directors announced a final dividend of 58.33 cents per share on February 4, 2020. The total dividend per share in the 12-month period was 116.66 cents.

The dividend will be paid in Sterling equivalent to 44.53 pence per share, based on an exchange rate of £1 =1.31 being the rate applicable on February 3, 2020, the date on which the board resolved to propose the dividend. The dividend will be paid on May 7, 2020 to shareholders on the register at April 14, 2020.

This total dividend is 116.66 cents per share, which is growth of 15.7% on the full year annualized dividend for the 18-months ended October 31, 2018 of 100.84 cents per share.

Due to the change to an 18-month accounting period to October 31, 2018 in prior period, there were two interim dividends and a final dividend made in the prior period.

For further information on dividends please refer to note 8 of the Group financial statements within Item 18.

Item 3. B. Capitalization and indebtedness.

Not applicable.

Item 3. C. Reasons for the offer and use of proceeds.

Not applicable.

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Item 3. D. Risk factors.

There are risks associated with owning Micro Focus ADSs. In addition to the other information included elsewhere in this Annual Report on Form 20-F, including in the section entitled ‘‘Cautionary Statement on Forward-Looking Statements,’’ you should carefully consider the following risk factors. The risks and uncertainties described below are not the only risks and uncertainties that the Enlarged Group and holders of Micro Focus ADSs may face. Additional risks and uncertainties not presently known to the Company, or that the Company currently considers immaterial, could also negatively affect the business, results of operation, financial condition and prospects of the Enlarged Group, as well as the value of Micro Focus ADSs.

The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on the business, financial condition, results of operation or prospects of the Enlarged Group or the market price of the Micro Focus Shares or Micro Focus ADSs.

The information given is as of the date of this information statement/prospectus, and any forward-looking statements are made subject to the reservations specified under the section entitled ‘‘Cautionary Statement on Forward-Looking Statements”.

Principal risks and uncertainties
In common with all businesses, the Group could be affected by risks and uncertainties that may have a material adverse effect on its business operations and achieving its strategic objectives including its business model, future performance, solvency, liquidity and/or reputation. These risks could cause actual results to differ materially from forecasts or historic results. Accepting that risk is an inherent part of doing business, the Board is mindful of the interdependencies of some risks. Where possible, the Group seeks to mitigate risks through its RMF (“Risk Management Framework”), internal controls and insurance, but this can only provide reasonable assurance and not absolute assurance against material losses. In particular, insurance policies may not fully cover all of the consequences of any event, including damage to persons or property, business interruptions, failure of counterparties to conform to the terms of an agreement or other liabilities. The following are the principal risks and uncertainties and potential impacts that are relevant to the Group as a provider of software products and associated services at this time. They do not comprise all of the risks associated with the Group and are not set out in priority order. Additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the Group.

Products
Principal Risk Description To remain successful, the Group must ensure that its products continue to meet the requirements of customers and investment must be effectively balanced between growth and mature products. Investment in research and innovation in product development is essential to meet customer and partner requirements in order to maximize customer value, revenues and corporate performance. The Group has a large number of products, at differing stages of their life-cycle. The extent of investment in each product set needs to be managed and prioritized considering the expected future prospects and market demand.
Potential Impact If products do not meet the requirements of customers, they will seek alternative solutions, resulting in the loss of existing maintenance and new revenue opportunities and the cancellation of existing contracts. Insufficient focus on key research and development projects may damage the long- term growth prospects of the Group. The Group’s business and reputation may be harmed by innovation that falls behind competitors, or by errors or defects in its products.

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Go-To-Market ("GTM") Models

Principal Risk Description

For the Group to succeed in meeting revenue and growth targets, it requires successful GTM models across the full product portfolio, with effective strategies and plans to exploit all routes to market, including direct and channel/partner led sales. In addition, the Group must focus the sales force on targeted customer segments and ensure appropriate responses to the market dynamics related to changes in customer buying behaviors. Effective GTM models may be more successful if accompanied by compelling Micro Focus brand awareness programs. The Group is dependent upon the effectiveness of its sales force and distribution channels to drive licence and maintenance sales and a reference-based selling model.

Potential Impact

Poor design and/or execution of GTM plans may limit the success of the Group by targeting the wrong customers through the wrong channels and positioning the wrong product or solution offerings, reducing the value that customers receive from Micro Focus.

Competition

Principal Risk Description

Comprehensive information about the markets in which Micro Focus operates is required for the Group to assess competitive risks effectively and to perform successfully. The Group operates in a number of competitive markets and success in those markets depends on a variety of factors.

Potential Impact

Failure to understand the competitive landscape adequately and thereby identify where competitive threats exist may damage the successful sales of the Group's products. If the Group is not able to compete effectively against its competitors, it is likely to lose customers and suffer a decrease in sales, which may result in lost market share and weaker financial performance.

Employees and culture

Principal Risk Description

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

Potential Impact

Failure to retain and develop skill sets, particularly in sales, IT and research and development, may hinder the Group's sales and development plans. Weak organizational alignment and inadequate incentivization may lead to poor performance and instability. It could also have an adverse impact on the realization of strategic plans.

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Business Strategy and Change Management

Principal Risk Description

The Group is engaged in a number of major change projects, including acquisitions and divestments, to shape and grow the business by strengthening the portfolio of products and capabilities and IT projects to standardize systems and processes. The continued integration of the HPE Software business is complex, with a range of integration and transformation risks. The integration of the HPE Software business with the existing businesses carried on by the Group may be more time consuming and costly than anticipated.

The Group is also executing a series of operational transformation initiatives. These projects expose the Group to significant transformation risks. The Group's strategy may involve the making of further acquisitions or divestments to protect or enhance its competitive position and failure to identify, manage, complete and integrate acquisitions, divestitures and other significant transactions successfully could have a material adverse effect on the Group's business.

Further, the Group has substantially completed a Strategic & Operational Review, which includes other initiatives that may increase disruption to business as usual activities across the Group.

Potential Impact

Failure to successfully analyze, execute and co-ordinate the implementation and delivery of the core systems and associated business processes with the various integration, divestment and transformation programs may result in the disruption of the on-going business without delivering the anticipated strategic and operational benefits of such transactions and/or initiatives. In addition, this may affect the ability to execute strategic plans for growth.

IT Systems and information

Principal Risk Description

The Group's operations, as with most businesses, are dependent on maintaining and protecting the integrity and security of the IT systems and management of information. Following the integration of the HPE Software business the Group continues to operate on two IT architectures with the attendant complexity to business operations and the control environment. As set out in Item 4.B. Business Overview, work is underway to transition to a simplified systems architecture. The transition may be more time consuming and costly than anticipated, given the amount of change management that is involved.

Potential Impact

Disruption to the IT systems could adversely affect business and Group operations in a variety of ways, which may result in an adverse impact on business operations, revenues, customer relations, supplier relations, and reputational damage. Dependency on IT providers could have an adverse impact on revenue and compliance in the event that they cannot resume business operations.

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Legal and Regulatory Compliance
Principal Risk Description The Group operates across a number of jurisdictions and two regulated exchanges. Compliance with national and regional laws and regulations is essential to successful business operations. The Group may be involved in legal and other proceedings from time to time, and as a result may face damage to its reputation or legal liability. The Group has entered into various acquisitions and a disposal over recent years and may be subject to, or have the benefit of, certain residual representations, warranties, indemnities, covenants or other liabilities, obligations or rights. The Group has a variety of customer contracts in a variety of sectors, including Government clients.
Potential Impact Failure to comply could result in civil or criminal sanctions (i.e. personal liability for directors), as well as possible claims, legal proceedings, fines, loss of revenue and reputational damage.

Intellectual Property (“IP”)
Principal Risk Description The Group is dependent upon its intellectual property, and its rights to such intellectual property may be challenged or infringed by others or otherwise prove insufficient to protect its business. The Group’s products and services depend in part on intellectual property and technology licensed from third parties, and third-party claims of intellectual property infringement against the Group may disrupt its ability to sell its products and services.
Potential Impact Failure could adversely affect the ability of the Group to compete in the market place and affect the Group’s revenue and reputation.

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Treasury

Principal Risk Description

The Group operates across a number of jurisdictions and so is exposed to currency fluctuations. The risk of foreign exchange fluctuations may be increased as a result of Brexit.

The Group targets a Net Debt [1] to Adjusted EBITDA [2] ratio of 2.7 times and may require additional debt funding in order to execute its acquisition strategy. The Group is exposed to interest rate risk related to its variable rate indebtedness, which could cause its indebtedness service obligations to increase significantly.

The Group's operational and financial flexibility may be restricted by its level of indebtedness and covenants and financing costs could increase or financing could cease to be available in the long-term. The Group may incur materially significant costs if it breaches its covenants under its banking arrangements.

[1] Net Debt is defined as cash and cash equivalents less borrowings and finance lease obligations.
[2] Adjusted EBITDA is defined as net earnings before finance costs, finance income, taxation, share of results of associates, depreciation of property, plant and equipment, amortization of intangible assets, exceptional items including the gain on disposal of discontinued operation, share-based compensation, product development intangible costs capitalized and foreign exchange (gains)/losses.

Potential Impact

The relative values of currencies can fluctuate and may have a significant impact on business results. Insufficient access to funding could limit the Group's ability to achieve its desired capital structure or to complete acquisitions. An increase in interest rates could have a significant impact on business results.

Tax

Principal Risk Description

The tax treatment of the Group's operations is subject to the risk of challenge by tax authorities in all territories in which it operates. Cross-border transactions may be challenged under tax rules and initiatives targeting multinationals' tax arrangements, including the OECD's Base Erosion and Profit Shifting project and EU state aid rules. As a result of the HPE Software business acquisition, the Group may be required under the Tax Matters Agreement entered into with HPE (the "TMA") to indemnify HPE, if actions undertaken by the Group affect the tax treatment of the separation of HPE Software business from HPE.

Future changes to US and non-US tax laws could adversely affect the Group. The Group will be subject to tax laws of numerous jurisdictions, and the interpretation of those laws is subject to challenge by the relevant governmental authorities.

Potential Impact

Tax liabilities in various territories in which the Group operates, particularly as a result of the HPE Software business acquisition, could be significantly higher than expected. The Group may be obliged to make indemnification payments to HPE under the TMA, which, if payable, would likely be substantial.

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Macro-Economic Environment and Brexit

Principal Risk Description

The Group's businesses may be subject to inherent risks arising from the general and sector specific economic and political conditions in one or more of the markets in which the Group operates, or by the interruptions posed by external forces such as natural disasters or pandemics. This is heightened by the fact the Group sells and distributes its software products globally. Exposure to political developments in the United Kingdom, including the terms and manner of the UK's withdrawal from the EU, could have an adverse effect on the Group. Further deterioration of the macro environment could result in more conservatism and longer decision making cycles within the Group's customer base.

Potential Impact

Adverse economic conditions could affect sales, and other external economic or political matters, such as price controls, could affect the business and revenues.

Cyber Security

Principal Risk Description

There could be a data security breach (Micro Focus data or customer data) involving personal, commercial or product data, either directly from Micro Focus or a third party. This could occur as a result of a malicious or criminal act, or an inadvertent system error.

Potential Impact

Data loss, which could harm client and customer relationships, compliance and/or perception of the effectiveness of the Group's products.

Internal Controls over financial reporting

Principal Risk Description

Internal controls over financial reporting may not prevent or detect an error, fraud, financial misstatement or other financial loss, leading to a material misstatement in the Group's financial statements.

Potential Impact

Failure to discover and address any material weaknesses or deficiencies in the Group's internal controls over financial reporting could result in material misstatement in the Group's financial statements and impair the Group's ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. Based on the assessment as at October 31, 2019, management identified a material weakness in the Group's internal controls over financial reporting, relating to inadequate controls surrounding existing IT applications. As a result of those deficiencies, automated controls and controls over information produced by the entity could not be relied upon. Please refer to Item 5.B "Management's annual report on internal control over financial reporting" and Item 15.C "Attestation report of the register public accounting firm". Although the Group has already begun to implement measures to address and remediate this material weakness, failure to do so, and the risk that other deficiencies may be identified, could also result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the Group's financial statements and could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

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Item 4. Information on the Company

Item 4. A. History and development of the company.

Overview

Micro Focus International plc ("Micro Focus") is a global enterprise software business delivering value to approximately 40,000 customers. Micro Focus helps organizations run and transform their business. Driven by customer-centric innovation, Micro Focus software provides the critical tools customers need to build, operate, secure and analyze the enterprise. Micro Focus delivered revenues of $3,348.4m and profit for the period of $1,469.1m for the 12 months ended October 31, 2019.

The Company is subject to the information requirements of the US Securities Exchange Act of 1934 applicable to foreign private issuers. In accordance with these requirements, the company files its Annual Report on Form 20-F and other documents with the SEC. The Company's SEC filings are available to the public at the SEC's website, www.sec.gov.

Our website – www.microfocus.com

Access comprehensive information about the Company and download shareholder publications at the corporate website; visit the Investor Relations section for the latest company news, dividend and share price data.

The Micro Focus Group, headquartered in Newbury, U.K., is a global enterprise software company supporting the technology needs and challenges of the Global 2000. The registered office of the Company is The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN, United Kingdom (Tel: +44 (0) 1635 565200). Its solutions help organizations leverage existing IT investments, enterprise applications and emerging technologies to address complex, rapidly evolving business requirements while protecting corporate information at all times.

Micro Focus was founded in 1976 and in 1981, it became the first company to win the Queen's Award for Industry purely for developing a software product. The product was CIS COBOL, a standard-compliant COBOL implementation for microcomputers. Micro Focus' COBOL products remain important components of the Micro Focus Product Portfolio, which now extends to more than 300 products.

Micro Focus is one of the world's largest enterprise software providers. It helps customers digitally transform their organization and achieve growth, while also maintaining the ability to optimize their underlying business processes and overall business spend. Micro Focus offerings are by design, built to bridge the gap between existing and emerging technologies – enabling faster innovation, with less risk, in the race to digital transformation. The Company is at the heart of billions of transactions around the globe, and serves a central role in thousands of business-critical functions, such as testing, process automation, storage, hybrid cloud, security, analytics, compliance and more. Backed by a deep analytics ecosystem, Micro Focus combines a wide range of trusted and proven products and solutions with customer-centric innovation to deliver the speed, agility, security and insights necessary to succeed in today's rapidly evolving marketplace.

Micro Focus International plc is listed on the London Stock Exchange and is a member of the FTSE 250 index. The Company's American Depositary Shares (the "ADSs") are listed on the New York Stock Exchange.

As of February 19, 2020 (the latest practicable date prior to the date of this Annual Report on Form 20-F), Micro Focus had a market capitalization of £2.67 billion ($3.45 billion).

Micro Focus has more than 40 years of experience in delivering proven, scalable and robust solutions.

The Group's powering customers' digital transformation with solutions spanning four key areas:

- Enterprise DevOps (SPEED)
  — Deliver at high speed with low risk
- Hybrid IT Management (AGILITY)
  — Simplify your IT transformation
- Security, Risk, and Governance (SECURITY)
  — Secure what matters most
- Predictive Analytics (INSIGHTS)
  — Analyze in time to act

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The systematic application of the Micro Focus business model is driving better clarity of purpose, the alignment of goals and the creation of a more dynamic environment where execution is faster, operations simpler and people more accountable. Approximately 12,000 employees are working to common goals around our core ability to make, sell and support enterprise-class software across a broad and deep portfolio of more than 300 products. Our team is becoming more accustomed to this performance-based culture focused on delivering value to customers for the long-term.

Acquisitions and Investments

This annual report covers the 12-months ended October 31, 2019 with the comparative periods being the 18-months ended October 31, 2018, and 12-months ended April 30, 2017.

Within the 12-months ended October 31, 2019, the Group has undertaken one corporate development activity, which has had a material impact on the Group's reported results:

- On March 15, 2019 the Group completed the disposal of SUSE, the profits from which have been reported within the profit from discontinued operations in the year. Previously on August 21, 2018, shareholders had voted to approve the proposed transaction whereby the Group agreed to sell its SUSE Product Portfolio at which point the SUSE operating segment met the definition of a discontinued operation under IFRS 5 and was treated as such in these financial statements. This meant that during the 18- months ended October 31, 2018, the SUSE results were excluded from the individual line items of the income statement and balance sheet. SUSE was instead included as a single line entitled "profits from discontinued operations" within the income statement and as an "asset held for sale" or "liability held for sale" on the balance sheet through to the date of disposal. The transaction was completed on March 15, 2019.

This transaction had a material impact on the trading performance and presentation of the financial statements.

Details of business combinations including the transaction to acquire Interset Software Inc., for the 12-months ended October 31, 2019 and additional transactions in the 18-months ended October 31, 2018 and the 12-months ended April 30, 2017 can be found in note 38 of the financial statements in Item 18.

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Item 4. B. Business overview.

The Group is a global enterprise software provider supporting the technology needs and challenges of 40,000 customers, from small and medium size enterprises to many in the Forbes Global 2000. The Group's solutions help organizations leverage existing IT investments, enterprise applications and emerging technologies to address complex, rapidly evolving business requirements, including the protection of corporate information at all times.

The period reported is the 12-months ended October 31, 2019. The prior period was 18-month ended October 31, 2018 as a result of moving our year-end from the end of April to the end of October.

This has been a disappointing year. Whilst a significant number of things have been achieved in the year the end result is not in line with the Group's expectations. The integration of the HPE Software Business has proved more challenging than the Group anticipated resulting in delayed financial performance.

Whilst the Group continues to make progress, this has not been at the pace hoped for, with major IT system reimplementation compounding poor sales execution and productivity.

As a result, on August 29, 2019, the Board of Directors announced a wide-ranging Strategic & Operational review utilizing the expertise of independent third parties to work with the Micro Focus management team in the most extensive review of the business since 2011. This strategic review has re-affirmed the Group's belief that there is a large section of the Enterprise Software market that is consolidating and that there are value creation opportunities for scale players with operational efficiency and disciplined capital allocation. Notwithstanding the current challenges in execution, the Group believes that Micro Focus remains well positioned to participate in this opportunity.

The review also highlighted some areas where the Group now needs to transform the way things are done in order to better align to the evolving needs of customers and partners. The work on the strategic review is well progressed and a full update on the review and the changes the Group intends to make are set out below.

During the year the Group completed the separation and sale of the SUSE business demonstrating the value of the Group's approach to portfolio management. Through effective investment and management of the SUSE asset, from being 20% of total revenues of The Attachmate Group when acquired by Micro Focus in November 2014 for $2.3billion, the Group achieved a total cash consideration of $2.5billion for the SUSE asset alone just four years later, at an accounting profit on disposal before tax of $1.8 billion.

Over a number of years, the Group has played a lead role in consolidating a fragmented enterprise software market.

The Group continues to believe consolidation will play a key part in the shareholder value creation and announcements of other significant M&A in the Group's market confirm that this consolidation is active and relevant.

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Segments

The Group operates one segment under IFRS 8:

Micro Focus Product Portfolio – The Micro Focus Product Portfolio segment contains both mature software products and high growth offerings that are managed on a portfolio basis akin to a "fund of funds" investment portfolio. This portfolio is managed within a single Group – with five sub-portfolios based on industrial logic and management of the Micro Focus sub-portfolios: Application Modernization & Connectivity, Application Delivery Management, IT Operations Management, Security and Information Management & Governance. The software is sold and supported through a geographic Go-to-Market organization.

Principal markets
Details of the principal markets in which the Group operates including a breakdown of revenue by activity and geographic market is disclosed in note 2 of the financial statements in Item 18.

Seasonality
Micro Focus' quarterly revenues have historically been affected by a variety of seasonal factors typical of an enterprise software business with a license fee model and the industry in which it operates.

The operating margins of its businesses are generally affected by seasonal factors in a similar manner because its base of largely fixed costs remains consistent throughout the year. Micro Focus believes that this trend will continue in the future and that its total revenue will continue to peak in the fourth fiscal quarter of each year. In aligning the financial year end of the Enlarged Group to October 31 following Closing in the prior year, Micro Focus the fourth quarter license fee peak moved from April 30, 2018 to October 31, 2018. Maintenance and subscription fee renewals are spread throughout the financial year, however, there is a seasonal peak in the quarter ending January 31 as a result of the calendar year end, which coincides with the financial year-end of a large number of other companies.

The Micro Focus Strategy and Business Model

The Group has undertaken the most comprehensive review of the business since 2011. A leading Global Investment Bank and other specialist advisors supported the work undertaken.
The review covered:

- Evaluation of the full range of the strategic alternatives for value creation; and

- An assessment of where the Group stands now in of its efforts to fully integrate the HPE Software business and the overall execution capability within the Company and the improvements required to accelerate progress

In order to enable better clarity and provide the necessary context, a summary of the key issues, the progress made within this reporting period and the outcome of the review is set out below.

Assessment of Key issues and Progress to Date

The key issues that have emerged related to overall execution, market changes and the integration of the HPE Software business acquisition. All of these issues are understood in detail, progress has been made and there is clear visibility of what remains to be done in the near term. This is set out below.

1. Operational Systems and Business Processes

The HPE Software business acquisition presented the typical challenges associated with making a large and complex acquisition and significant additional complexities relating specifically to this being a carve-out of a division from a much larger parent.

To enable this "carve out", HPE designed and initiated the build of new IT systems, new business processes and identified the key functions and people required to support a standalone organization. The adoption of these purpose built systems and business processes across the enlarged group was one of the key benefits expected from the acquisition.

In reality, the systems were proven to be not fit for purpose, the business processes were overly complex, and the organizational design was highly fragmented. This has continued to have a material impact to core business operations, execution levels and overall productivity.

The Group has deployed significant resources to stabilize these systems and in parallel execute a comprehensive programme of work to address the more structural changes required.

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The objective of these changes is to deliver a single set of business applications and infrastructure built on simplified or completely re-designed business processes which are anticipated to drive operational improvements and efficiencies.

Notable progress includes:

- The design, build and deployment of a fully standalone IT hardware infrastructure was completed on time and budget. This significant and critical undertaking allowed us to migrate from the shared environment with HPE.
- Organizational consolidation in each of the Finance and HR functions has advanced and will consolidate operations from more than 60 locations into 5 global and regional Centers of Excellence to enable effective scale, lower costs and efficiency.
- Rationalization of our legal entity structure and standardization of company policies and processes. When complete the Group expects to simplify the Group structure from over 300 companies to approximately 100 which will bring significant improvements in efficiency and cost.

The remaining major work item is the completion of the project to build the single business application architecture. When complete this work is expected to deliver the platform for materially improved execution through more streamlined business operations and effective scale to drive operational and cost efficiencies creating a platform for future growth.

2. Go-to-Market Organization

Through multiple acquisitions, the business has inherited a mix of regional and product orientated go-to-market models. These differences have led to inconsistent approaches to customer engagement and the associated deployment of resources and when combined with the systems issues outlined above impacted overall levels of execution and predictability of performance. This led to reduced productivity and elevated levels of staff attrition.

Progress has been made in stabilising staff attrition and hiring levels have increased to drive towards stable sales headcount. The process of on-boarding new people has been improved and investments made in better enablement and training to reduce the time it takes to get new sales teams fully productive. Investments have also been made in delivering tactical improvements to systems and reporting tools whilst replacement business systems are developed.

The approach to date has been to drive improvement through iterative and incremental change. This has now been replaced by a more accelerated approach in order to drive fundamental changes on a global basis to deliver the necessary improvements to the organisation. The new model and approach is summarised later in this section.

3. Product Portfolio

The operating model for product development drove “siloed” execution leading to disconnected strategies and limited cross- portfolio leverage of skill or capability. Customer engagement in the development of product strategies was insufficient and resulted in product roadmaps that did not fully exploit the advantages of significant customer installed bases and strong market positions. This combination led to reduced adoption of our latest technology which in turn limits our ability to cross and upsell.

The operating model has been re-structured to drive collaboration and the leverage of innovation across portfolios to both strengthen existing offerings and reduce time to market. Core product roadmaps have been re-shaped in every portfolio with the major remedial, corrective actions in product design now complete.

The improved collaboration enabled our product teams to deliver over 500 product releases during the period with examples of this more customer centered innovation being delivered. Notably:

- New Robotic Process Automation, Artificial Intelligence and
- Natural Language Processing capabilities,
- Delivering container technology to enable flexible deployment,
- User, Entity & Behavioural Analytics capabilities to enhance security capabilities
- Enabling customers to process huge volumes of data in the cloud or within their own environment but with cloud scale economics.

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The immediate execution focus is to ensure customers fully understand our product strategy and are able to deploy our latest technology releases successfully.

4. Revenue Composition & Alignment to Strategy

Professional services revenue has needed to be realigned to support the Micro Focus product strategy rather than to generate standalone services revenue and some of the key SaaS offerings were not engineered correctly to create a profitable and sustainable source of incremental revenue.
The amount of revenue impacted and the actions and time required to correct this were greater than the Group initially anticipated but there is now a clear path to completion.

Professional services revenue has been broadly stable for the last 3 quarters and is on track to be stable on a year-over- year basis by the end of the 12 months ended October 31, 2020 ("FY20"). The remedial product roadmap work for the impacted SaaS offerings is complete and the remaining activities will be completed within the next six months. Impacted customers now have a clear path forward and delivery of the transition is driven by customer demand.

STRATEGIC & OPERATIONAL REVIEW: CONCLUSIONS AND NEXT STEPS

The Strategic & Operational review is substantially complete, and in the opinion of the Board, has confirmed that:

- The fundamentals underpinning the Group's model and approach remain valid
- The Group underestimated the challenges that have emerged in the integration of the HPE Software business.
- The key issues in relation to execution and integration are understood in detail, progress has been made and there is clear visibility of what remains to be done and this now needs to be driven to conclusion
- Whilst the Group has been addressing these challenges, the pace of change within the Enterprise software market has accelerated and the Group now needs to evolve our business model to capture the opportunities for significantly improved performance that exist within a number of our portfolios

Given the above and having completed a full evaluation of the alternative strategic options available, the Board has concluded that, at this time, the greatest opportunity for value creation is through the successful execution of the following key initiatives:

Evolve – our operating model

Objective: improve product portfolio positioning and external visibility

Given the pace of change in our industry the Group needs to both accelerate and improve the visibility of our product strategies and drive a more differentiated approach to operational management and investment levels in certain portfolios.

When the Group acquired SUSE as part of The Attachmate Group, the Group recognised the need to run this portfolio differently and essentially as a separate business. The market opportunity for Security and Big Data is such that a similar, differentiated approach to investment and operational management will be adopted for these product lines.

Over the medium term the Group's goal is to develop broadly autonomous businesses operating within the Group. This will happen in two phases and take 12-24 months to complete. During the first phase the Group will re-align organizational structures, build new capability within these portfolios and re-focus product and market positioning where required. In phase two the Group plans is to run these portfolios broadly autonomously and report performance discretely within the overall Group performance updates.

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Accelerate – transition of certain portfolios to SaaS or subscription based revenue model

Objective: Improve portfolio positioning and revenue composition

The Strategic & Operational review has highlighted the need for a more definitive approach and accelerated transition to Subscription and SaaS based offerings as part of the Group's future portfolio strategy. The transition will be managed over multiple financial periods with an initial focus on products where this model is the emerging or de-facto market standard.

The Group's goal is to deliver incremental improvements in revenue trajectory alongside a structured and disciplined transition to SaaS and Subscription for some of our products. During FY20 the Group will begin the transition of Vertica, seek to grow existing and introduce new offerings in Security and build upon existing initiatives in ADM and ITOM with accelerated progress in these portfolios during 2021.

Driving this transition more systematically and faster will lead to improved competitiveness, higher contract value and customer retention rates combined with greater revenue predictability.

Transform – our Go-to-Market function

Objective: Improve overall productivity and predictability of performance

In order to drive consistent and sustained improvements in sales effectiveness a more fundamental restructuring of our go-to-market organisation is now underway. The Group has now accelerated the implementation of a new global operating plan and management system, supplemented by improved infrastructure and a single, consistent sales methodology and investment in the enablement of our teams. The goal of which is to drive significantly improved and increased levels of customer engagement.

Effective execution should over time ensure our resource alignment is better optimised to the opportunities in the marketplace for the Group's portfolio and drive productivity improvements, improve renewal rates and exploit cross-selling opportunities within our broad portfolio.

Complete – core systems and operational simplification priorities

Objective: deliver the operational systems and business processes that form the platform for operational effectiveness and efficiencies

The review confirmed the critical priority of driving the Group's systems work to successful conclusion to capture the significant operational improvements and associated efficiencies evident and achievable within the business.

The major piece of structural work outstanding is the project to deliver the single set of business application systems architecture required to fully integrate our business operations.

The Group is encouraged with progress made to date but as previously communicated this is a complex multi-period IT project, further complicated by our SOX requirements which limits the opportunity to make substantial system changes in the second half of FY20. As such a decision on whether the Group executes in line with the Group's timetable or have to re-phase will be made in the second quarter and communicated as part of the Group's interim results.

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Business Model

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

The Group delivers trusted and proven enterprise software that helps customers address the four core pillars of digital transformation: Enterprise DevOps, Hybrid IT Management, Security, Risk & Governance and Predictive Analytics. This is accomplished not by chasing unproven opportunities, but instead by taking a customer-centric approach to investment and innovation and delivering software that addresses specific use cases that allow our customers to run and transform their businesses, while also protecting the investments they have already made in our offerings. In addition, the Group delivers solutions that are open and integrated, and help bridge existing and emerging technologies. This combination allows customers to build an eco-system that serves their long-term needs and ultimately achieve lasting success in an ever-evolving marketplace.

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

When considering investment priorities, both organic and inorganic, the Group first assess how added resources will influence the Group's ability to deliver value within the four core pillars of digital transformation. Then the Group evaluates its options within each portfolio against a set of characteristics mapped to each stage of the adoption cycle, as represented in the table below.

New Models Products (Robotic Process Automation) or consumption models (cloud) that open new opportunities could become growth drivers or represent emerging use cases that the Group needs to be able to embrace.	**Growth Drivers** Products or enabling technology (Artificial Intelligence/ Machine Learning) with consistent growth performance and market opportunity to build the future revenue foundations of the Group.
Optimize Products with declining revenue performance driven by the market or execution. Investments directed to correct trajectory to move back to the core category or focused to optimize long-term returns.	**Core** Products that have maintained broadly flat revenue performance but represent the current foundations of the Group and must be protected and extended.

How the Group runs the business

Core to the Micro Focus strategy and operating model is the consistent delivery of "customer- centric innovation". By delivering enterprise software that meets customers' needs, and by allowing them to leverage their current investment while also taking advantage of the latest innovations, and applying emerging technologies (e.g. Artificial Intelligence/Machine Learning), Micro Focus helps customers derive added and sustained value and respond to changes in the marketplace much quicker without the need to re-skill the workforce and/or invest in cumbersome upgrades.

The Group's success starts with a deep portfolio of intellectual property, and requires investment discipline, methodical execution, and a keen attention to delivery in all stages of the software lifecycle. The end result for customers is sustained long-term value, for the Group's employees it offers a challenging and dynamic workplace and for our investors this leads to robust margins, value creation, and meaningful return on investment.

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The customer proposition			
What sets us apart	**What drives our business**		**What this means for our customers**
Strong products and intellectual property with a track record of customer success The Group's technology is trusted and proven in the market, and deeply embedded in customers' core business systems and processes.	**Bridging now and next** The Group bridges the now and the next, future-proofing existing customer investments and enabling them to address new problems and take advantage of emerging technologies.	>	**Improved return on investment and reduced risk** so customers can extend productive use and maximize return on investment ("ROI") and derive ongoing value without causing large scale disruption to the ongoing business needs.
Broad portfolio While the Group's portfolio is broad, the Group has focused its efforts to ensure that it is aligned around the key problem areas for customers. This allows the Group to deliver solutions across the four core pillars of digital transformation, which is a topic that is top-of-mind in virtually every boardroom	**Intelligent innovation** The Group makes smart and informed decisions about where and when to invest to ensure that the right trade-offs are made and the right innovations are delivered to customers in a consumable way across a variety of consumption models.	>	**Greater agility** so customers can ensure they are responding rapidly to market demands across a broad spectrum of domains in a way that works for their budget and planning.
Customer-centric innovation The Group takes the time to listen to customers and fully understand their needs and use cases so that the Group can deliver solutions which meet their needs in the context of their operating environment.	**The four-box model** The Group's investment priorities consider opportunities in all stages of the product lifecycle to ensure that the Group maximizes the value delivered to the customers over the entire life of a product and in the context in which it will be used.	>	**Reliability and scalability** so customers can scale to the needs of the enterprise while trusting that the solutions they are investing in will continue to evolve as the market and their needs change – thus allowing them to deliver on their current needs and adapt and change tomorrow.

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What this means for our investors				
	What sets us apart	**What drives our business**		**What this means for our investors**
1	**The Group operates at size and scale** As one of the world's largest enterprise software providers, the Group has economies of scale – leveraging shared functions and resources across our portfolio.	**A disciplined financial operating model** The Group has a broad, highly experienced management team, skilled in applying the Micro Focus financial and operating model to help enable effective and timely decision making.	>	**Return on investment** Industry-leading operating margins and meaningful shareholder returns over the long-term.
2	**Highly cash generative portfolio** The Group has a broad portfolio of products with significant market positions and high switching costs. This generates significant recurring revenue streams and cash generation.	**Efficiency in capital allocation** Efficient investment in capital whether organic or inorganic.	>	**Cash returns** Exceptional levels of cash generation and returns to shareholders.

Marketplace

Digital transformation is a necessity for market success

The software marketplace is rapidly evolving. A combination of technology advances, evolving customer expectations, process evolutions (e.g. digitization) and new business models are forcing executives to rethink prior IT strategies.

Until recently, these executives had to make top-line/bottom- line tradeoffs in determining how to evolve – deciding between investments that would help the organization derive value and those that will help optimize costs and manage risk.

Powering digital transformation

With the stakes so high and so many variables to consider, IT executives have to prioritize what will have the greatest impact to their businesses. Typically, four core elements are identified that they wish to achieve with their digital transformation initiatives: they want to move faster, have greater agility as an organization, secure what matters most, and leverage insights to streamline processes, speed decision making and drive value. These four core pillars align directly to established – yet historically disconnected – software markets: Enterprise DevOps, Hybrid IT Management, Security, Risk & Governance and Predictive Analytics.

Because digital transformation initiatives often overlap, organizations today are not just looking for software providers that can deliver these solutions in isolation, but instead can deliver a holistic and integrated set of offerings across these pillars.

With a broad portfolio that addresses all four core pillars of digital transformation, Micro Focus is in a strong position to deliver on customers' primary digital transformation objectives.

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HOW THE GROUP SUPPORTS EACH OBJECTIVE

Speed Deliver at high speed with low risk	**Enterprise DevOps**	DevOps is essential to the Digital Transformation of a business and is a foundational change in how an organization delivers value to its customers. With Micro Focus, organizations can reliably scale DevOps across all environments, from mainframe to cloud – quickly bringing innovative ideas to life at the pace your business demands. Now speed and quality can go hand in hand.
Agility Simplify your IT transformation	**Hybrid IT Management**	Diverse, unpredictable, and constantly changing, hybrid IT brings with it a new level of complexity that cannot be controlled by conventional management methods. With our solutions, customers can simplify that complexity and transform IT into an agile, services-driven organization. Business success in our digital-first world depends on it.
Security Secure what matters most	**Security, Risk & Governance**	Cyber threats are escalating. Aging apps and processes (along with new ones) are full of unforeseen risks. Privacy and compliance requirements are mounting. And point solutions don't offer the scope, vision, or cross-silo analytics needed for these Company-wide challenges. With our solutions, you can take a holistic, analytics-driven approach to securing what matters most – identities, applications, and data.
Insights Analyze in time to act	**Predictive Analytics**	Lakes of data are valuable only if you can surface the insights hidden within their depths. With our solutions, you can leverage machine learning to transform unlimited volumes of data into accurate, actionable, automated insights – at the speed of your business. Now you're ready to make predictions and influence business outcomes.

Building on the existing strength of this broad portfolio, Micro Focus has taken the next critical step in adapting to customer needs and delivering integrated solutions. Significant investments have been made to leverage intellectual property across product groups and to solve more complex challenges, including embedding our Vertica big data analytics platform into a number of solutions and combining portfolios to address broad-reaching privacy/GDPR requirements. The Group also provided customers with more choice in terms of consumption models (e.g. Software as a Service) and new offerings (e.g. Robotic Process Automation) to address the changing market demands

Product groups

The Micro Focus Product Portfolio consists of five product groups as set out below. Our product groups are uniquely positioned to deliver a holistic set of digital transformation solutions, while helping customers optimize their existing software investments.

Application Modernization & Connectivity (AMC)

Micro Focus' Application Modernization and Connectivity solutions help customers unlock business value across a hybrid IT infrastructure. With software that is optimized to bridge the old and the new, these solutions help modernize core business systems – e.g., moving mainframe to the Cloud – to ultimately lower cost and improve speed and agility.

Case Study: Advanced

The Challenge:
This software and technology vendor wanted to bring a new SaaS accounting offering to market that had both scalability and high-availability built in. With millions of lines of code, rewriting was never an option – instead the company needed to evolve its offering to the Cloud.

Products and Services:
- Micro Focus Visual COBOL
- Micro Focus COBOL Server with Docker Container support

Results:
- Accelerated on-boarding of new customers – from days to minutes
- Streamlines DevOps processes with continuous testing and deployment
- Expedited time-to-market with Docker-based deployment to AWS
- Integrated with a choice of RDBMS, including open-source

Application Delivery Management (ADM)

Micro Focus' Application Delivery Management solutions help organizations build an integrated, end-to-end software delivery process to achieve speed without compromising quality. By employing Artificial Intelligence (AI) and advanced analytics, and fostering automation and collaboration, Micro Focus enables IT and product teams to quickly bring ideas to life – regardless of their methodology, technology or delivery model.

Case Study: McGraw Hill

The Challenge:
This multi-national educational publisher found that managing test assets and load generators was a time-consuming operation, where issues and errors caused unacceptable delays and impacted market reputation.

Products and Services:
- Micro Focus LoadRunner Cloud

Results:
- Automated testing to speed up processes and reduce time-to-market
- Reduced project duration by eliminating the need to re-do work
- Increased test levels to improve application quality
- Freed up staff to conduct more creative engineering work

IT Operations Management (ITOM)

Micro Focus ITOM solutions simplify the complexity of managing hybrid IT environments. They are built to accelerate the service fulfilment lifecycle, strengthen IT service assurance and governance, and help business users easily engage with IT. Powered by analytics and automation, they seamlessly connect Micro Focus and third-party solutions to enable IT transformation in support of digital transformation.

Case Study: Vodafone

The Challenge:
One of the world's leading mobile communications providers needed to align IT closer to the business, as well as deliver new services fast by automating hybrid IT monitoring and achieving end-to-end visibility.

Products and Services:
- Micro Focus Operations Bridge

Results:
- Reduced alarms by 70%
- Minimized noise levels through event correlation and consolidation
- Improved team collaboration with DevOps approach
- Increased focus on development and service enhancement

Security

Micro Focus Security software helps organizations take a holistic, relationship-based, analytics-driven approach to securing what matters most – identities, applications, and data. Common use cases include using these solutions to govern privileges, to enforce access controls, to unity identity stores, to embed strong security and best practices into DevOps processes, and to discover data, determine access, and guard it wherever it resides.

Case Study: Dubai Electricity and Water Authority

The Challenge:
The energy and utility organization, based in the United Arab Emirates, needed to merge its Information Technology and Operation Technology initiatives so that data could be shares between systems and improve threat intelligence and device monitoring.

Products and Services:
- Micro Focus ArcSight Data Platform
- Micro Focus ArcSight Enterprise Security Manager
- Micro Focus ArcSight Investigate

Results:
- Reduced security alarms by 30%
- Increased risk mitigation rate to 98%
- Condensed meter fraud with AI-driven detection
- Achieved 99% device availability through increase visibility

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Information Management & Governance (IM&G)

Micro Focus' Information Management & Governance solutions help customers analyze, understand and control data – to derive value and manage risk associated with enterprise information. Solutions are typically used to address privacy, compliance, and governance requirements, as well as to attain actionable insights that enable customer behavior analytics, cognitive search, and Internet of Things operations, and security analytics.

Case Study: University of Bern

The Challenge:
One of the largest universities in Switzerland found that, without its own file-sharing system, its academics were instead using third-party offerings. This practice compromised security and placed the university and the individuals at risk.

Products and Services:
- Micro Focus Filr Advanced Edition

Results
- Enhanced collaboration, facilitating teaching and research
- Reduced reliance on third-party file-sharing services, minimizing information security risks
- Improved data protection with complete control over storage and access

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Item 4. C. Organizational structure.

The Group is organized to make software, sell software and support software. The Group's parent company is Micro Focus International Plc, whose shares are listed on the London Stock Exchange. The Company's American Depositary Shares (the "ADSs") are listed on the New York Stock Exchange

As at October 31, 2019, the Group had a presence in 48 countries worldwide and employed approximately 12,100 people.

A full list of the Group's subsidiaries can be found in Exhibit 8.1 of Item 19.

Item 4. D. Property, plants and equipment.

The Group leases various offices under non-cancellable operating lease agreements. The properties owned or leased and operated by the Group's subsidiaries are maintained in good condition and are believed to be suitable and adequate for the Group's present needs. The Group's headquarters are located at premises in Newbury, England. The Group owns or leases properties amounting to over 2.4 million square feet of space, in over 40 countries worldwide. Two individual leased properties are material to the Group. One is located in Provo, Utah, where the Group currently leases approximately 405,700 square feet of office space. The lease on this facility expires in 2024, with an option to extend for a further three, 5-year periods. The Group's current annual rent under this lease is $8.2 million. Since March 1, 2019, part of the property has been sublet. Current annual sub-lease income is $1.0 million. The other property is located in Santa Clara, California, where the Group currently leases approximately 635,000 square feet of office space. The lease on this facility expires in 2029, with an option to extend for one further 5-year period. The Group's current annual rent under this lease is $4.6 million.

The information set forth under the headings:

- "Property, plant and equipment" in note 12 of the "Notes to the consolidated financial statements" in Item 18;
- "Operating lease commitments – minimum lease payments" in note 34 of the "Notes to the consolidated financial statements" in Item 18.

Item 4A. Unresolved Staff Comments

There are no unresolved written comments from the SEC staff regarding its periodic reports under the Exchange Act received more than 180 days before October 31, 2019.

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Item 5. Operating and Financial Review and Prospects

The following discussion and analysis is intended to provide investors with an understanding of the historical performance of the Company and its financial condition. This discussion and analysis presents the factors that had a material effect on the results of operations of Micro Focus for:

- the 12 month period ended October 31, 2019, as compared to the 18 month period ended October 31, 2018; and
- the 18 month period ended October 31, 2018, as compared to the 12 month period ended April 30, 2017.

The following discussion and analysis contains forward-looking statements. See “Risk Factors” and “Cautionary Statement on Forward-Looking Statements” for a discussion of the uncertainties, risks and assumptions associated with these statements. The following should be read in conjunction with the Group’s consolidated financial statements and the notes thereto included in Item 18. The following discussion and analysis contains forward-looking statements. See “Cautionary Statement on Forward-Looking Statements’’ on page 5 and “Risk Factors” in Item 3D on pages 10 to 15 in this Annual Report on Form 20-F for a discussion of the uncertainties, risks and assumptions associated with these statements.

Item 5. A. Operating results.

Business Overview

This annual report covers the 12 months ended October 31, 2019 with the comparative periods being the 18 months ended October 31, 2018 and 12 months ended April 30, 2017.

The Group has undertaken one material corporate development activity within the 12 months ended October 31, 2019:

- On August 21, 2018, shareholders voted to approve the proposed transaction whereby the Group agreed to sell its SUSE Product Portfolio. On approval of this vote, the SUSE operating segment meets the definition of a discontinued operation under IFRS 5, which results in the SUSE performance being excluded from the individual line items of the income statement and balance sheet. SUSE is instead included as a single line entitled “profits from discontinued operations” within the income statement and as an “asset held for sale” or “liability held for sale” on the balance sheet. The transaction was completed on March 15, 2019 and the SUSE business segment has been treated as discontinued in these financial statements.

Results of Operations

The results of operations should be read in conjunction with the consolidated financial statements included under Item 18 in this Annual Report on Form 20-F. The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

All narrative within this report focuses on the continuing operations unless otherwise stated.

The results of discontinued operations are shown as a single amount on the face of the Consolidated statement of comprehensive income in Item 18 comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. The Consolidated statement of cash flows has been presented in Item 18 including the discontinued operations. Results and cash flows of the discontinued operation for the three reported periods are shown in note 37 of the financial statements in Item 18.

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12 month period ended October 31, 2019, as compared to the 18 month period ended October 31, 2018

The Group changed accounting year end in the prior year from April 30, 2018 to October 31, 2018 as a result the comparative period is for the 18-month period ended on October 31, 2018. Therefore, substantial period-on-period decreases due to the shorter period of account in the current reporting period are shown. The presentation excludes the discontinued SUSE business from individual line items for each of the reporting periods presented below.

The 18-month period to October 31, 2018 also only included 14 months of results for the acquired HPE Software business.

Continuing operations	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m
Revenue	**3,348.4**	4,754.4
Operating profit (before exceptional items)	**515.9**	915.0
Exceptional items	**(294.2)**	(538.2)
Operating profit	**221.7**	376.8
Net finance costs (excluding exceptional items)	**(255.8)**	(336.9)
Exceptional finance costs	**-**	(5.8)
(Loss)/profit before tax	**(34.1)**	34.1
Taxation	**16.0**	673.1
(Loss)/profit from continuing operations	**(18.1)**	707.2
Profit from discontinued operation	**1,487.2**	76.9
Profit for the period	**1,469.1**	784.1

Revenue

In the 12 months ended October 31, 2019, the Group generated revenue of $3,348.4 million, which represents a decrease of $1,406.0 million (29.6%) on the $4,754.4 million in 18 months ended October 31, 2018.

Continuing operations	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	Period-on – period change %
Licence	**800.0**	1,213.7	(34.1)%
Maintenance	**2,057.6**	2,861.6	(28.1)%
SaaS & other recurring	**279.7**	373.9	(25.2)%
Consulting	**217.9**	366.3	(40.5)%
Revenue before haircut	**3,355.2**	4,814.5	(30.3)%
Deferred revenue haircut	**(6.8)**	(61.1)	(88.9)%
Total Revenue	**3,348.4**	4,754.4	(29.6)%

Revenue in the table above and the subsequent trends in this section are presented before the impact of the deferred revenue haircut, which represents the unwinding of a fair value adjustment to acquired deferred revenue.

Period-on-period movements in revenue are not indicative of underlying trading performance as the current period is for the 12 months ended October 31, 2019 and the comparative period is for the 18 month period October 31, 2018 therefore, revenue shows a significant decline as a result of this shorter accounting period. In addition, partially offsetting the impact of the shorter accounting period on the percentage revenue declines, the results of Hewlett Packard Enterprise (‘‘HPE’’) are included for the full period in the 12 months ended October 31, 2019 where as they are only included for 14 months of the 18 month period ended October 31, 2018. The impact of the results of the HPE Software business acquisition has not been separately disclosed in this report as it is not practical to do so as it was been integrated into the Micro Focus Product Portfolio segment in the prior year and is not operated or reported separately.

As a result, the level of decline period on period, is not indicative of the underlying performance trend. However, the underlying trading performance of the four revenue streams if considered on a like-for-like basis would still show a declining trend in revenue in the period of review albeit to a lesser level. The underlying declining revenue trend in the period of review resulted from inconsistent execution and greater than expected complexities arising from the integration of HPE as well as volatile macro-economic conditions and changing buying behavior leading to the delay of customer investment decisions.

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The narrative below focusses on the period-on-period decreases which are primarily driven by the short period of account.

Revenue by stream performance

Licence revenue decreased by $413.7 million (34.1%) to $800.0 million in the 12 months ended October 31, 2019 compared with $1,213.7 million in the 18 months ended October 31, 2018.

The licence revenue decrease primarily related to the shorter period of account. In addition, underlying performance if considered on a like for like basis, would show a decline in revenue in the year, continued to be impacted by operational issues impacting sales execution and, as such, performance volatility. In particular in the third quarter of the financial year the challenging macro environment resulted in a slowdown in customer purchases. This environment improved marginally in the fourth quarter but short-term volatility remains a continued risk to new business in future trading periods.

The stabilization of licence revenue is a key objective of the Strategic & Operational Review and the steps outlined within Item 4. B of this annual report are the focus areas required to improve the performance in future periods.

Maintenance revenue decreased by $804.0 million (28.1%) to $2,057.6 million in the 12 months ended October 31, 2019 compared with $2,861.6 million in the 18 months ended October 31, 2018.

The maintenance revenue decrease primarily related to the shorter period of account. In addition, underlying performance if considered on a like for like basis, would show a decline in revenue in the year, was impacted by one-off events such as the disposal of Atalla and moving to selling to the US Government through a strategic partner rather than direct.

In addition, the HPE Software business transaction brought a greater than anticipated level of complexity, which has required us to address a range of specific legacy, issues which are taking time to work through. These have a distortive effect on the underlying trends within the business. For example, Winback initiatives, which the Group implemented to recover previous customer terminations, were paused for systems reasons and then restarted.

As such, the Group does not see the underlying decline if considered on a like for like basis to be indicative of our underlying maintenance revenue trend and the Group anticipates an improvement in the underlying rate of decline in future periods.

Renewal rates vary at a product level but across the portfolio the Group continue to see renewal rates consistent with historical rates.

SaaS and other recurring revenue decreased by $94.2 million (25.2%) to $279.7 million in the 12 months ended October 31, 2019 compared with $373.9 million in the 18 months ended October 31, 2018.

The SaaS and other recurring revenue decrease primarily related to the shorter period of account. In addition, underlying performance during the year if considered on a like for like basis, would show a decline in revenue in the year, reflected deliberate actions taken by the Group to rationalize unprofitable operations and practices and refocus resources and investments to deliver the product enhancements required for long-term success. The resulting underlying recurring revenue decline if considered on a like for like basis was in line with the Group's expectations during the current financial year, which will allow the Group to deliver a more sustainable expected growth in SaaS revenue at a higher profit margin in the medium-term.

As a result of the Strategic & Operational Review, outlined within Item 4. B, the Group will be accelerating the transition of certain aspects of the portfolio to subscription and SaaS revenue models. In the next financial year, the Group will begin the transition of Vertica to subscription and accelerate the transition of certain products within the Security portfolio to SaaS, before undertaking similar transitions in ADM and ITOM in future periods. This transition will be delivered over multiple financial periods in a controlled and disciplined manor prioritizing key products and will be undertaken alongside the intention to deliver incremental improvements in revenue performance year-on-year.

Consulting revenue decreased by $148.4 million (40.5%) to $217.9 million in the 12 months ended October 31, 2019 compared with $366.3 million in the 18 months ended October 31, 2018.

The consulting revenue decrease primarily related to the shorter period of account. In addition, underlying performance during the year if considered on a like for like basis, would show a decline in revenue in the year, reflected a managed decline as the Group continued to focus only on consulting engagements that are directly related to the Group's software portfolio.

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In the 12 months ending October 31, 2020, the decline in Consulting will moderate as the actions undertaken in the current financial year conclude and the current and prior reporting periods will both be for 12 months.

Revenue by product group performance

The Group has more than 300 products reported under five product groups. These products are managed at a granular level using application of the Micro Focus four-box model. The cyclical nature of the software order cycle means that when considering underlying revenue trends, year-on-year growth rates by portfolio are not always indicative of an underlying trend and will be impacted by the timing of customer projects. As such, revenue trends at the sub-portfolio level should be viewed over the longer term and revenue trends overall viewed in a similar fashion to that of a portfolio of funds. The table below presents the revenue performance by product group and revenue stream.

12 months ended October 31, 2019:

Continuing operations	Licence $m	Maintenance $m	SaaS & other recurring $m	Consulting $m	Total $m
Application Modernization & Connectivity (AMC)	**170.9**	**326.1**	**-**	**11.7**	**508.7**
Application Delivery Management (ADM)	**130.3**	**485.4**	**87.8**	**18.2**	**721.7**
IT Operations Management (ITOM)	**237.5**	**645.8**	**11.0**	**127.5**	**1,021.8**
Security	**185.7**	**416.7**	**35.0**	**43.9**	**681.3**
Information Management & Governance (IM&G)	**75.6**	**183.6**	**145.9**	**16.6**	**421.7**
Subtotal	**800.0**	**2,057.6**	**279.7**	**217.9**	**3,355.2**
Deferred revenue haircut	**-**	**(6.0)**	**(0.8)**	**-**	**(6.8)**
Total Revenue	**800.0**	**2,051.6**	**278.9**	**217.9**	**3,348.4**

The 18 months ended October 31, 2018 is shown in note 2 of the financial statements in Item 18.

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Operating costs

Continuing operations	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	Period-on-period change %
Cost of sales	**789.9**	1,302.7	(39.4)%
Selling and distribution costs	**1,224.8**	1,764.2	(30.6)%
Research and development expenses	**491.2**	680.8	(27.8)%
Administrative expenses	**620.8**	629.9	(1.4)%
Total operating costs	**3,126.7**	4,377.6	(28.6)%

Total operating costs. Total operating costs for the period decreased by $1,250.9 million, or 28.6% to $3,126.7 million in the 12 months ended October 31, 2019 as compared to $4,377.6 million in the 18 months ended October 31, 2018.

The single largest component of costs relates to employee costs therefore the shorter period of account in the current year, only 12 months versus 18 months in the prior period, means that most cost categories are significantly reduced. The narrative below explains the other key movements excluding employee costs. The exception to this is administrative expenses which is discussed further below.

Cost of sales. Cost of sales decreased by $512.8 million, or 39.4% to $789.9 million in the 12 months ended October 31, 2019 as compared to $1,302.7 million in the 18 months ended October 31, 2018.

The costs in this category predominantly relate to our consulting and helpline support operations, amortization of product development costs and amortization of acquired technology intangibles all of which are directly reduced by the shorter period of account in the current period.

The amortization of intangible product development costs decreased by $15.3 million from $42.0 million in the 18 months ended October 31, 2018 to $26.7 million in the 12 months ended October 31, 2019, primarily due to the change in period of account.

The amortization of intangible purchased technology costs decreased by $80.4 million from $280.5 million in the 18 months ended October 31, 2018 to $200.1 million in the 12 months ended October 31, 2019, primarily due to the change in period of account and the halting of amortization on SUSE related intangibles after the disposal was announced last year.

Exceptional items decreased by $52.8 million from $65.4 million in the 18 months ended October 31, 2018 to $12.6 million in the 12 months ended October 31, 2019. Exceptional items are discussed later in this section.

After excluding the above, the remaining reduction in costs of sales of $364.3 million relates primarily to the reduction in period of account.

Selling and distribution costs. Selling and distribution costs decreased $539.4 million, or 30.6% to $1,224.8 million in the 12 months ended October 31, 2019 as compared to $1,764.2 million in the 18 months ended October 31, 2018.

The costs in this category predominantly relate to our sales organization, the amortization of trade names and amortization of acquired customer relationships all of which are directly reduced by the shorter period of account in the current period.

The amortization of intangible trade names and customer relationships costs decreased by $127.0 million from $572.7 million in the 18 months ended October 31, 2018 to $445.7 million in the 12 months ended October 31, 2019, primarily due to the change in period of account.

Exceptional items decreased by $30.4 million from $39.2 million in the 18 months ended October 31, 2018 to $8.4 million in the 12 months ended October 31, 2019. Exceptional items are discussed later in this section.

After excluding the above, the remaining reduction in selling and distribution of $382.0 million relates primarily to the reduction in period of account.

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Research and development expenses. Research and development expenses decreased by $189.6 million, or 27.8% to $491.2 million in the 12 months ended October 31, 2019 as compared to $680.8 million in the 18 months ended October 31, 2018.

The capitalization of intangible product development costs decreased by $27.9 million from $44.4 million in the 18 months ended October 31, 2018 to $16.5 million in the 12 months ended October 31, 2019.

Exceptional items decreased by $17.4 million from $17.4 million in the 18 months ended October 31, 2018 to nil in the 12 months ended October 31, 2019. Exceptional items are discussed later in this section.

After excluding the above, the remaining decrease in research and development expenses of $189.9 million relates primarily to the 12 versus 18 months reporting period.

Administrative expenses. Administrative expenses decreased by $9.1 million, or 1.4% to $620.8 million in the 12 months ended October 31, 2019 as compared to $629.9 million in the 18 months ended October 31, 2018.

The amortization of purchased software intangibles increased by $3.4 million from $30.7 million in the 18 months ended October 31, 2018 to $34.1 million in the 12 months ended October 31, 2019 as the useful life of certain purchase software was revised resulting in an increased amortization charge. Share-based compensation costs increased by $4.5 million from $64.3 million in the 18 months ended October 31, 2018 to $68.8 million in the 12 months ended October 31, 2019 as a result of timing of the issue of share options under the Long-term Incentive Plan in the prior year which meant only 1 month charge was included in the prior period versus a full years charge in the current period.

Foreign exchange movements have moved from a gain of $37.3 million in the 18 months ended October 31, 2018 to a loss of $11.2 million in the 12 months ended October 31, 2019 resulting in an increase in admin expenses period on period of $48.5 million.

Offsetting these movements, exceptional items decreased by $142.5 million from $416.2 million in the 18 months ended October 31, 2018 to $273.7 million in the 12 months ended October 31, 2019. Exceptional items are discussed later in this section.

Operating profit

In the 12 months ended October 31, 2019, the Group generated operating profit of $221.7 million, which represents a decrease of 41.2%, $155.1 million on the $376.8 million for the 18 months ended October 31, 2018. The Group had adopted an 18-month accounting period, which ended on October 31, 2018. As a result, the comparison to the previously reported 18 months ended October 31, 2018 presents substantial period-on-period decreases due to the shorter period of account in the current reporting period. Explanations of the major underlying movements in the reported operating profit decline have been included in the revenue and cost discussions above.

In addition, exceptional costs (included within operating profit) have decreased from $538.2 million in the 18 months ended October 31, 2018, to $294.2 million in the 12 months ended October 31, 2019. Exceptional costs are considered below.

In addition, the amortization of intangible assets decreased from $903.1 million in the 18 months ended October 31, 2018, to $716.5 million in the 12 months ended October 31, 2019, related to the additional amortization in the period of technology, trade names, customer relationships established on the acquisition of Interset Software Inc and the impact of the 18-month period of account. The reduction in amortization is not just a result of the reduction in the accounting period as the majority of the amortization is on the intangibles resulting from the HPE acquisition which were only included for 14 months of the 18 month period of account compared to 12 months in the period ended October 31, 2019. The main components of this reduction are included in the discussion on cost by category above.

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Exceptional items (included within operating profit)

Exceptional items	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m
MF/ HPE Software business integration related:		
System and IT infrastructure costs	**126.3**	114.4
Integration costs	**119.6**	147.6
Severance	**32.1**	129.1
Property costs	**16.3**	29.9
MF/ HPE Software business integration related costs	**294.3**	421.0
HPE Software business acquisition / pre-acquisition costs	**(3.9)**	70.1
Integration in respect of previous acquisitions	**-**	17.0
Other acquisition costs	**5.4**	-
Property costs relating to previous acquisitions	**-**	8.2
Divestiture gain on Atalla	**(3.7)**	-
Severance costs relating to previous acquisitions	**-**	0.6
Pre-disposal costs in relation to SUSE	**-**	21.3
Other costs	**2.1**	-
Total exceptional costs (reported in Operating profit)	**294.2**	538.2

In the 12 months ended October 31, 2019, exceptional costs totaled to $294.2 million. Exceptional costs predominantly relate to the integration of the HPE Software business and the costs incurred in the 12-month period include:

- System and IT infrastructure costs of $126.3m principally reflect the IT migration of the Micro Focus business onto a single IT platform;
- Integration costs of $119.6m across a wide range of projects undertaken to conform, simplify and increase efficiency across the two businesses;
- Severance costs of $32.1m in relation to ongoing headcount reductions as the Group continues to remove duplication and streamline the continuing operations; and
- Property costs of $16.3m as the Group continues the process of simplifying the real estate footprint.

As communicated previously, the Group anticipates total exceptional charges in relation to the HPE Software business integration of $960.0m of which $715.2m has been incurred to date. The Group initially expected to incur exceptional costs in relation to the HPE Software business integration of $420.0m in the 12 months ended October 31, 2019, which compares to an actual charge of $294.3m in the financial year. This variance is driven by the phasing of integration programs.

This is a complex multi-period IT project, complicated by our SOX requirements, which limits the opportunity to make substantial system changes in the second half of FY20. As such a decision on whether the Group executes the IT project in line with The Group's timetable, the end of calendar year 2020, or have to re-phase will be made in the second quarter and communicated as part of the Group's interim results.

Net finance costs

Net finance costs (excluding exceptional items) were $255.8 million in the 12 months ended October 31, 2019. The finance costs predominantly relate to the associated interest on the term loans put in place as part of the transaction to acquire the HPE Software business. Included within the $255.8 million is $46.7 million in relation to the amortization of facility costs and original issue discounts which were paid on initiation of the term loans.

The decline in net finance costs (excluding exceptional items) between the periods of $81.1m, 24.1% from $336.9 million for the 18 months ended October 31, 2018 to $225.7 million for the 12 months ended October 31, 2019 reflects a $61.6 reduction in finance costs and a $19.5m increase in finance income. The reduction in finance costs primarily reflects a decrease in interest on bank borrowings of $51.1 million from $276.5 in the 18 months ended October 31, 2018 to $225.4 million in the 12 months ended October 31, 2019 as a result of the shorter accounting period. The increase in finance income primarily reflects an increase in bank interest earned of $12.7 million as a result of interest income earned on cash deposits held following the completion of the SUSE divestment until the Group returned $1.8 billion of proceeds to shareholders.

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The Group hold interest rate swaps to hedge against the cash flow risk in the LIBOR rate charged on $2,250.0 million of the debt issued by Seattle Spinco, Inc. (the company used to acquire the software business of HPE) from October 19, 2017 to September 30, 2022. Under the terms of the interest rate swaps, the Group pays a fixed rate of 1.94% and receives 1-month USD LIBOR.

Taxation
The Group's reported tax credit for the 12 months ended October 31, 2019 was a credit of $16.0 million (18 months ended October 31, 2018: credit of $673.1 million, primarily due to the one-off impact of US tax reforms).

(Loss)/profit after tax from continuing operations
The loss after tax from continuing operations was $18.1 million in the 12 months ended October 31, 2019, compared to a profit after tax from continuing operations of $707.2 million in the 18 months ended October 31, 2018.

Profit from discontinued operation
Profit from discontinued operation of $1,487.2 million in the 12 months ended October 31, 2019, reflects the profits generated from the SUSE portfolio of $28.7 million in the period to March 15, 2019 together with the profit on the sale of SUSE of $1,458.5 million when sold on March 15, 2019. In the 18 months ended October 31, 2018, the SUSE portfolio generated a profit from discontinued operation of $76.9 million.

Earnings per share
The table below sets out the Earnings per Share ("EPS"). The Group is also required to present EPS for both the continuing and discontinued operations.

	12 months ended October 31, 2019		18 months ended October 31, 2018	
	Basic Cents	**Diluted [1] Cents**	Basic Cents	Diluted Cents
Continuing operations	**(4.87)**	**(4.87)**	181.91	176.92
Discontinued operation	**393.37**	**389.16**	19.79	19.25
Total EPS	**388.50**	**384.35**	201.70	196.17

[1] As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the 12 months ended October 31, 2019 ($18.4 million), the Diluted EPS is reported as equal to Basic EPS, as no account can be taken of the effect of dilutive securities under IAS 33. There was total earnings attributable to ordinary equity shareholders of the Company for the 12 months ended October 31, 2019 of $1,468.8 million and therefore the effect of dilutive securities can be reflected in the total Diluted EPS above.

In the 12 months ended October 31, 2019, the Group generated a Basic EPS from continuing operations of (4.87) cents. This compares to 181.91 cents in the 18 months ended October 31, 2018. The decrease was primarily driven by the lower overall of continuing earnings as previously explained.

Following the completion of the SUSE transaction, the Group returned $1.8 billion of proceeds to shareholders, in addition to the $540 million of share buy backs. As a result, the total share count has reduced from 426.9 million to 333.4 million during the period, which somewhat offset the decline in EPS due to reduced earnings.

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18 months ended October 31, 2018 compared to the 12 months ended April 30, 2017

The Group changed accounting year end from April 30, 2018 to October 31, 2018 as a result the period is for the 18-month period ended on October 31, 2018 and the comparative period is for 12 months ended April 30, 2017. As a result the movements, period on period presents substantial increases due to the longer period of account in the 18 months to October 31, 2018 reporting period. The presentation excludes the discontinued SUSE business from individual line items for each of the reporting periods presented below. In addition, the 18-month period to October 31, 2018 includes 14 months of results for the acquired HPE Software business which significantly increased the size of the Group and also results in substantially increases period on period.

Continuing operations	**18 months ended October 31, 2018 $m**	12 months ended April 30, 2017 $m
Revenue	**4,754.4**	1,077.3
Operating profit (before exceptional items)	**915.0**	324.7
Exceptional items	**(538.2)**	(97.3)
Operating profit	**376.8**	227.4
Net finance costs (excluding exceptional items)	**(336.9)**	(95.8)
Exceptional finance costs	**(5.8)**	-
(Loss)/profit before tax	**34.1**	131.6
Taxation	**673.1**	(7.5)
(Loss)/profit from continuing operations	**707.2**	124.1
Profit from discontinued operation	**76.9**	33.7
Profit for the period	**784.1**	157.8

Revenue

In the 18 months ended October 31, 2018, the Group generated revenue of $4,754.4 million, which represents an increase of $3,677.1 million (341.3%) on the $1,077.3 million in 12 months ended April 30, 2017. The increase in trading was driven by the acquisition of the HPE Software business, which materially increased the scale of the operations, combined with the longer period of account. The impact of the results of the HPE Software business acquisition has not been separately disclosed in this report as it is not practical to do so as it has been integrated into the Micro Focus Product Portfolio segment.

Continuing operations	**18 months ended October 31, 2018 $m**	12 months ended April 30, 2017 $m	Period-on – period change %
Licence	**1,213.7**	308.4	293.5%
Maintenance	**2,861.6**	727.6	293.3%
SaaS & other recurring	**373.9**	-	n/a
Consulting	**366.3**	48.2	660.0%
Revenue before haircut	**4,815.5**	1,082.2	344.2%
Deferred revenue haircut	**(61.1)**	(6.9)	785.5%
Total Revenue	**4,754.4**	1,077.3	341.3%

Revenue in the table above and the subsequent trends in this section are presented before the impact of the deferred revenue haircut, which represents the unwinding of a fair value adjustment to acquired deferred revenue.

The HPE Software acquisition and the long period of account has resulted in revenue increasing 341.3% between the two reporting periods. However, this period-on-period increase is not indicative of the underlying trading performance of the four revenue streams which if considered on a like-for-like basis would show a declining trend over the period of review. From November 1, 2017, the HPE Sof/tware operations were integrated with the Micro Focus Product Portfolio and the business was operated and reported on as one consolidated operating segment. The declining trend was further impacted by a number of factors, which management consider to be largely one-off transitional effects of the combination with the HPE Software business, rather than underlying issues with the end market of the product portfolio. Since identifying these issues, substantial investment was made in stabilizing the IT platform and the business re-structured the go-to-market organization to better align customer coverage and improve customer engagement levels. This re-structuring was supplemented with additional investment in better training and enablement and increased hiring of customer facing sales resources to ensure the function was fully staffed at October 31, 2018. Additional actions focused on driving improved execution discipline across the Company.

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The narrative below focusses on the period-on-period increases which were all driven by the long period of account and the increase in scale following the acquisition of the HPE Software business.

Revenue by stream performance

Licence revenue increased by $905.3 million (293.5%) to $1,213.7 million in the 18 months ended October 31, 2018 compared with $308.4 million in the 12 months ended April 30, 2017.

Maintenance revenue increased by $2,134.0 million (293.3%) to $2,861.6 million in the 18 months ended October 31, 2018 compared with $727.6 million in the 12 months ended April 30, 2017. Maintenance is a recurring revenue stream and is driven by the volume and value of maintenance revenue attached (or sold) with new license sales, the number of customers you are able to win back (following cancellation) and finally the level of renewals. The trend associated with all of these has remained broadly consistent between the two periods with exception of License volume which if considered on a like-for-like basis would indicate a declining trend in the period for the reasons set out above.

The increase in revenue is primarily related to the acquisition of the HPE Software business and the long period of account.

SaaS and other recurring revenue was $373.9 million in the 18 months ended October 31, 2018. The Group had no SaaS and other recurring revenue in the 12 months ended April 30, 2017. This revenue stream was new to the Group with the acquisition of the HPE Software business. Performance in the last six months of the 18 month reporting period was impacted by actions to rationalize unprofitable operations and practices and the refocus of resources and investments to delivering the product enhancements required for long-term success.

Consulting revenue increased by $318.1 million (660.0%) to $366.3 million in the 18 months ended October 31, 2018 compared with $48.2 million in the 12 months ended April 30, 2017. The increase in revenue increase was primarily related to the acquisition of the HPE Software business. However, Group continues the previously communicated strategy to focus on consulting engagements which are directly related to the software portfolio rather than pursuing growth on a standalone basis.

Revenue by product group performance

The Group has more than 300 products reported under five product groups. These products are managed at a granular level using application of the Micro Focus four-box model. The cyclical nature of the software order cycle means that when considering underlying revenue trends, year-on-year growth rates by portfolio are not always indicative of an underlying trend and will be impacted by the timing of customer projects. As such, revenue trends at the sub-portfolio level should be viewed over the longer term and revenue trends overall viewed in a similar fashion to that of a portfolio of funds. The table below presents the revenue performance by product group and revenue stream. Following the acquisition of the HPE Software business. The product groups were realigned in the 18 months ended October 31, 2018 and therefore cannot be compared to those in the 12 months ended April 30, 2017.

18 months ended October 31, 2018:

Continuing operations	**Licence $m**	**Maintenance $m**	**Consulting $m**	**SaaS & other recurring $m**	**Total $m**
Application Modernization & Connectivity (AMC)	**256.3**	**497.6**	**17.9**	**-**	**771.8**
Application Delivery Management (ADM)	**185.4**	**646.7**	**41.6**	**114.1**	**987.8**
IT Operations Management (ITOM)	**363.2**	**869.9**	**192.8**	**15.1**	**1,441.0**
Security	**291.6**	**580.2**	**81.4**	**41.6**	**994.8**
Information Management & Governance (IM&G)	**117.2**	**267.2**	**32.6**	**203.1**	**620.1**
Subtotal	**1,213.7**	**2,861.6**	**366.3**	**373.9**	**4,815.5**
Deferred revenue haircut	**(7.6)**	**(42.7)**	**(2.0)**	**(8.8)**	**(61.1)**
Total Revenue	**1,206.1**	**2,818.9**	**364.3**	**365.1**	**4,754.4**

Revenue by product group for the 12 month period ended April 30, 2017 is included in note 2 to the Consolidated financial statements in Item 18.

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Operating costs

Continuing operations	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Cost of sales	**1,302.7**	216.5
Selling and distribution costs	**1,764.2**	363.1
Research and development expenses	**680.8**	122.8
Administrative expenses	**629.9**	147.5
Total operating costs	**4,377.6**	849.9

Total operating costs. Total operating costs increased by $3,527.7 million, or 415.1% to $4,377.6 million in the 18 months ended October 31, 2018 as compared to $849.9 million in the 12 months ended April 30, 2017.

As described below in the individual cost categories, the increase is primarily in relation to the acquisition of the HPE Software business. From November 1, 2017, the Micro Focus Product portfolio has been run as one operating segment and as such the cost base of the two legacy business has not been tracked separately. Given the nature of the Group's operations, the single largest component of cost base relates to employee costs and in addition the number of employees is a key driver for the remaining aspect of the cost base. Following the acquisition of HPE Software business, our average headcount increased from 4,663 in the twelve months ended April 30, 2017 to 12,713 in the 18 months ended October 31, 2018.

Cost of sales. Cost of sales increased by $1,086.2 million, or 501.7% to $1,302.7 million in the 18 months ended October 31, 2018 as compared to $216.5 million in the 12 months ended April 30, 2017.

The costs in this category predominantly relate to our consulting and helpline support operations, amortization of product development costs and amortization of acquired technology intangibles. The amortization of intangible product development costs increased by $19.6 million from $22.4 million in the 12 months ended April 30, 2017 to $42.0 million in the 18 months ended October 31, 2018. The amortization of intangible purchased technology costs increased by $221.4 million from $59.0 million in the 12 months ended April 30, 2017 to $280.5 million in the 18 months ended October 31, 2018, primarily due to the acquisition of the HPE Software business. Exceptional items increased by $62.5 million from $2.9 million in the 12 months ended April 30, 2017 to $65.4 million in the 18 months ended October 31, 2018. Exceptional items are discussed later in this section. After excluding the above, the remaining increase in cost of sales of $782.8 million relates primarily to the 18 versus 12 months reporting period and the transformational acquisition of the HPE Software business.

Selling and distribution costs. Selling and distribution costs increased $1,401.1 million, or 385.9% to $1,764.2 million in the 18 months ended October 31, 2018 as compared to $363.1 million in the 12 months ended April 30, 2017.

The amortization of intangible trade names and customer relationships costs increased by $425.6 million from $124.3 million in the 12 months ended April 30, 2017 to $549.8 million in the 18 months ended October 31, 2018, primarily due to the acquisition of the HPE Software business. Exceptional items increased by $33.7 million from $5.5 million in the 12 months ended April 30, 2017 to $39.2 million in the 18 months ended October 31, 2018. Exceptional items are discussed later in this section. After excluding the above, the remaining increase in selling and distribution costs of $941.7 million relates primarily to the 18 versus 12 months reporting period and the transformational acquisition of the HPE Software business.

The average monthly number of people in sales and distribution increased by 4,234 (197.6%) from 2,141 to 6,375 in the 18 months ended October 31, 2018 when compared with the 12 months ended April 30, 2017. This is reflected in the increases in both cost of sales and selling and distribution costs.

Research and development expenses. Research and development expenses increased by $558.0 million, or 454.4% to $680.8 million in the 18 months ended October 31, 2018 as compared to $122.8 million in the 12 months ended April 30, 2017.

The capitalization of intangible product development costs increased by $16.7 million from $27.7 million in the 12 months ended April 30, 2017 to $44.4 million in the 18 months ended October 31, 2018. Exceptional items increased by $10.6 million from $6.8 million in the 12 months ended April 30, 2017 to $17.4 million in the 18 months ended October 31, 2018. Exceptional items are discussed later in this section. After excluding the above, the remaining increase in research and development expenses of $564.1 million relates primarily to the 18 versus 12 months reporting period and the transformational acquisition of the HPE Software business.

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The average monthly number of people in research and development increased by 3,076 (164.0%) from 1,876 to 4,952 in the 18 months ended October 31, 2018 when compared with the 12 months ended April 30, 2017. This is reflected in the increase in research and development costs above.

Administrative expenses. Administrative expenses increased by $482.4 million, or 327.1% to $629.9 million in the 18 months ended October 31, 2018 as compared to $147.5 million in the 12 months ended April 30, 2017.

The amortization of purchased software intangibles increased by $29.6 million from $1.1 million in the 12 months ended April 30, 2017 to $30.7 million in the 18 months ended October 31, 2018.Share-based compensation costs increased by $32.8 million from $31.5 million in the 12 months ended April 30, 2017 to $64.3 million in the 18 months ended October 31, 2018. Foreign exchange gains increased by $34.4 million from $2.9 million in the 12 months ended April 30, 2017 to $37.3 million in the 18 months ended October 31, 2018. Depreciation of property, plant and equipment increased by $78.9 million from $9.7 million in the 12 months ended April 30, 2017 to $88.6 million in the 18 months ended October 31, 2018. Exceptional items increased by $334.1 million from $82.0 million in the 12 months ended April 30, 2017 to $416.2 million in the 18 months ended October 31, 2018. Exceptional items are discussed later in this section. After excluding the above, the remaining increase in administrative expenses of $41.3 million relates primarily to the 18 versus 12 months reporting period and the transformational acquisition of the HPE Software business.

The average monthly number of people in administration increased by 740 (114.6%) from 646 to 1,386 in the 18 months ended October 31, 2018 when compared with the 12 months ended April 30, 2017. This is reflected in the increase in administrative expenses above.

Operating profit

In the 18 months ended October 31, 2018, the Group generated operating profit of $376.8 million, which represents an increase of 65.7% on the 12 months ended April 30, 2017. The operating profit increased due to the 18-month accounting period combined with the impact of the HPE Software business transaction in the period ended October 31, 2018. The acquisition has been transformational for the business and has substantially increased the scale of the Group's operations. In addition, exceptional costs (included within operating profit) have increased from $97.3 million in the 12 months ended April 30, 2017, to $538.2 million in the 18 months ended October 31, 2018. Exceptional costs are considered below.

In addition, the amortization of intangible assets increased from $206.8 million in the 12 months ended April 30, 2017, to $903.0 million in the 18 months ended October 31, 2018, relating to the amortization of technology, trade names, customer relationships and lease contracts intangibles established on the acquisition of the HPE Software business combined with the impact of the 18-month period of account.

Exceptional items (included within operating profit)

Exceptional items	**18 months ended October 31, 2018 $m**	12 months ended April 30, 2017 $m
MF/ HPE Software business integration related:		
System and IT infrastructure costs	**114.4**	-
Integration costs	**147.6**	-
Severance	**129.1**	-
Property costs	**29.9**	-
MF/ HPE Software business integration related costs	**421.0**	-
SUSE and other divestiture costs	**21.3**	-
HPE Software business acquisition / pre-acquisition costs	**70.1**	58.0
Integration in respect of previous acquisitions	**17.0**	27.7
Other acquisition costs	**-**	2.6
Property costs relating to previous acquisitions	**8.2**	5.6
Severance costs relating to previous acquisitions	**0.6**	3.4
Total exceptional costs (reported in Operating profit)	**538.2**	97.3

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In the 18 months ended October 31, 2018, exceptional costs totaled to $538.2 million. Exceptional costs predominantly related to the integration of the HPE Software business and the costs incurred in the 18-month period included:

- System and IT infrastructure costs of $114.4 million principally reflect the cost of implementing and then stabilizing the IT platform acquired with the HPE Software business ("FAST");
- Integration costs of $147.6 million across a wide range of projects undertaken to conform, simplify and increase efficiency across the two businesses;
- Severance costs of $129.1 million in relation to ongoing headcount reductions as we integrate the HPE Software business; and
- Property costs of $29.9 million as the Group began the process of simplifying the real estate footprint by exiting 27 offices since the completion of the transaction.

The Group anticipates exceptional charges in relation to the HPE Software business integration of $960 million of which $421.0 million has been incurred at October 31, 2018.

Amortization and depreciation
The Group's amortization and depreciation charges in the period increased due to the assets acquired as part of the HPE software acquisition and the 18-month period of account. Most notably:

- Amortization of intangible assets increased from $206.8 million in the 12 months ended April 30, 2017, to $903.0 million in the 18 months ended October 31, 2018, predominately relating to the amortization of customer relationships and technology acquired from HPE; and
- Depreciation of plant property and equipment increased from $9.7 million to $88.6 million, reflecting the assets associated with the larger headcount within the HPE business.

Net finance costs
Net finance costs were $342.7 million in the 18 months ended October 31, 2018. Finance costs predominantly relate to the associated interest on the new term loans put in place as part of the transaction to acquire the HPE Software business. Included within the $342.7 million is $60.4 million in relation to the amortization of facility costs and original issue discounts which were paid on initiation of the term loans.

The Group hold interest rate swaps to hedge against the cash flow risk in the LIBOR rate charged on $2,250.0 million of the debt issued by Seattle Spinco, Inc. (the company used to acquire the software business of HPE) from October 19, 2017 to September 30, 2022. Under the terms of the interest rate swaps, the Group pays a fixed rate of 1.94% and receives 1-month USD LIBOR.

Taxation
The Group's reported tax charge for the 18 months ended October 31, 2018 was a credit of $673.1 million (12 months ended April 30, 2017: charge of $7.5 million) primarily due to the one-off impact of US tax reforms.

Profit before tax from continuing operations
Profit before tax decreased by $97.4 million, or 74.1% to $34.1 million in the 18 months ended October 31, 2018 as compared to $131.6 million in the 12 months ended April 30, 2017.

Profit from discontinued operations
Profit from discontinued operations reflects the profits generated from the SUSE portfolio. Profit before taxation for discontinued operations increased to $111.1 million from $64.8 million.

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Earnings per share

The table below sets out the Earnings per Share ("EPS"). The Group is also required to present EPS for both the continuing and discontinued operations but note that SUSE is still under the ownership of Group until the end of the first calendar quarter 2019 and as such, we focus on total EPS.

	18 months ended October 31, 2018		12 months ended April 30,2017	
	Basic Cents	**Diluted Cents**	Basic Cents	Diluted Cents
Continuing operations	**181.91**	**176.92**	54.17	52.31
Discontinued operation	**19.79**	**19.25**	14.71	14.20
Total EPS	**201.70**	**196.17**	68.88	66.51

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Consolidated statement of financial position as at October 31, 2019 and October 31, 2018

Summarized Consolidated statement of financial position

The Group's Consolidated statements of financial position are presented in the financial statements in item 18. Summarized versions are presented below.

	October 31, 2019	October 31, 2018 $m
Non-current assets	**12,846.7**	13,720.5
Current assets	**1,448.1**	1,917.6
Current assets classified as held for sale	**-**	1,142.5
Total assets	**14,294.8**	16,780.6
Current liabilities	**1,802.0**	2,010.4
Current liabilities classified as held for sale	**-**	437.7
Non-current liabilities	**6,216.5**	6,540.5
Total liabilities	**8,018.5**	8.988.6
Net assets	**6,276.3**	7,792.0
Total equity attributable to owners of the parent	**6,275.0**	7,791.0
Non-controlling interests	**1.3**	1.0
Total equity	**6,276.3**	7,792.0

The net assets of the Group have decreased by $1,515.7 million from $7,792.0 million to $6,276.3 million between October 31, 2018 and October 31, 2019.

In the period, the key movements were as follows:

- Non-current assets decreased by $873.8 million to $12,846.7 million primarily due to amortization of intangible assets of $716.5 million and a decrease in goodwill of $160.5 million following a review of the allocation of goodwill to foreign operations (note 10 of the "Notes to the consolidated financial statements" in Item 18)

- Current assets decreased by $469.5 million from $1,917.6 million to $1,448.1 million primarily due to a decrease in cash and cash equivalents of $265.2 million, a decrease in trade and other receivables of $239.1 million, offset by an increase in current tax receivables of $15.6 million and an increase contract-related costs of $19.3 million as a result of transition to IFRS 15. Trade and other receivables decreased due to a reduction of aged receivables of $100.8 million and a reduced current balance of $111.4 million. The reduction in the financial year has been a key focus of the finance team and an important part of the ongoing stabilization of the business and mitigation of potential risk on the balance sheet.

- Current assets and current liabilities classified as held for sale as at October 31, 2018 reflected primarily the assets and liabilities of SUSE business segment, which were disposed of on March 15, 2019.

- Current liabilities decreased by $208.4 million, primarily due to a $65.9 million reduction in trade and other payables driven by the bonus provision reducing to nil during the year and a $88.8 million decrease in contract liabilities (deferred revenue) balance due to the decline in sales.

- Non-current liabilities decreased by $324.0 million from $6,540.5 million to $6,216.5 million, primarily due to a reduction of $171.6 million of borrowings (repayments of $212.6 million in the period), a reduction of $183.4 million in deferred tax liabilities, offset by a derivative liability of $36.5 million, which was previously recorded as a non-current asset but is now a liability as floating interest rates have declined period on period such that the rate received by the Group is below the fixed rates paid by the Group.

- Total equity attributable to the owners of the parent decreased by $1,516.0 million from $7,791.0 million to $6,275.0 million, driven primarily by a Return of Value to shareholders of $1,800.0 million, dividends paid to shareholders of $439.2 million , share buy-backs from shareholders of $538.8 million, offset by $1,469.1 million of profit for the period.

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Item 5. B. Liquidity and capital resources.

Our principal ongoing uses of cash are to meet working capital requirements, to fund debt obligations, to finance our capital expenditures and acquisitions and to pay dividends to shareholders. The board continues to target a modest level of leverage for a company with the cash generating qualities of Micro Focus. We are confident that this level of debt will not reduce our ability to deliver our strategy, invest in products and/or make appropriate acquisitions. As the integration of the businesses continues the board will keep the appropriate level of debt under review.

The Group's operations are diversified across a number of currencies. Changes in foreign exchange rates are monitored and exposures regularly reviewed and actions taken to review exposures where necessary. The Group has significant committed facilities in place, the earliest of which matures in November 2021 and sufficient headroom to meet its operational requirements. The Group seeks to maintain strong relationships with its key banking partners and lenders and to proactively monitor the loan markets. The Group also has strong engagement with the providers of equity capital, which represents an alternative source of capital.

As at October 31, 2019, cash and cash equivalents was $355.7 million. The company also has a $500.0 million Revolving Credit Facility (which is undrawn as at October 31, 2019). In addition, as a public listed company Micro Focus has access to equity capital markets for fund raising if required. There are no current plans to issue additional equity.

The directors believe that the Company's current available working capital is adequate to sustain its operations at current levels through at least the next twelve months.

12 months ended October 31, 2019 compared to the 18 months ended October 31, 2018

The Group changed its year end in 2018 from April 30, 2018 to October 31, 2018 and as a result reported an 18-month accounting period for the period ended October 31, 2018. As a result, the comparison of the 12 months ended October 31, 2019 to the previously reported 18 months ended October 31, 2018 presents substantial period-on-period decreases due to the shorter period of account in the current reporting period.

Cash flows from operating activities
Net cash generated from operating activities decreased by $260.0 million, or 28.2%, to $661.8 million in the 12 months ended October 31, 2019 as compared to $921.8 million in the 18 months ended October 31, 2018.

This is primarily due to a decrease of $368.0 million in cash generated from operations, arising primarily from a $230.3 million decrease in operating profit (attributable to continuing and discontinued operations and discussed in operating results presented in Item 5.A). In addition, expenditure to settle amounts included in provisions reduced in the year partly as a result of the shorter accounting period and also as the level of restructuring spend reduced in the period. These were offset by a decrease in working capital outflows of $165.9 million and a $67.9 million increase in tax paid as tax attributes used in the prior year to reduce the cash tax was fully utilized in the prior year, offset by a $74.7 million decrease in interest paid resulting from the shorter accounting period and $101.2 million decrease in bank loan costs which related to the new term loans in the 18 month period ended October 31, 2018.

The working capital outflow in the 12 months ended October 31, 2019 was $121.2 million, compared with a $287.0 million outflow in the 18 months ended October 31, 2018. This was primarily caused by significant improvements in the collection of trade receivables during the period, overdue trade receivables reduced by $100.8 million and current receivables by $111.4 million, this was offset by a reduction in trade and other payables due to the timing of payment of exceptional costs.

Cash flows from investing activities
Net cash from investing activities increased by $1,903.3 million, or 1,064.5%, to $2,082.1 million in the 12 months ended October 31, 2019 as compared to net cash used in investing activities of $178.8 million in the 18 months ended October 31, 2018.

Excluding the net cash received from the disposal of the SUSE business of $2,473.5 million, offset by the tax paid on the divestiture gain of $264.6 million, in the 12 months ended October 31, 2019 and the net cash of $321.7 million acquired with acquisitions in the 18 months ended October 31, 2018, the remaining movement in cash flows from investing activities remains broadly the same between the two periods.

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Cash flows used in financing activities
Net cash used in financing activities increased by $2,364.2 million, or 367.6%, to $3,007.3 million in the 12 months ended October 31, 2019 as compared to $643.1 million in the 18 months ended October 31, 2018.

This increase in net cash used in financing activities of $2,364.2 million is primarily due to:

- an increase of $373.0 million related to share buy-backs and related expenses being $544.7 million in the 12 months ended October 31, 2019 and $171.7 million in the 18 months ended October 31, 2018;
- an increase of $1,300.0 million in relation to the Returns of Value to shareholders being $1,800.0 million in the 12 months ended October 31, 2019 and $500.0 million in the 18 months ended October 31, 2018;
- a net decrease in bank borrowing proceeds or repayments of $1,003.5 million, being net repayments of $212.6 million in the 12 months ended October 31, 2019 and net proceeds of $790.9 million in the 18 months ended October 31, 2018;
- a decrease of $103.0 million in dividends paid to shareholders being $439.2 million in the 12 months ended October 31, 2019 and $542.2 million in the 18 months ended October 31, 2018 as only one interim dividend was paid in the year ended October 31, 2019 compared to two in the longer prior period; and
- the prior period included a $225.8 million repayment of working capital in respect of HPE Software acquisition, with no similar payments in the current period.

18 months ended October 31, 2018 compared to the 12 months ended April 30, 2017

Cash flows from operating activities
Net cash generated from operating activities increased by $469.4 million, or 103.8%, to $921.9 million in the 18 months ended October 31, 2018 as compared to $452.4 million in the twelve months ended April 30, 2017.

This was primarily due to an increase of $859.4 million in cash generated from operations, arising from a $196.4 million increase in operating profit from the enlarged group, together with an increased intangibles amortization charge add-back of $706.8 million offset by a $220.7 million increase in interest paid, $94.5 million increase in bank loan costs and $74.8 million increase in tax paid. This was primarily as a result of the transformational acquisition of the HPE Software business.

Cash flows from investing activities
Net cash from investing activities increased by $768.4 million, or 130.3%, to $178.7 million in the18 months ended October 31, 2018 as compared to net cash used in investing activities of $589.7 million in the twelve months ended April 30, 2017.

This increase in net cash generated from investing activities was primarily due to the net effect of an increase in net cash acquired with acquisitions of $253.5 million, an increase in payments for intangible assets of $60.7 million, an increase of $28.4 million in payments for property, plant and equipment, a decrease of repayment of bank borrowings on acquisitions of $316.7 million, and a decrease in payments for acquisitions of subsidiaries of $279.8 million, partially offset by an increase of $18.1 million in payments for intangible assets. This was primarily as a result of the transformational acquisition of the HPE Software business.

Cash flows from financing activities
Net cash used in financing activities increased by $267.7 million, or 71.3%, to $643.0m in the 18 months ended October 31, 2018 as compared to $375.3 million in the 12 months ended April 30, 2017.

This increase in net cash used in financing activities of $267.7 million was primarily due to an increase of $863.8 million in proceeds from bank borrowings and a reduction of $119.1 million of repayment of bank borrowings, offset by cash outflows of $171.7m from the purchase of treasury shares, $500.0 million in relation to the Return of Value, $225.8 million repayment of working capital in respect of HPE Software acquisition, and an increase in dividends paid to shareholders of $364.6 million.

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Contractual Commitments

	October 31, 2019 $m	October 31, 2018 $m
Bank loan secured	**4,775.0**	4,996.9
Unamortized prepaid facility arrangement fees and original issue discounts	**(104.3)**	(151.0)
	4,670.7	4,845.9

	Term Loan B-2 $m	Term Loan B-3 $m	Seattle Spinco Term Loan B $m	Euro Term Loan B $m	Revolving Facility $m	Total $m
At May 1, 2017	1,515.2	-	-	-	80.0	1,595.2
Acquisitions	-	-	2,600.0	-	-	2,600.0
Draw downs	-	385.0	-	523.8	135.0	1,043.8
Repayments	(11.4)	(2.9)	(19.5)	(4.1)	(215.0)	(252.9)
Foreign exchange	-	-	-	10.8	-	10.8
At October 31, 2018	1,503.8	382.1	2,580.5	530.5	-	4,996.9
At November 1, 2018	1,503.8	382.1	2,580.5	530.5	-	4,996.9
Draw downs	-	-	-	-	-	-
Repayments	(89.1)	(13.9)	(94.2)	(15.4)	-	(212.6)
Foreign exchange	-	-	-	(9.3)	-	(9.3)
At October 31, 2019	1,414.7	368.2	2,486.3	505.8	-	4,775.0

In April 2019, early repayments totaling $200.0m in total were made against the existing term loans, utilizing some of the proceeds from the sale of the SUSE business. As a result of this no further repayments are expected within the next 12 months. The term of the loans remains unchanged.

The following facilities were drawn as at October 31, 2019:

- The $1,414.7m senior secured term loan B-2 issued by MA FinanceCo LLC is priced at LIBOR plus 2.25% (subject to a LIBOR floor of 0.00%);
- The $368.2m senior secured seven year term loan B-3 issued by MA FinanceCo LLC is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%;
- The $2,486.3m senior secured seven year term loan B issued by Seattle SpinCo. Inc. is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%; and
- The €452.8m m (equivalent to $505.8m) senior secured seven year term loan B issued by MA FinanceCo LLC is priced at EURIBOR plus 2.75% (subject to a EURIBOR floor of 0.00%) with an original issue discount of 0.25%.

The following facilities were undrawn as at October 31, 2019:

- A senior secured revolving credit facility of $500.0m, (“Revolving Facility”), with an interest rate of 3.25% above LIBOR on amounts drawn (and 0.375% on amounts undrawn) thereunder (subject to a LIBOR floor of 0.00%).

The only financial covenant attaching to these facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. At October 31, 2019, $nil of the Revolving Facility was drawn together with $4,775.0m of Term Loans giving gross debt of $4,775.0m drawn. As a covenant test is only applicable when the Revolving Facility is drawn down by 35% or more, and $nil of Revolving Facility was drawn at October 31, 2019, no covenant test is applicable.

The Group has additional contractual commitments for capital expenditure in the form of leases which are disclosed in Item 5.F of this Annual Report on Form 20-F, no additional financing is anticipated to be required to meet these commitments.

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Derivative Financial Instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. Four interest rate swaps are in place with a total notional value of $2.25bn to hedge against the impact of potential rises in interest rates until September 30, 2022. The swaps are designated against the $2,486.3m (note 20 of the "Notes to the consolidated financial statements" in Item 18) loan issued by Seattle SpinCo. Inc. and the notional value covers 52.7% of the overall dollar loan principal outstanding for the Group.

The swap contracts require settlement of net interest receivable or payable on a monthly basis. The fixed interest rate for each swap is 1.949 % and the Group receives a variable rate in line with LIBOR. The Seattle loan is priced at LIBOR (with a floor) plus a current margin of 2.50% with the swaps aimed at addressing the risk of a rising LIBOR element. As such, the total interest cost of the hedged element of the Seattle loan is 4.44%. For the period to October 30, 2019, net interest received for the swaps amounted to $9.9m. For the life of the swap, net interest received amounted to $6.5m.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments (adjusted for credit risk) to ensure that an economic relationship exists between the hedged item and the hedging instrument. The testing determined that the hedge was highly effective throughout the financial reporting period for which the hedge was designated.

The impact of changes in the fair value of interest rate swaps in the year ended October 31, 2019 is shown in the Consolidated statement of comprehensive income. Note 31 of the "Notes to the consolidated financial statements" in Item 18 shows the derivative financial instruments relating to hedging transactions entered into in the period ended October 31, 2019 (other reserves).

	October 31, 2019	October 31, 2018
	$m	$m
Carrying amount	**(36.5)**	86.4
Notional amount (4 x $562.5m)	**2,250.0**	2,250.0
Maturity date	**30 September 2022**	30 September 2022
Change in fair value of outstanding hedging instruments (note 31)	**(122.9)**	86.4
Change in value of hedging instruments adjusted for credit risk	**(121.9)**	84.7

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Item 5. C. Research and development, patents and licenses, etc.

The Micro Focus Group invests heavily in research and development. Through its market knowledge and close contact with customers, Micro Focus has sought to refine products to respond to the changing needs of the Micro Focus Group's customers.

Research expenditure is recognized as an expense as incurred in the consolidated statement of comprehensive income in research and development expenses. Costs incurred on product development projects relating to the developing of new computer software programs and significant enhancement of existing computer software programs are recognized as intangible assets when it is probable that the project will generate future economic benefits, considering its commercial and technological feasibility, and costs can be measured reliably. Only direct costs are capitalized which are the software development employee costs and third-party contractor costs. Product development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

The assessment as to whether product development expenditure will achieve a complete product for which the technical feasibility is assured is a matter of judgment, as is the forecasting of how the product will generate future economic benefit. Finally, the period of time over which the economic benefit associated with the expenditure occurred will arise is also a matter of judgment. These judgments are made by evaluating the development plan prepared by the research and development department and approved by management, regularly monitoring progress by using an established set of criteria for assessing technical feasibility and benchmarking to other products.

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Item 5. D. Trend information.

Factors and Trends that affect our Results of Operations

When considering investment priorities, both organic and inorganic, we evaluate our options against a set of characteristics enabling the categorization of the Group's products into one of the following:

- New Models – Products or consumption models (cloud and subscription) that open new opportunities that could become growth drivers or represent emerging use cases that the Group needs to be able to embrace;
- Growth Drivers – Products with consistent growth performance and market opportunity to build the future revenue foundations of the Group;
- Optimize – Products with declining revenue performance driven by the market or execution where the trajectory must be corrected to move back to the core category or investments focused to optimize long-term returns; and
- Core – Products that have maintained broadly flat revenue performance but represent the current foundations of the Group and must be protected and extended.

The Group's model is designed to deliver sustainable and consistent returns for our shareholders, customers and employees. The Group's overarching principles are:

- Long-term and Sustainable Adjusted EBITDA[1] growth;
- Strong free cash flow generation;
- Efficient allocation of capital; and
- Value accretive corporate actions through either acquisition or divestment.

The key initiatives and associated investments set out in Item 4.A, combined with existing but adjusted operational improvement actions resulting from the Strategic & Operational Review set out in Item 4.A are intended to drive an accelerated recovery in revenue trajectory such that the revenue decline, excluding the impact of the shorter accounting period, moderates and delivers flat to low single digit growth over the medium term. Successful delivery of this when combined with the completion of work to build an effective operational platform, see Item 4.A, should also enable Adjusted EBITDA margins[2] to be improved over time.

The Strategic & Operational review set out in Item 4.A highlighted the need for a more definitive approach and accelerated transition to Subscription and SaaS based offerings as part of our future portfolio strategy. The transition will be managed over multiple financial periods with an initial focus on products where this model is emerging or de facto market standards. The Group's goal is to deliver incremental improvements in revenue trajectory alongside a structured and disciplined transition to SaaS and Subscription for some of our products. During FY20 the Group will begin the transition of Vertica, seek to grow existing and introduce new offerings in Security and build upon existing initiatives in ADM and ITOM.

Whilst the Group manages the portfolio as a "fund of funds" the Group recognizes the need to run certain portfolios differently and essentially as a separate business; as the Group did with the SUSE portfolio acquired as part of The Attachmate Group. The market opportunity for Security and Big Data is such that a similar, differentiated approach to investment and operational management will be adopted for these product lines. Over the medium term the Group's goal is to develop broadly autonomous businesses operating within the Group. This will happen in two phases and take 12-24 months to complete. During the first phase we will re-align organizational structures, build new capability within these portfolios and re-focus product and market positioning where required. In phase two our plan is to run these portfolios broadly autonomously and report performance discretely within the overall group performance updates.

Also refer to Item 5.A of this Annual Report on Form 20-F for further discussion of trend information. The period-on-period movements presented in this section are distorted by the difference in accounting periods in the current and prior periods (12 months v 18 months) but the discussion of operating results identifies the main underlying trends.

[1] See definition of Adjusted EBITDA in Item 3.D
[2] Adjusted EBITDA margin, is Adjusted EBITDA as a percentage of actual revenue recorded in accordance with IFRS for the period.

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Item 5. E. Off-balance sheet arrangements.

There are no off-balance sheet arrangements, aside from operating leases, where accounting standards applicable in the period do not allow recognition of these on balance sheet. The Group's commitments under operation leases are described in the contractual cash obligations table in Item 5.F of this Annual Report on Form 20-F. There are no other off-balance sheet arrangements which are reasonably likely to have, a current or future material effect on the Group's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 5. F. Tabular disclosure of contractual obligations.

The following table summarizes the Group's contractual obligations and other commercial commitments at October 31, 2019, as well as the effect these obligations and commitments, specifically long-term debt and lease obligations, are expected to have on the Group's liquidity and cash flow in future periods:

	Payment due by period				
	Less than 1 year $m	1-3 years $m	3-5 years $m	After 5 years $m	Total $m
Debt principal repayment	-	1,431.7	3,343.3	-	4,775.0
Interest payments on debt	209.2	360.6	235.7	-	805.5
	209.2	1,792.3	3,579.0	-	5,580.5
Finance Leases	11.8	10.8	0.9	-	23.5
Operating Leases	78.6	123.6	61.4	37.6	301.2
	299.6	1,926.7	3,641.3	37.6	5,905.2

The interest payments within the above table are presented based on the prevailing one-month LIBOR and foreign exchange rates as of October 31, 2019.

Item 5. G. Safe harbor.

Refer to the information set forth under the heading "Forward Looking Statements" on page 5.

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Item 6. Directors, Senior Management and Employees

Item 6. A. Directors and senior management.

During the year ended October 31, 2019 our directors and senior management comprised the board of directors, details of the membership of the board and the related board committees they were involved in are disclosed below, and the following members of key management bodies who are not on the board of directors:

Paul Rodgers (Chief Operating Officer)
Ian Fraser (Chief Human Resources Officer)
Jane Smithard (Group General Counsel and Company Secretary)
Chris Livesey (Senior Vice President and General Manager AMC Product Group)
Susan Ferguson (Vice President Strategy and Planning)
John Delk (Chief Marketing Officer and Security Product Group Leader)
Tom Goguen (Chief Product Officer and General Manager ITOM Product Group)
Colin Mahony (Senior Vice President and General Manager Vertica Product Group)
John Hunter (Chief Revenue Officer)
Raffi Margaliot (Senior Vice President and General Manager ADM Product Group)

Board and board committee memberships as at October 31, 2019:

Name	Role	Committee Membership
Kevin Loosemore [1]	Executive Chairman	
Stephen Murdoch	Chief Executive Officer	Executive Committee
Brian McArthur-Muscroft [3]	Chief Financial Officer	Executive Committee
Karen Slatford	Senior independent non-executive director	Audit Committee and Nomination Committee
Richard Atkins	Independent non-executive director	Audit Committee, Nomination Committee and Remuneration Committee
Amanda Brown	Independent non-executive director	Audit Committee, Nomination Committee and Remuneration Committee
Silke Scheiber [2]	Independent non-executive director	Audit Committee, Nomination Committee and Remuneration Committee
Lawton Fitt	Independent non-executive director	Audit Committee, Nomination Committee and Remuneration Committee

[1] Kevin Loosemore had the role of Executive Chairman during the 12 months end October 31, 2019 but stepped down from the board on February 14, 2020. Greg Lock joined the board as Non-executive Chairman on February 14, 2020.

[2] Silke Scheiber had a role as an independent non-executive director during the 12 months ended October 31, 2019 but stepped down from the board on February 4, 2020 having held roles as a member of the Audit Committee, Nomination Committee and Remuneration Committee.

[3] Chris Kennedy served as Executive director and Chief Financial Officer until February 21, 2019 and held a role as a member of the Executive Committee, when he was replaced by Brian McArthur-Muscroft.

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Greg Lock

Greg Lock took up the role of non-executive Chairman on February 14, 2020. Greg has more than 45 years' experience in the software and computer services industry, including 11 years as Chairman of Computacenter plc, seven years as Chairman of Kofax plc and four years as Chairman of SurfControl plc. In the last five years he has also been a director of Informa plc and UBM plc. From 1998 to 2000, he was General Manager of IBM's Global Industrial sector. Greg also served as a member of IBM's Worldwide Management Council and as a governor of the IBM Academy of Technology.

Kevin Loosemore

Kevin was Executive Chairman and a member of the Micro Focus board until he stepped down on February 14, 2020. He was appointed non-executive Chairman of Micro Focus in 2005 and Executive Chairman in April 2011. Kevin joined the board of De La Rue plc as a non-executive director on September 2, 2019 and became non-executive Chairman, of that company on October 1, 2019. Kevin is also non-executive director and former Chairman of IRIS Software Group Ltd, a role he relinquished on September 2, 2019.

Kevin was previously non-executive Chairman of Morse plc, a non-executive director of Nationwide Building Society and a non-executive director of the Big Food Group plc. His most recent executive roles were as Chief Operating Officer of Cable & Wireless plc, President of Motorola Europe, Middle East and Africa and before that, he was Chief Executive of IBM U.K. Limited.

He has a degree in politics and economics from Oxford University.

Stephen Murdoch

Stephen is our Chief Executive Officer and a member of the Micro Focus board, positions he has held since 19 March 2018. Stephen joined Micro Focus in 2012, first serving as General Manager of the Product Group and Chief Marketing Officer, responsible for all software product and services offerings development, customer services, corporate marketing and strategy. In 2014, he was appointed as Chief Operating Officer and Executive Director, having responsibility for sales and marketing, product strategy, development and management, services and business operations.

Prior to Micro Focus Stephen spent 7 years at Dell, first building Dell's Global Infrastructure Consulting Services organization, and then leading its business in Europe, Middle East and Africa. Before Dell Stephen had 17 years' experience at IBM, latterly serving as Vice President, Communications Sector with responsibility for the entire telco, media, and utilities industry portfolio. During his IBM career, Stephen held a number of Global, EMEA and UK senior management roles with experience spanning software and services, storage, and enterprise systems.

Brian McArthur-Muscroft

Brian is our Chief Financial Officer and a member of the Micro Focus board, positions he has held since 21 February 2019. Prior to joining Micro Focus Brian held a variety of senior management positions, including the role of Chief Financial Officer at TeleCity Group plc and most recently as Chief Financial Officer of Paysafe Group plc. Also a restructuring specialist, Brian was the Interim CFO on the successful turnaround of MCI Worldcom EMEA. He is a non-executive director and the senior independent director at Robert Walters plc, where he has been chair of the audit committee since 2013. In addition, Brian serves as the Responsible Officer for Hockerill Anglo-European College, a leading international secondary school in Hertfordshire.

Brian was named as Business Week's Finance Director of the Year in both 2013 and 2017, and the CBI's FTSE250 Finance Director of the Year in 2012. Brian holds a Law degree and qualified as a chartered accountant with PricewaterhouseCoopers in London.

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Karen Slatford

Karen is Chair of Draper Esprit plc, an AIM-quoted venture capital firm and she is also a non-executive director of AIM-quoted Accesso Technology Group plc and Softcat plc, a FTSE250 IT infrastructure provider. Karen began her career at ICL before spending 20 years at Hewlett-Packard Company, where in 2000 she became Vice President and General Manager Worldwide Sales & Marketing for the Business Customer Organization, responsible for sales of all Hewlett-Packard products, services and software to business customers globally. Karen holds a BA Honors degree in European Studies from Bath University and a Diploma in Marketing.

Richard Atkins

Richard is Chairman of Acora, an IT Services outsourcing company and YSC, a leadership development consultancy company. He has spent the majority of his career within the IT industry. Previously, he was a Director at Data Sciences where he led its leveraged buyout from Thorn EMI in 1991 and then managed its successful sale to IBM in 1996. His final role at IBM was as General Manager for IBM Global Services Northern Europe where he was also a member of the IBM worldwide senior leadership team. Since leaving IBM in 2005 he has acted as a non-executive director for several companies including Compel, Message Labs, Global Crossing, Morse and Easynet. Richard qualified as a Chartered Accountant with Ernst & Young.

Amanda Brown

Amanda is currently Group Human Resources Director at Hiscox Ltd, a FTSE 250business and specialist insurer with offices in 14 countries.

Amanda has more than 20 years of international HR experience in a variety of industries, including consumer goods, leisure, hospitality, and financial services. Prior to Hiscox, Amanda held a number of leadership roles with Mars, PepsiCo, and Whitbread plc. She has expertise in human resources, remuneration strategy, and managing organizations through periods of significant change.

Lawton Fitt

Lawton is an investment banker and a highly experienced corporate director. She currently serves on the boards of Ciena Corporation, The Progressive Corporation and The Carlyle Group, and was previously a non-executive director at ARM plc and Thomson Reuters. Lawton worked at Goldman Sachs for over 23 years in investment banking, equities and asset management and for more than a decade she led the equity capital markets team, focused on technology companies. She was elected a Partner in 1994 and worked in the London and New York offices.

From 2002-2005 Lawton was the Secretary (Chief Executive Officer) of the Royal Academy of the Arts in London and has served as a trustee for a number of not-for-profit organizations and foundations, including the Goldman Sachs Foundation and the Thomson Reuters Foundation. She received her undergraduate degree in European History from Brown University and her MBA from the Darden School of the University of Virginia.

Silke Scheiber

Silke was an investment professional at Kohlberg Kravis Roberts & Co. Partners LLP, London, UK from July 1999 and became a member in 2012. She retired from KKR in 2015. Prior to KKR, Silke worked at Goldman, Sachs & Company oHG, Frankfurt, Germany from 1996 to 1999. Silke, who is Austrian, graduated from the University of St.Gallen, Switzerland. Silke is a director of CNH Industrial N.V., the Netherlands. Silke stepped down from the board on February 4, 2020.

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Item 6. B. Compensation.

Aggregate compensation paid to the Group's directors and members of key management bodies are disclosed below. In addition, further information on the compensation of the Group's directors is disclosed. This is based upon information extracted from the Remuneration report in the UK Annual Report and Accounts prepared in line with the recommendations of the UK Corporate Governance Code.

Aggregate compensation including fees paid to non-executive directors	12 months ended October 31, 2019 $m
Short-term benefits	**10.0**
Share based payments	**25.3**
Total compensation	**35.3**

The Group's directors and members of key management bodies participate in the Group's Long-term Incentive Plan, Additional Share Grants and Deferred Share Bonus Plan. Descriptions of these plans including the vesting criteria and specific awards under each plan for the Group's executive directors are included in the Directors' Remuneration report below. Aggregate information in relation to each plan for the directors and members of key management bodies:

	Number of awards	Range of exercise prices (pence)	Range of expiry dates
Long-term Incentive Plan	2,991,930	nil to 401.60 pence	June 30, 2020 to December 3, 2099
Additional Share Grants	3,190,917	nil	November 20, 2024 to September 1, 2027
Deferred Share Bonus Plan	15,064	nil	November 20, 2024 to February 28, 2099

In addition, the directors and senior management participate in the Sharesave and Employee Stock Purchase Plan. Descriptions of these plans are included in note 33 of the financial statements in Item 18. Aggregate information in relation to these schemes for the directors and members of key management bodies:

	Number of options	Exercise prices (pence)	Range of expiry dates
Aggregate share save options	1,759	1,023.00 pence	April 1, 2022

Directors' Remuneration report

Remuneration Statement
This Directors' Remuneration Report covers the 12 months ended October 31, 2019. The Directors' Remuneration report, is set out in two sections:

The first section relates to the proposed new Remuneration Policy for directors which will be subject to a binding shareholder vote at the 2020 Annual General Meeting ("AGM") and, if approved, will apply for three years from the conclusion of the AGM.

The second section is the Annual Report on Remuneration, which provides details of the amounts earned in respect of the year ended October 31, 2019. These payments are governed by the current remuneration policy which was approved by shareholders at the 2017 Annual General Meeting and can be found at www.investors.microfocus.com.

The Annual Report on Remuneration also describes how the new remuneration policy will be implemented for the year ending October 31, 2020 (subject to shareholders approving the new remuneration policy) and will be subject to a non-binding advisory vote at the 2020 AGM.

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Responding to shareholder feedback
At the AGM on March 2019, the Company received a 50.4% vote against the 2018 Annual Report on Remuneration. This was very disappointing and the committee and the board have taken this voting outcome extremely seriously. Since the AGM, the Company has spent considerable time understanding the views of shareholders, engaging with them and reviewing our current remuneration arrangements in order to design a new remuneration policy that addresses shareholder concerns and incorporates current corporate governance best practice for a UK-listed business. The key changes are listed below:

Removal of Additional Share Grant scheme
The ASG scheme was raised as an issue by a number of shareholders. The scheme had been introduced to reward exceptional shareholder value creation following major acquisitions. Following feedback from investors, the board has decided to remove this scheme, therefore there will be no future ASG grants. As the maximum bonus opportunity for directors will remain at the current level of 150% of base salary and the maximum LTIP grant level will stay at 200% of base salary, this represents a significant reduction in the maximum incentive opportunity for our executive directors under the new policy compared with the current one.

In addition, the current executive directors have agreed to surrender their outstanding HPE Software ASG awards and therefore these lapse with effect from 3 February 2020.

Introduction of a post-vesting holding period for LTIP
The Company has added a two-year post-vesting holding period which will apply to LTIP awards granted under the new policy.

Introduction of post-cessation shareholding
Executive directors will be required to hold their full shareholding requirement (200% of salary) for two years after leaving the Company. This new post-cessation shareholding requirement will apply to shares released from awards granted after the approval of the new policy and executive directors will be required to agree to the Company's agreed holding mechanism.

Alignment of pension contribution rates for directors with those of the workforce
The Company proposes to reduce the current maximum defined contribution pension level (or cash in lieu) for new executive directors from 15% of base salary to the same level which is provided to employees generally in the same location as the executive director (the current level of employer contribution for UK employees is 5%). The existing CEO and CFO currently receive 15% of base salary as a cash allowance in lieu of pension contributions and the Executive Chairman receives 20%. Subject to approval of the new policy, the company contributions for all current executive directors will reduce to the general employee level for the UK by the end of 2022 in one step.

Enhancement of malus and claw-back
The Company has added corporate failure as an additional trigger event for malus and claw-back and have extended the claw-back period for annual bonus and deferred bonus shares from one to two years.

Introduction of additional performance measures for incentive schemes
Best practice is now to have more than one financial measure and this has been raised by a number of shareholders. Under the proposed remuneration policy, The Company intends to apply at least two financial performance measures for both the bonus and the LTIP which are appropriately linked to the Company's strategy. The Company has commented later in this section on the decisions which have been made in respect of the performance measures for the 2020 financial year, given the timing of the outcome of the strategic review.

A complete list of all of the proposed policy changes, together with the rationale for the changes, is set out below.

In addition to the proposed policy changes, the Company has taken account of shareholder experience and sentiment when reviewing the implementation of the proposed policy for the year ending October 31, 2020:

Surrender of outstanding HPE Software ASGs
One of the most significant concerns raised when the Company consulted with shareholders was the decision to re-grant the HPE Software ASGs to reflect a three-year performance period from completion of the HPE Software acquisition, thereby changing the vesting date to September 2020. Many shareholders appreciated the need to retain the management team's focus on delivering value from the HPE Software acquisition, despite the integration plan being about one year behind schedule.

A number of shareholders also noted that the challenging 50% to 100% shareholder return performance measure and the initial reference price of £18.17¾ were retained. The current executive directors have decided that they will surrender their outstanding ASGs, therefore these outstanding awards for the Executive Chairman, CEO and CFO lapse with effect from February 3, 2020.

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Executive directors' salaries unchanged for 2020
The committee determined that the salaries for executive directors will not be increased in 2020.

Corporate Governance
As well as incorporating shareholder feedback, the Group has aimed to reflect current corporate governance and best practice principles for a UK-listed business in the design of our new policy, for example reducing pension rates for executive directors and introducing post-cessation shareholding requirements.

The Group has also included new disclosures to reflect the 2018 Corporate Governance Code and new reporting requirements in this report, ahead of when the Group is technically required to do so, such as the table below which sets out how the committee took into account various factors in designing the proposed new policy for executive directors, undertaking a review of broader workforce remuneration and disclosing CEO pay ratios. The Group will continue to incorporate elements of the 2018 Corporate Governance Code throughout 2020, such as engagement with the workforce and explaining to employees about how the new executive directors' remuneration policy aligns with wider pay policy.

Business performance in FY19 and incentive outcomes
FY19 was a challenging year, with Adjusted EBITDA[1] declining over the year relative to the 12 month period ending October 31, 2018, which resulted in no FY19 bonus for executive directors. Over the three years to the end of April 2019, there was a 42.9% increase in Diluted Adjusted EPS[2], resulting in the three- year aggregate EPS performance for the 2016 LTIP exceeding the stretch target of RPI plus 9% per annum and accordingly the performance target was met in full. There were no material Environmental, Social or Governance (ESG) events which the committee had to consider when determining the final vesting outcome. Accordingly the committee determined that the 2016 LTIP should vest in full. As the Executive Chairman and the CEO have not exercised these options and sold the resulting shares, their value has been impacted by the share price fall after the August 2019 trading update.

Overall, the committee believes that the remuneration policy has delivered an appropriate outcome in respect of FY19 for the company performance achieved and therefore that the company's remuneration policy has operated as intended.

Further details on the bonus and LTIP outcomes are set out below.

[1] See definition in Item 3.D
[2] Diluted Adjusted Earnings per Share is defined as profit after tax attributable to ordinary shareholders are adjusted by adding back exceptional items including the gain on disposal of discontinued operation, share-based compensation charge and the amortization of purchased intangibles and the tax attributable to these charges, divided by the weighted average number of diluted shares in issue during the period.

Performance measures for the 2020 incentives
The Micro Focus strategy is to stabilize revenue whilst achieving mid-40s EBITDA margins. To achieve this, the management team has identified a number of critical strategic priorities which will need to be executed successfully over the next few years. In order to support this and in line with the proposed new remuneration policy, the committee has introduced an additional financial measure for the 2020 annual bonus, as well as an element of personal performance. The 2020 bonus will therefore have 60% subject to Adjusted EBITDA performance, 20% based on revenue performance and 20% will be based on non-financial or strategic individual key performance objectives (KPOs), in order to incorporate other business critical objectives aligned to the business plan. There will be no payout under the KPO element if there is no payout under any of the financial measures.

Under the proposed new remuneration policy, LTIP grants will be subject to a minimum of two financial performance measures. It is intended that the performance measures for the 2020 grants will comprise free cash flow and TSR. In light of the recently concluded strategic review and the announcement that the current Executive Chairman will be stepping down from the board on February 14, 2020 and will be replaced by a newly appointed non-executive Chairman, the committee has decided that a thorough shareholder consultation is required before confirming the financial measures and targets for the 2020 LTIP grants. The 2020 LTIP grants will therefore be delayed until after the AGM and, between now and making the grants, the Group will be consulting with shareholders and listening to your views on the proposed measures. When the Group has completed the consultation, we will finalize and publish the measures, weightings, targets and grant levels for the 2020 LTIP on our website in advance of granting the awards.

When setting the 2020 LTIP grant levels for the executive directors, the committee will take account of shareholder experience following the August 2019 trading update and subsequent share price decline.

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The Group realizes that this is not a standard approach to disclosure and timing of consultation however, the LTIP is a forward looking, three year performance incentive, therefore ensuring that the Group applies the right measures, reflecting the appropriate value creation priorities is vital. The timing of the strategic review outcome simply did not allow enough time for meaningful consultation on LTIP measures in advance of the AGM. Therefore the committee has concluded that this is the most effective course of action given the circumstances.

In summary

The Group is absolutely committed to maintaining an open and transparent engagement with our investors and to rebuilding trust regarding directors' remuneration. The Group believes and it has made significant changes in the proposed new policy to address shareholders' concerns and reflect UK corporate governance best practice. The Group has also aimed to provide as full disclosure as possible in relation to the last financial year and in explaining the committee decisions which have been made. The Company therefore hopes to receive your support for the proposed new Directors' Remuneration Policy report and the 2019 Annual Remuneration report at our upcoming AGM.

Directors' Remuneration Policy

This section of the report sets out the proposed new Remuneration Policy for directors. A binding shareholder resolution to approve the Remuneration Policy will be proposed at the 2020 AGM on March 25, 2020 and, subject to shareholder approval, will be effective from the conclusion of the AGM for a period of three years. Subject to approval of the proposed new policy, the 2020 annual bonus plan and the 2020 LTIP grants will be operated under the new policy. The key changes from the previous Remuneration Policy (which was first published on pages 72 to 82 of the 2017 Annual Report and Accounts and which was approved by shareholders at the September 2017 Annual General Meeting) and the rationale for the changes are explained above. The policy will be available to view at www.microfocus.com.

The committee determines the Remuneration Policy and the individual remuneration packages for executive directors and the executive management team. No individual participates in discussions relating to the setting of their own remuneration.

The committee considers that the remuneration arrangements proposed under the new policy are appropriate based on internal and external measures. From an internal perspective, it has reviewed CEO to UK employee pay ratios and the percentage change from 2018 to 2019 in CEO salary, benefits and bonus relative to the wider global employee population and is comfortable that the overall remuneration opportunity for executive directors is appropriate, especially given the higher proportion of performance related pay which they have relative to employees generally, which reflects their increased ability to impact the business performance.

In terms of external benchmarking for the executive directors, the committee reviews relevant market data, for example for the FTSE 100, the FTSE 250, as well as for some US based technology companies of comparable size to Micro Focus. Benchmarking is only one factor which the committee takes into account when making decisions about pay. This benchmarking approach is broadly consistent with the approach applied more broadly to employees throughout the Group.

The remuneration policy for the wider employee group is based on broadly consistent principles to those for executive directors. All employees who are not eligible for commission based reward participate in an annual bonus plan, which is based on similar financial measures and targets as the executive directors. Performance measures are consistent for all participants in the LTIP. All employees globally have the ability to buy company shares under one of the Company's all-employee share purchase plans. At its January 2020 meeting, the Committee considered various aspects of workforce remuneration and took these into account when determining the proposed new directors' Remuneration Policy.

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The table below shows how the committee addressed simplicity, clarity, risk, predictability, proportionality and alignment to culture when determining the directors' Remuneration Policy.

Factor	How this has been addressed
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	We have aimed to be completely transparent about the detail of our proposed new remuneration policy (for example when and how certain newly introduced features, such as holding periods and post-cessation shareholding requirements, take effect). We have complied with certain disclosure requirements ahead of when we are required to do so, for example CEO pay ratios, in the spirit of openness and transparency. We have engaged with shareholders to understand more about the reasons for the negative vote against the 2018 Annual Remuneration Report and to inform them of the key aspects of the proposed new Remuneration Policy. We will be undertaking a full consultation in advance of granting the 2020 LTIP awards. The Company currently engages with the broader employee population in connection with their remuneration through a variety of methods including explanatory guides and face-to-face briefings and seeks their views on reward via employee opinion surveys.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	By removing ASGs from our new remuneration policy, we have simplified our incentive structure so that we only have one long-term incentive plan and an annual bonus plan (which incorporates share deferral).
Risk Remuneration arrangements should ensure that reputational and other risks from excessive rewards, and behavioral risks that can arise from target-based incentive plans, are identified and mitigated.	A number of design features exist under our new policy in order to take into account and minimize risk as follows: - The committee can apply discretion to override formulaic incentive outcomes if it believes this would result in a fairer outcome. - We operate bonus deferral and have added post-vesting holding periods to the LTIP and extended our shareholding requirement so that it applies for two years post-cessation. - Malus and claw-back provisions are in place in the bonus and LTIP. Under the proposed new policy, we are adding corporate failure as an additional malus and claw-back trigger event and the claw-back period is being extended to two years for all future bonuses and deferred bonus shares awarded under the new policy.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The proposed new Remuneration Policy sets out: - The maximum award levels and the range of vesting outcomes applicable to annual and long-term incentive arrangements. - The discretions which are available to the committee (for example to override formulaic incentive outcomes and to apply malus and claw-back). In the past, the ASGs have delivered significant value to executives in line with the value which has been created for shareholders. As no future ASGs will be granted, the executive directors' packages are less leveraged and more predictable under the proposed new policy.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	Performance measures are designed to align to strategy and incentive plans provide for a range of payout levels which are dependent on and linked to company performance. Deferral periods and holding periods help to further align incentive outcomes for executives to the shareholder experience. No payment is made for poor performance and any individual leaving the company due to performance issues would not be entitled to any incentive payments.
Alignment to culture Incentive schemes should drive behaviors consistent with company purpose, values and strategy.	Under the new policy the Company will use at least two financial performance measures for the bonus plan and the LTIP. The performance measures will be chosen to reflect the annual business plan and the company's strategy.

The table below sets out the Remuneration Policy that shareholders will be asked to approve at the AGM on March 25, 2020

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Remuneration Policy table – executive directors

All footnotes to the policy table can be found below.

BASE SALARY

Alignment with strategy

Supports the recruitment and retention of executive directors of the caliber required to deliver the Group's strategy.

Operation

Salaries are normally reviewed annually and increases generally apply from the first quarter of the financial year.

When determining base salary levels, the committee considers the following:

- Pay increases for other employees of the Group;
- The individual's skills, experience and responsibilities;
- Pay at companies of a similar size, complexity and international scope, in particular those within the technology sector, the appropriate FTSE index, US listed technology companies and privately owned software companies; and
- Corporate and individual performance.

Maximum opportunity

Ordinarily, salary increases will be in line with increases awarded to other employees of the Group. However, increases may be made above this level at the committee's discretion to take account of individual circumstances such as:

- Increase in scope and responsibility;
- Increase to reflect the individual's development and performance in role (e.g. for a new appointment where base salary may be increased over time rather than set directly at the level of the previous incumbent or market level); and
- Alignment with market level.

Performance measures

None, although overall performance of the Company and the individual is considered by the committee when setting and reviewing salaries annually.

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BENEFITS

Alignment with strategy

Provides a competitive and cost-effective benefits package to assist executive directors in carrying out their duties effectively.

Operation

The Group provides a range of benefits to executive directors which, subject to periodic review, may include car benefits (or cash equivalent), private medical and dental insurance, permanent health insurance, directors' and officers' liability insurance, life assurance, tax return preparation costs for non-home country filings arising as a result of employment with the Company and other benefits available to employees generally, including, where appropriate, the tax on such benefits. Additional benefits may also be provided in certain circumstances which may include (but are not limited to) relocation expenses, expatriate allowances, housing allowances, school fees and payment of incremental overseas tax liabilities.

Maximum opportunity

The maximum value for ongoing benefits for executive directors will not normally exceed 15% of base salary (excluding any one-off items such as relocation benefits and any tax-related charges met by the Company). However, the committee may provide reasonable benefits beyond this amount in exceptional situations, such as a change in the individual's circumstances caused by the Company, or if there is a significant increase in the cost of providing an agreed benefit.

Performance measures

None

PENSION

Alignment with strategy

Provides a competitive post-retirement benefit, in a way that manages the overall cost to the Company.

Operation

The Company operates a defined contribution plan with contributions set as a percentage of base salary, such contribution rate being subject to review and change from time to time. An individual may elect to receive some or all of their pension contribution as a cash allowance.

Maximum opportunity

Maximum for new hires: For executive directors hired or promoted to the board after the effective date of this policy, the maximum value of the Company contribution is equivalent to the level of pension benefit provided to employees generally in the same location under the Company's regular defined contribution plans in effect, or as amended, from time to time.

Maximum for existing executive directors: The existing executive directors will transition from their current pension contribution rates to the new hire pension maximum applicable to employees generally by the end of 2022. Currently, the existing CEO and CFO receive 15% of base salary as a cash allowance in lieu of pension contribution and the Executive Chairman receives 20%. Subject to approval of the new policy, the Company contributions for all current executive directors will reduce to the general employee level for the UK by the end of 2022 in one step. Therefore, by the end of 2022, the current executive directors will be subject to the same maximum as described above for new hire executive directors.

Performance measures

None

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ANNUAL BONUS

Alignment with strategy

Rewards and incentivizes the achievement of annual financial targets which are chosen to align with the Company's strategy. The compulsory deferral of one-third of any bonus earned into Company shares for three years promotes longer-term alignment of executive director interests with shareholders' interests.

Operation

Financial measures and targets are set by the committee for each financial period and pay out levels are determined by the committee after the year end based on an assessment of performance against those targets and the application of any applicable committee discretion, if relevant. The targets, outcomes and the exercise of any committee discretion are fully disclosed in the Annual Remuneration Report published following the year end.

All executive directors are required to defer one-third of their bonus into an award over Company shares. The deferral period is three years.

Dividend equivalents are payable over the deferral period in respect of the deferred bonus shares which vest.

Maximum opportunity

The maximum potential bonus opportunity is 150% of annual base salary in any financial year for each executive director. This includes the deferred bonus shares, but excludes the dividend equivalents which are payable in respect of the deferred bonus shares.

P**erformance measures**

Performance measures are set each year and normally include at least two financial measures chosen by the committee to support the current strategy and incentivize the executive directors to achieve the desired outcomes. The financial measures will have an overall weighting of at least 80% and the performance measures may also include non-financial or strategic individual key performance objectives (KPOs) with a weighting of up to 20%. The performance measures will be assessed independently and there will be no payout under the non-financial/individual measures if there is no payout under any of the financial measures.

The financial targets are set each year and are designed to be stretching. They are set by the committee by reference to various factors including the previous year's performance outcomes, the strategic plan and internal and external forecasts for the upcoming year. The proposed financial measures for each operation of the annual bonus will be included in the Annual Report on Remuneration which is published in the early part of the bonus year.

Payout levels for different levels of performance against the performance measures and targets are as follows:

- The minimum and threshold payout is zero.
- Payout for target performance is 50% of the maximum opportunity.

Committee discretion applies. See footnotes 1, 2 and 3.

Recovery of sums paid

Malus provisions will apply prior to vesting and claw-back may be applied up to two years after vesting. See footnote 4.

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LONG-TERM INCENTIVE PLAN

Alignment with strategy
Motivates and rewards the achievement of long-term business goals which support the strategy, the creation of shareholder value and aligns executive directors' interests with those of long-term shareholders.

Operation
Conditional share awards or nil cost options are typically made annually with vesting subject to the achievement of financial performance conditions measured over three years and continued employment (subject to the provisions set out under policy on payments for loss of office).

If nil cost options are granted, the maximum length of the exercise period is typically 10 years from the date of grant.

Executive directors are required to retain any net (after tax) vested shares for a holding period of two years after vesting (including following cessation of employment).

The plan rules allow for dividend equivalents to be payable in respect of shares subject to awards which vest.

Maximum opportunity
The maximum face value of awards to be granted in respect of any financial year for each executive director is 200% of annual base salary.

Performance measures
There are normally at least two financial performance measures for each operation of the LTIP. The measures and/or the weightings can be changed for each annual grant during the policy period to reflect strategic priorities, although any significant changes from the previous year's measures would only be made following engagement with shareholders.

The targets are designed to be challenging by providing high levels of reward for exceptional performance, but also a reasonable expectation of some reward at the lower end of the scale, subject to robust performance. The targets are set by the committee by reference to various factors including the previous year's performance outcomes, the strategic plan and internal and external forecasts for the performance period.

Details of the measures and targets used for specific LTIP grants are typically included in the Annual Report on Remuneration for the year prior to grant.

Payout levels for different levels of performance against the annual measures and targets are as follows:
— The minimum payout is zero;
— The threshold payout is normally zero, but could be up to 25%, depending on the measures chosen; and
— Payout in line with company expectations will normally be 50% of the maximum award.

Committee discretion applies. See footnotes 1, 2 and 3.

Recovery of sums paid
Malus provisions will apply prior to vesting and claw back may be applied up to two years after vesting. See footnote 4.

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ALL-EMPLOYEE SHARE PLANS

Alignment with strategy

Provides an opportunity for executive directors to voluntarily invest in the Company on the same terms as other employees.

Operation

Executive directors are entitled to participate in any local all-employee share-based plans to the extent that these are offered by the Company and under the same terms as other employees.

Maximum opportunity

Participation limits are those set by the Company, which may be subject to local tax authority limits from time to time in force.

Performance measures

Not applicable

Footnotes to the policy table

1. Committee discretion in respect of bonus and LTIP payout levels.
In determining the level of payout under the bonus and the LTIP, the committee takes into account the overall business performance during the performance period and any other relevant factors. Should the formulaic outcome of the agreed performance measures not, in the view of the committee, reflect overall business performance, the committee has discretion to adjust the payout or vesting levels (subject always to the stated policy maximums) if it believes this would result in a fairer and more appropriate outcome. This discretion will only be used in exceptional circumstances and any such adjustments would be disclosed in the next year's Annual Report on Remuneration.

2. Committee discretion to vary bonus and LTIP performance measures
If an exceptional event occurs which causes the committee to consider that the measures set for a current bonus or LTIP award are no longer a fair measure of performance, the committee has discretion to adjust them, provided that the new measures are no easier or tougher to meet than the original measures. Any such adjustments would be disclosed in the next year's Annual Report on Remuneration.

3. Other discretions under the bonus plan, Deferred Share Bonus Plan (DSBP) and LTIP
In relation to the bonus plan, the committee retains discretion over other matters such as the timing of the bonus payout, treatment on a change of control, treatment on termination of employment (see "Policy on payments for loss of office" section and the operation of malus and claw-back (see below under footnote 4):

In relation to the DSBP and the LTIP, the committee retains discretion over other matters such as treatment on a change of control, treatment on termination of employment (see "Policy on payments for loss of office" section), adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends) and the operation of malus and claw-back (see below under footnote 4).

4. Malus and claw-back under the annual bonus plan, DSBP and LTIP
The Committee has discretion under the annual bonus plan, the DSBP and the LTIP to apply malus and claw-back in the case of (i) material miss-statement of results, (ii) an error in calculation, (iii) fraud and gross misconduct, (iv) conduct causing serious harm to the Group's reputation and/or significant financial loss, (v) a material failure of risk management causing serious harm to the reputation of the Group and (vi) corporate failure. If any of these events apply, the committee has discretion to take a number of actions in accordance with the applicable plan rules, including: reducing a payout (to nil if appropriate), lapsing unvested awards, requiring repayment of gains made or the transfer of shares acquired, delaying vesting. Claw-back can apply for up to two years after (i) an annual bonus cash payout, (ii) a release of deferred bonus shares and (iii) a vesting of LTIP awards.

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5. Explanation of the differences between the Company's policy on executive directors' remuneration and the policy for other employees

The remuneration policy for the wider employee group is based on broadly consistent principles to those for executive directors, although a larger proportion of executive directors' remuneration is performance related than that of other employees. All employees who are not eligible for commission-based reward participate in an annual bonus plan, which is based on similar measures and financial targets as the executive directors. Bonus opportunity levels vary according to role and seniority. Typically, around 450 of our senior managers and other key employees also receive LTIP awards annually. LTIP performance conditions are consistent for all participants, while award sizes vary according to role and seniority. In addition, selected employees below the board may receive non-performance related share awards. All UK employees are eligible to participate in a tax-favored share save plan and employees in other countries worldwide are able to participate in the Employee Share Purchase Plan (ESPP). The range and level of retirement and other benefits provided to employees varies according to local market practice, role and seniority. As noted in the pensions section of the policy table, the pension policy for executive directors results in full alignment of executive directors' pension benefits with the wider workforce.

Executive directors' shareholding requirement

Executive directors are subject to a shareholding requirement of 200% of annual base salary. On joining or promotion to the board, executive directors are given a period of time to build up to their requirement, typically five years.

On cessation of employment, executive directors are to maintain their full shareholding requirement (or, if lower, their actual level of shareholding at the time of leaving) for two years after leaving employment. This applies to shares delivered from awards granted after the approval of the new policy at the 2020 AGM. Post-cessation, executive directors will be required to hold shares subject to their shareholding requirement in accordance with the Company's designated mechanism from time to time in place.

Remuneration Policy table – non-executive directors

The table below details the Company's policy on how the non-executive directors, including a non-executive Chairman, will be remunerated.

FEES

Alignment with strategy

To enable the Company to attract and retain high-caliber non-executive directors who can make a major contribution to the board and committees of a global technology business.

Operation

Fees for non-executive directors (except a non-executive Chair) are determined by the Chair of the board and the executive directors. Individuals undertaking the roles of non-executive Chair of the board and senior independent director (SID) are typically paid an aggregate annual fee, which includes chairing committees. Other non-executive directors are paid a basic annual fee, with additional fees payable as appropriate for specific roles and duties. Currently, additional fees are paid for the chairmanship of board committees and for additional responsibilities related to the SEC and SOX compliance. In the future, additional fees could be payable for other specific roles and duties, for example, for membership of board committees, a workforce engagement fee and attendance fees.

Fees are currently paid in cash but the Company may choose to provide some of the fees in shares.

Fees are reviewed periodically. When reviewing fees, consideration is given to the commitment and contribution that is expected, the complexity of the role, the experience of the individual and market positioning against comparable roles in companies of a similar size and complexity to the Company, in particular those within the technology sector, the relevant FTSE index, US listed technology companies and privately owned software companies.

Maximum opportunity

The total base fees paid to non-executive directors will remain within the limit stated in the Company's articles of association, currently £1m. Actual fee levels are disclosed in the Annual Report on Remuneration for the relevant financial year.

Additional fees for chairing, or membership of, board committees and all fees paid to a non-executive Chair of the board are not subject to this maximum limit.

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OTHER BENEFITS

Alignment with strategy
To provide benefits at appropriate cost where necessary.

Operation
Other benefits for non-executive directors are kept to a minimum. They are reviewed periodically and may include additional tax return filing costs which arise as a result of the appointment with the Company, secretarial benefits, travel and related subsistence costs, including, where appropriate, the tax on such benefits. In addition, private medical cover may be considered for a non-executive Chairman. Non-executive directors may also be reimbursed for all necessary and reasonable expenses incurred in performance of their duties and tax (if any) thereon.

Maximum opportunity
There is no prescribed maximum.

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Changes from previous policy

The following table summarizes the changes between the proposed new Remuneration Policy set out in the preceding pages and the current Remuneration Policy which was approved at the 2017 AGM, together with the rationale for the changes.

	Policy change	Rationale for change
Incentive structure	No Additional Share Grants (ASGs). Incentives comprise bonus, bonus deferral and LTIP.	Simplification of incentive structure, reduce reputational risk and increase predictability of reward outcomes.
Pension maximum	New executive directors: maximum Company contribution reduced from 15% of base salary to the same level as employees in general in same location. Existing executive directors: reduce to employee level by end of 2022.	To align with the workforce and to meet corporate governance best practice.
Bonus Measures	Under the current policy, the bonus measure is Adjusted EBITDA, with the ability to change this if needed to support a change in strategy. Under the new policy, we will select performance measures each year and will normally have at least two financial measures with a minimum weighting of 80% and the ability to include individual KPOs up to a 20% weighting.	To ensure a balanced set of measures and the flexibility to change these each year to align with business priorities.
Bonus targets	Under the current policy, this is set at 0–10% year-on-year Adjusted EBITDA growth, with the ability to change this if needed to support a change in strategy. Under the new policy, targets will be set annually in the context of the Company's annual business plan and other factors.	To introduce a more standard way of setting targets which are based on an assessment of various factors each year, in order to better align to and support the business plan.
Bonus deferral into shares	There will be no time-pro-rating for good leavers or on a change of control for new deferred bonus share awards granted after approval of the new policy.	To reflect that bonus has effectively already been earned by the executive directors.
LTIP measures	Under the current policy, measures and weightings may vary year-on-year to reflect strategic priorities, subject to retaining at least 50% on Diluted Adjusted EPS growth in excess of UK inflation (EPS). Under the new policy, there will normally be at least two financial measures and measures and/or weightings can be changed for each new grant to reflect strategic priorities (although any significant changes from the previous year would usually only be made following shareholder engagement).	To ensure a balanced set of suitably stretching measures appropriate to a global business, with the flexibility to change these for each grant to reflect the current strategy and business environment.
LTIP post-vesting holding period	Introduction of a two-year post-vesting holding period for LTIP awards granted after approval of the new policy (continues to apply post-cessation of employment).	Results in total five-year vest and hold period in line with corporate governance best practice.
Post-cessation shareholding requirement	Introduction of a post-cessation shareholding requirement at the lower of the full in-service requirement and the actual shareholding at cessation for two years post-cessation (applies to shares that vest from awards granted under the new policy).	Increase alignment with shareholders, improve risk management and meet corporate governance best practice.
Malus and claw-back	Corporate failure is added to the list of existing trigger events (which are material miss-statement, (ii) error in calculation, (iii) fraud and gross misconduct, (iv) conduct causing serious harm to the Group's reputation and/or significant financial loss and (v) material failure of risk management causing serious harm to the reputation of the Group). The claw-back period for bonus and deferred bonus shares is extended from one to two years in line with the claw-back period applicable to LTIP awards.	Improve risk management and meet corporate governance best practice.
Benefits for executive directors	The list of benefits which may be provided has been changed (e.g. to include dental insurance in addition to medical insurance and to remove fees for a temporary increase in responsibilities). A maximum value on the provision of on-going benefits has been introduced.	To ensure that the Company has flexibility to offer a range of appropriate benefits to executive directors during the policy period. There are no current plans to add to the benefits currently received by executive directors.
LTIP – dividend equivalents	The possibility of including dividend equivalents has been included.	To provide flexibility during the policy period for further alignment of executive directors' interests with those of shareholders.
Fees and benefits for non-executive directors	Under the current policy, additional fees are payable (above the non-executive director base fee) for chairing a committee and for the role of Senior Independent Director. Under the new policy, flexibility to introduce other additional fees where appropriate has been included, as has the possibility of paying certain specific benefits to non-executive directors.	To provide flexibility during the policy period to enable the Company to attract and retain high-caliber non-executive directors

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Previous Remuneration Policy and prior commitments

The committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the policy set out in this report, where the terms of the payment were agreed:

(i) before 25 September 2014 (the date the Company's first shareholder approved policy came into effect);
(ii) before the policy set out in this report came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or
(iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company.

Consideration of employment conditions elsewhere in the Group

When the committee reviews salaries for the executive directors, one factor which it typically takes into account is the most recent annual salary increase budgets for employees generally in the Company's major locations. These salary increase budgets for employees take into account Group performance, local pay and market conditions and salary levels for similar roles in comparable companies. When determining executive director salaries, the committee also considers pay at companies of a similar size, complexity and international scope, in particular those within the technology sector, the appropriate FTSE index, US listed technology companies and privately owned software companies. The benchmarking approach for the executive directors is broadly the same as the benchmarking approach applied throughout the organization. The committee also reviews and approves the overall annual LTIP grants for the wider executive population (around 450 employees globally) and the twice yearly launches of the Company's all-employee share plans (the UK share save plan and the Employee Share Purchase Plan) and hence has visibility of wider employee share plan participation.

More recently, we have introduced an annual agenda item for the committee to review various aspects of workforce remuneration and related policies in order to deepen its understanding of pay across the Company. At its January 2020 meeting, the committee considered various aspects of workforce remuneration and took this into account when determining the proposed new Directors' Remuneration Policy.

Although the committee did not consult directly with employees on the proposed Directors' Remuneration Policy set out in this Report, going forward, in accordance with the 2018 Corporate Governance Code obligations around workforce engagement (which apply to the Company with effect from the financial year ending 31 October 2020) the Group will introduce a process for dialogue with employees about how the new executive Directors' Remuneration Policy aligns with wider pay policy.

Approach to recruitment remuneration – executive directors

The remuneration package for a new executive director would be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment and taking account of the experience and skills of the individual and prevailing market conditions. In determining the appropriate remuneration structure and level, the committee would take into consideration all relevant factors to ensure that the arrangements are in the best interests of the Company and its shareholders. The committee would seek to not pay more than is necessary to secure the right candidate.

The various components and the Company's approach are as follows:

Standard package on recruitment
The maximum aggregate value of incentives (excluding buyouts) on appointment will be 500% of salary for the first year after appointment. It is intended that any additional incentives offered in the first year after appointment which are above the regular on-going incentives policy limit would be delivered as LTIP awards rather than as additional bonus opportunity. All other elements of pay on recruitment will be in accordance with the policy table.

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Compensation for forfeited entitlements
The committee may make an award in respect of a new appointment to "buy-out" incentive arrangements forfeited on leaving a previous employer and may rely on the one-person exemption from shareholder approval available under the UK Listing Rules to facilitate the grant of awards. Any such buy-out arrangements would:

- be based solely on the remuneration lost when leaving the former employer;
- be no higher than the commercial value forfeited; and
- reflect as closely as possible the delivery mechanism (i.e. cash, shares and options), time horizons and performance requirements attaching to that remuneration.

Relocation allowances and expenses
The committee may agree that the Company will provide certain relocation allowances and expenses, as appropriate as determined by the specific circumstances of the new recruit.

In the case of an internal appointment to executive director, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms on grant. In addition, any other on-going remuneration obligations existing prior to appointment may continue, provided that they are disclosed in the following year's Annual Report on Remuneration.

Executive directors' service agreements
The executive directors' service agreements do not have a fixed expiry date and are terminable by either party on six months' notice.

Executive directors' policy on payments for loss of office Salary, benefits and pension:
The Company's policy is that executive directors' service agreements normally continue until the director's agreed retirement date or such other date as the parties agree are terminable on no more than six months' notice from the Company or the director and provide no entitlement to the payment of a pre-determined amount on termination of employment in any circumstances.

Compensation is based on what would be earned by way of salary, pension entitlement and other contractual benefits over the notice period. In the event that a contract is to be terminated and a payment in lieu of notice made, payments to the executive director would be a maximum of six months' base pay, pension entitlement and cash supplement in lieu of other benefits. Payments may be staged over the notice period, at the same interval as salary would have been paid.

Executive directors must take all reasonable steps to obtain alternative employment during the notice period and payments made by the Company will be reduced to reflect any payments received in respect of alternative employment.

Annual bonus:
There is no automatic entitlement to an annual bonus and this is at the discretion of the committee. Where an executive director ceases to be employed by reason of death, ill-heath, injury or disability, redundancy or retirement or any other "good leaver" reason at the committee's discretion, he or she may receive a pro-rata bonus for the year of cessation, paid on the normal payment date (with committee discretion to accelerate), subject to performance against predetermined targets and pro-rated to reflect time served during the year.

Deferred Share Bonus Plan (DSBP) and LTIP:
The treatment of leavers under our DSBP and LTIP is determined by the rules of the relevant plan. The committee has discretion to determine when and if awards vest and the period during which awards which are granted as nil-cost options may be exercised.

Awards granted under the DSBP after the approval of the new policy lapse if the participant leaves employment as a result of termination for cause or resignation on the date of dismissal/ notice of resignation, as applicable. In other cases, normally including death, ill health, injury or disability, redundancy and retirement, or any other "good leaver" reason at the committee's discretion, deferred bonus shares would typically be released in full at the end of the three-year deferral period. The committee has discretion to release them earlier if it considers this appropriate in the circumstances.

For awards granted under the LTIP after the approval of the new policy, in cases of death, ill health, injury or disability, redundancy and retirement, or any other "good leaver" reason at the committee's discretion, awards would typically be pro-rated to reflect time employed and vest subject to performance measured at the end of the relevant performance period. The committee has discretion to determine that awards vest earlier and to adjust the application of time pro- rating and performance measures, subject to the plan rules. The requirement to retain net (after tax) vested LTIP shares for a holding period of two years after vesting continues to apply post-cessation. On death, awards typically vest immediately. In all other leaver situations, including termination for cause or resignation, awards lapse on the date of dismissal/notice of resignation, as applicable.

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Prior awards:
The treatment of awards granted before the approval of the current policy will be treated in accordance with the "Policy on payments for loss of office" and the plan rules applicable to those awards.

Change of control
Any unvested deferred bonus shares will be released in full to the executive director on a change of control. Alternatively, the committee may determine that deferred bonus shares will instead be exchanged for equivalent share awards in the acquiring company.

On a change of control, the default position under the LTIP is that outstanding awards vest on a time pro-rated basis and subject to an assessment of performance against targets at that time. However, the committee has discretion under the plan rules to vary the level of vesting if it believes that exceptional circumstances warrant this and taking into account any other factors it believes to be relevant in deciding to what extent an award will vest. Alternatively, the committee may determine that awards will not vest and will instead be exchanged for equivalent awards in the acquiring company.

Prior awards:
The treatment of awards granted before the approval of the current policy will be treated in accordance with the change of control policy and the plan rules applicable to those awards.

Policy in respect of external board appointments
The Group recognizes that external non-executive directorships are beneficial for both the executive director concerned and the Company. With prior approval from the board, each serving executive director can undertake external non-executive directorships. At the discretion of the board, executive directors are permitted to retain fees received in respect of any such non- executive directorship.

Non-executive directors' terms of appointment, approach to recruitment remuneration and notice periods
The non-executive directors' terms of appointment are recorded in letters of appointment. The non-executive directors are typically appointed for periods of three years, but they stand for election or re-election as appropriate at each AGM.

On recruitment, a new non-executive director will be entitled to fees and any other benefits if applicable from time to time in accordance with the Company's remuneration policy. No additional remuneration is paid on recruitment.

The required notice from the Company and the non-executive director is 90 days in all cases, except in the case of a non- executive Chairman, in which case the notice period is six months. The non-executive directors are not entitled to any compensation for loss of office.

Service contracts and letters of appointment – directors
There are no further obligations in the directors' service contracts and letters of appointment which are not otherwise disclosed in this Report which could give rise to a remuneration payment or loss of office payment. All directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Consideration of shareholder views
The committee considers developments in institutional investors' best practice guidelines and the views expressed by shareholders when setting directors' remuneration. The Group remains committed to on-going shareholder dialogue and the Group consults with shareholders and consider their views when formulating, or changing, our Remuneration Policy.

The Group engaged widely with shareholders following the announcement of the SUSE disposal in July 2018 and in the months following publication of the 2018 Annual Report. The Group has communicated with shareholders about the proposed new policy and will be undertaking a full consultation in advance of the 2020 LTIP grants.

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Annual Report on Remuneration

The following section provides the details of how the Remuneration Policy was implemented during the financial year ended October 31, 2019.

Single figure for total remuneration of executive directors

The table below shows the single figure for total remuneration for executive directors for the financial year ended October 31, 2019, together with their respective figures for the 18 months ended October 31, 2018 as shown in last year's report. The 18-month period arises due to the change in financial year end from 30 April to 31 October following the acquisition of the HPE Software business which completed on September 1, 2017.

					LTIPs and ASGs				
		Base Salary[1]	Benefits in kind [2]	Annual bonus [3]	LTIPs [4]	ASGs [5]	Total	Pension [6]	Total
Executive Directors		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Kevin Loosemore	**2019 (12 months)**	**750**	**35**	**-**	**1,205**	**-**	**1,205**	**150**	**2,140**
	2018 (18 months)	1,125	47	855	1,407	25,232	26,639	225	28,891
Stephen Murdoch [7]	**2019 (12 months)**	**850**	**20**	**-**	**565**	**-**	**565**	**128**	**1,563**
	2018 (18 months)	668	17	569	607[8]	5,809	6,416	100	7,770
Brian McArthur-Muscroft [9]	**2019 (12 months)**	**600**	**20**	**-**	**-**	**-**	**-**	**90**	**710**
	2018 (18 months)	-	-	-	-	-	-	-	-
Chris Kennedy [10]	**2019 (12 months)**	**233**	**7**	**-**	**-**	**-**	**-**	**47**	**287**
	2018 (18 months)	487	12	-	-	-	-	97	596

1. Base salary: the amount earned during the period in respect of service as a director.
2. Benefits in kind: including car, private medical insurance, permanent health insurance and life assurance.
3. Annual bonus: payment for performance during the year in respect of service as a director. One-third of the annual bonus is deferred into shares for three years with the exception of the Executive Chairman.
4. LTIPs: the value of LTIP awards (excluding those awarded under the ASG program) which vest based on performance conditions ending during the relevant period, pro-rated to reflect the period as a director during the relevant three-year performance period. The 2018 figures are based on the share price at vesting of £12.64 (17 July 2018) and £19.39 (23 March 2019). The 2019 figures are based on the share price at vesting of £17.418 (26 July 2019), which resulted in none of the vesting value being attributable to share price appreciation.
5. ASG: the value of the ASG award made in November 2014 following the Attachmate Group transaction which vested on 1 November 2017 at a share price of £26.64 (pro-rated to reflect the period as a director during the three-year performance period to 31 October 2017).
6. Pension: the Company's pension contribution or cash allowance paid during the period in respect of service as a director. All pension amounts paid in the 2019 financial year are cash in lieu of pension allowances.
7. Stephen Murdoch left the board on 1 September 2017 to take on the role of Chief Operating Officer and rejoined the board on 19 March 2018 following his appointment as Chief Executive Officer. His salary, benefits, bonus and pension for the 18 month period ended 31 October 2018 reflect his service whilst a director and his LTIPs and ASG reflect the proportion of the performance period whilst a director.
8. The LTIP figure for 2018 has been restated to reflect the share price at vesting of £19.39 (23 March 2019).
9. Brian McArthur-Muscroft joined the Company on 5 November 2018 as Chief Financial Officer (elect) and joined the board on 21 February 2019. All figures represent pay for the period since joining the Company.
10. Chris Kennedy joined the board on 8 January 2018 on his appointment as Chief Financial Officer and resigned from the board on 21 February 2019.

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Annual bonus for the financial year ended October 31, 2019

The maximum bonus opportunity for executive directors for the 12 months ended October 31, 2019 was 150% of salary, with the exception of Brian McArthur-Muscroft whose maximum bonus opportunity for FY19 was 100% of salary.

The executive directors are on the same bonus plan as all non-commissioned employees. There is no bonus pay-out if Adjusted EBITDA on a constant currency basis, excluding the impact of in-year acquisitions, is the year and maximum bonuses are earned if the increase in this measure is 10% or more with pay-outs calculated on a straight-line basis between these two points.

The Adjusted EBITDA for continuing businesses for the financial year ended October 31, 2019 was $1,362.5 million, representing a 2.6% decline over the Adjusted EBITDA (on a constant currency basis) for the 12 months ended October 31, 2018 of $1,399.5 million. Accordingly no bonus was paid to executive directors for FY19.

Vesting of long-term incentives with performance periods ending in the financial year ended October 31, 2019

The LTIP awards granted on September 13, 2016 as nil cost options to Kevin Loosemore and Stephen Murdoch vested on July 26, 2019. Vesting of these awards was based on average aggregate EPS growth in excess of RPI over the three years ended April 30, 2019, as set out in the table below.

Average aggregate EPS growth of the Company in excess of RPI over the performance period	Vesting percentage of the shares subject to an award
Less than 5% p.a.	0%
Equal to 3% p.a.	25%
Between 3% and 9% p.a.	Between 25% and 100% on a straight-line basis
Equal to or above 9% p.a.	100%

The aggregate Diluted Adjusted EPS over the performance period of 572.98 cents exceeded the stretch target aggregate EPS of 558.34 cents for maximum vesting (allowing for EPS growth of 9% pa above RPI from the base year EPS figure of 261.40 cents for the year ending 30 April 2016), resulting in 100% vesting of these awards. The committee reviewed the level of vesting and concluded that it was a fair reflection of solid operational performance over the three-year performance period as a whole (see the committee Chair's letter for further context). Furthermore, the committee reviewed the impact of the share buyback program and Return of Value exercise following completion of the sale of SUSE and concluded that neither has a material impact on the EPS performance. LTIP awards do not benefit from dividends until exercised or released.

Executive director	Interest held	% vesting	Interest vesting	Vesting date
Kevin Loosemore	69,156	100%	69,156	July 26, 2019
Stephen Murdoch	39,640	100%	39,640	July 26, 2019

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Single figure for total remuneration of non-executive directors

No changes were made to the fee structure for non-executive directors. The following table sets out the single figure for total remuneration of non-executive directors for the financial year ended October 31, 2019, together with their respective figures for the 18-month period ended October 31, 2018 as shown in last year's report. The 18-month period arises due to the change in financial year end from April 30, to October 31, following the acquisition of the HPE Software business which completed on September 1, 2017.

	Fees	
	2019	2018
Non-executive directors	**(12 months)**	(18 months)
	£ '000	£ '000
Karen Slatford	**120**	180
Richard Atkins	**90**	135
Amanda Brown [1]	**90**	135
Silke Scheiber [2]	**70**	103
Darren Roos [3]	**59**	103
Lawton Fitt [4]	**80**	83

1. Prior to January 1, 2019, Amanda Brown's fees were paid direct to her employer.
2. Silke Scheiber joined the board on May 15, 2017 and left on February 4, 2020.
3. Darren Roos joined the board on May 15, 2017 and left on September 2, 2019.
4. Lawton Fitt joined the board on October 17, 2017 and receives an additional fee of £10,000 per annum due to her SEC and SOX experience.

Non-executive directors' terms of appointment

The non-executive directors' terms of appointment are recorded in letters of appointment. The required notice from the Company and the non-executive director is 90 days in all cases. The non- executive directors are not entitled to any compensation for loss of office and stand for election or re-election as appropriate at each AGM. Details of the letters of appointment of each non- executive director who has served as a director of the Company at any time during the financial year ended October 31, 2019 are set out below:

Non-executive director	**Appointment date**	**Expiration date**
Karen Slatford	July 5, 2010	July 5, 2022
Richard Atkins	April 16, 2014	April 16, 2020
Amanda Brown	July 1, 2016	July 1, 2022
Silke Scheiber[1]	May 15, 2017	May 15, 2020
Darren Roos [2]	May 15, 2017	May 15, 2020
Lawton Fitt	October 17, 2017	October 17, 2020

1. Silke Scheiber left the board on February 4, 2020.
2. Darren Roos left the board on September 2, 2019

All appointments of non-executive directors are subject to election by shareholders at the first AGM of the Company after appointment and to re-election on an annual basis thereafter

Implementation of non-executive director remuneration for the year ending October 31, 2020

The non-executive directors' fees for FY20 are unchanged from FY19 and are set out in the table below:

Independent non-executive director base fee	£70,000 p.a.
Additional fee for chairing a committee	£20,000 p.a.
Additional fee for significant SEC/SOX experience	£10,000 p.a.
Fee for the SID (including chairing committees)	£120,000 p.a.

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Remuneration committee membership during the financial year ended October 31, 2019

During the financial year ended October 31, 2019, the committee comprised only of independent non-executive directors. The committee met seven times during the period under review. The number of committee meetings attended by each director in the period was as follows:

Committee member	Held	Number of meetings attended
Amanda Brown (Chair)	7	7
Karen Slatford [1]	7	7
Silke Scheiber[2]	7	7
Darren Roos [3]	5	4
Richard Atkins [4]	-	-
Lawton Fitt [5]	-	-

1. Karen Slatford stepped down from the committee with effect from October 16, 2019.
2. Silke Scheiber left the board on February 4, 2020.
3. Darren Roos left the board on September 2, 2019.
4. Richard Atkins joined the committee on October 17, 2019.
5. Lawton Fitt joined the committee on October 17, 2019.

The committee invited the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and Reward Director during the period to provide views and advice on specific questions raised by the committee and on matters relating to the performance and remuneration of senior managers. They did not participate in discussions relating to their own remuneration. The Company Secretary attended each meeting as secretary to the committee.

Terms of reference

The committee is responsible for the remuneration arrangements for executive directors and members of the executive management team, and for providing general guidance on aspects of remuneration policy throughout the Group. The terms of reference were reviewed and updated to reflect the 2018 Corporate Governance Code. The key aspects of the updated terms of reference are as follows:

- Determine the remuneration policy for the Company's Chairman and the executive directors and review its on-going appropriateness and relevance;
- Determine the total individual remuneration packages of the executive directors and the executive management team, including salary, bonuses, incentive payments, share awards, pensions and other benefits;
- Review the terms of executive service contracts for executive directors and the executive management team;
- Review any material changes to pension and benefit arrangements for executive directors and the executive management team;
- Agree the expenses policy for the Company Chairman and executive directors
- Develop the formal shareholding requirement policy, including post cessation, encompassing both vested and unvested shares;
- Oversee the operation of the Company's annual bonus plans, deferred bonus plans and long-term incentives as applied to executive directors and the executive management team, including award levels, performance conditions, payouts, and application of malus and claw-back where appropriate.
- Review the design of all share incentive plans for approval by the board and shareholders;
- Review the remuneration policies and practices across the Group and the alignment of workforce remuneration with culture; and
- Produce the annual Directors' Remuneration report.

The full terms of reference of the committee are available from the Company Secretary and are on the Company's website http://investors.microfocus.com /corporate-governance.

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Agenda during the financial year ended October 31, 2019

The key activities of the committee were as follows:

- Approved the Directors' Remuneration report for the 18-month period ended October 31, 2018;
- Approved the remuneration packages of executive director joining and leaving the board;
- Reviewed the salaries and remuneration packages of the executive directors and the executive management team;
- Reviewed bonus payments and performance against targets under the LTIP;
- Considered current guidelines on executive compensation from advisory bodies and institutional investors;
- Engaged with major shareholders and advisory bodies to seek their views following publication of the 2018 Directors' Remuneration report;
- Undertook a review of the Remuneration Policy for executive directors, and developed a new Directors' Remuneration Policy to be put to shareholders for approval at the 2020 AGM;
- Undertook a review of the measures and targets for the annual bonus plan and LTIP for the financial year ending October 31, 2020;
- Updated shareholders on key aspects of the proposed new Directors' Remuneration Policy;
- Reviewed the performance and terms of reference of the committee.

External advisors
The committee and management seek advice on remuneration and legal matters from a number of firms as appropriate, including PwC, Deloitte and Travers Smith. The committee has direct access to these advisors who attend committee meetings as required. All provide other services to management including legal, tax, accounting and consulting services. The committee has satisfied itself that the advice it receives is objective and independent and is not conflicted by the advisors also working with management on remuneration and other matters.

In August 2019 the committee appointed PwC as their formal on-going remuneration committee advisors reporting directly to the Chair of the committee, with arrangements in place to provide the committee with oversight of the remuneration services provided by PwC to management. The committee reviewed the potential for conflicts of interest in connection with this appointment and is comfortable that there are no conflicts which might impair the independence of the PwC team that provide remuneration advice to the committee. In addition, as a founder member of the Remuneration Consultants Group, PwC operates under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK

PwC's fees for the financial year ended October 31, 2019 relating to remuneration advice to the committee were determined on a time and materials basis and were £45,451 (excluding VAT).

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Share interest awards made during the financial year ended 31 October 2019

Deferred Share Bonus Plan

On February 28, 2019, conditional awards were made under the Deferred Share Bonus Plan to Stephen Murdoch in respect of the one-third of his FY18 annual bonus earned whilst a director that was deferred into shares. The number of shares awarded was based on the closing mid-market share price of £18.945 on the day before the grant date.

Executive director	Date of grant	Awards made during the period		Share price at grant [1]		Face value at grant
Stephen Murdoch	February 28, 2019	10,013	£	18.945	£	189,696

1 Share price at grant is the closing mid-market price on the day before grant.

Long-term Incentive Plan

During the financial year ended October 31, 2019, executive directors (with the exception of Chris Kennedy) were granted nil-cost options under the LTIP as set out in the table below.

Executive director	Date of grant	Performance period	Awards made during the period		Share price at grant [1]		Face value at grant	Grant basis
Kevin Loosemore	February 18,2019	3 years from November 1, 2018	89,285	£	16.80	£	1,499,988	200% of salary
Stephen Murdoch	February 18, 2019	3 years from November 1, 2018	101,190	£	16.80	£	1,699,992	200% of salary
Brian McArthur- Muscroft [2]	November 22, 2018	3 years from November 1, 2018	80,482	£	14.91	£	1,199,987	200% of salary
Brian McArthur-Muscroft [3]	November 22, 2018	3 years from November 1, 2018	80,482	£	14.91	£	1,199,987	200% of salary

1. Share price at grant is the closing mid-market price on the day before grant.
2. Brian McArthur-Muscroft's normal FY19 annual award was made shortly after joining.
3. Brian McArthur-Muscroft's additional one-off new hire award was made shortly after joining but has a four-year performance period rather than the normal three years.

The awards will be eligible to vest on the third (or fourth in the case of Brian McArthur-Muscroft's new hire award) anniversary of the date of grant subject to achievement of a performance condition based on average growth, in excess of RPI, of the aggregate EPS over the relevant performance period.

Annualized EPS growth of the Company in excess of RPI over the performance period	Vesting percentage of the shares to an award
Less than 3% p.a.	0%
Equal to 3% p.a.	25%
Between 3% and 9% p.a.	Between 25% and 100% on a straight-line basis
Equal to or above 9% p.a.	100%

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Additional Share Grants

During the financial year ended October 31, 2019, the remuneration committee exercised its discretion to make an award to Brian McArthur-Muscroft under the Additional Share Grant program implemented following the acquisition of the HPE Software business ("HPE Software ASG" award). This was set at half the level awarded to his predecessor to reflect the shorter period of employment during the three-year performance period and ensures his interests are aligned to those of the other executive directors in delivering value from the HPE Software business.

Executive director	Date of grant	Performance period	Awards made during the period		Share price at grant [1]		Face value at grant	Grant basis
Brian McArthur-Muscroft	November 22, 2018	3 years from September 1, 2017	338,000	£	14.91	£	5,039,580	½ of the award granted to his predecessor

1. Share price at grant is the closing mid-market price on the day before grant.

In line with the other current executive directors, Brian McArthur-Muscroft surrendered his HPE Software ASG and it lapsed on February 3, 2020.

Changes to the board in the financial year ended October 31, 2019

On November 5, 2018, the Company announced that Chris Kennedy would be leaving the Company in early 2019 after closing out the accounts for the 18 months ended October 31, 2018 and that Brian McArthur-Muscroft had joined and would take up the role of Chief Financial Officer and be appointed to the board in early 2019. Chris Kennedy resigned from the board and left the Company on February 21, 2019, whereupon Brian McArthur-Muscroft was appointed to the board as Chief Financial Officer. Chris Kennedy continued to receive his salary and contractual benefits until his date of leaving but no FY18 annual bonus was payable and all his LTIP awards and HPE Software ASG award lapsed on leaving. No further payments were made for loss of office.

Payments for loss of office

There were no payments for loss of office during the financial year ended October 31, 2019.

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Payments to past directors

Nils Brauckmann

As disclosed last year, Nils Brauckmann stepped down from the board on July 11, 2018 following the announcement of the sale of SUSE and that, on completion of the sale, he would be treated as for other SUSE employees with regard to his various share plan awards in accordance with the rules of the plans, with pro-rating for time and performance testing applied as required. Awards which had already vested but had yet to be exercised continued unaffected, details of which were set out in last year's Directors' Remuneration report. The table below sets out the treatment for awards that had not yet vested at the date of completion of the sale of SUSE on March 15, 2019.

Award	Date of grant	Shares granted	Shares lost through time pro-ration [1]	Performance condition outcome	Shares vesting	Exercise/release date
LTIPs						
Nil cost option	March 23, 2016	26,024	-	Already vested 100% [2]	26,024	March 15, 2019 to September 14, 2019
Nil cost option	September 13, 2016	33,476	1,860	100%[3]	31,616	March 15, 2019 to September 14, 2019
Conditional award	September 16, 2017	33,633	13,079	100%[4]	20,554	March 15, 2019
Deferred Share Bonus Plan						
Conditional award	July 25, 2017	4,519	2,134	n/a	2,385[5]	March 15, 2019
Conditional award	February 28, 2019	6,565	6,565	n/a	-	n/a

1. Pro-ration for LTIP awards is assessed by reference to the proportion, in complete months, of the performance period completed. Pro-ration for Deferred Share Bonus Plan awards is by reference to the proportion, in complete months, of the three-year deferral period completed.

2. The EPS performance condition on this award had already been tested and fully achieved but the award would not have vested until March 23, 2019, which resulted in a shortening of the exercise period to six months from completion of the sale.

3. The Remuneration Committee exercised its discretion to early test the EPS performance condition based on the 2½ years to end October 2018, being the last financial year-end prior to completion of the sale of SUSE, which resulted in the performance condition being met in full.

4. The Remuneration Committee exercised its discretion to early test the EPS performance condition based on the 1½ years to end October 2018, being the last financial year-end prior to completion of the sale of SUSE, which resulted in the performance condition being met in full.

5. Accumulated dividends amounting to £2,735.83 were also payable on the pro-rated shares vesting. The total vesting value of the deferred bonus plan shares and dividends, which amounted to £48,290.34 was settled in cash, as these would otherwise have been settled by market purchase shares. The price used for valuing the shares was the average sale price used for all share sale transactions of SUSE employees with conditional awards on the date of completion of £19.100425

In addition, Nils voluntarily surrendered his HPE Software ASG award over 500,000 shares, which would otherwise have continued with a TSR performance condition over a performance period ending 1 September 2020, to ensure there were no outstanding unvested share based awards with a direct linkage to Micro Focus' future performance.

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Mike Phillips

As announced last year, Mike Phillips stepped down from the board on January 31, 2018 to take on a new role of Director of M&A after seven years as Chief Financial Officer, and retired from Micro Focus on May 31, 2019. On his retirement, he was treated as a "good leaver" under the rules of the various share plans. Awards which had already vested continue unaffected, details of which were set out in last years' Directors' Remuneration report; unvested awards were time pro-rated with vesting at their normal vesting dates subject to testing of any outstanding performance conditions. The table below sets out the treatment of unvested awards together with the LTIP award granted in 2016 which had a performance period that ended in the FY19 financial year.

Award	Date of grant	Date of vesting	Shares granted	Shares lost through time pro-ration [1]	Shares outstanding	Performance condition outcome	Exercise/release date
LTIPs							
Nil cost option	September 13, 2016	July 26, 2019	37,262	-	37,262	Already vested 100% [2]	July 26, 2019 to July 25, 2026
Nil cost option	September 6, 2017	July 17, 2020	34,464	8,616	25,848	To be tested at vesting [3]	July 17, 2020 to January 16, 2021
Deferred Share Bonus Plan							
Conditional award	July 25, 2017	July 25, 2020	4,758	1,583	3,165	n/a	July 25, 2020
Conditional award	February 28, 2019	February 28, 2022	2,415	2,080	335	n/a	February 28, 2022
HPE Software Additional Share Grant							
Nil cost option	September 20, 2018	September 1, 2020	676,000	245,482	430,518	To be tested at vesting [4]	September 1, 2020 to February 28, 2021

1. Pro-ration for LTIP awards is assessed by reference to the proportion, in complete months, of the performance period completed. Pro-ration for Deferred Share Bonus Plan awards is by reference to the proportion, in complete months, of the three-year deferral period completed. Pro-ration for ASG Award is by reference to days completed during the three-year performance period.

2. The EPS performance condition on this award had already been tested based on the performance period ending April 30, 2019 and fully achieved as set out in the section for the vesting of directors' LTIP awards with performance periods ending in the financial year ended October 31, 2019.

3. The EPS performance condition on this LTIP award will be tested at the normal vesting date.

4. The TSR performance condition on this HPE Software ASG award will be tested at the normal vesting date.

Chris Hsu

Chris Hsu received a payment of $14,378 under the Company's tax equalization policy on completion and filing of his 2018 US tax return. This related to medical and other benefits that were subject to UK tax but would not have been subject to US tax.

There were no other payments made to past directors during the financial year ended 31 October 2019 relating to their previous service as a director.

Other directorships

Kevin Loosemore was appointed non-executive Chairman of De La Rue plc on September 2, 2019 and relinquished his role of Chairman of IRIS Software Group Ltd on the same date. The fees paid by De La Rue will be set out in next year's report once they are disclosed by De La Rue. Brian McArthur-Muscroft is a non-executive director of Robert Walters plc and is paid a fee of £76,000 per annum (increased from £74,000 per annum with effect from January 1, 2019). Chris Kennedy was a non-executive director of Whitbread plc and was paid a fee of £80,000 per annum.

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Implementation of Remuneration Policy for the financial year ended October 31, 2020

The following sections detail the proposed implementation of the new remuneration policy for the financial year ending October 31, 2020 (FY20).

Base salary
The committee decided not to award a salary increase to the executive directors for FY20. Therefore, the FY20 salaries are as follows: Kevin Loosemore: £750,000, Stephen Murdoch: £850,000 and Brian McArthur-Muscroft: £600,000.

Benefits
The benefits provided to the executive directors are unchanged for FY20.

Pension
The company pension contributions will remain at the same rates as currently for FY20 (20% of salary for the Executive Chairman and 15% of salary for the other Executive Directors). However, subject to approval of the new Remuneration Policy, it has been agreed between the executive directors and the committee that the pension contribution levels for all executive directors will reduce to the level for UK employees in general by the end of 2022 in one step. The current level of employer contribution for UK employees is 5%.

Annual bonus
In light of the current business context and the outcome of the strategic review, the committee has decided to add additional measures to the bonus plan for the 2020 financial year to ensure a more balanced set of measures are in place to support the delivery of key aspects of the business plan. Whilst Adjusted EBITDA continues to be the predominant performance measure, with a weighting of 60%, we are adding a revenue measure (weighted 20%) and individual key performance objectives (KPOs) (weighted 20%). The KPOs are set to focus the CEO and CFO on specific key deliverables aligned to the business plan and there will only be a payout under the KPO element if there is a payout under at least one of the financial measures. Given the announcement that the Executive Chairman will be stepping down from the board on February 14, 2020, the committee has determined that the Executive Chairman will not have specific key deliverables under the KPO element for the 2020 bonus but rather, the outcome under this element will be determined by reference to the performance under the financial measures

The Adjusted EBITDA and revenue targets for the FY20 bonus have been set to reflect the 2020 business plan, which takes into account all current factors impacting the business. The targets and the outcomes achieved will be fully disclosed in the FY20 Annual Remuneration Report, as will comprehensive details of the KPOs set and performance against those.

The maximum annual bonus opportunity for executive directors for the 2020 annual bonus remains the same as last year at 150% of salary. The requirement to defer one-third of the bonus earned into shares for three years will continue to apply to the CEO and CFO in respect of the 2020 bonus.

LTIP
It is intended that the performance measures for the 2020 LTIP grants will comprise free cash flow and TSR. In light of the recently concluded strategic review and the announcement that the current Executive Chairman will be stepping down from the board on February14, 2020 and will be replaced by a newly appointed non-executive Chairman, the committee has decided that a thorough shareholder consultation is required before confirming the financial measures and targets for the 2020 LTIP grants. The 2020 LTIP grants will therefore be delayed until after the AGM and, over the coming weeks, the Company will be consulting with shareholders and listening to their views on the proposed measures. Following the consultation, the measures, weightings, targets and grant levels for the 2020 LTIP will be finalized and published on the company website in advance of granting the awards.

Subject to the policy maximum of 200% of salary, when setting the 2020 grant levels for executive directors, the committee will take account of shareholder experience following the August 2019 trading update and subsequent share price decline. The Excutive Chairman will not be receiving an LTIP grant in 2020.

The awards are subject to a three-year performance period and, subject to approval of the new policy, the net (after tax) vested shares are to be held for a further two-year holding period.

Review of past performance until end of reporting period
The remuneration package is structured to help ensure alignment with shareholders. The graph and table below show how the Chief Executive Officer’s or Executive Chairman’s pay compares to total shareholder returns (TSR) over the last 10½ years.

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The graph below shows the value, by October 31, 2019, of £100 invested in Micro Focus International plc on April 30, 2009 compared with the value of £100 invested in the FTSE 250, FTSE 100 and the FTSE All-Share Software and Computer Services indices. The dates shown are the Company's financial year ends. The FTSE 250, FTSE 100 and the FTSE All-Share Software and Computer Services indices have been chosen as they are considered the most relevant indices for comparison with the Company.

HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over the period from April 30, 2009



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The table below details the Chief Executive Officer and Executive Chairman's (for the period from April 14, 2011 until April 30, 2017) single figure of total remuneration over the same period:

	Year ended April 30,								18 months ended October 31,	**12 months ended October 31,**
	2010	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Stephen Murdoch [1]										
Single total figure of remuneration									2,739	**1,333**
Annual bonus outcome (% of maximum)									57%	**Nil**
LTIP vesting (% of maximum)									100%	**100%**
Chris Hsu [2]										
Single total figure of remuneration									4,963	
Annual bonus outcome (% of maximum)									12%	
LTIP vesting (% of maximum)									n/a	
Kevin Loosemore										
Single total figure of remuneration		23	1,291	1,304	12,468	4,315	4,231	4,226		
Annual bonus outcome (% of maximum)		Nil	90%	92%	100%	100%	100%	45%		
LTIP vesting (% of maximum)		Nil	Nil	Nil	199%	100%	100%	100%		
Nigel Clifford										
Single total figure of remuneration		628								
Annual bonus outcome (% of maximum)		Nil								
LTIP vesting (% of maximum)		Nil								
Stephen Kelly										
Single total figure of remuneration	3,696									
Annual bonus outcome (% of maximum)	Nil									
LTIP vesting (% of maximum)	100%									

1. Stephen Murdoch assumed the CEO responsibilities from May 1, 2017 in the build up to the acquisition of the HPE Software business and stepped down on completion of the transaction on September 1, 2017 to take on the role of Chief Operating Officer. He was reappointed as CEO from March 16, 2018. The 2018 and 2019 figures are slightly different from those shown in the single figure for remuneration table as the value placed on the LTIPs and ASG reflect the period of the relevant performance period that he was undertaking the CEO role. The 2018 figure has also been adjusted to take account of the restatement in the LTIP value to reflect the share price at vesting on March 23, 2019 of £19.39.

2. Chris Hsu's period as CEO was from September 1, 2017 to March 19, 2018. The 2018 single figure of remuneration includes the benefits in kind payment of $5,918,705 to cover the grossed-up cost of the excise tax incurred as a result of US "inversion" tax treatment of the HPE Software business transaction, and has been adjusted to include a $14,378 contractual tax equalization payment relating to medical and other benefits deemed taxable in the UK which would not have been taxable in the US, which was finalized on filing his 2018/19 tax returns. The figure for his annual bonus outcome as a percentage of maximum has been calculated by reference to a maximum bonus of 150% of his salary earned over the period as a director.

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Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in the Chief Executive Officer's annualized remuneration from the 18 months ended October 31, 2018 to the 12 months ended October 31, 2019, as compared to the average annualized percentage change in remuneration over the same period for all staff that were on the corporate bonus scheme in both years and were employed throughout the period. For the 12 months ended October 31, 2019, this covers Stephen Murdoch but for the 18 months ended October 31, 2018 it covers a combination of Stephen Murdoch (covering the two periods before and after the HPE Software business acquisition) and Chris Hsu which has then been annualized to enable a year-on-year increase to be calculated. We have selected our staff on the corporate bonus scheme (unchanged from the 2018 report) for this comparison as it is considered the most relevant comparator group given the structure of that group's remuneration.

				Chief Executive Officer	Other employees
Base package	2019 12 month period £ '000	2018 18 month period £ '000	2018 Annualized £ '000	Annualized % change	Annualized % change
Salary	850	1,081	721	18%	5%
Taxable benefits	20	4,493	2,995	(99)%	4%
Annual performance bonus	-	642	428	(100)%	(58)%
Total	**870**	**6,216**	**4,144**	**(79)%**	**No change**

Chief Executive Officer pay ratios

The 2018 Reporting Regulations require disclosure of the ratio of total CEO remuneration to the median, 25th and 75th percentile UK employee total remuneration (calculated on a full-time equivalent basis). We are voluntarily disclosing pay ratios in this year's report, earlier than we are required to do so. We have around 1,000 employees in the UK.

For the purposes of the pay ratios below, the CEO's total remuneration is his 2019 single total figure of remuneration of £1,563,000. All pay figures are rounded to the nearest £1,000.

Year	Method	25th percentile pay ratio	Median pay ratio	75Th percentile pay ratio
2019	Option B	35:1	24:1	14:1
Total remuneration		£ 45,000	£ 66,000	£ 111,000
Salary		£ 40,000	£ 59,000	**£ 83,000**

The ratios have been calculated using Option B, meaning that the best equivalents of the median, 25th and 75th percentile UK employees were identified based on the latest published hourly rate gender pay gap information. This was deemed the most appropriate methodology for the company at this time, recognizing the different human resources and payroll systems in place.

To ensure that the total remuneration for the financial year ended October 31, 2019 for the selected best equivalents of the median, 25th and 75th percentile UK employee were sufficiently representative of those positions, we calculated the total remuneration for a number of employees above and below each of the selected median, 25th and 75th percentile UK employees. We excluded or adjusted for anomalies (such as employees who left part way through the year) and took the median of the remaining figures in order to provide a robust representation of each quartile.

The total remuneration calculations for the relevant representative employees, and those in the range above and below, were performed as at October 31, 2019 based on their total remuneration paid or receivable for the 2019 financial year, calculated (for all components other than benefits and pension) on the same basis as required for the CEO's total remuneration for single total figure purposes. Benefits and pension were calculated based on the annual value of those benefits as at October 31, 2019, rather than the actual annual value of those benefits during the 2019 financial year, which is subject to changes in individual's benefit choices during the year. No other estimates or adjustments have been used in the calculation of total remuneration and no components of pay have been omitted. For any employees who worked less than full-time during the year, their pay was adjusted to reflect a full-time equivalent basis

The committee is satisfied that the overall picture presented by the 2019 pay ratios is consistent with the pay, reward and progression policies for the company's UK employees. Pay ratios for total remuneration are likely to vary, potentially significantly, over time since the CEO's total remuneration comprises a significant proportion of variable pay and so remuneration each year is impacted by the performance-related pay outcomes and share price movements. There was no bonus payout for the CEO for the 2019 financial year. The CEO's 2016 LTIP award vested during the year and is therefore included in his total remuneration. Whilst the representative employees in the calculation would not typically participate in the LTIP, they do have the opportunity to receive company shares by participating in the UK share save plan and they receive a higher proportion of their remuneration in the form of fixed pay.

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Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buy-backs) from the 12 and 18-month periods ending October 31, 2018 to the 12 months ended October 31, 2019.

	2019 12 months ended October 31	2018 18 months ended October 31,	12 months ended October 31,	% change from 2018 18 months	12 months
	$ m	$ m	$ m	%	%
Distribution to shareholders					
- Dividends paid	**439.2**	542.2	408.3	(19.0)%	7.6%
- Share buy-backs	**538.8**	171.2	171.2	214.7%	214.7%
- Return of Value	**1,800.0**	500.0	-	260.0%	n/a
Total	**2,778.0**	1,213.4	579.5	128.9%	379.4%
Employee remuneration	**1,340.2**	2,030.7	n/a	(34.0)%	n/a

The directors have proposed a final dividend for the financial year ended October 31, 2019 of 58.33 cents 44.53 pence per share (2018: final dividend of 58.33 cents 45.22 pence).

Directors' shareholdings and share interests as at October 31, 2019

		Nil-cost options and conditional awards held					
Director	**Shares held (owned outright)**	**Vested but not exercised**	**Unvested and not subject to performance**	**Unvested and subject to performance**	**Shareholding requirement (% of salary)**	**Current shareholding (% of salary)[1]**	**Requirement met?**
Kevin Loosemore	631,983	69,156	-	1,257,250	200%	945%	Yes
Stephen Murdoch [2]	276,151	39,640	15,064	1,152,391	200%	371%	Yes
Brian McArthur Muscroft [3]	-	-	-	498,964	200%	-	Not yet due
Karen Slatford	14,687	-	-	-	-	-	n/a
Richard Atkins	13,862	-	-	-	-	-	n/a
Amanda Brown	3,841	-	-	-	-	-	n/a
Silke Scheiber	-	-	-	-	-	-	n/a
Lawton Fitt	-	-	-	-	-	-	n/a

1. Current shareholding includes the value of any shares held (owned outright) together with the net-after-tax value of any vested but unexercised nil-cost options using the closing mid-market quotation price on October 31, 2019 of £10.60.

2. Stephen Murdoch is required to have a 200% shareholding within three years of re-joining the board on March 19, 2018.

3. Brian McArthur-Muscroft is still within the time period (which is typically five years) to build up to his 200% shareholding requirement.

Between November 1, 2019 and February 3, 2020, the "Unvested and subject to performance" figures in the table above have reduced by 1,100,000 for Kevin Loosemore, 947,000 for Stephen Murdoch and 338,000 for Brian McArthur-Muscroft in accordance with the surrender and lapse of the outstanding ASG awards on February 3, 2020. There were no other changes to the above interests between November 1, 2019 and February 3, 2020.

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Micro Focus International plc Incentive Plan 2005 ("LTIP")

The table below sets out the executive directors' LTIP awards (which were granted as nil cost options) as at October 31, 2019 together with the movements in these awards during the 12-month period.

	Number at November 1, 2018	Number granted in the period	Number exercised in the period	Number lapsed in the period	**Number at October 31, 2019**	Date for exercise
Kevin Loosemore [1]	192,157	-	192,157	-	**-**	June 27, 2015 to June 26, 2022
Kevin Loosemore [1]	142,132	-	142,132	-	**-**	June 26, 2016 to June 25, 2023
Kevin Loosemore [1]	115,192	-	115,192	-	**-**	June 27, 2017 to June 26, 2024
Kevin Loosemore [1]	111,275	-	111,275	-	**-**	July 17, 2018 to July 16, 2025
Kevin Loosemore [1]	69,156	-	-	-	**69,156**	July 26, 2019 to July 25, 2026
Kevin Loosemore [2]	67,965	-	-	-	**67,965**	July 17, 2020 to July 16, 2027
Kevin Loosemore [3]	-	89,285	-	-	**89,285**	February 18, 2022 to February 17, 2029
Stephen Murdoch [1]	46,237	-	46,237	-	**-**	December 27, 2015 to December 26, 2022
Stephen Murdoch [1]	39,884	-	39,884	-	**-**	June 26, 2016 to June 25, 2023
Stephen Murdoch [1]	56,421	-	56,421	-	**-**	June 27, 2017 to June 26, 2024
Stephen Murdoch [1]	44,510	-	44,510	-	**-**	July 17, 2018 to July 16, 2025
Stephen Murdoch [1]	26,024	-	26,024	-	**-**	March 23, 2019 to March 22, 2026
Stephen Murdoch [1]	39,640	-	-	-	**39,640**	July 26, 2019 to July 25, 2026
Stephen Murdoch [2]	36,664	-	-	-	**36,664**	July 17, 2020 to July 16, 2027
Stephen Murdoch [2]	67,537	-	-	-	**67,537**	September 20, 2021 to September 19, 2028
Stephen Murdoch [3]	-	101,190	-	-	**101,190**	February 18, 2022 to February 17, 2029
Brian McArthur-Muscroft [3]	-	80,482	-	-	**80,482**	November 22, 2021 to November 21, 2028
Brian McArthur-Muscroft [4]	-	80,482	-	-	**80,482**	November 22, 2022 to November 21, 2028

1. This award vested in full as the performance condition was fully met.

2. Performance condition requires that cumulative EPS growth over a three-year performance period starting on the May 1, preceding the date of grant is at least equal to RPI plus 3% per annum (at which point 25% of awards will vest) and for full vesting the aggregate EPS growth will be required to be RPI plus 9% per annum. Straight-line vesting will apply between these points.

3. Performance condition requires that cumulative EPS growth over a three-year performance period starting on the November 1, preceding the date of grant is at least equal to RPI plus 3% per annum (at which point 25% of awards will vest) and for full vesting the aggregate EPS growth will be required to be RPI plus 9% per annum. Straight-line vesting will apply between these points.

4. Performance condition requires that cumulative EPS growth over a four-year performance period starting on the November 1, preceding the date of grant is at least equal to RPI plus 3% per annum (at which point 25% of awards will vest) and for full vesting the aggregate EPS growth will be required to be RPI plus 9% per annum. Straight-line vesting will apply between these points.

In considering the likely vesting level under the outstanding unvested LTIPs noted in the table above (i.e. awards to which footnotes 2, 3 and 4 apply), due regard should be given to the performance conditions specified in footnotes 2, 3 and 4 as well as performance to date and broker forecasts.

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LTIP awards exercised during the year ended October 31, 2019

The table below sets out the LTIP awards (which were granted as nil cost options) which executive directors exercised during the financial year ended October 31, 2019.

Executive director	Date of exercise	Number of options exercised		Share price at exercise [1]		Gain on exercise
Kevin Loosemore	April 5, 2019	560,756	£	19.545	£	10,959,976
Stephen Murdoch	April 1, 2019	213,076	£	20.010	£	4,263,651

1 The share price at exercise is the closing mid-market quotation price on the day of exercise.

Deferred Share Bonus Plan ("DSBP")

The table below sets out the executive directors' awards of conditional shares under the DSBP as at October 31, 2019 together with the movements in these awards during the year.

	Number at November 1, 2018	Number granted in the period	Number exercised in the period	Number lapsed in the period	Number at October 31, 2019	Date of release
Stephen Murdoch	5,051	-	-	-	5,051	July 25, 2020
Stephen Murdoch	-	10,013	-	-	10,031	February 28, 2022

Additional Share Grants ("ASG")

The table below sets out the executive directors' ASG awards (which were granted as nil cost options) as at October 31, 2019 together with the movements in these awards during year.

	Number at November 1, 2018	Number granted in the period	Number Exercised in the period	Number lapsed in the period	Number at October 31, 2019	Date of exercise
Kevin Loosemore [1]	947,140	-	947,140	-	-	November 1, 2017 to October 31, 2024
Kevin Loosemore [2]	1,100,000	-	-	-	1,100,000	September 1, 2020 to August 31, 2027
Stephen Murdoch [1]	405,917	-	405,917	-	-	November 1, 2017 to October 31, 2024
Stephen Murdoch [2]	947,000	-	-	-	947,000	September 1, 2020 to August 31, 2027
Brian McArthur-Muscroft [2]	-	338,000	-	-	338,000	September 1, 2020 to August 31, 2027

1 This award vested in full as the performance condition was fully met.

2 The performance condition is that the percentage of ordinary shares subject to the ASG which may be acquired on exercise on or after the vesting date is as follows:

a. 0% if the Shareholder Return Percentage (as defined below) is 50% or less;
b. 100% if the Shareholder Return Percentage is 100% or more; and
c. a percentage determined on a straight-line basis between (i) and (ii) above.

The "'Shareholder Return Percentage" will be calculated by deducting £18.17¾ per share (the "Reference Price"), being the average of the 20 days to August 2, 2016 (being the date of the heads of agreement relating to the acquisition of the HPE Software business), from the sum of the "Vesting Price" (calculated as the average closing share price over the period of 20 days ending on the day prior to the vesting date) plus the total of all dividends per share between completion and the vesting date. This will be divided by the Reference Price, multiplying the resulting figure by 100 to obtain the Shareholder Return Percentage.

The executive directors listed in the table above have surrendered the outstanding ASG awards noted in the table and they lapsed on February 3, 2020.

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Additional Share Grant awards exercised during the year ended October 31, 2019
The table below sets out the Attachmate ASG awards (which were granted as nil cost options) which executive directors exercised during the financial year ended October 31, 2019.

Executive director	Date of exercise	Number of Options exercised	Share price at exercise [1]	Gain on exercise
Kevin Loosemore	April 1, 2019	947,140	£ 20.010	£ 18,952,271
Stephen Murdoch	April 1,2019	405,917	£ 20.010	£ 8,122,399

1 The share price at exercise is the closing mid-market quotation price on the day of exercise.

Sharesave
Chris Kennedy's share save options from the summer 2018 offer lapsed on leaving the Company at the end of February 2019. No other executive director is currently participating in Sharesave.

Share option schemes
Details of the Company's share option schemes are given in note 33 of the financial statements in Item 18.

The mid-market closing price of the shares at October 31, 2019 was 1,060 pence per share and during the 12 months ended October 31, 2019 the mid-market closing price varied between 1,004 pence and 2,160 pence per share.

Statement of shareholder voting
The following table shows the results of the advisory vote on the 2018 Directors' Remuneration report at the AGM held on March 29, 2019, together with the latest approval vote on the Directors' Remuneration Policy at the AGM on September 4, 2017:

	Votes for		Votes against			
	Number	Percentage	Number	Percentage	Votes cast	Votes withheld
2018 Director's Remuneration report	154,276,600	49.67%	156,329,073	50.33%	322,087,153	11,481,480
2017 Director's Remuneration Policy	162,259,404	86.46%	25,408,333	13.54%	188,129,640	461,903

A statement was issued on March 29, 2019 acknowledging the advisory vote against the 2018 Directors' Remuneration report and committing to a thorough review of the reward strategy and continuing engagement with shareholders to fully understand their concerns. An update statement was issued on September 26, 2019 noting the shareholder feedback received and the concerns raised which led to this vote outcome.

Since the AGM in March 2019, the Board has undertaken a detailed review of all of the feedback received from our shareholders and proxy agencies on the 2018 Remuneration report and engaged with our largest shareholders on the changes being proposed to the Remuneration Policy. This feedback has been incorporated into the design of the proposed new Remuneration Policy. The Company will be undertaking a full shareholder consultation in advance of the 2020 LTIP grants.

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Item 6. C. Board practices.

Role of the board

The Board leads and controls the Company and has collective responsibility for promoting the long-term success of the Group. While the board delegates some responsibilities to its committees or, through the CEO, to management, it has agreed a formal schedule of matters that are specifically reserved for its consideration. These include constructively challenging and helping develop proposals on business strategy, financing arrangements, material acquisitions and divestments, approval of the annual budget, major capital expenditure projects, risk management, treasury policies and establishing and monitoring internal controls. At each meeting, the board reviews progress of the Group towards its objectives and receives papers on key subjects in advance of each board meeting.

These typically cover:
Strategy and budgets;
- Business and financial performance;
- Product plans and development;
- Corporate activities;
- Human resources; and
- Investor relations.

While the board retains overall accountability for and control of the Company, the executive directors are responsible for conducting the day-to-day management of the business. Review of the Group's principal business activities is the responsibility of the operating committee. The operating committee comprises the Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Operating Officer, Vice President Strategy and Planning and the Group General Counsel and Company Secretary and is chaired by the CEO, Stephen Murdoch.

Roles of board members
The Executive Chairman has responsibility for leading the board, including setting the board agenda (in conjunction with the senior independent director and the Company Secretary) and for the delivery of strategy, M&A activities, investor relations and executive director development. He chairs board meetings, facilitating the effective contribution of non-executive directors and ensuring that the board is effective in all aspects of its role, and for upholding the highest standards of integrity and probity. He also chairs shareholder meetings and is responsible for ensuring effective communication with shareholders, supported by his accountability for investor relations.

The Senior Independent Director, Karen Slatford, chairs the nomination committee and is therefore responsible for succession planning. Also, in her role as senior independent non- executive director, Karen Slatford leads on governance issues, including the annual review of overall board effectiveness and of the Executive Chairman's performance. The senior independent non-executive director also acts as an intermediary, if necessary, between non-executive directors and the Executive Chairman and between the Company and its shareholders, providing a point of contact for those shareholders who wish to raise issues with the board, other than through the Executive Chairman. Each of the non-executive directors has been appointed for a specific term, subject to annual re-election by shareholders. The independent non-executive directors comprise a majority of the board.

The executive directors are responsible for developing the Group's strategy and proposing the budget for board approval and are accountable to the board through the Chief Executive Officer. They are also responsible for the financial and operational performance of the Group and, in conjunction with the operating committee, they are collectively responsible for the day-to-day running of the business. There is a clear and documented division of responsibilities between the Executive Chairman, who is responsible for running the board and retains executive responsibility for strategy, M&A activities, investor relations and executive director development, and the Chief Executive Officer, who is responsible for the evolution and delivery of the strategy and the day-to-day operation of the business. This division of responsibilities has been considered and approved by the board, who are satisfied that no one individual has unfettered powers of decision-making.

The role of the non-executive directors is to ensure that independent judgement is brought to board deliberations and decisions and to provide constructive challenge as appropriate. They promote the highest standards of integrity, probity and corporate governance throughout the Company.

The non-executive directors possess a wide range of skills and experience, relevant to the development of the Company, which complement those of the executive directors.

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The non-executive directors, led by the Senior Independent Director, met regularly throughout the year in private session without executive directors in attendance.

The Company Secretary is accountable to the board through the Executive Chairman, to whom she reports. It is the responsibility of the Company Secretary to ensure that agreed board procedures are followed and all rules and regulations are complied with. The Company Secretary's responsibilities include facilitating the induction and professional development of directors and ensuring the smooth flow of information between board members, between the board and its committees and between non-executive directors and senior management.

In addition, all directors have direct access to the advice and services of the Company Secretary.

Non-executive directors' terms of appointment
The non-executive directors' terms of appointment are recorded in letters of appointment. The required notice from the Company and the non-executive director is 90 days in all cases. The non-executive directors are not entitled to any compensation for loss of office and stand for election or re-election as appropriate at each AGM. Details of the letters of appointment of each non-executive director who has served as a director of the Company at any time during the financial year ended October 31, 2019 are set out below:

Non-executive director	Appointment date	Expiration date
Karen Slatford	July 5, 2010	July 5, 2022
Richard Atkins	April 16, 2014	April 16, 2020
Amanda Brown	July 1, 2016	July 1, 2022
Silke Scheiber [1]	May 15, 2017	May 15, 2020
Darren Roos [2]	May 15, 2017	May 15, 2020
Lawton Fitt	October 17, 2017	October 17, 2020

[1] Silke Scheiber left the board on February 4, 2020.
[2] Darren Roos left the board on September 2, 2019.

Non-executive directors' independence
Each of the non-executive directors who served during the period was considered by the board to be independent. Karen Slatford was appointed to the board in July 2010 and has now served for more than nine years. The board has specifically considered whether this was likely to affect, or could appear to affect, her independence and concluded that she continued to demonstrate independence in thought and judgement, noting that there were no other relationships or circumstances that could affect her independence.

The board also decided on October 17, 2019 that, in furtherance of good governance, all the non-executive directors would join each committee of which they were not already a member, save that Karen Slatford would no longer serve on the remuneration committee as she had completed the maximum term permitted under the committee's terms of reference.

Board members' external commitments
Each of the non-executive directors confirms on appointment that they will devote sufficient time to meet what is expected of them in their role. They have each disclosed their other significant commitments and the time involved in these, and advise the board of any changes.

Two of the executive directors have external roles.
Brian McArthur-Muscroft is a non-executive director of Robert Walters plc. Kevin Loosemore has had external roles for a number of years and on September 2, 2019 was appointed as a non-executive director of De La Rue plc, subsequently becoming non-executive chairman of that company on October 1, 2019. At the time of joining that board, Mr Loosemore relinquished his role as non-executive chairman of IRIS Software Group Ltd (though he continues to serve as a non-executive director of that company). The board is satisfied that there will be no adverse impact on the Company from this new appointment

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Board meetings
The board schedules meetings approximately every two months, with a scheduled update call in the months with no formal meeting. Additional meetings are arranged as necessary, especially when circumstances or the nature of the matter means that the business could not be dealt with on a regular update call. All directors receive an agenda and board papers in a timely manner in advance of meetings, to help them make an effective contribution at the meetings. The board makes full use of appropriate technology as a means of updating and informing all its members, including the use of board portal software.

In the year ended October 31, 2019 the board met formally at six scheduled meetings. As described overleaf, the board also met on a further two occasions to receive interim updates or consider more urgent matters.

Attendance at board and committee meetings
The number of board and committee meetings attended by each director in the year ended October 31, 2019, relative to the number of meetings held during their time in office, was as follows:

Director	Board	Audit Committee	Nomination committee	Remuneration committee
Kevin Loosemore	8/8	-	-	-
Stephen Murdoch	8/8	-	-	-
Brian McArthur-Muscroft [1]	6/6	-	-	-
Karen Slatford	7/8	-	5/5	7/7
Richard Atkins	8/8	8/8	5/5	-
Amanda Brown	8/8	8/8	-	7/7
Lawton Fitt	8/8	7/8	5/5	-
Silke Scheiber	8/8	8/8	-	7/7
Chris Kennedy [2]	2/2	-	-	-
Darren Roos [3]	5/6	-	3/3	4/5

1. Brian McArthur-Muscroft served as a director from February 21, 2019.
2. Chris Kennedy ceased to serve as a director on February 21, 2019.
3. Darren Roos ceased to serve as a director on September 2, 2019.

If any director is unable to attend a meeting, they provide feedback to the Executive Chairman, the chair of the committee or the Company Secretary, who will ensure that their comments are then communicated to the meeting.

Key matters considered by the board during the financial year
The key matters that the board discussed at each meeting and the key activities that have taken place throughout this period.

Matters considered at all scheduled board meetings	Key activities for the board in the year to October 31, 2019
- Key Project status and progress - Strategy - Financial reports and statements - Operational reports, issues and highlights - Investor relations and capital markets update - Key legal updates - Key transactions - Assurance and risk management - Compliance reports - Committee reports	- Reviewed 2019 budget and approved 2020 preliminary budget approval - Completion of the disposal of the SUSE business - Approved the Return of Value to shareholders - Approved two further share buyback programs - Commenced a strategic review of the Group's business - Approved revised Group policies - Conducted externally facilitated board review - Reviewed and approved changes to the membership of the board's committees - Reviewed IT infrastructure changes - Reviewed compliance with debt covenants and liquidity - Reviewed risk and long-term viability and evolution of Risk Management Framework

Independent advice
The board has agreed procedures for directors, including the non-executive directors, to follow if they believe they require independent professional advice in the furtherance of their duties. These procedures allow the directors to take such advice at the Company's expense.

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Operational management structure
Our organizational structure allocates individual responsibilities, the performance of which are monitored on an ongoing basis. The management of the Group as a whole is delegated to the Chief Executive Officer and, through him, to the operating committee. This body is chaired by the Chief Executive Officer, Stephen Murdoch, and also comprises the Chief Financial Officer, Chief Operating Officer, Chief Human Resources Officer, Senior Vice President Strategy and Planning and the Group General Counsel and Company Secretary. It meets regularly to develop strategic plans, monitor operational performance and consider key business issues. As part of these reviews, it considers the risks associated with the delivery of strategy and any material governance issues within the Group's operating companies.

A number of Group administrative functions such as Finance, Tax & Treasury, Human Resources, IT, Corporate Communications and Legal report to the board through the operating committee. The conduct of Micro Focus' business is delegated to local and regional executive management teams subject to a chart of approvals policy, which is approved by the board and communicated to all employees in the Group. These teams are accountable for the conduct and performance of their businesses within the agreed business strategy and a number of Group-wide policies, intended to drive compliance with key governance standards. These policies cover areas including finance, contract approvals, data protection, share dealing, business conduct, ethics and anti-bribery and corruption and anti-slavery and human trafficking.

EFFECTIVENESS

Board skills, experience, independence and knowledge of the Company
The board is satisfied that its current composition provides an appropriate blend and balance of skills, experience, independence and knowledge of the Company, such that the board and its committees can discharge their respective duties and responsibilities effectively. However, it is important that there is a progressive refreshing of the board, particularly when the strategic challenges we face are evolving. An explanation of how we manage succession planning at board level is included in the nomination committee report. There is a formal, rigorous and transparent procedure for the appointment of new directors to the board, led by the Senior Independent Director, Karen Slatford. As part of that process, each director confirms that they should be able to allocate sufficient time to the Company to discharge their responsibilities effectively.

On joining, each new director receives a comprehensive, formal and tailored induction into the Company's operations. This includes briefings on the Company's business, strategy, constitution and decision-making process, the roles and responsibilities of a director and the legislative and regulatory framework. New directors also meet with the Group's CEO, CFO, senior product and other managers and have the opportunity to meet shareholders at the AGM. All directors regularly update and refresh their skills and knowledge and can request that appropriate training is provided, at the Company's expense, as required. The executive directors ensure regular informal contact is maintained with non-executive directors throughout the year, including providing opportunities to visit Group offi es around the world. The non-executive directors have unrestricted access to anyone in the Company. The Executive Chairman also meets separately with the non-executive directors.

Conflicts of interest
In accordance with the Companies Act 2006, the Company has put in place procedures to deal with conflicts of interest, which have operated effectively. The board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. Any changes to these commitments are reported to the board.

Board information
As explained above, the directors are provided with the agenda and supporting papers in a timely manner in advance of the relevant board or committee meeting. The board is satisfied that the information provided is in an appropriate form and of a quality that should enable the directors to discharge their duties satisfactorily.

Board and committee evaluation
A comprehensive evaluation of the performance of the board, its committees and each of its directors is carried out annually.

This year the review of the board and its committees was externally facilitated, being led by the Executive Chairman and the senior independent non-executive director, supported by the Company Secretary. The external facilitator was Emma Fallon of No 4 consultancy, who had no other connection with. Following discussion with the Executive Chairman and senior independent non-executive director, a discussion guideline was prepared to steer, but not prescribe nor limit, the topics to be discussed individually with each of the interviewees. No 4 met individually with each director and those members of the senior leadership team who interact most with the Board. These were open, confidential and non-attributable conversations.

Initial findings and individual feedback was shared with the review leaders and a written report provided to all directors, The main conclusions from the review were presented to and discussed by the board

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The majority of recommendations fell broadly into three areas:

- Mechanics of board meetings, including the volume and nature of information provided and holding formal discussions of Company culture
- Board relationships, including the non-executive directors playing a more proactive role in supporting management and creating opportunities for informal discussions of topics, without the constraint of a formal agenda
- Board composition and succession management, covering the future evolution of the board and the need to preserve the qualities that experienced directors bring to its discussions.

The Board noted that progress had been seen with regard to actions from the previous review. Notable improvements were in relation to the presentation of information and to the positive impact from holding board and committee meetings on consecutive days, with the additional benefit of informal discussion at board dinners highlighted.

Director evaluation

In accordance with the recommendations of the Code, the Company's articles of association require that all directors are subject to election by the shareholders at the first AGM of the Company after their appointment and to re-election by the shareholders on an annual basis thereafter. Prior to proposing any director for re-election, the board operates a formal process, led by the Chairman, to assess the effectiveness of each director and, in the case of the non-executive directors, their continued independence and to assess whether the individual is willing to continue in office.

Informed by individual feedback from the board review, a discussion on the contribution of each of the non-executive directors took place between the chairman and the senior independent non-executive director.

In addition, the senior independent non-executive director meets with the non-executive and executive directors at least once a year to review the performance and continuing commitment of the Executive Chairman and consider whether to recommend his re-election.

All the individuals proposed for re-appointment at the 2020 AGM have been subject to an evaluation procedure in the last 12 months. The board also believes that the skills and experience of each of the non-executive directors enables them to continue to provide valuable contributions to the board, and is satisfied that each of them continues to exercise rigorous and objective judgment.

ACCOUNTABILITY AND AUDIT

The board is responsible for the preparation of the Annual Report and Accounts. In doing so, it has established formal and transparent arrangements for considering how best to apply corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's auditors, KPMG.

The board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and prospects, including its performance, business model and strategy. While this is the board's responsibility, it is overseen by the Audit committee.

Board committees

Micro Focus has established Audit, Nomination and Remuneration committees, with written terms of reference for each that deal with their respective authorities and duties. The full terms of reference of all the committees are available upon request from the Micro Focus Group Company Secretary or can be viewed on Micro Focus' website at http://investors.microfocus.com/corporategovernance.

Audit committee

Composition of the committee

The audit committee comprises Richard Atkins (who serves as its chair), Amanda Brown, Silke Scheiber and Lawton Fitt and, from October 17, 2019, Karen Slatford. All members of the committee are independent non-executive directors. The board considers that:

- for UK purposes, Richard Atkins, a chartered accountant, has recent and relevant financial experience by virtue of his previous executive and current non-executive responsibilities (details of which can be found in his biography) and that the audit committee as a whole has competence relative to the sector in which the Company operates; and

- for US purposes, each of the audit committee members is independent under the SEC and NYSE definitions of that term; that Richard Atkins is an audit committee financial expert, is independent of management, and has accounting or related financial management expertise; and that all of the audit committee members are financially literate.

Executive directors and senior executives (most often the Director of Finance, the Head of Tax and Treasury and the Director of Internal Audit and Risk) attend meetings by invitation as required, but do not do so as of right. Representatives of KPMG LLP (external auditor), PricewaterhouseCoopers LLP (internal auditor) and Deloitte LLP (external tax advisors) also attend the committee meetings and meet privately with committee members, in the absence of executive management, prior to each committee meeting.

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The committee normally meets at least four times during each financial year and more frequently as required.

Role and responsibilities of the committee
The committee's principal responsibilities are to:

- monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The committee also reviews the Group's Annual Report and Accounts and Interim Report prior to submission to the full board for approval;

- monitor the Group's accounting policies and review the Company's internal financial controls and financial reporting procedures and, on behalf of the board, the Company's internal control and risk management systems;

- monitor the adequacy and effectiveness of the Company's internal controls and internal financial controls, risk management systems and insurance arrangements;

- monitor and review the effectiveness of the Company's internal audit function;

- make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;

- oversee the relationship with the external auditors and review and monitor their independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and US professional and regulatory requirements;

- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

- provide a forum through which the Group's external and internal auditors and external tax advisors report to the board; and

- report to the board on how it has discharged its responsibilities.

The committee's terms of reference (audit committee charter) are published on the Company's website, www.microfocus.com.

Nomination committee

Composition of the committee
The Nomination committee comprises Karen Slatford (who serves as its Chair), Richard Atkins and Lawton Fitt and, from October 17, 2019, Amanda Brown and Silke Scheiber. Darren Roos also served as a member until September 2, 2019, on which date he ceased to serve as a director. All members of the committee are independent non-executive directors. Executive directors and senior executives are invited to attend the meetings by invitation, as required, but do not do so as of right.

The committee normally meets at least twice during each financial year, and more frequently as required.

Role and responsibilities
The committee's principal responsibility is proposing candidates for appointment to the board, having regard to the balance and structure of the board and taking into consideration the benefits of diversity in all its forms, including gender, ethnicity, religion, disability, age and sexual orientation. The terms of reference of the committee include, among other matters, the following responsibilities:

- To review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the board and make recommendations to the board with regard to any changes;

- To identify and nominate, for the approval of the board, candidates to fill board vacancies as and when they arise;

- To give full consideration to succession planning for directors and other senior executives;

- To keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace; and

- To review annually the time required from non-executives, evaluating whether they are spending enough time to fulfil their duties.

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The committee's terms of reference are published on the Company's website, www.microfocus.com.

Diversity
The board has considered diversity in broader terms than just gender and believes it is also important to reach the correct balance of skills, knowledge, experience and independence on the board. During the prior year, the committee reviewed the Company's diversity policy to include a strategy to promote equal opportunity and attract a wider range of ethnicity, while continuing to attract and retain the most talented people who can deliver sustained outstanding performance. The Group has formal policies in place to promote equality of opportunity across the whole organization, regardless of gender, ethnicity, religion, disability, age or sexual orientation.

At October 31, 2019 the board comprised four men (50%) and four women (50%). The Company Secretary is also a woman. As opportunities arise the board will seek to broaden the wider diversity of the directorate, in line with its policy goals. Our most senior management forum, the operating committee, has four male members and two female members, so 33% of its members are female. Of the 44 employees who report directly to the operating committee members, 14 are female, being 32%.

Executive directors' service agreements at October 31, 2019

Executive director	Date of service contract	Notice period
Kevin Loosemore [1]	April 14, 2011	The agreement is terminable by either party on six months' notice
Stephen Murdoch [2]	April 16, 2014	The agreement is terminable by either party on six months' notice
Brian McArthur-Muscroft [3]	November 4, 2018	The agreement is terminable by either party on six months' notice

1. Kevin Loosemore's service contract was amended December 9, 2015 and April 12, 2017.

2. Stephen Murdoch stepped down from the board on completion of the HPE Software business acquisition on September 1, 2017 to become Chief Operating Officer. He was reappointed to the board as Chief Executive Officer on March 19, 2018.

3. Brian McArthur-Muscroft joined the Company on November 5, 2018 and was appointed to the board as Chief Financial Officer on February 21, 2019.

Remuneration committee
The remuneration committee comprises Amanda Brown (who serves as its chair), Karen Slatford and Silke Scheiber and, from October 17, 2019, Richard Atkins and Lawton Fitt. Darren Roos also served as a member until September 2, 2019, on which date he ceased to serve as a director. All members of the committee are independent non-executive directors. The committee met seven times during the period under review.

The committee invited the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and Reward Director during the period to provide views and advice on specific questions raised by the committee and on matters relating to the performance and remuneration of senior managers. They did not participate in discussions relating to their own remuneration. The Company Secretary attended each meeting as secretary to the committee.

Terms of reference

The committee is responsible for the remuneration arrangements for executive directors and members of the executive management team, and for providing general guidance on aspects of remuneration policy throughout the Group. The terms of reference were reviewed and updated to reflect the 2018 Corporate Governance Code. The key aspects of the updated terms of reference are as follows:

- Determine the remuneration policy for the Company's Chairman and the executive directors and review its on-going appropriateness and relevance;

- Determine the total individual remuneration packages of the executive directors and the executive management team, including salary, bonuses, incentive payments, share awards, pensions and other benefits;

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- Review the terms of executive service contracts for executive directors and the executive management team;
- Review any material changes to pension and benefit arrangements for executive directors and the executive management team;
- Agree the expenses policy for the Company Chairman and executive directors
- Develop the formal shareholding requirement policy, including post cessation, encompassing both vested and unvested shares;
- Oversee the operation of the Company's annual bonus plans, deferred bonus plans and long-term incentives as applied to executive directors and the executive management team, including award levels, performance conditions, payouts, and application of malus and claw-back where appropriate.
- Review the design of all share incentive plans for approval by the board and shareholders;
- Review the remuneration policies and practices across the Group and the alignment of workforce remuneration with culture; and
- Produce the annual Directors' Remuneration report.

The full terms of reference of the committee are available from the Company Secretary and are on the Company's website http://investors.microfocus.com/corporate-governance.

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Item 6. D. Employees.

The average monthly number of people employed by the Group (including executive directors for the 12 months ended October 31, 2019, the 18 months ended October 31, 2018 and 12 months ended April 30, 2017 was as follows:

	12 months ended October 31, 2019 Number	18 months ended October 31, 2018 Number	12 months ended April 30, 2017 Number
Average monthly number of people (including executive directors) employed by the Group:			
Continuing Operations			
Sales and distribution	**5,413**	5,860	1,818
Research and development	**5,056**	4,323	1,400
General and administration	**1,991**	1,378	642
	12,460	11,561	3,860
Discontinued Operation			
Sales and distribution	**164**	515	323
Research and development	**170**	629	476
General and administration	**3**	8	4
	337	1,152	803
Total			
Sales and distribution	**5,577**	6,375	2,141
Research and development	**5,226**	4,952	1,876
General and administration	**1,994**	1,386	646
	12,797	12,713	4,663

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Item 6. E. Share ownership.

Directors' shareholdings and share interests as at October 31, 2019 are as follows. Further information in relation to share options is included in Item 6. B. including detailed information in relation to directors' share options within the Directors Remuneration Report.

			Nil-cost options and conditional awards held			
Director	**Shares held (owned outright)**	**% of Group Ordinary shares**	**Vested but not exercised**	**Unvested and not subject to performance**	**Unvested and subject to performance**	**Other Share Save Options**
Kevin Loosemore	631,983	0.2	69,156	-	1,257,250	-
Stephen Murdoch [2]	276,151	0.1	39,640	15,064	1,152,391	-
Brian McArthur-Muscroft [3]	-	-	-	-	498,964	-
Karen Slatford	14,687	0.0	-	-	-	-
Richard Atkins	13,862	0.0	-	-	-	-
Amanda Brown	3,841	0.0	-	-	-	-
Silke Scheiber	-	-	-	-	-	-
Lawton Fitt	-	-	-	-	-	-

All members of key management bodies own less than 1% of the Group's Ordinary shares.

Details of the share plans open to all employees are included in note 33 of the Consolidated financial statements in Item 18.

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Item 7. Major Shareholders and Related Party Transactions
Item 7. A. Major shareholders.

At the date of the most recent filed SC 13G/A, being the most recent practicable date, the following percentage interests in the ordinary share capital of the Company:

	Ordinary shares of 10 pence each	Percentage of issued share capital %
Dodge & Cox	58,978,116	17.70%
Causeway Capital Management LLC	29,945,679	8.98%
BlackRock Inc.	25,103,914	7.50%

At January 27, 2020 the Group had 1,615 Ordinary shareholders and 41,784 registered holders of the ADSs.

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Item 7. B. Related party transactions.

The Group's related parties are its subsidiary undertakings, key management personnel and post-employment benefit plans.

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

Remuneration of key management personnel
The remuneration of key management personnel of the Group (which is defined as members of the executive committee including executive directors) is set out in Note 33 of the consolidated financial statements in Item 18. There are no loans between the Group and the key management personnel.

Transactions with other related parties.
The following transactions occurred with other related parties:

Contributions made to pension plans by the Group on behalf of employees are set out in Note 25 of the consolidated financial statements in Item 18.

Sales and purchases of goods and services between related parties are not considered material.

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Item 7. C. Interests of experts and counsel.

Not applicable.

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Item 8. Financial Information
Item 8. A. Consolidated Statements and Other Financial Information.

The Consolidated financial statements filed as part of this Annual Report on Form 20-F are included in Item 18.

Item 8.A.7 Litigation, Proceedings and Investigations

The Group is involved in various lawsuits, claims, investigations and proceedings including those consisting of IP, commercial, employment, employee benefits and environmental matters, which arise in the ordinary course of business. The Separation and Distribution Agreement, dated as of September 7, 2016, between Seattle SpinCo, Inc. and HPE (the "SDA") includes provisions that allocate potential financial responsibility for litigation involving the parties, as well as provide for cross-indemnification of the parties against potential liabilities to one party arising out of potential liabilities allocated to the other party. In addition, as part of the SDA, HPE and Seattle have agreed to cooperate with each other in managing litigation that relates to both parties' businesses. The Group records a liability when it believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Significant judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. Litigation is inherently unpredictable. However, the Group believes it has valid defenses with respect to legal matters pending against it. Nevertheless, cash flows or results of operations could be significantly affected in any particular period by the resolution of one or more of these contingencies. The Group believes it has recorded adequate provisions for any such matters and, as of October 31, 2019, it was not reasonably possible that a material loss had been incurred in connection with such matters in excess of the amounts recognized in its financial statements.

Litigation, Proceedings and Investigations

Forsyth, et al. vs. HP Inc. and HPE:

This purported class and collective action was filed on August 18, 2016 and an amended (and operative) complaint was filed on December 19, 2016 in the United States District Court for the Northern District of California, against HP Inc. and HPE alleging defendants violated the Federal Age Discrimination in Employment Act ("ADEA"), the California Fair Employment and Housing Act, California public policy and the California Business and Professions Code by terminating older workers and replacing them with younger workers. Plaintiffs seek to certify a nationwide collective action under the ADEA comprised of all individuals aged 40 and older who had their employment terminated by an HP entity pursuant to a work force reduction ("WFR") plan on or after December 9, 2014 for individuals terminated in deferral states and on or after April 8, 2015 in non-deferral states. Plaintiffs also seek to certify a Rule 23 class under California law comprised of all persons 40 years of age or older employed by defendants in the state of California and terminated pursuant to a WFR plan on or after August 18, 2012. On September 20, 2017, the Court granted the defendants' motions to compel arbitration and administratively closed the case pending resolution of the arbitration proceedings. During the period from November 30, 2017, through the present, the named and opt-in plaintiffs who signed separation agreements that include class action waiver and mandatory arbitration provisions filed arbitration demands. On December 22, 2017, defendants filed a motion to stay the case pending arbitrations-which was granted on February 6, 2018. The claims of the arbitration opt-ins have been resolved or dismissed from the District Court case. Plaintiffs filed a Third Amended complaint on January 27, 2020. The stay of the litigation remains in place.

Wall vs. HPE and HP Inc.:

This certified California class action and Private Attorney General Act action was filed against Hewlett-Packard Company on January17, 2012 and the fifth (and operative) amended complaint was filed against HP Inc. and HPE on June 28, 2016. The complaint alleges that the defendants paid earned incentive compensation late and failed to timely pay incentive compensation upon termination of employment. On August 9, 2016, the court ordered the class certified without prejudice to a future motion to amend or modify the class certification order or to decertify. The scheduled January 22, 2018 trial date was vacated following the parties' notification to the court that they had reached an agreement to resolve the dispute. The parties subsequently finalized and executed a settlement agreement and received preliminary approval of that agreement on June 29, 2018. After giving notice of the settlement to the class, to which there were no objections or opt-outs, the Court granted final approval of the settlement on December 21, 2018. The Final Accounting Hearing was continued to March 6, 2020. The parties anticipate that the case will be dismissed shortly after the Final Accounting Hearing.

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Jackson, et al. v. HP Inc. and Hewlett Packard Enterprise:

This putative nationwide class action was filed on July 24, 2017 in United States District Court in San Jose. Plaintiffs purport to bring the lawsuit on behalf of themselves and other similarly situated African-Americans and individuals over the age of forty. Plaintiffs allege that defendants engaged in a pattern and practice of racial and age discrimination in lay-offs and promotions. On September 29, 2017, Plaintiffs filed an amended complaint to add an additional plaintiff and a claim alleging that defendants engaged in a pattern and practice of racial discrimination in hiring. On January 12, 2018, defendants moved to transfer the matter to the United States District Court in the Northern District of Georgia. Defendants also moved to dismiss the claims on various grounds and to strike certain aspects of the proposed class definition. On July 11, 2018, the court granted defendants' motion to dismiss this action for improper venue, and also partially dismissed and struck certain claims without prejudice to re-filing in the appropriate venue. On July 23, 2018, plaintiffs re-filed their lawsuit in the United States District Court for the Northern District of Georgia. On August 9, 2018, Plaintiffs filed a notice of appeal of the dismissal of the Northern District of California action with the Ninth Circuit Court of Appeals. On August 15, 2018, Plaintiffs filed a motion to stay their lawsuit in the Northern District of Georgia, which was granted by the court. On October 1, 2018, the Georgia court granted the plaintiffs' unopposed motion to stay and administratively close the Georgia action until the Ninth Circuit appeal is decided. The parties are continuing to discuss a potential settlement, no further appellate briefing schedule has been set, and the stay in the Northern District of Georgia remains in place.

Araiza vs. HP Inc. and HPE:

On December 29, 2015, former PPS (HP Inc.) employee Daniel Araiza filed a California class action against HP Inc. and HPE in Santa Clara County Superior Court. Plaintiff alleges failure to (a) compensate Field Technical Support Representatives with minimum and overtime wages for all hours worked, (b) failure to pay exempt and non-exempt employees all accrued vacation and/or floating holidays upon separation of employment, (c) to provide meal breaks, and (d) derivate claims for inaccurate wage statements, waiting time penalties, unfair business practices, and Private Attorneys General Act ("PAGA") penalties. Plaintiff sought to certify three groups of California employees from December 29, 2011 to the present. The parties participated in settlement discussions and settled the lawsuit on March 19, 2019, subject to court approval. Plaintiff filed its motion for preliminary approval and the preliminary approval hearing is set for May 8, 2020.

Wapp Tech Limited Partnership et al. v. Micro Focus International plc:

On July 2, 2018, Wapp Tech Limited Partnership and Wapp Tech Corp. (collectively, "Wapp") sued Micro Focus International plc in the Eastern District of Texas, accusing it of infringing claims of three patents in connection with Micro Focus International plc's purported manufacture and sale of certain products in the ADM product line, including LoadRunner and Performance Center. Wapp also sued Hewlett Packard Enterprise Company, Wells Fargo & Company, and Bank of America Corporation for their alleged use of the same accused products. On October 15, 2018, Seattle SpinCo, Inc. and EntIT Software LLC, indirect subsidiaries of Micro Focus International plc, filed a Declaratory Judgment action in the District of Delaware, alleging that they are the Micro Focus entities responsible for the accused products, that the asserted patents are invalid or ineligible, and that the accused products do not infringe. On November 27, 2018, Wapp moved to dismiss the Delaware action in favor of the Texas action. On March 15, 2019, the Delaware court stayed that case based on the pending motion practice in Texas. On August 13, 2019, the Texas court dismissed Micro Focus International plc for lack of personal jurisdiction, but granted Wapp's request to amend its complaint to name Micro Focus International plc subsidiaries Seattle SpinCo, Inc., EntIT Software LLC, EntCo Interactive (Israel) Ltd., EntCo Government Software LLC, and Micro Focus (US) Inc. (collectively, the "Subsidiary Defendants") as defendants. On August 20, 2019, Wapp filed an amended complaint in that case naming the Subsidiary Defendants as defendants. On September 17, 2019, the Subsidiary Defendants moved to transfer the Texas suit against them to Delaware; the Court has not yet ruled on that motion. On November 1, 2019, the Texas Court issued scheduling orders in each of the cases against the Subsidiary Defendants, Bank of America, and Wells Fargo. The Final Pretrial Conference is scheduled for December 3, 2020, and trial dates have not yet been set.

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Securities Litigation:

Micro Focus is involved in two lawsuits in which plaintiffs are seeking damages for alleged violations of the Securities Act of 1933 and the Exchange Act of 1934 based upon purportedly false and misleading statements or omissions in offering documents issued in connection with the HPE software business merger and issuance of Micro Focus American Depository Shares ("ADS") as merger consideration and based upon other purportedly false and misleading statements. Those matters are as follows:

- *In re Micro Focus International plc Securities Litigation* is a putative class action on behalf of holders of Micro Focus filed on March 28, 2018, in the Superior Court of California, County of San Mateo against Micro Focus International plc and certain current and former directors and officers, among others. Five additional purported holders of Micro Focus ADS filed putative class actions in the same court, and the court consolidated all cases. The lawsuit alleges violations of the Securities Act. The court has stayed this lawsuit pending disposition of the lawsuit in the Southern District of New York.

- *In re Micro Focus International plc Securities* Litigation is another putative class action on behalf of holders of Micro Focus ADS filed on May 23, 2018 in the United States District Court for the Northern District of California against Micro Focus and certain current and former directors and officers, among others. On July 26, 2018, the court transferred the case to the United States District Court for the Southern District of New York. The lawsuit alleges violations of the Securities Act and of the Exchange Act. On September 30, 2019 the lead plaintiff filed a second amended complaint. On November 4, 2019, Micro Focus and other defendants filed a motion to dismiss the second amended complaint. That motion is pending before the Court.

Item 8. A. 8 Policy on dividend distributions.

Our policy with respect to dividend distributions is described in response to "Item 3.A Selected financial data" above.

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Item 8. B. Significant Changes.

There has been no significant change to our financial condition or results of operations since October 31, 2019.

See “Item 8.A.7. Information on the Company — Legal Proceedings” for information with respect to legal proceedings to which we may be subject from time to time.

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Item 9. The Offer and Listing.
Item 9. A. Offer and listing details.

The principal trading market for our ordinary shares is the London Stock Exchange. Our ordinary shares also trade in the United States in the form of ADSs evidenced by American Depositary Receipts ("ADR") under a sponsored ADR facility with Deutsche Bank, as depositary. We established this facility in March 2017. Each ADS represents one ordinary share.

Ordinary shares are traded on the London Stock Exchange under the symbol ""MCRO.L". The ADSs trade on the New York Stock Exchange under the symbol "MFGP".

Item 9. B. Plan of distribution.

Not applicable

Item 9. C. Markets.

Micro Focus International plc is listed on the London Stock Exchange. The Company's American Depositary Shares (the "ADSs") are listed on the New York Stock Exchange.

Item 9. D. Selling shareholders

Not applicable.

Item 9. E. Dilution.

Not applicable.

Item 9. F. Expenses of the issue.

Not applicable.

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Item 10. Additional Information.

Item 10. A. Share capital.
Not applicable.

Item 10. B. Memorandum and articles of association.
Articles of association

The Company is incorporated under the name of Micro Focus International plc and is registered in England and Wales under registered number 5134647. Under the Companies Act 2006 (the 'Companies Act'), the Company's objects are unrestricted. The following descriptions summarize certain provisions of the Company's current Articles of Association (the 'Articles') (as adopted by special resolution passed on September 26, 2013, and amended by special resolution on October 27, 2014 and on May 26, 2017), applicable English law and the Companies Act. This summary is qualified in its entirety by reference to the Companies Act and the Articles, available in Exhibit 1.1. The Articles may be altered or added to or completely new articles may be adopted by a special resolution of the shareholders of the Company, subject to the provisions of the Companies Act.

Directors
Subject to change by Ordinary Resolution, the Company is required to have not less than three, and not more than eleven, directors in place at any time.

A Director shall not be required to hold any shares in the Company, nor are there any age limits for Directors.

Directors' fees, expenses and other remuneration
The Articles provide that the ordinary remuneration of the Directors shall be determined by the Directors up to an amount of £1,000,000 per annum in aggregate, unless a higher amount is subject to an ordinary resolution. The remuneration may be divided amongst the Directors as they see fit. Any director that holds any executive office, or who serves on any committee of the Directors may be paid extra remuneration in a manner determined by the Directors. The Directors may pay any Director all such reasonable expenses incurred in attending and returning from meetings of the Directors or any committee of the Directors.

Under the Companies Act, the company must propose a policy for the remuneration of its executive and non-executive directors (the 'Directors' Remuneration Policy') for approval by shareholders by way of an ordinary resolution at an Annual General Meeting. Once approved, the Directors' Remuneration Policy is binding on the company and no payments can be promised or made to a director that are inconsistent with its terms. Any payments made that are outside those permitted by the Directors' Remuneration Policy must be returned by the director who receives these, and any directors knowingly involved in approving such payments may also be personally liable to account to the company for the value of the payments made.

Powers of Executive Directors
The Directors may entrust to and confer upon any Director holding any executive office any of the powers exercisable by them as Directors under terms and conditions that they see fit and may revoke, withdraw or alter these powers at any time.

Interested directors
The Companies' Act requires a director of a company who is in any way interested in a contract or proposed contract with the company to declare the nature of the director's interest at a meeting of the directors of the company. The definition of 'interest' includes the interests of spouses, children, companies and trusts. The Companies' Act also requires that a director must avoid a situation where a director has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The Companies' Act allows directors of public companies to authorize such conflicts where appropriate, if a company's Articles of Association so permit. Micro Focus's Articles of Association permit the authorization of such conflicts.

Where a director has declared a transactional or situational conflict of interests to the board, and this has been authorized under the Articles of Association then the director concerned may count in a quorum at a board meeting to consider the matter in which he or she is interested, and may participate in discussions and vote on any proposal, arrangement or contract relating to that matter.

Borrowing powers
The directors may exercise all the powers of the company to borrow money. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to secure that the aggregate amount of the external borrowings of the Group, less the aggregate amount of current asset investments shall not at any time, without the previous sanction of an ordinary resolution of the Company exceed an amount equal to $10,000,000,000.

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This limit can only be altered by means of an amendment of the Articles which, as noted above, requires the approval of the shareholders of the Company, by a special resolution at a General Meeting.

Other provisions relating to directors
In accordance with the Company's articles of association, all directors are subject to election by the shareholders at the first AGM of the Company after their appointment and to re-election by the shareholders on an annual basis at each AGM.

Therefore, all directors will retire, and seek election or re-election, as applicable, at the forthcoming AGM. This practice complies with the recommendations of the Corporate Governance Code. All the proposed appointees have been subject to a formal evaluation procedure in the last 12 months. Following that procedure, the Executive Chairman confirms the continuing commitment and effective contribution of the Directors and recommends their re-election. In addition, the Directors confirm the continuing commitment and effective contribution of the Executive Chairman and recommend his re-election. The board also believes in relation to the non-executive directors that their skills and experience enable them to continue to provide valuable contributions to the board. The board is satisfied that the non-executive directors exercise rigorous and objective judgment.

Annual general meetings
The Companies Act 2006 requires that a public limited company, such as Micro Focus, must convene an annual general meeting within six months from the end of its accounting reference date. In addition, the Micro Focus Articles permit the Micro Focus Board to convene a general meeting whenever it thinks fit. A general meeting may also be capable of being convened on requisition of members as described under "—Stockholder Proposals and Stockholder Nomination of Directors" above.

General meetings at which "special resolutions" are proposed and passed generally involve proposals to change the name of the company, change or amend the rights of shareholders, permit the company to issue new shares for cash without applying the shareholders' pre-emptive rights, amend the company's articles of association, or carry out other matters where either the company's articles of association or the Companies Act 2006 prescribe that a "special resolution" is required. Other proposals relating to the ordinary course of the company's business, such as the election of directors, would generally be the subject of an "ordinary resolution."

Under the Companies Act, an ordinary resolution requires a simple majority of those attending and voting (in person or by proxy) and a special resolution requires not less than a 75% majority of those attending and voting (in person or by proxy). Under Section 303 of the Companies Act, members representing 5% or more of the paid-up share capital of Micro Focus can compel directors to convene a general meeting.

The Company's AGM will be held on March 25, 2020 at 3pm (UK time) at the Company's Headquarters at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN. The AGM will provide an opportunity for members of the board to meet with all shareholders and the participation of shareholders is encouraged. At the meeting, in addition to the statutory business, members of the board will be available for questions from shareholders.

In accordance with the Corporate Governance Code recommendations, a resolution will be proposed for each substantive issue and the chairs of the Audit, Remuneration and Nomination Committees will be available to answer questions.

All general meetings are open to all holders of the company's shares or any duly appointed proxy or corporate representative. There are no conditions of admission, but the chairman of the meeting has powers under common law and the Articles to refuse admission or direct the removal of any person whose conduct may interfere with the orderly conduct of the meeting.

Share capital
The Micro Focus Articles do not specify an amount of authorized capital, as the requirement to have an authorized capital is no longer applicable under the Companies Act 2006. As of October 31, 2019, the issued ordinary share capital of Micro Focus was 363,583,328 ordinary shares, with a par value of £0.10 each, of which 30,200,905 ordinary shares were held in treasury. The Micro Focus Articles provide that (without prejudice to any existing rights attached to shares) new shares may be issued by Micro Focus carrying such rights as Micro Focus may determine provided the prior sanction of an ordinary resolution in general meeting is obtained.

In addition to the ordinary shares with a par value of £0.10 each, during the period Micro Focus created two further classes of share capital; B Shares with a par value of £3.36 each (the 'B Shares') and Deferred Shares with a par value of £0.10 each ('Deferred Shares').

The B Shares were issued by way of capitalization of reserves to facilitate the Return of Value transaction following the completion of the disposal of the SUSE business. On April 29, 2019, 413,784,754 B Shares were created and issued to holders of the Company's ordinary shares on a pro-rata basis, which were subsequently redeemed for cash on the same date at a cost to the Company of $1.8bn. The B Shares were cancelled immediately following their redemption.

The Deferred Shares were allotted on April 30, 2019 following a consolidation of all 437,332,504 existing ordinary shares in issue into one share and a subsequent sub-division into 362,811,045 ordinary shares of 10 pence each and 74,521,459 Deferred Shares. All Deferred Shares were bought back by the Company on 30 April 2019.

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There are currently no B Shares or Deferred Shares in issuance. Micro Focus does not have any class of preferred stock.

Redemption rights
Ordinary shares are non-redeemable.

Participation rights
Ordinary shares carry rights to participate in the profits of the Company.

Alteration of Share Capital
Micro Focus may by ordinary resolution alter its share capital in accordance with the Companies Act. The resolution may determine that, as between the holders of shares resulting from a sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.

Liability to further capital calls by the Company
All ordinary shares currently in issue are fully paid. The Company may, under its Articles and in accordance with the Companies Act, issue new ordinary shares either fully-paid (as to their par value) or partly-paid. Where shares are issued with a partly-paid par value then the registered holder of those shares will be liable to further cash calls in line with the provisions of the Articles and the Companies Act.

The board of directors typically seeks authority from shareholders at each Annual General Meeting to issue further shares in the company, including by way of a rights issue (which may be fully or partially pre-emptive). Shareholders who do not wish to take up their rights would generally be entitled to sell their rights, nil paid, in the market ahead of any such rights issue being closed.

Voting rights

Micro Focus Ordinary Shareholders shall be entitled, in respect of their holding of such shares and subject to relevant provisions of the Micro Focus Articles, to receive notice of any general meeting of Micro Focus and to attend and vote at any such general meeting. At any such meeting, on a show of hands, each Micro Focus Ordinary Shareholder present in person or by proxy shall have one vote and each such holder present in person or by proxy or by corporate representative shall upon a poll have one vote for every Micro Focus Share of which he or she is the holder.

At a General Meeting of the Company:

- On a show of hands, every ordinary member present in person and every proxy or corporate representative duly appointed by a member shall have one vote; and
- On a poll, every member who is present in person and every proxy or corporate representative shall have one vote for every ordinary share of which he or she is the holder.

No member shall be entitled to vote at any general meeting or class meeting in respect of shares held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid. Currently, all issued ordinary shares are fully paid.

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting (the ‘AGM’) to be held on March 25, 2020 are set out in the Notice of Meeting, which accompanies this report.

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Dividends
Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to ordinary members but no dividend shall exceed the amount recommended by the board. The board may pay interim dividends and any fixed rate dividend whenever the profits of the Company, in the opinion of the board, justifies its payment. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares. Any dividend unclaimed after a period of 6 years from the date of declaration or from the date on which such dividends became due for payment shall be forfeited and shall revert to Micro Focus. The Micro Focus Board may, if authorized by an ordinary resolution, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

Liquidation rights
In the event of our liquidation, after payment of all liabilities, our remaining assets would be used to repay the holders of ordinary shares the amount they paid for their ordinary shares. Any balance would be divided among the holders of ordinary shares in proportion to the nominal amount of the ordinary shares held by them.

Provisions discriminating against the holders of ordinary shares or other securities
There are no provisions in the Articles which discriminate against any existing or prospective holder as a result of such holder owning a substantial number of shares. Under the Listing Rules made by the U.K.'s competent authority, the Financial Conduct Authority, in certain circumstances that company would be obliged to enter into a relationship agreement with a substantial shareholder.

Under the Companies Act, the company is able to serve a notice on any member, or any other person appearing to be interested in its shares under Section 793 of the Companies Act 2006, requiring them to provide confirmation of that person's interest in the company's shares. Where the recipient of such a notice is in default for a period of 14 days in supplying to the Company the information thereby required, then (unless the Directors otherwise determine) the company may suspend voting rights on (a) the shares comprising the shareholding account in the Register which comprises or includes the shares subject to the notice in relation to which the default occurred; and (b) any other shares held by the member.

Limitations affecting holders of ordinary shares or ADSs
Under English law and our Memorandum and Articles of Association, persons who are neither UK residents nor UK nationals may freely hold, vote and transfer ordinary shares in the same manner as UK residents or nationals.

With respect to the items discussed above, applicable UK law is not materially different from applicable US law.

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Item 10. C. Material contracts.

SUSE Disposal

On July 2, 2018, the Group announced the proposed sale of the SUSE business segment to Blitz 18-679 GmbH (subsequently renamed to Marcel Bidco GmbH), a newly incorporated directly wholly-owned subsidiary of EQTVIII SCSp which is advised by EQT Partners. The total cash consideration of $2.5 billion was on a cash and debt free basis and subject to normalization of working capital.

On August 21, 2018, Shareholders voted to approve the proposed transaction whereby the Company agreed to sell its SUSE business segment to Marcel Bidco GmBH, for a total cash consideration of approximately $2.5bn, subject to customary closing adjustments. Following this vote all applicable antitrust, competition, merger control and governmental clearances were obtained. As set out in the circular to shareholders in advance of the vote, funds from the net sales proceeds after tax, transaction costs and customary closing adjustments would be used to make a required debt repayment in accordance with the new credit facilities.

On March 15, 2019 the Group completed the disposal of SUSE, the profits from which have been reported within the profit from discontinued operations in the year. Previously on August 21, 2018, shareholders had voted to approve the proposed transaction whereby the Group agreed to sell its SUSE business segment at which point the SUSE operating segment met the definition of a discontinued operation under IFRS 5 and was treated as such in these financial statements. This meant that during the 18- months ended October 31, 2018, the SUSE results were excluded from the individual line items of the income statement and balance sheet. SUSE was instead included as a single line entitled “profits from discontinued operations” within the income statement and as an “asset held for sale” or “liability held for sale” on the balance sheet through to the date of disposal.

Refer to note 37 of the Consolidated financial statements in Item 18.

Bank borrowings
The Company announced on April 21, 2017 the successful syndication of the new credit facilities (the ‘‘New Facilities’’) with JP Morgan Chase Bank N.A. as administrative agent and collateral agent on behalf of both MA FinanceCo, LLC, a wholly owned subsidiary within the Micro Focus Group, and Seattle SpinCo, Inc., a wholly owned subsidiary of HPE that would hold the HPE Software business and be merged with a wholly owned subsidiary of Micro Focus in the transaction.

The following Facilities were drawn as at October 31, 2019:

- The $1,414.7 million senior secured term loan B-2 issued by MA FinanceCo LLC is priced at LIBOR plus 2.25% (subject to a LIBOR floor of 0.00%);
- The $2,486.3 million senior secured seven-year term loan B issued by Seattle SpinCo. Inc. is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%;
- The $368.2 million senior secured seven-year term loan B-3 issued by MA FinanceCo LLC is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%; and
- The €452.8 million (equivalent to $505.8 million) senior secured seven-year term loan B issued by MA FinanceCo LLC is priced at EURIBOR plus 2.75% (subject to a EURIBOR floor of 0.00%) with an original issue discount of 0.25%.

The following Facilities were undrawn as at October 31, 2019:

- A senior secured revolving credit facility of $500.0 million, (“Revolving Facility”), with an interest rate of 3.25% above LIBOR on amounts drawn (and 0.375% on amounts undrawn) thereunder (subject to a LIBOR floor of 0.00%).

The only financial covenant attaching to these facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. At October 31, 2019, $nil of the Revolving Facility was drawn together with $4,775.0 million of Term Loans giving gross debt of $4,775.0 million drawn. As a covenant test is only applicable when the Revolving Facility is drawn down by 35% or more, and $nil of Revolving Facility was drawn at October 31, 2019, no covenant test is applicable.

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Item 10. D. Exchange controls.

Details of foreign exchange rates are set out in Item 18 of this Annual Report on Form 20-F. There are currently no UK foreign exchange controls or restrictions on remittance of dividends on the ordinary shares or on the conduct of the Company's operations, other than restrictions applicable to certain countries and persons subject to EU economic sanctions or those sanctions adopted by the UK Government which implement resolutions of the Security Council of the United Nations.

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Item 10. E. Taxation.

The following discussion summarizes certain material US federal income tax consequences and UK taxation consequences to US holders (as defined below) of owning and disposing of Micro Focus ordinary shares or ADSs. This discussion does not address any tax consequences arising under the laws of any state, local or non-US or non-UK jurisdiction, or under any US federal or UK laws other than those pertaining to income taxation.

Material US Federal Income Tax Consequences of Owning and Disposing of Micro Focus Ordinary Shares or ADSs

The following discussion summarizes certain material US federal income tax consequences to US holders (as defined below) of owning and disposing of Micro Focus ordinary shares or ADSs. This discussion is based upon the US Internal Revenue Code of 1986, as amended (the "US Tax Code"), the Treasury regulations promulgated under the US Tax Code and judicial and administrative rulings and decisions, all as in effect on the date hereof. These laws are subject to differing interpretations and may change, possibly retroactively, and any change could affect the accuracy of the statements and conclusions set forth in this discussion. No ruling has been sought from the US Internal Revenue Service ("IRS") with respect to any US federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position.

This discussion does not constitute tax advice or an opinion, is for general information only and does not purport to consider all aspects of US federal income taxation that might be relevant to US holders in light of their personal investment or tax circumstances. This discussion does not apply to US holders who acquired ordinary shares or ADSs pursuant to the exercise of options or warrants or otherwise as compensation, or to US holders subject to special tax rules, including, without limitation, banks, insurance companies, tax-exempt entities, financial institutions, regulated investment companies, partnerships, S-corporations or other pass-through entities, broker-dealers, persons holding ordinary shares or ADSs as part of a hedging, conversion, or constructive sale transaction or as part of a "straddle," US expatriates, persons subject to the alternative minimum tax, persons holding 10 per cent. or more of the voting power or value of Micro Focus's stock, persons subject to "mark to market" accounting, persons holding ordinary shares or ADSs through a non-US account or financial institution and entities subject to the anti-inversion rules of Section 7874 of the US Tax Code. This discussion does not discuss US tax consequences to any person that is not a US holder or to any US holder having a functional currency other than the US dollar. Furthermore, this discussion does not discuss the so-called Medicare tax on net investment income, any US federal estate or gift tax laws or tax consequences under the laws of any state, local or non-US jurisdiction. Each holder of Micro Focus ordinary shares or ADSs is urged to consult its own tax advisor regarding the US federal, state, local and non-US income and other tax considerations of an investment in Micro Focus ordinary shares or ADSs.

As used in this discussion, a "US holder" means a beneficial owner of ordinary shares or ADSs that holds such ordinary shares or ADSs as capital assets within the meaning of the US Tax Code (generally, property held for investment) and is for US federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation organized under the laws of the United States, any State thereof or the District of Columbia, (iii) a trust, if (a) a court within the United States is able to exercise primary jurisdiction over administration of the trust and one or more US persons have authority to control all substantial decisions of the trust or (b) a valid election is in place to treat such trust as a domestic trust, or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

In the case of a beneficial owner of ordinary shares or ADSs that is classified as a partnership for US federal income tax purposes, the tax treatment to a partner in the partnership generally will depend upon the tax status of the partner and the activities of the partner and the partnership. Partnerships and partners of partnerships holding Micro Focus ordinary shares and ADSs are urged to consult their independent professional tax advisors regarding an investment in such ordinary shares and ADSs.

The Company believes, and this discussion assumes, that it is not a passive foreign investment company (a "PFIC") for US federal income tax purposes, although the inquiry is fact specific and no assurance is being given in that regard. A non-US corporation generally will be considered a PFIC for any taxable year in which (i) 75 per cent. or more of its gross income is passive income (e.g., certain dividends, interest, rents and royalties, and gain from the sale of property producing such income), or (ii) 50 per cent. or more of the average value of its assets are considered "passive assets" (generally, assets that generate passive income). For this purpose, the Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other non-U.S. corporation in which it owns, directly or indirectly, stock representing more than 25% (by value) of all of the stock of such corporation. The Company's possible status as a PFIC is based on an annual determinations that cannot be made until the close of a taxable year, involves extensive factual investigation, including ascertaining the fair market value of all of the Company's assets on a periodic basis and the character of each item of income that the Company earns, and is subject to uncertainty in several respects. Therefore, the Company cannot assure US holders that it will not be treated as a PFIC for its current taxable year or for any future taxable year or that the IRS will not take a contrary position. If the Company were to be classified as a PFIC for any year during which a US holder held its ordinary shares or ADSs, the Company generally would continue to be treated as a PFIC for all succeeding years during which such US holder held ordinary shares or ADSs. In addition, special, possibly materially adverse, consequences would result for US holders and certain reporting requirements might apply to US holders. US holders should consult their own independent professional tax advisers regarding the potential application of the PFIC rules to their ownership and disposition of ordinary shares or ADSs.

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The Company also believes, and this discussion also assumes, that the Company will be treated as a non-US corporation for US federal income tax purposes, taking into account the application of Section 7874 of the US Tax Code to the Company's acquisition of HPE Software. For a further discussion of Section 7874 of the US Tax Code and the possibility that the Company could be treated as a US corporation for US federal income tax purposes, see the discussion entitled ''U.S. Federal Income Tax Consequences Relating to Section 7874 of the Code" in the 2017 Form F-4.

Ownership of ADSs in General

For US federal income tax purposes, a US holder of Micro Focus ADSs generally will be treated as the owner of the Micro Focus ordinary shares represented by the ADSs.

The US Treasury Department has expressed concern that depositaries for American Depositary Shares, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of US foreign tax credits by US holders of those receipts or shares. Accordingly, the analysis regarding the availability of a US foreign tax credit for UK taxes and sourcing rules described below could be affected by future actions that may be taken by the US Treasury Department.

Dividends Paid on Ordinary Shares or ADSs

The gross amount of any cash distribution (including the amount of any tax withheld, as discussed below) paid to a US holder by Micro Focus out of its current or accumulated earnings and profits (as determined for US federal income tax purposes) is subject to US federal income taxation as a dividend. For certain non-corporate US holders, including individuals, dividends that constitute "qualified dividend income" will be taxable to such US holder at the preferential rates applicable to long-term capital gains, provided that the US holder holds the ordinary shares or ADSs on which the dividends are paid for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends Micro Focus pays with respect to its ordinary shares or ADSs generally will be qualified dividend income if Micro Focus is eligible for benefits of the United States income tax treaty with the United Kingdom. Although Micro believes that it is currently eligible for such treaty benefits, there can be no assurance that this will be the case for any taxable year or that such position would not be challenged by the IRS or sustained by a court. Dividends received by a corporate US holder generally will not be eligible for the dividends-received deduction that is allowed to US corporations in respect of dividends received from other US corporations. However, a corporate US holder that owns 10 per cent or more of Micro Focus's stock may, in certain circumstances, be entitled to a deduction in respect of a dividend received from Micro Focus pursuant to Section 245A of the US Tax Code.

A dividend is taxable to a US holder when the US holder receives the dividend, actually or constructively. The amount of the dividend that a US holder must include in its income will be the US dollar value of the payments made (including any withholding tax imposed thereon), determined at the spot Sterling/US dollar rate on the date the dividend is includible in the US holder's income, regardless of whether the payment is in fact converted into US dollars at such time. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date a US holder includes the dividend payment in income to the date a US holder converts the payment into US dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. Such foreign exchange gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

The portion of any cash distribution received by a US holder that is in excess of Micro Focus's current and accumulated earnings and profits, as determined for US federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the US holder's basis in the ordinary shares or ADSs on which such payment is received, and thereafter as capital gain. However, Micro Focus does not expect to calculate its earnings and profits in accordance with US federal income tax principles. Accordingly, a US holder should expect to generally treat distributions paid by Micro Focus as taxable dividends for US federal income tax purposes.

A US holder must include any foreign tax withheld from a cash distribution on its ordinary shares or ADSs in the gross amount included in income, even though the US holder does not in fact receive such withheld amount. Subject to certain limitations, UK tax withheld, if any, in accordance with the United Kingdom-United States Income Tax Convention (1975), as amended (the "Treaty"), and paid over to the United Kingdom will be deductible or creditable against a US holder's US federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates. To the extent a refund of the tax withheld is available to a US holder under UK law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against a US holder's US federal income tax liability.

Dividends paid by Micro Focus on its ordinary shares or ADSs generally will be income from sources outside the United States and will, depending on a US holder's circumstances, be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to the US holder. The rules governing the foreign tax credit are complex and involve the application of rules that depend upon a US holder's particular circumstances. Accordingly, US holders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

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Sale or Disposition of Ordinary Shares or ADSs

If a US holder sells or otherwise disposes of its ordinary shares or ADSs in a taxable sale or other disposition, such US holder will generally recognize capital gain or loss for US federal income tax purposes equal to the difference between the US dollar value of the amount that the US holder realizes in such disposition and the US holder's tax basis, determined in US dollars, in the US holder's Micro Focus ordinary shares or ADSs. Capital gain of certain non-corporate US holders, including individuals, is generally taxed at preferential rates where the property disposed of is held for more than one year. Gain or loss recognized by a US holder on the sale or other disposition of ordinary shares or ADSs will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of a capital loss may be subject to limitations under the US Tax Code.

Information with Respect to Foreign Financial Assets

US holders that are owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns and may be subject to penalties if they fail to file such information report. "Specified foreign financial assets" include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. US holders are urged to consult their own tax advisors regarding the application of this reporting requirement to their ownership of ordinary shares or ADSs.

Backup Withholding and Information Reporting

In general, dividend payments with respect to ordinary shares and ADSs and proceeds from the sale or other disposition of ordinary shares or ADSs made (or deemed made) within the United States may be subject to information reporting to the IRS and US backup withholding currently at a rate of 24 per cent. Backup withholding will generally not apply to a US holder who:

- Furnishes a correct taxpayer identification number and certifies, under penalties of perjury, that such US holder is not subject to backup withholding on an IRS Form W-9, and otherwise complies with applicable requirements of the backup withholding rules; or

- Is a corporation or otherwise exempt from backup withholding and, when required, demonstrates this fact in accordance with applicable Treasury regulations.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be allowed as a credit against a holder's US federal income tax liability and may entitle the holder to a refund, provided the holder timely furnishes the required information to the IRS.

US holders should consult their own independent professional tax adviser regarding the application of the information reporting and backup withholding rules.

Credits or deductions for UK taxes

As indicated under 'Material UK Tax Consequences' below, distributions in respect of, and gains on the disposition of, ordinary shares or ADSs, may be subject to UK taxation in certain circumstances. A US holder may be eligible to claim a credit or deduction in respect of UK taxes attributable to such income or gain for purposes of computing the US holder's US federal income tax liability, subject to certain limitations. The US foreign tax credit rules are complex, and US holders should consult their own tax advisors regarding the availability of US foreign tax credits and the application of the US foreign tax credit rules to their particular situation.

The summary set forth above is included for general information only. US holders are urged to consult their own tax advisors to determine the particular tax consequences to them of the ownership and disposition of ordinary shares and ADSs, including the applicability and effect of U.S. state, local and non-U.S. tax laws.

Material UK Tax Consequences of Owning and Disposing of Micro Focus Ordinary Shares or ADSs

The following paragraphs set out below summarize material aspects of the UK tax treatment of US holders of ordinary shares or ADSs and do not purport to be either a complete analysis of all tax considerations relating to holding ordinary shares or ADSs or an analysis of the tax position of Micro Focus. They are based on current UK legislation and what is understood to be current HM Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect.

The comments are intended as a general guide and (otherwise than where expressly stated to the contrary) apply only to US holders of ordinary shares or ADSs (other than under a personal equity plan or individual savings account) and who are the absolute beneficial owners of such shares.

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These comments do not deal with certain types of shareholders such as charities, dealers in securities, persons holding or acquiring shares in the course of a trade, persons who have or could be treated for tax purposes as having acquired their ordinary shares or ADSs by reason of their employment, collective investment schemes, persons subject to UK tax on the remittance basis and insurance companies. You are encouraged to consult an appropriate independent professional tax advisor with respect to your tax position.

Tax on chargeable gains as a result of disposals of ordinary shares or ADSs

Subject to the below, US holders will not generally be subject to UK tax on chargeable gains on a disposal of ordinary shares or ADSs provided that they do not carry on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in connection with which the ordinary shares or ADSs are held.

A US holder who is an individual, who has ceased to be resident for tax purposes in the United Kingdom for a period of less than five years and who disposes of ordinary shares or ADSs during that period may be liable for UK tax on capital gains (in the absence of any available exemptions or reliefs). If applicable, the tax charge will arise in the tax year that the individual returns to the United Kingdom.

Tax on dividends

Micro Focus is not required to withhold UK tax at source from dividends paid on ordinary shares or ADSs.

US holders will not generally be subject to UK tax on dividends received from Micro Focus provided that they do not carry on a trade, profession or vocation in the United Kingdom through a branch, agency or permanent establishment in connection with which the ordinary shares or ADSs are held.

Stamp duty and stamp duty reserve tax, referred to as SDRT

Based on current published HM Revenue & Customs practice and recent case law, transfers of ADSs should not be subject to SDRT or stamp duty provided that any instrument of transfer is executed and remains outside the UK and the transfer of an underlying ordinary share to the ADS holder in exchange for the cancellation of an ADS should also not give rise to a stamp duty or SDRT charge.

Transfers of ordinary shares outside of the depositary bank, including the repurchase of ordinary shares by Micro Focus, will generally be subject to stamp duty or SDRT at the rate of 0.5% of the amount or value of the consideration given, except as described above in connection with the cancellation of an ADS. If ordinary shares are redeposited into a clearance service or depositary system, the redeposit will attract stamp duty or SDRT at the higher rate of 1.5%.

The purchaser or the transferee of the ordinary shares or ADSs will generally be responsible for paying any stamp duty or SDRT payable. Where stamp duty or SDRT is payable, it is payable regardless of the residence position of the purchaser.

Inheritance tax

A gift or settlement of ordinary shares or ADSs by, or on the death of, an individual shareholder may give rise to a liability to UK inheritance tax even if the shareholder is not a resident of or domiciled in the United Kingdom.

A charge to inheritance tax may arise in certain circumstances where ordinary shares or ADSs are held by close companies and trustees of settlements.

However, pursuant to the Estate and Gift Tax Treaty 1980, referred to as the Treaty, entered into between the United Kingdom and the United States, a gift or settlement of ordinary shares or ADSs by shareholders who are domiciled in the United States for the purposes of the Treaty may be exempt from any liability to UK inheritance tax.

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Item 10. F. Dividends and paying agents.

Not applicable.

Item 10. G. Statement by experts

Not applicable.

Item 10. H. Documents on display

Copies of our Memorandum and Articles of Association are filed as exhibits to this Annual Report and certain other documents referred to in this Annual Report on Form 20-F are available for inspection at our registered office at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN, United Kingdom (c/o the Company Secretary) during usual business hours upon reasonable prior request.

Item 10. I. Subsidiary Information.

Not applicable.

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Item 11. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and Qualitative Disclosures about Market Risk Financial risk factors

Micro Focus 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 policies approved by the board of directors. Group treasury identifies and evaluates financial risks alongside the Group's operating units. The board provides written principles for risk management together with specific policies 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.

The table below sets out the values of financial assets and liabilities.

	Financial October 31, 2019 $m	**Non-financial October 31, 2019 $m**	**Total October 31, 2019 $m**	Financial October 31, 2018 $m	Non-financial October 31, 2018 $m	Total October 31, 2018 $m
Financial and non-financial assets						
Non-current						
Long-term pension assets	**17.1**	**-**	**17.1**	16.7	-	16.7
Derivative financial instruments – Interest rate swaps	**-**	**-**	**-**	-	86.4	86.4
Current						
Cash and cash equivalents	**355.7**	**-**	**355.7**	620.9	-	620.9
Trade and other receivables	**922.7**	**110.2**	**1,032.9**	1,212.0	60.0	1,272.0
	1,295.5	**110.2**	**1,405.7**	1,849.6	146.4	1,996.0

	Financial October 31, 2019 $m	**Non-financial October 31, 2019 $m**	**Total October 31, 2019 $m**	Financial October 31, 2018 $m	Non-financial October 31, 2018 $m	Total October 31, 2018 $m
Financial and non-financial liabilities – financial liabilities at amortised cost						
Non-current						
Derivative financial instruments – interest rate swaps	**36.5**	**-**	**36.5**	-	-	-
Borrowings (gross)	**4,775.0**	**-**	**4,775.0**	4,946.6	-	4,946.6
Finance leases	**11.7**	**-**	**11.7**	14.9	-	14.9
Provisions	**49.1**	**-**	**49.1**	35.4	-	35.4
Current						
Borrowings (gross)	**-**	**-**	**-**	50.3	-	50.3
Finance leases	**11.8**	**-**	**11.8**	13.6	-	13.6
Trade and other payables	**530.3**	**80.7**	**611.0**	676.9	-	676.9
Provisions	**29.3**	**-**	**29.3**	57.4	-	57.4
	5,443.7	**80.7**	**5,524.4**	5,795.1	-	5,795.1

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Fair value measurement

For trade and other receivables, cash and cash equivalents, trade and other payables, obligations under finance leases and provisions, fair values approximate to book values due to the short maturity periods of these financial instruments. For trade and other receivables, allowances are made for credit risk.

Long term borrowings with a carrying value of $4,775.0m before unamortized prepaid facility fees, have a fair value estimate of $4,686.0m based on trading prices as at October 31, 2019.

Derivative financial instruments measured at fair value are classified as level 2 in the fair value measurement hierarchy as they have been determined using significant inputs based on observable market data. The fair values of interest rate derivatives are derived from forward interest rates based on yield curves observable at the balance sheet date together with the contractual interest rates.

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the period.

The Group has four interest rate swaps which are designated in a hedge relationship and also utilized forward exchange contracts to fix Sterling equivalent on the April 2019 Return of Value to shareholders and the April 2019 and September 2019 dividend payments. The forward contracts were not designated for formal hedge accounting and matured for delivery within the reporting period.

	October 31, 2019	October 31, 2018
	$m	$m
Derivative financial instruments- non-current asset – interest rate swaps	**-**	86.4
Derivative financial instruments- non-current liabilities – interest rate swaps	**(36.5)**	-
	(36.5)	86.4

Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. Four interest rate swaps are in place with a total notional value of $2.25bn to hedge against the impact of potential rises in interest rates until September 30, 2022. The swaps are designated against the $2,486.3m loan issued by Seattle SpinCo. Inc. and the notional value covers 52.7% of the overall dollar loan principal outstanding for the Group. Details of the Group's borrowings including maturities and interest rates are included in Item 10.C.

The swap contracts require settlement of net interest receivable or payable on a monthly basis. The fixed interest rate for each swap is 1.949 % and the Group receives a variable rate in line with LIBOR. The Seattle loan is priced at LIBOR (with a floor) plus a current margin of 2.50% with the swaps aimed at addressing the risk of a rising LIBOR element. As such, the total interest cost of the hedged element of the Seattle loan is 4.44%. For the period to October 31, 2019, net interest received for the swaps amounted to $9.9m. For the life of the swap, net interest received amounted to $6.5m.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments (adjusted for credit risk) to ensure that an economic relationship exists between the hedged item and the hedging instrument. The testing determined that the hedge was highly effective throughout the financial reporting period for which the hedge was designated.

The impact of changes in the fair value of interest rate swaps in the year ended October 31, 2019 is shown in the Consolidated statement of comprehensive income. Note 31 of the "notes to the consolidated financial statements" in Item 18 shows the derivative financial instruments relating to hedging transactions entered into in the period ended 31 October 2019 (other reserves).

	October 31, 2019	October 31, 2018
	$m	$m
Carrying amount	**(36.5)**	86.4
Notional amount (4 x $562.5m)	**2,250.0**	2,250.0
Maturity date	**September 30, 2022**	September 30, 2022
Change in fair value of outstanding hedging instruments (note 31)	**(122.9)**	86.4
Change in value of hedging instruments adjusted for credit risk	**(121.9)**	84.7

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Credit risk

Financial instruments which potentially expose the 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 Group provides credit to customers in the normal course of business. Collateral is not required for those receivables, but on-going credit evaluations of customers' financial conditions are performed. The Group maintains a provision for impairment based upon the expected credit losses. The 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.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at October 31, 2019 was:

	October 31, 2019 $m	October 31, 2018 $m
Trade receivables (gross)	**877.9**	1,089.6
Cash and cash equivalents	**355.7**	620.9
Total	**1,233.6**	1,710.5

The Group applies the IFRS 9 expedited approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables.

A provision of the lifetime expected credit loss is established upon initial recognition of the underlying asset by predicting the future cash flows based upon the days past due status of an invoice and other relevant information. The model uses historical collection data along with historical credit losses experienced. The loss allowance is adjusted for forward-looking factors specific to the receivable and the economic environment.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

On that basis, the loss allowance as at October 31, 2019 and November 31, 2018 (on adoption of IFRS 9) was determined as follows for trade receivables (note 16) of the "notes to the consolidated financial statements" in Item 18:

	October 31, 2019 $'m	October 31, 2018 $'m
At November, 1 / May, 1 – calculated under IAS 39	**41.9**	2.6
Accounting policy change – IFRS 9 (recognised against retained earnings on November 1, 2018)	**20.0**	-
	61.9	2.6
Loss allowance provided in the period	**16.0**	40.0
Receivables written off as uncollectable	**(35.5)**	(0.7)
At October ,31	**42.4**	41.9

In the prior period, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables, which were known to be uncollectable were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Market risk

The Group's treasury function aims to reduce exposures to interest rate, foreign exchange and other financial risks, to ensure liquidity is available as and when required, and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments. The treasury function's policies and procedures are reviewed and monitored by the audit committee and are subject to internal audit review.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, UK Pound Sterling, Israeli Shekel, Japanese Yen and the Canadian Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

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There were no foreign currency hedging transactions in place at October 31, 2019. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The Group's currency exposures comprise those that give rise to net currency gains and losses to be recognised in the Consolidated statement of comprehensive income as well as gains and losses on consolidation, which go to reserves. Such exposures reflect the monetary assets and liabilities of the Group that are not denominated in the operating or functional currency of the operating unit involved and the Group's investment in net assets in currencies other than US dollar.

Note 3 of the "notes to the consolidated financial statements " in Item 18 shows the impact on the Consolidated statement of comprehensive income of foreign exchange losses in the 12 months ended 31 October 2019 of $11.3m (18 months ended 31 October 2018: $37.4m gain).

Sensitivity analysis

The Group's principal exposures in relation to market risks are the changes in the exchange rates between the US Dollar and transactions made in other currencies as well as changes in US Dollar LIBOR interest rates. Foreign exchange exposures for all re-measuring balances are tracked and reported to management.

The key drivers are cash, borrowings and inter-company positions with trade receivables and trade payables having less relative aggregate exposure. As at October 31, 2019, the key aggregate exposures involved the Euro, British Sterling, Japanese Yen, Israeli Shekel and Canadian Dollar. The table below illustrates the equity sensitivity analysis of the Group exposures to movements in currency and interest rates.

Key aggregate currency exposures	**Group exposure $m**	**+/- 5% $m**	**+/- 10% $m**	**+/- 1% interest $m**
Euro	512.6	25.6	51.2	
GBP	137.2	6.8	13.7	
JPY	69.6	3.5	6.9	
ILS	36.7	1.8	3.7	
CAN$	26.1	1.3	2.6	
Borrowings -Interest rate LIBOR +1% (based on gross debt excluding the effects of hedging)	n/a	n/a	n/a	47.75

Capital risk management

The Group's objective when managing its capital structures is to minimize the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximize shareholder return over the long-term.

The only financial covenant attaching to these facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. The facility was not utilized as at October 31, 2019 and therefore no covenant test is applicable.

The capital structure of the Group at the consolidated statement of financial position date is as follows:

	October 31, 2019 $m	October 31, 2018 $m
Bank and other borrowings (net of arrangement fees)	**4,670.7**	4,845.9
Finance lease obligations	**23.5**	28.5
Less cash and cash equivalents	**(355.7)**	(620.9)
Total net debt	**4,338.5**	4,253.5
Total equity	**6,276.3**	7,792.0
Debt/equity %	**69.1%**	54.6%

Borrowings are shown here net of unamortized prepaid facility arrangement fees of $104.3m (October 31, 2018: $151.0m). Gross borrowings are $4,775.0m (October 31, 2018: $4,996.9m).

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Change in liabilities arising from financing activities for interest bearing loans and finance leases were as follows:

	Interest bearing loans $m	Finance Leases $m	Total $m
At November 1, 2018	4,996.9	28.5	5,025.4
Draw down/New leases	-	9.0	9.0
Repayments	(212.6)	(14.9)	(227.5)
Foreign exchange	(9.3)	0.6	(8.7)
At October 31, 2019	4,775.0	23.5	4,798.2

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Item 12. Description of Securities Other than Equity Securities.

Item 12. A. Debt Securities.

Not applicable

Item 12. B. Warrants and rights.

Not applicable

Item 12. C. Other Securities

Not applicable.

Item 12. D. American Depositary Shares.

Fees and charges payable by ADS holders

Deutsche Bank Trust Company Americas (Deutsche Bank) was appointed as the depositary bank (the Depositary) for Micro Focus's ADS program pursuant to the Deposit Agreement dated August 11, 2017 between Micro Focus, the Depositary and the owners and holders of ADSs (the Deposit Agreement).

The Deposit Agreement provides that ADS holders may be required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

Service	Fees
Issuance of ADSs including issuance from a distribution of shares and distribution of ADSs pursuant to bonus distributions, stock splits or other distributions.	$5.00 (or less) per 100 ADSs (or portion of 100 ADSs).
Distribution of cash dividends.	$5.00 (or less) per 100 ADSs (or portion of 100 ADSs). The current per ADS fee to be charged for an interim or final dividend is $0.02 per ADS.
An annual fee for operation and maintenance of administering the ADSs. This fee is not currently charged.	$5.00 (or less) per 100 ADSs (or portion of 100 ADSs).
Transfer and registration of shares on share register to or from the name of the depositary or its agent when you deposit or withdraw shares	Registration or transfer fees

In addition, ADS holders may be required under the Deposit Agreement to pay the Depositary: (a) taxes (including applicable interest and penalties) and other governmental charges; (b) registration fees; (c) certain cable, telex and facsimile transmission and delivery expenses; (d) the expenses and charges incurred by the Depositary in the conversion of foreign currency; (e) such fees and expenses as are incurred by the Depositary in connection with compliance with applicable exchange control regulations and other regulatory requirements; and (f) the fees and expenses incurred by the Depositary, the custodian or any nominee in connection with the servicing or delivery of deposited securities. The Depositary may: (a) withhold dividends or other distributions or sell for the account of any ADS holder any or all of the shares underlying the ADSs in order to satisfy any tax or governmental charge; and (b) deduct from any cash distribution the applicable fees and charges of, and expenses incurred by, the Depositary and any taxes, duties or other governmental charges on account.

Fees and payments made by the Depositary to Micro Focus

Under the terms of the contractual arrangements set out in the separate agreement between Micro Focus and the Depositary referred to above, Micro Focus received a total of approximately US$6.6 million from the Depositary, comprising fees charged in respect of dividends and issuance and cancellation of ADSs during the year ended October 31, 2019.

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PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Not applicable.

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Item 15. Controls and Procedures.

Item 15. A. Disclosure Controls and Procedures.

Disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act")) are designed to provide reasonable assurance that the information required to be (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Based on their most recent evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of October 31, 2019, the Company's disclosure controls and procedures were not effective as a result of the material weakness in our internal control over financial reporting described below. Notwithstanding the material weakness described below, our management, including our Chief Executive Officer and Chief Financial Officer, believes that the audited consolidated financial statements contained in this Annual Report on Form 20-F, fairly present, in all material respects, our financial condition, results of operations and cash flows for the fiscal years presented in conformity with IFRS. In addition, the material weakness described below did not result in a misstatement to the financial statements.

Please see Exhibits 12.1 and 12.2 for the certifications required by this Item.

Item 15. B. Management's annual report on internal control over financial reporting

As a foreign issuer with American Depositary Shares listed on the New York Stock Exchange ("NYSE") the Group, as part of its disclosure and reporting obligations in the United States, is required to furnish this annual report by its management on its internal controls over financial reporting, including an attestation report issued by its independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") as at October 31, 2019.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Group. Internal control over financial reporting is defined in Rules13a-15(f) and 15d-15(f) promulgated under the Exchange Act. The Group's internal controls over financial reporting include policies and procedures which:

- are designed to give reasonable assurance that the transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorization of management and the Directors;

- relate to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposal of assets; and

- give reasonable assurance regarding the prevention or timely detection of unauthorized use, acquisition or disposal of the Group's assets that could have a material impact on the financial statements.

Any internal control network will have inherent limitations, such that the possibility of human error and circumvention or overriding of controls, and procedures may not prevent or detect misstatements. In addition, the projection of any controls to future periods are subject to the risk that controls may become inadequate due to changes in conditions or because the degree of compliance with policies and procedures may deteriorate.

Management assessed the effectiveness of internal controls over financial reporting as at October 31, 2019 based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013. Based on the assessment, management concluded that its internal control over financial reporting was not effective due to the following material weakness. The Company did not have adequate controls surrounding existing IT applications, in particular regarding change management and access controls. As a result of those deficiencies, automated controls and controls over information produced by the entity could not be relied upon. These deficiencies in aggregate constitute a material weakness. This material weakness did not result in misstatement to the financial statements.

Our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, which has issued an attestation report on the Company's internal control over financial reporting as at October 31, 2019 in this Annual Report on Form 20-F.

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Item 15. C. Attestation report of the registered public accounting firm

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Micro Focus International plc:

Opinion on Internal Control Over Financial Reporting

We have audited Micro Focus International plc *and subsidiaries* (the Company) internal control over financial reporting as of October 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of October 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of October 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the twelve month period ended October 31, 2019 and eighteen month period ended October 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated February 20, 2020 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to deficient controls surrounding IT Applications in the areas of change management and access controls has been identified and included in management's assessment. As a result of those deficiencies, automated controls and controls over information produced by the entity could not be relied upon. The material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

London, United Kingdom
February 20, 2020

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Item 15. D. Changes in internal control over financial reporting.

In the period, the Group continued to implement a framework of SOX compliant internal controls under its SOX Implementation Programme (SIP), together with a specialist team from its outsourced Internal Audit Partner. Governance for the SIP included a cross functional SOX Steering Group ("SSG") chaired by the Group's Chief Financial Officer reporting to the Audit Committee. In addition, the Disclosure Committee, also chaired by the Chief Financial Officer, continued to meet to assist the Chief Executive Officer and Chief Financial Officer in fulfilling their responsibilities in connection with the accuracy of financial reporting. The Group strengthened internal compliance by putting in place new Finance Compliance and Revenue Assurance teams. In addition, the Finance function established a Finance Processes and Compliance Committee. The SIP was implemented during a period of significant change across the organization. Change activities include a phased Finance Transformation Programme and work on the new simplified system architecture as set out in Item 4.B. Business Overview. As part of the governance, the SSG monitors potential adverse impacts of organizational change to the SIP.

The SIP included end-to-end process mapping, walkthroughs, Test of Design and Test of Effectiveness across the Group's main processes, Hire to Retire, Quote to Cash, Procurement to Pay and Record to Report, as well as IT General Controls (ITGC), leading to the development of documented controls for each process. A Global Process Owner owns each process and its associated controls. In the period, the Group has also reviewed its Entity Level Controls and continued with the implementation of a SOX training plan across relevant parts of the Group. A key work stream of the SIP related to the adequacy of ITGCs. The challenges with the IT systems, including controls acquired with the HPE Software business, were disclosed in our Annual Report and Accounts 2018 and the 2018 Form 20-F. Consequently, the business remained on its legacy IT systems, necessitating business process controls and ITGCs across both systems with the attendant complexity to the control environment. The work undertaken as part of the SIP identified a number of areas for improvement in the Group's ITGCs. A remediation plan was agreed, which formed part of the SIP. Work in this area was carried out under an IT SOX Compliance Group chaired by the Chief Information Security Officer reporting to the main SSG.

In the Annual Report and Accounts 2018 and the 2018 Form 20-F the Group reported certain weaknesses in its internal control over financial reporting, which under Public Company Accounting Oversight Board auditing standards were considered to be material weaknesses. The material weaknesses related to the fact that the Group did not have sufficient formally documented and implemented processes and review procedures, nor did it have sufficient formality and evidence of controls over key reports and spreadsheets. During the year, under the SIP, management, where possible, put in place a number of actions to remediate these weaknesses and strengthen internal controls. The actions included, but were not limited to, implementing new controls both preventative and detective in nature, increasing the precision with which controls operate, ensuring clear ownership of every control, and implementing checks on the completeness and accuracy of reports that are relied upon as part of key control operation. Within the IT environment, and where technical limitations allowed, improvements included updated change management controls as well as increased access control and monitoring to IT applications.

Remediation

The Group continues its work under the SIP to remediate the material weakness and other control deficiencies, and any other matters, which arise during its progress towards SOX compliance. As set out in Item 4.B. Business Overview, the Group has a project underway to move to a simplified systems architecture enabling further automation of improved processes and controls. To maintain the required control environment the Group relies upon automated, semi- automated and manual controls together with a combination of preventative and detective controls. The material weakness, control deficiencies and other matters may not be able to be remediated by October 31, 2020, and there is a risk that other deficiencies for the purposes of SOX may be identified. Failure to correct the material weakness, or our failure to discover and address any other material weakness or control deficiencies, could result in inaccuracies in our financial statements, and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. It could also result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the Group's financial statements, and could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

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Item 16. A. Audit committee audit report expert

The Audit Committee includes Richard Atkins who, in the opinion of the Board, is an 'audit committee financial expert' and is independent (as defined for this purpose in 17 CFR 240.10A-3). The board considered that the Committee's members have broad commercial knowledge and extensive business leadership experience, having held between them various roles in major business, financial management, and finance function supervision and that this constitutes a broad suitable mix of business and financial experience on the committee.

Item 16. B. Code of ethics

Micro Focus has adopted a code of ethics (the Micro Focus Code of Conduct) which applies to all employees including the chief executive officer and chief financial officer and other senior financial management. This code of ethics is available on our website (https://www.microfocus.com/media/guide/micro_focus_code_of_conduct_guide.pdf). The information on our website is not incorporated by reference into this report.

Item 16. C. Principal accountant fees and services

The Audit Committee approves all non-audit work commissioned from the external auditors.

During the 12 months ended October 31, 2019, the 18 months ended October 31, 2018, the 12 months ended April 30, 2017, the Group obtained the following services from the Group's auditors as detailed below:

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Audit fees	**19.7**	15.1	6.1
Audit-related fees	**0.6**	0.1	0.1
Tax fees	**0.1**	0.4	0.1
All other fees	**-**	0.6	7.5
Total	**20.4**	16.2	13.8

The 12 months ended October 31, 2019 and the 18 months ended October 31, 2018 fees represent fees paid to KPMG LLP, as the current auditor. Fees for the year ended April 30, 2017 represent amounts paid to the previous auditor, PricewaterhouseCoopers LLP.

There were no other fees in the 12 months ended October 31, 2019. Other fees in the 18 months ended October 31, 2018 relate primarily to the auditor's assurance work in relation to the SUSE divestiture and license verification compliance work. Other fees in the 12 months ended April 30, 2017 relate primarily to the auditor's work as reporting accountants and due diligence in respect of the acquisition of the HPE Software business.

Independence and objectivity of the external auditors

The committee is responsible for safeguarding the independence and objectivity of the external auditors and has developed a robust policy designed to ensure that this is not compromised. As explained above, the committee manages the risks that the external auditors undertake inappropriate non- audit work, or earn material levels of fees for non-audit services. It also considers the standing and experience of the external audit partner and takes comfort from the fact that KPMG took office relatively recently and from the external auditors' confirmation that they have complied with relevant UK and US independence standards.

The committee is satisfied that the independence and objectivity of the external auditors has been maintained throughout the year ended 31 October 2019 and to the date of this report.

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Item 16. D. Exemptions from the listing standards for audit committees

Not applicable.

Item 16. E. Purchase of equity securities by the issuer and affiliated purchases

On August 29, 2018, the Company announced the start of a share buy-back program for an initial tranche of up to $200m, which was extended on November 5, 2018 to a total value of $400 million (including the initial tranche). On February 14, 2019, the buy-back program was extended into a third tranche of up to $110 million up until the day before the AGM which took place on March 29, 2019 when the current buy-back authority approved by shareholders at the 2017 AGM to make market purchases of up to 65,211,171 ordinary shares expired.

On July 17, 2019, the Company announced a new share buy-back program with an initial tranche of up to $200 million. The Programme was effected in accordance with the terms of the authority granted by shareholders at the 2019 AGM and the Listing Rules. On October 3, 2019, the Company completed the $200 million share buy-back program. The total amount bought back under share buy-back programs was $710.0 million, excluding expenses.

In addition to purchasing ordinary shares on the London Stock Exchange Citi acquired ADRs representing ordinary shares listed on the New York Stock Exchange which it cancelled for the underlying shares and then sold such shares to the Company.

Shares bought back under these programs are held as treasury shares. Treasury share movements and share buy-back costs are shown below:

Treasury shares	**12 months ended 31 October 2019 Number**	18 months ended 31 October 2018 Number	Total Number
Share buy-backs	**29,160,054**	9,858,205	39,018,259
Shares issued to satisfy option awards	**(4,804,817)**	-	(4,804,817)
Share reorganization	**(4,012,537)**	-	(4,012,537)
	20,342,700	9,858,205	30,200,905
Share buy-backs numbers:			
Ordinary shares bought on the London Stock Exchange	**25,766,919**	8,567,659	34,334,578
ADRs purchased on the New York Stock Exchange	**3,393,135**	1,290,546	4,683,681
	29,160,054	9,858,205	39,018,259

Share buy-back cost:	**$ m**	$ m	$ m
Share buy-back cost	**538.8**	171.2	710.0
Expenses	**5.9**	0.5	6.4
	544.7	171.7	716.4

The weighted average price of shares bought back in the 12 months ended October 31, 2019 was £14.61 per share (18 months ended October 31, 2018 was £13.82 per share).

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Period	(a) Total Number of Shares Purchased Number	(b) Average Price Paid per Share $	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs Number	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs $m
Brought forward November 1, 2018	-	-	9,858,205	29.9
Month 1 Beginning November 1 2018; Ending November 30, 2018	3,578,352	18.19	13,436,557	164.8
Month 2 Beginning December 1 2018; Ending December 31, 2018	5,169,819	17.93	18,606,376	72.1
Month 3 Beginning January 1 2019; Ending January 31, 2019	3,072,744	18.45	21,679,120	15.4
Month 4 Beginning February 1 2019; Ending February 28, 2019	2,501,024	22.34	24,180,144	69.5
Month 5 Beginning March 1 2019; Ending March 31, 2019	2,761,993	25.08	26,942,137	-
Month 6 Beginning April 1 2019; Ending April 30, 2019	-		26,942,137	-
Month 7 Beginning May 1 2019; Ending May 31, 2019	-		26,942,137	-
Month 8 Beginning June 1 2019; Ending June 30, 2019	-		26,942,137	-
Month 9 Beginning July 1 2019; Ending July 31, 2019	1,638,503	21.22	28,580,640	165.2
Month 10 Beginning August 1 2019; Ending August 31, 2019	4,149,814	18.88	32,730,454	86.9
Month 11 Beginning September 1 2019; Ending September 30, 2019	5,983,282	13.87	38,713,736	3.9
Month 10 Beginning October 1 2019; Ending October 31, 2019	304,523	14.24	39,018,259	-
Total	29,160,054	18.61	39,018,259	-

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Item 16. F. Change in Registrant's certifying accountant

On April 11, 2017, Micro Focus announced that KPMG LLP ("KPMG") had been successful in a competitive tender process to serve as its independent registered public accounting firm to audit its consolidated financial statements for the period beginning May 1, 2017. The audit tender process was led by the Audit Committee and arose because PricewaterhouseCoopers LLP ("PwC") have a joint business arrangement with HPE Software which was expected to and has continued after the close of the business combination between Micro Focus and HPE Software. Consequently, PwC would not have been independent of Micro Focus following the close of the transaction with HPE Software and therefore could not continue to be the Company's independent registered public accounting firm. On September 1, 2017, PwC resigned as the independent registered public accounting firm of Micro Focus. KPMG was formally appointed as the independent registered public accounting firm at the Micro Focus Annual General Meeting on September 4, 2017.

During the Micro Focus fiscal years ended April 30, 2016 and 2017, and the subsequent interim periods through September 1, 2017, there were "reportable events" as that term is used in Item 16F(a)(1)(v)(A)-(D) of Form 20-F. In relation to the fiscal year ended April 30, 2017, material weaknesses were identified that related to the fact that the Group did not have sufficient formally documented and implemented processes and review procedures, nor did it have sufficient formality and evidence of controls over key reports and spreadsheets.

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Item 16. G. Corporate Governance

Micro Focus International plc has a primary listing on the London Stock Exchange. As such, it is required to comply with the UK Corporate Governance Code (the "Code"). For the year ended October 31, 2019 this was the edition of the Code published by the UK's Financial Reporting Council in April 2016.

The Company's ADSs are listed on the NYSE. As a Foreign Private Issuer, we are required to comply with some, but not all, of the NYSE's corporate governance rules, and are required to disclose any significant ways in which the UK corporate governance practices employed by the Company differ from those followed by US companies under the NYSE listing standards.

The directors are committed to ensuring that the Company operates in compliance with the main principles of the Code, as this provides a robust governance framework in support of the delivery of value to shareholders.

Compliance with the Code

UK listed companies are required to include in their Annual Report a narrative statement of (i) how they have applied the principles of the Code and (ii) whether or not they have complied with each of the provisions of the Code.

Throughout the year ended October 31, 2019 the Company has been in full compliance with the principles of the Code, and with each of its provisions, other than provision A.2.1. This single instance of non-compliance is as a result of Kevin Loosemore's role as Executive Chairman. A separate Chief Executive Officer has been in place at all times during the financial period but the Executive Chairman still retains executive responsibility for strategy, M&A activities, investor relations and executive director development. Stephen Murdoch, as Chief Executive Officer, is responsible for the evolution and delivery of the strategy and the day-to-day operation of the business. Kevin Loosemore continues to work to ensure an orderly transition of executive responsibilities to the Chief Executive Officer.

In order to mitigate any potential concerns around the concentration of decision-making power within the role of the Executive Chairman, the senior independent non-executive director, Karen Slatford, has separate and defined responsibilities, including leading the board's consideration of and deliberations on governance issues. In the year under review, this included overseeing the annual review of board effectiveness. As a further mitigation against any excess concentration of power, the independent non-executive directors comprise a majority of the board.

The non-executive directors have met without the Executive Chairman present to appraise the Executive Chairman's performance. The meeting was chaired by the senior independent non-executive director, Karen Slatford. A majority of the board is made up of independent non-executive directors.

On February 14, 2020 the Executive Chairman, Kevin Loosemore, resigned from the Board of directors and on the same date Greg Lock was appointed as a non-executive director and as non-executive Chairman of the Board. The Company's non-compliance with provision A.2.1 of the Code therefore ended on that date.

Committees of the board of directors

The Company has three principal Board committees that are broadly comparable in purpose and composition to those required by NYSE rules for domestic US companies. For instance, the Company has a Nomination (rather than nominating/corporate governance) Committee and a Remuneration (rather than compensation) Committee. The Company also has an Audit Committee, which NYSE rules require for both US companies and foreign private issuers. All the committees are comprised of Non-Executive Directors only and none of the functions of these committees has been delegated to another committee.

Each Board Committee has clearly defined terms of reference approved by the Board setting out their respective authority and duties. The terms of reference for each committee can be found on the Company's website at www.microfocus.com.

Under the US Securities Exchange Act of 1934 and the listing standards of the NYSE, the Company is required to have an audit committee that is comprised of at least three members from the independent non-executive directors of the Company's Board. Our Audit Committee complies, and during the year ended October 31, 2019 has complied, with these requirements. As stated in Item 16.A. above, the Board has determined that Richard Atkins possesses 'accounting or related financial management expertise', as required by rule 303A.07 (a) of the NYSE listing rules.

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Shareholder approval of equity compensation plans

Under NYSE listing rules, shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, except for employment inducement awards, certain grants, plans and amendments in the context of mergers and acquisitions, and certain specific types of plans. The Company complies with corresponding UK requirements in the Listing Rules, requiring the Company to seek shareholder approval for employee share schemes and significant changes to existing schemes, save in circumstances permitted by the Listing Rules (Listing Rule 9.4.1).

Corporate Governance Guidelines

Rule 303A.09 of the NYSE listing rules requires listed companies to adopt and disclose corporate governance guidelines. As noted above, in line with its obligations under the UK's Listing Rules the Company applies the UK Corporate Governance Code and, as required by the Listing Rules, the Annual Report contains an explanation of (i) how it has applied the principles of the Code, and (ii) whether it complies in full with the Code's provisions, or, where it does not, providing an explanation of any non-compliance and the reasons for this (LR 9.8.6).

In addition, the Company is required to make certain mandatory corporate governance statements in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules, DTR 7, which are also included in the Annual Report.

Code of Business Conduct and Ethics

The Micro Focus Code of Conduct is available on the Company's website at www.microfocus.com.

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Item 16. H. Mine Safety Disclosure

Not applicable.

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PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

The financial statements filed as part of this Annual Report on Form 20-F are included in Item 18 on pages F-1 through F-121 hereof.

Item 19. Exhibits

The following exhibits are filed as part of this report:

1.1	Articles of Association of Micro Focus International plc.
2.1	Description of the rights of each class of securities registered under Section 12 of the Exchange Act
4.1	Credit Agreement, among Micro Focus International plc, Micro Focus Group Limited, MA FinanceCo., LLC, the Lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent. (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form F-4 (File No. 333-219678) filed with the Securities and Exchange Commission on August 4, 2017).
8.1	List of Significant Subsidiaries
11.1	Code of Conduct
12.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Stephen Murdoch under Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Brian McArthur-Muscroft under Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of KPMG LLP.
15.2	Consent of PricewaterhouseCoopers LLP.
15.4	Unaudited financial statements for the 12 months ended October 31, 2018 and the six months ended October 31, 2017.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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Signature

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Micro Focus International plc

/s/ Stephen Murdoch

Stephen Murdoch

Chief Executive Officer

Date: February 20, 2020

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Micro Focus International plc:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Micro Focus International plc and subsidiaries (the Company) as of October 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the twelve month period ended October 31, 2019 and the eighteen month period ended October 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2019 and 2018, and the results of its operations and its cash flows for each of the periods then ended, in conformity with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

We also have audited the adjustments to the 2017 consolidated financial statements to retrospectively reflect discontinued operations (as described in note 37) and to retrospectively reflect changes in segment reporting (as described in note 1). In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 consolidated financial statements taken as a whole.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 20, 2020 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1, the Company changed its method of accounting for revenue from contracts with customers as of November 1, 2018 due to the adoption of IFRS 15, *Revenue from Contracts with Customers.*

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Identification of performance obligations in certain non-standard bundled customer contracts containing licences

As discussed in Note 2 to the consolidated financial statements, the Company's total licence revenue recognised in the year ended October 31, 2019 was $800 million, of which a portion relates to licence revenue from certain bundled contracts with non-standard terms. Licence revenue recognition requires the Company to make judgements to identify each separate performance obligation of a contract (for example licence, maintenance, SaaS & other recurring, and consulting), when sold together in a bundle.

We determined the identification of performance obligations in certain non-standard bundled customer contracts containing licences to be a critical audit matter because subjective and complex auditor judgement was required to evaluate the Company's identification of each performance obligation within these contracts.

The primary procedure we performed to address this critical audit matter included the following. We selected certain non-standard bundled customer contracts containing licences and performed an independent analysis of the performance obligations and compared our judgements and conclusions to those made by the Company.

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Evaluation of goodwill impairment analysis

As discussed in Note 10 to the consolidated financial statements, the goodwill balance as of October 31, 2019 was $6,671.3 million, which related to the Company's single cash generating unit ("CGU"). The Company performs goodwill impairment testing on an annual basis, or whenever events or changes in circumstances indicate possible impairment.

We identified evaluation of goodwill impairment analysis as a critical audit matter. The estimated recoverable amount of the CGU uses forward-looking estimates that involved a high degree of subjective auditor judgement to evaluate. Specifically, the key assumptions of discount rate applied and medium term annual revenue growth rate by product group were challenging to test as reasonably possible changes to those assumptions had a significant effect on the Company's assessment of the recoverable amount of the CGU.

The primary procedures we performed to address this critical audit matter included the following:

- We compared the Company's historical revenue growth rate to actual results to assess the Company's ability to accurately project future revenue growth.
- We compared the Company's medium term annual revenue growth rate by product group to external market data such as forecasted growth rates in corporate filings for comparable companies.
- We involved a valuation professional with specialised skills and knowledge, who assisted in comparing the discount rate used in the valuation against a discount rate range that was independently developed using publicly available market data for comparable entities.
- We performed sensitivity analyses over the medium term annual revenue growth by product group and discount rate assumptions to assess their impact on the Company's determination that the recoverable amount of the CGU exceeded its carrying value.

/s/ KPMG LLP

We have served as the Company's auditor since 2017.

London, United Kingdom
February 20, 2020

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Report of Independent Registered Public Accounting Firm

To the board of directors and shareholders of Micro Focus International plc.

In our opinion, the accompanying consolidated statements of comprehensive income, of changes in equity and of cash flows for the year ended April 30, 2017, before the effects of the adjustments to retrospectively reflect discontinued operations as described in Note 37 and before the effects of the adjustments to retrospectively reflect changes in segment reporting as described in Note 1, present fairly, in all material respects, the results of operations and cash flows of Micro Focus International plc for the year ended April 30, 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (the 2017 financial statements before the effects of the adjustments discussed in Note 37 and Note 1 are not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit, before the effects of the adjustments described above, of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect discontinued operations as described in Note 37 or the adjustments to retrospectively reflect changes in segment reporting as described in Note 1 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

/s/PricewaterhouseCoopers LLP
Reading, United Kingdom
July 17, 2017, except for the first paragraph of the Note to the Consolidated Statements of Cash Flows (not presented herein) appearing in the Company's consolidated financial statements included in the Registration Statement on Form F-4 (No.333-219678) of Micro Focus International plc, as to which the date is August 3, 2017

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Consolidated statement of comprehensive income
for the 12 months ended October 31, 2019

Continuing operations	Note	Before exceptional items $m	Exceptional items (note 4) $m	Total $m
Revenue	**1,2**	**3,348.4**	**-**	**3,348.4**
Cost of sales		**(777.3)**	**(12.6)**	**(789.9)**
Gross profit		**2,571.1**	**(12.6)**	**2,558.5**
Selling and distribution expenses		**(1,216.4)**	**(8.4)**	**(1,224.8)**
Research and development expenses		**(491.7)**	**0.5**	**(491.2)**
Administrative expenses		**(347.1)**	**(273.7)**	**(620.8)**
Operating profit		**515.9**	**(294.2)**	**221.7**
Finance costs	**6**	**(282.4)**	**-**	**(282.4)**
Finance income	**6**	**26.6**	**-**	**26.6**
Net finance costs	**6**	**(255.8)**	**-**	**(255.8)**
Profit/(loss) before tax		**260.1**	**(294.2)**	**(34.1)**
Taxation	**7**	**(38.3)**	**54.3**	**16.0**
Profit/(loss) from continuing operations		**221.8**	**(239.9)**	**(18.1)**
Profit from discontinued operation (attributable to equity shareholders of the Company)	**37**	**28.7**	**1,458.5**	**1,487.2**
Profit for the period		**250.5**	**1,218.6**	**1,469.1**
Attributable to:				
Equity shareholders of the Company		**250.2**	**1,218.6**	**1,468.8**
Non-controlling interests		**0.3**	**-**	**0.3**
Profit for the period		**250.5**	**1,218.6**	**1,469.1**

The accompanying notes form part of the financial statements.

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Consolidated statement of comprehensive income continued
for the 12 months ended October 31, 2019

Continuing operations	Note	Before exceptional items $m	Exceptional items (note 4) $m	$	Total $m
Profit for the period		**250.5**	**1,218.6**		**1,469.1**
Other comprehensive (expense)/income:					
Items that will not be reclassified to profit or loss					
Continuing operations:					
Actuarial loss on pension schemes liabilities	**25**	**(26.2)**	**-**		**(26.2)**
Actuarial gain on non-plan pension assets	**25**	**0.3**	**-**		**0.3**
Deferred tax movement		**13.0**	**-**		**13.0**
Discontinued operation:					
Actuarial gain on pension schemes liabilities	**25**	**0.1**	**-**		**0.1**
Actuarial gain on non-plan pension assets	**25**	**0.1**	**-**		**0.1**
Deferred tax movement		**-**	**-**		**-**
Currency translation differences - discontinued operation		**-**	**(1.5)**		**(1.5)**
Items that may be subsequently reclassified to profit or loss					
Cash flow hedge movements	**31**	**(122.9)**	**-**		**(122.9)**
Current tax movement	**31**	**23.3**	**-**		**23.3**
Deferred tax movement		**14.0**	**-**		**14.0**
Currency translation differences - continuing operations	**10, 11**	**(206.2)**	**-**		**(206.2)**
Other comprehensive expense for the period		**(304.5)**	**(1.5)**		**(306.0)**
Total comprehensive (expense)/income for the period		**(54.0)**	**1,217.1**		**1,163.1**
Attributable to:					
Equity shareholders of the Company		**(54.3)**	**1,217.1**		**1,162.8**
Non-controlling interests		**0.3**	**-**		**0.3**
Total comprehensive (expense)/income for the period		**(54.0)**	**1,217.1**		**1,163.1**
Total comprehensive income attributable to the equity shareholders of the Company arises from:					
Continuing operations		**(82.9)**	**(239.9)**		**(322.8)**
Discontinued operations		**28.9**	**1,457.0**		**1,485.9**
		(54.0)	**1,217.1**		**1,163.1**
Earnings per share (cents)					
From continuing and discontinued operations					**cents**
- basic	**9**				**388.50**
- diluted	**9**				**384.35**
From continuing operations					
- basic	**9**				**(4.87)**
- diluted	**9**				**(4.87)**
Earnings per share (pence)					
From continuing and discontinued operations					**pence**
- basic	**9**				**305.07**
- diluted	**9**				**301.81**
From continuing operations					
- basic	**9**				**(3.82)**
- diluted	**9**				**(3.82)**

The accompanying notes form part of the financial statements.

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Consolidated statement of comprehensive income
for the 18 months ended October 31, 2018

Continuing operations	Note	Before exceptional items $m	Exceptional items (note 4) $m	Total $m
Revenue	**1,2**	4,754.4	-	4,754.4
Cost of sales		(1,237.3)	(65.4)	(1,302.7)
Gross profit		3,517.1	(65.4)	3,451.7
Selling and distribution costs		(1,725.0)	(39.2)	(1,764.2)
Research and development expenses		(663.4)	(17.4)	(680.8)
Administrative expenses		(213.7)	(416.2)	(629.9)
Operating profit		915.0	(538.2)	376.8
Finance costs	**6**	(344.0)	(6.4)	(350.4)
Finance income	**6**	7.1	0.6	7.7
Net finance costs	**6**	(336.9)	(5.8)	(342.7)
Profit/(loss) before tax		578.1	(544.0)	34.1
Taxation	**7**	(125.1)	798.2	673.1
Profit from continuing operations		453.0	254.2	707.2
Profit from discontinued operation (attributable to equity shareholders of the Company)	**37**	76.9	-	76.9
Profit for the period		529.9	254.2	784.1
Attributable to:				
Equity shareholders of the Company		529.8	254.2	784.0
Non-controlling interests		0.1	-	0.1
Profit for the period		529.9	254.2	784.1

The accompanying notes form part of these financial statements.

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Consolidated statement of comprehensive income continued
for the 18 months ended October 31, 2018

	Note	Before exceptional items $m	Exceptional items (note 4) $m	Total $m
Profit for the period		529.9	254.2	784.1
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Continuing operations:				
Actuarial loss on pension schemes liabilities	**25**	(8.9)	-	(8.9)
Actuarial loss on non-plan pension assets	**25**	(5.3)	-	(5.3)
Deferred tax movement		3.8	-	3.8
Discontinued operation:				
Actuarial loss on pension schemes liabilities	**25**	(1.5)	-	(1.5)
Actuarial loss on non-plan pension assets	**25**	(0.5)	-	(0.5)
Deferred tax movement		0.5	-	0.5
Items that may be subsequently reclassified to profit or loss				
Cash flow hedge movements	**31**	86.4	-	86.4
Current tax movement	**31**	(16.4)	-	(16.4)
Currency translation differences - continuing operations	**10**	(29.5)	-	(29.5)
Currency translation differences - discontinued operation		0.7	-	0.7
Other comprehensive income for the period		29.3	-	29.3
Total comprehensive income for the period		559.2	254.2	813.4
Attributable to:				
Equity shareholders of the Company		559.1	254.2	813.3
Non-controlling interests		0.1	-	0.1
Total comprehensive income for the period		559.2	254.2	813.4
Total comprehensive income attributable to the equity shareholders of the Company arises from:				
Continuing operations		483.1	254.2	737.3
Discontinued operations		76.1	-	76.1
		559.2	254.2	813.4
Earnings per share (cents)				
From continuing and discontinued operations				cents
- basic	**9**			201.70
- diluted	**9**			196.17
From continuing operations				
- basic	**9**			181.91
- diluted	**9**			176.92
Earnings per share (pence)				
From continuing and discontinued operations				pence
- basic	**9**			151.61
- diluted	**9**			147.45
From continuing operations				
- basic	**9**			136.73
- diluted	**9**			132.98

The accompanying notes form part of these financial statements.

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Consolidated statement of comprehensive income
for the 12 months ended April 30, 2017

Continuing operations	Note	Before exceptional items $m	Exceptional items (note 4) $m	Total $m
Revenue	**1,2**	1,077.3	-	1,077.3
Cost of sales		(213.5)	(2.9)	(216.4)
Gross profit		863.8	(2.9)	860.9
Selling and distribution costs		(357.7)	(5.5)	(363.2)
Research and development expenses		(116.0)	(6.8)	(122.8)
Administrative expenses		(65.5)	(82.0)	(147.5)
Operating profit		324.6	(97.2)	227.4
Finance costs	**6**	(96.8)	-	(96.8)
Finance income	**6**	1.0	-	1.0
Net finance costs	**6**	(95.8)	-	(95.8)
Profit/(loss) before tax		228.8	(97.2)	131.6
Taxation	**7**	(19.1)	11.6	(7.5)
Profit/(loss) from continuing operations		209.7	(85.6)	124.1
Profit from discontinued operation (attributable to equity shareholders of the Company)	**37**	33.7	-	33.7
Profit/(loss) for the period		243.4	(85.6)	157.8
Attributable to:				
Equity shareholders of the Company		243.5	(85.6)	157.9
Non-controlling interests		(0.1)	-	(0.1)
Profit/(loss) for the period		243.4	(85.6)	157.8

The accompanying notes form part of these financial statements.

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Consolidated statement of comprehensive income continued
for the 12 months ended April 30, 2017

	Note	Before exceptional items $m	Exceptional items (note 4) $m	Total $m
Profit for the period		243.4	(85.6)	157.8
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Continuing operations:				
Actuarial loss on pension schemes liabilities	**25**	(0.2)	-	(0.2)
Actuarial gain on non-plan pension assets	**25**	0.3	-	0.3
Deferred tax movement		(0.1)	-	(0.1)
Discontinued operation:				
Actuarial gain on pension schemes liabilities	**25**	0.6	-	0.6
Actuarial loss on non-plan pension assets	**25**	(0.2)	-	(0.2)
Deferred tax movement		(0.2)	-	(0.2)
Items that may be subsequently reclassified to profit or loss				
Currency translation differences – continuing operations		(4.9)	-	(4.9)
Currency translation differences - discontinued operation		(1.0)	-	(1.0)
Other comprehensive expense for the period		(5.7)	-	(5.7)
Total comprehensive income/(expense) for the period		237.7	(85.6)	152.1
Attributable to:				
Equity shareholders of the Company		237.8	(85.6)	152.2
Non-controlling interests		(0.1)	-	(0.1)
Total comprehensive income/(expense) for the period		237.7	(85.6)	152.1
Total comprehensive income attributable to the equity shareholders of the Company arises from:				
Continuing operations		204.8	(85.6)	119.2
Discontinued operations		32.9	-	32.9
		237.7	(85.6)	152.1
Earnings per share				
Earnings per share (cents)				
From continuing and discontinued operations				cents
- basic	**9**			68.88
- diluted	**9**			66.51
From continuing operations				
- basic	**9**			54.17
- diluted	**9**			52.31
Earnings per share (pence)				
From continuing and discontinued operations				pence
- basic	**9**			53.25
- diluted	**9**			51.42
From continuing operations				
- basic	**9**			41.88
- diluted	**9**			40.44

The accompanying notes form part of these financial statements.

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Consolidated statements of financial position

	Note	October 31, 2019 $m	October 31, 2018 $m
Non-current assets			
Goodwill	**10**	**6,671.3**	6,805.0
Other intangible assets	**11**	**5,942.3**	6,629.3
Property, plant and equipment	**12**	**140.5**	144.3
Derivative asset	**27**	**-**	86.4
Long-term pension assets	**25**	**17.1**	16.7
Contract-related costs	**17**	**31.5**	-
Other non-current assets	**14**	**44.0**	38.8
		12,846.7	13,720.5
Current assets			
Inventories	**15**	**0.1**	0.2
Trade and other receivables	**16**	**1,032.9**	1,272.0
Contract-related costs	**17**	**19.3**	-
Current tax receivables	**22**	**40.1**	24.5
Cash and cash equivalents	**18**	**355.7**	620.9
		1,448.1	1,917.6
Current assets classified as held for sale	**37**	**-**	1,142.5
Total current assets		**1,448.1**	3,060.1
Total assets		**14,294.8**	16,780.6
Current liabilities			
Trade and other payables	**19**	**611.0**	676.9
Borrowings	**20**	**-**	3.7
Finance leases	**21**	**11.8**	13.6
Provisions	**24**	**29.3**	57.4
Current tax liabilities	**22**	**104.0**	124.1
Contract liabilities	**23**	**1,045.9**	1,134.7
		1,802.0	2,010.4
Current liabilities classified as held for sale	**37**	**-**	437.7
		1,802.0	2,448.1
Non-current liabilities			
Contract liabilities	**23**	**149.9**	178.1
Borrowings	**20**	**4,670.7**	4,842.2
Finance leases	**21**	**11.7**	14.9
Derivative liability	**27**	**36.5**	-
Retirement benefit obligations	**25**	**141.4**	110.4
Provisions	**24**	**49.1**	35.4
Other non-current liabilities	**26**	**50.4**	58.0
Current tax liabilities	**22**	**119.7**	131.0
Deferred tax liabilities	**28**	**987.1**	1,170.5
		6,216.5	6,540.5
Total liabilities		**8,018.5**	8,988.6
Net assets		**6,276.3**	7,792.0

The accompanying notes form part of these financial statements.

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Consolidated statements of financial position continued

	Note	October 31, 2019 $m	October 31, 2018 $m
Capital and reserves			
Share capital	**29**	**47.2**	65.8
Share premium account	**30**	**44.0**	41.0
Merger reserve	**31**	**1,739.8**	3,724.4
Capital redemption reserve	**31**	**2,485.0**	666.3
Hedging reserve	**31**	**(29.6)**	70.0
Retained earnings		**2,250.7**	3,275.2
Foreign currency translation reserve		**(262.1)**	(51.7)
Total equity attributable to owners of the parent		**6,275.0**	7,791.0
Non-controlling interests	**32**	**1.3**	1.0
Total equity		**6,276.3**	7,792.0

The accompanying notes form part of the financial statements.

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Consolidated statement of changes in equity
For the 12 months ended April 30, 2017

	Note	Share capital $m	Share premium account $m	Retained earnings $m	Foreign currency translation reserve $m	Capital redemption reserves $m	Hedging reserve $m	Merger reserve $m	Total equity attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
Balance as at May 1, 2016		39.6	190.3	228.3	(17.0)	163.4	-	988.1	1,592.7	1.0	1,593.7
Profit for the financial period		-	-	157.9	-	-	-	-	157.9	(0.1)	157.8
Other comprehensive income/(expense) for the period		-	-	0.2	(5.9)	-	-	-	(5.7)	-	(5.7)
Total comprehensive income/(expense) for the period		-	-	158.1	(5.9)	-	-	-	152.2	(0.1)	152.1
Transactions with owners:											
Dividends	**8**	-	-	(177.5)	-	-	-	-	(177.5)	-	(177.5)
Treasury shares purchased		-	-	(7.7)	-	-	-	-	(7.7)	-	(7.7)
Share options:											
Issue of share capital – share options	**29,30**	0.1	1.8	(0.1)	-	-	-	-	1.8	-	1.8
Share-based payment charge		-	-	24.0	-	-	-	-	24.0	-	24.0
Current tax on share options		-	-	4.1	-	-	-	-	4.1	-	4.1
Deferred tax on share options		-	-	23.0	-	-	-	-	23.0	-	23.0
Reallocation of merger reserve	**31**	-	-	650.0	-	-	-	(650.0)	-	-	-
Total movements for the period		0.1	1.8	673.9	(5.9)	-	-	(650.0)	19.9	(0.1)	19.8
Balance as at April 30, 2017		39.7	192.1	902.2	(22.9)	163.4	-	338.1	1,612.6	0.9	1,613.5

The accompanying notes form part of the financial statements.

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Consolidated statement of changes in equity
For the 18 months ended October 31, 2018

	Note	Share capital $m	Share premium account $m	Retained earnings $m	Foreign currency translation reserve $m	Capital redemption reserves $m	Hedging reserve $m	Merger reserve $m	Total equity attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
Balance as at May 1, 2017		39.7	192.1	902.2	(22.9)	163.4	-	338.1	1,612.6	0.9	1,613.5
Profit for the financial period		-	-	784.0	-	-	-	-	784.0	0.1	784.1
Other comprehensive income for the period		-	-	(11.9)	(28.8)	-	70.0	-	29.3	-	29.3
Total comprehensive income/(expense) for the period		-	-	772.1	(28.8)	-	70.0	-	813.3	0.1	813.4
Transactions with owners:											
Dividends	**8**	-	-	(542.2)	-	-	-	-	(542.2)	-	(542.2)
Share options:											
Issue of share capital – share options	**29,30**	0.2	5.6	-	-	-	-	-	5.8	-	5.8
Share-based payment charge		-	-	78.6	-	-	-	-	78.6	-	78.6
Current tax on share options	**7**	-	-	4.1	-	-	-	-	4.1	-	4.1
Deferred tax on share options	**7**	-	-	(23.7)	-	-	-	-	(23.7)	-	(23.7)
Acquisitions:											
Shares issued to acquire the HPE Software business	**29**	28.8	-	-	-	-	-	6,485.4	6,514.2	-	6,514.2
Share reorganization and buy-back:											
Return of Value – share consolidation	**29,31**	(2.9)	-	-	-	2.9	-	-	-	-	-
Issue and redemption of B shares	**30,31**	-	(156.7)	(500.0)	-	500.0	-	(343.3)	(500.0)	-	(500.0)
Share buy-back	**29**	-	-	(171.7)	-	-	-	-	(171.7)	-	(171.7)
Reallocation of merger reserve	**31**	-	-	2,755.8	-	-	-	(2,755.8)	-	-	-
Total movements for the period		26.1	(151.1)	2,373.0	(28.8)	502.9	70.0	3,386.3	6,178.4	0.1	6,178.5
Balance as at October 31, 2018		65.8	41.0	3,275.2	(51.7)	666.3	70.0	3,724.4	7,791.0	1.0	7,792.0

The accompanying notes form part of the financial statements.

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Consolidated statement of changes in equity
For the 12 months ended October 31, 2019

	Note	Share capital $m	Share premium account $m	Retained earnings $m	Foreign currency translation reserve $m	Capital redemption reserves $m	Hedging reserve $m	Merger reserve $m	Total equity attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
Balance as at November 1, 2018		**65.8**	**41.0**	**3,275.2**	**(51.7)**	**666.3**	**70.0**	**3,724.4**	**7,791.0**	**1.0**	**7,792.0**
Impact of adoption of IFRS 15		**-**	**-**	**52.4**	**-**	**-**	**-**	**-**	**52.4**	**-**	**52.4**
Impact of adoption of IFRS 9		**-**	**-**	**(15.6)**	**-**	**-**	**-**	**-**	**(15.6)**	**-**	**(15.6)**
Revised balance at November 1, 2018		**65.8**	**41.0**	**3,312.0**	**(51.7)**	**666.3**	**70.0**	**3,724.4**	**7,827.8**	**1.0**	**7,828.8**
Profit for the financial period		**-**	**-**	**1,468.8**	**-**	**-**	**-**	**-**	**1,468.8**	**0.3**	**1,469.1**
Other comprehensive income/(expense) for the period[1]		**-**	**-**	**4.0**	**(210.4)**	**-**	**(99.6)**	**-**	**(306.0)**	**-**	**(306.0)**
Total comprehensive income/(expense) for the period		**-**	**-**	**1,472.8**	**(210.4)**	**-**	**(99.6)**	**-**	**1,162.8**	**0.3**	**1,163.1**
Transactions with owners:											
Dividends	**8**	**-**	**-**	**(439.2)**	**-**	**-**	**-**	**-**	**(439.2)**	**-**	**(439.2)**
Share options:											
Issue of share capital – share options	**29,30**	**0.1**	**3.0**	**(3.8)**	**-**	**-**	**-**	**-**	**(0.7)**	**-**	**(0.7)**
Share-based payment charge		**-**	**-**	**64.5**	**-**	**-**	**-**	**-**	**64.5**	**-**	**64.5**
Current tax on share options	**7**	**-**	**-**	**13.1**	**-**	**-**	**-**	**-**	**13.1**	**-**	**13.1**
Deferred tax on share options	**7**	**-**	**-**	**(7.6)**	**-**	**-**	**-**	**-**	**(7.6)**	**-**	**(7.6)**
Share reorganization and buy-back:											
Return of Value – share consolidation	**29,31**	**(18.7)**	**-**	**-**	**-**	**18.7**	**-**	**-**	**-**	**-**	**-**
Expenses relating to Return of Value	**29**	**-**	**-**	**(1.0)**	**-**	**-**	**-**	**-**	**(1.0)**	**-**	**(1.0)**
Issue and redemption of B shares	**31**	**-**	**-**	**(1,800.0)**	**-**	**1,800.0**	**-**	**(1,800.0)**	**(1,800.0)**	**-**	**(1,800.0)**
Share buy-back	**29**	**-**	**-**	**(544.7)**	**-**	**-**	**-**	**-**	**(544.7)**	**-**	**(544.7)**
Reallocation of merger reserve	**31**	**-**	**-**	**184.6**	**-**	**-**	**-**	**(184.6)**	**-**	**-**	**-**
Total movements for the period		**(18.6)**	**3.0**	**(1,061.3)**	**(210.4)**	**1,818.7**	**(99.6)**	**(1,984.6)**	**(1,552.8)**	**0.3**	**(1,552.5)**
Balance as at October 31, 2019		**47.2**	**44.0**	**2,250.7**	**(262.1)**	**2,485.0**	**(29.6)**	**1,739.8**	**6,275.0**	**1.3**	**6,276.3**

The accompanying notes form part of these financial statements.

[1] $21.6m of foreign exchange movements arising on the re-denomination of intangible assets, see note 11, have been recognized as ‘‘currency translation differences – continuing operations’’ and $1.5m of currency translation differences are recorded in retained earnings at October 31, 2019, net of $4.9m of deferred tax.

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Consolidated statements of cash flows

	Note	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $mm	12 months ended April 30, 2017 $m
Cash flows from operating activities				
Cash generated from operations	**39**	**1,056.3**	1,424.3	564.8
Interest paid		**(227.1)**	(301.8)	(81.1)
Bank loan costs		**-**	(101.2)	(6.7)
Tax paid		**(167.4)**	(99.5)	(24.6)
Net cash generated from operating activities		**661.8**	921.8	452.4
Cash flows from/(used in) investing activities				
Payments for intangible assets[1]	**11**	**(29.3)**	(92.1)	(31.4)
Purchase of property, plant and equipment[1]	**12**	**(56.3)**	(40.1)	(11.7)
Finance leases[2]	**21**	**-**	(0.7)	-
Interest received		**26.6**	9.2	1.0
Payment for acquisition of business	**38**	**(89.0)**	(19.2)	(299.1)
Repayment of bank borrowings on acquisition of businesses		**-**	-	(316.6)
Net cash acquired with acquisitions	**38**	**1.2**	321.7	68.1
Investing cash flows generated from disposals	**37**	**20.0**	-	-
Investing cash flows generated from discontinued operation, net of cash disposed	**37**	**2,473.5**	-	-
Tax paid on divestiture gain		**(264.6)**	-	-
Net cash from/(used in) investing activities		**2,082.1**	178.8	(589.7)
Cash flows used in financing activities				
Investment in non-controlling interest	**32**	**-**	(0.1)	(0.1)
Proceeds from issue of ordinary share capital	**29,30**	**3.1**	5.8	2.0
Purchase of treasury shares and related expenses	**29**	**(544.7)**	(171.7)	(7.7)
Return of Value paid to shareholders	**29,31**	**(1,800.0)**	(500.0)	-
Expenses relating to Return of Value	**29**	**(1.0)**	-	-
Repayment of working capital in respect of the HPE Software business acquisition	**38**	**-**	(225.8)	-
Finance leases[2]	**21**	**(12.9)**	-	-
Repayment of bank borrowings	**20**	**(212.6)**	(252.9)	(372.1)
Proceeds from bank borrowings	**20**	**-**	1,043.8	180.0
Dividends paid to owners	**8**	**(439.2)**	(542.2)	(177.5)
Net cash used in financing activities		**(3,007.3)**	(643.1)	(375.4)
Effects of exchange rate changes		**(1.8)**	15.3	(3.5)
Net (decrease)/increase in cash and cash equivalents		**(265.2)**	472.8	(516.2)
Cash and cash equivalents at beginning of period		**620.9**	151.0	667.2
	18	**355.7**	623.8	151.0
Reclassification to current assets classified as held for sale	**37**	**-**	(2.9)	-
Cash and cash equivalents at end of period	**18**	**355.7**	620.9	151.0

The accompanying notes form part of these financial statements.

[1]The principal non-cash transactions in the 12 months ended October 31, 2019 were property, plant and equipment finance lease additions of $9.0m (note 12).
The principal non-cash transactions in the 18 months ended October 31, 2018 were the issuance of shares as purchase consideration for the HPE Software business acquisition (note 38) and property, plant and equipment finance lease additions of $12.0m (note 12).

[2]Cash outflows in relation to repayments of finance lease liabilities have been reclassified as a financing activity in the current year as repayments relating to all leases will be presented as financing activities in future periods following the adoption of IFRS 16. The comparative continues to be shown as an investing activity.

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Consolidated financial statements and notes
Summary of significant accounting policies

General information
Micro Focus International plc ("Company") is a public limited company incorporated and domiciled in the UK. The address of its registered office is, The Lawn, 22-30 Old Bath Road, Newbury, RG14 1QN, UK. Micro Focus International plc and its subsidiaries (together "Group") provide innovative software to clients around the world enabling them to dramatically improve the business value of their enterprise applications. As at October 31, 2019, the Group had a presence in 48 countries (October 31, 2018: 49; April 30, 2017: 40) worldwide and employed approximately 12,100 people (October 31, 2018: 14,800 including 1,200 SUSE employees; April 30, 2017: 4,800).

The Company is listed on the London Stock Exchange and its American Depositary Shares are listed on the New York Stock Exchange.

In the prior period, the Company changed its financial year-end from April 30 to October 31 and reported 18-month financial statements running from May 1, 2017 to October 31, 2018.

1 Significant Accounting policies

A Basis of preparation
The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union (collectively "IFRS").

The consolidated financial statements have been prepared on a going concern basis under the historical cost convention. These financial statements have been prepared for a 12-month period as compared with a prior 18-month and 12-month reporting periods and therefore are not entirely comparable. The use of an 18 month reporting period is permitted under the UK Companies Act 2006.

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 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, assumptions and judgments'.

The principal accounting policies adopted by the Group in the preparation of the consolidated financial statements are set out below.

The accounting policies adopted are consistent with those of the Annual Report on Form 20-F for the 18 months ended October 31, 2018 apart from standards, amendments to or interpretations of published standards adopted during the period and the revision in the period to allocate goodwill and purchased intangible assets into functional currencies of the underlying foreign operations and then retranslate goodwill and purchased intangible assets at closing rates, as set out in Accounting Policy J(b) "Foreign currency translation - transactions and balances", and which has been recorded in the 12 months ended October 31, 2019 (note 11).

Going concern
The directors, having made enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore it is appropriate to maintain the going concern basis in preparing these financial statements.

Consolidated statement of comprehensive income – Prior Period Revision
In the prior period, certain costs were incorrectly presented as administrative expenses ($159.0m) and should have been classified as $43.4m in cost of sales, $94.2m in selling and distribution expenses and $21.4m in research and development expenses. Management have therefore decided to correct the presentation and record these immaterial adjustments to revise the Consolidated statement of comprehensive income for the 18 months ended October 31, 2018. The impact of the revision is to reduce administrative expenses by $159.0m, increase cost of sales by $43.4m, increase selling and distribution expenses by $94.2m and increase research and development expenses by $21.4m as compared with previously reported amounts. The revision has no impact on the operating profit, profit for the period, assets and liabilities or cash flows for the 18 months ended October 31, 2018. This revision has also been reflected in the unaudited financial information for the 12-month period ended October 31, 2018 and the 6-month period ended October 31, 2017 presented in Exhibit 15.4.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

B Consolidation
The financial statements of the Group comprise the financial statements of the Company and entities controlled by the Company, its subsidiaries and the Group's share of its interests in associates prepared at the consolidated statement of financial position date.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group has control over an entity where the Group is exposed to, or has rights to, variable returns from its involvement within the entity and it has the power over the entity to effect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control. Control is presumed to exist when the Group owns more than half of the voting rights (which does not always equal percentage ownership) unless it can be demonstrated that ownership does not constitute control. The results of subsidiaries are consolidated from the date on which control passes to the Group. The results of disposed subsidiaries are consolidated up to the date on which control passes from the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the 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 Group's share of the identifiable net assets acquired is recorded as goodwill.

Where new information is obtained within the 'measurement period' (defined as the earlier of the period until which the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, or one year from the acquisition date) about facts and circumstances that existed as at the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date, the Group recognizes these adjustments to the acquisition balance sheet with an equivalent offsetting adjustment to goodwill. Where new information is obtained after this measurement period has closed, this is reflected in the post-acquisition period.

For partly owned subsidiaries, the allocation of net assets and net earnings to outside shareholders is shown in the line 'Attributable to non-controlling interests' on the face of the Consolidated statement of comprehensive income and the Consolidated statement of financial position.

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

At October 31, 2019, the Group had an 84.24% (2018: 81.05%; 2017: 74.70%) interest in Novell Japan Ltd which gives rise to the minority interest reported in these financial statements (note 32).

C Assets held for sale and discontinued operations
A current asset (or disposal group) is classified as held for sale if the Group will recover the carrying amount principally through a sale transaction rather than through continuing use. A current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. If the asset (or disposal group) is acquired as part of a business combination it is initially measured at fair value less costs to sell. Assets and liabilities of disposal groups classified as held for sale are shown separately on the face of the balance sheet.

The results of discontinued operations are shown as a single amount on the face of the Consolidated statement of comprehensive income comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognized either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. The Consolidated statement of cash flows has been presented including the discontinued operations.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

D Revenue recognition
On November 1, 2018, the Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption was recognized in retained earnings as of November 1, 2018 and that comparatives are not restated. IFRS 15 replaces guidance in IAS 18 and IAS 11. The accounting policies applied under IAS 18 and IAS 11 in the comparative period are presented below under the heading 'Revenue recognition policy in the prior period'. This standard establishes a new principle-based model of recognizing revenue from customer contracts. It introduces a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer. Additionally, there is a requirement in the new standard to capitalize certain incremental contract costs. The guidance also requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group follows the five-step model and recognizes revenue on transfer of control of promised goods or services to customers in an amount that reflects the consideration, which the Group expects to be entitled in exchange for those goods, or services. Customer contracts can include combinations of goods and services, which are generally capable of being distinct and accounted for as separate performance obligations.

Revenue is allocated to the various performance obligations on a relative stand-alone selling price ("SSP") basis.

On an on-going basis, the Group utilizes available data points based on relevant historical transactions, to establish the observable stand-alone selling prices to be used in allocating transaction consideration. For observable stand-alone sales a reasonable range of prices will be determined to represent the stand-alone selling price of that performance obligation. Given the highly variable selling price of licences, the Group has not established SSP for licences. When SSP is established for the undelivered performance obligations (typically maintenance and professional services), the residual approach is used to allocate the transaction price to the delivered licences.

For performance obligations where observable stand-alone sales are not available, SSP will be estimated using the following methods in the order set out below:
- Market price
- Expected cost plus a margin
- Residual approach

The Group recognizes revenues from sales of software licences (including Intellectual Property and Patent rights) to end-users, resellers and Independent Software Vendors ("ISV"), software maintenance, subscription, Software as a Service ("SaaS"), technical support, training and professional services. ISV revenue includes fees based on end usage of ISV applications that have our software embedded in their applications.

Software licence revenue is the sale of right to use the software on customer premises and is recognized at a point in time when the software is made available to the customer and/or reseller (i.e. when control of the asset is transferred). The Group enters into licence verification arrangements, for customers who are not in compliance with their contractual licence and/or maintenance terms, by agreeing a one-off settlement fee. If the performance obligation can be identified in the contract, revenue is allocated to each performance obligation, otherwise the Group policy is to recognize it as licence revenue. The allocation of revenue does not impact the timing of revenue recognition in these deals, given the performance obligation(s) have already been fulfilled, but will impact the presentation of revenue recognized during the period, (as licence or licence and maintenance).

For Subscriptions and SaaS arrangements where customers access the functionality of a hosted software over the contract period without taking possession of the software, and performance obligations are provided evenly over a defined term, the Group recognizes revenue over the period in which the subscriptions are provided as the service is delivered, generally on a straight-line basis.

In SaaS arrangements where the customer has the contractual right to take possession of the software at any time during the contractual period without significant penalty and the customer can operate, or contract with another vendor to operate the software, the Group evaluates whether the arrangement includes the sale of a software licence. In SaaS arrangements where software licences are sold, licence revenue is generally recognized at a point in time when control of the software is transferred to the customer.

Maintenance revenue is recognized on a straight-line basis over the term of the contract, which in most cases is one year.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

D Revenue recognition continued

For time and material-based professional services contracts, the Group recognizes revenue as services are rendered. The Group recognizes revenue from fixed-price professional services contracts as work progresses over the contract period on a percentage of completion basis, as determined by the percentage of labor costs incurred to date compared to the total estimated labor costs of a contract. Estimates of total project costs for fixed-price contracts are regularly reassessed during the life of a contract. Service costs are expensed as incurred; amounts collected prior to satisfying the above conditions are shown as contract liability and included in deferred income.

Rebates paid to resellers as part of a contracted program are accounted for as a reduction of the transaction price and netted against revenue where the rebate paid is based on the achievement of sales targets made by the partner. If the Group receives an identifiable good or service from the reseller that is separable from the sales transaction and for which fair value can be reasonably estimated, the Group accounts for the purchase of the good or service in the same way that it accounts for other purchases from suppliers.

Revenue recognition policy in the prior periods
The Group recognized revenues from sales of software Licences (including Intellectual Property and Patent rights), to end-users, resellers and Independent Software Vendors ("ISV"), software maintenance, subscription, Software as a Service ("SaaS"), technical support, training and professional services, upon firm evidence of an arrangement, delivery of the software and determination that collection of a fixed or determinable fee is reasonably assured. ISV revenue included fees based on end usage of ISV applications that have our software embedded in their applications. When the fees for software upgrades and enhancements, maintenance, consulting and training were bundled with the Licence fee, they were unbundled using the Group's objective evidence of the fair value of the elements represented by the Group's customary pricing for each element in separate transactions. If evidence of fair value existed for all undelivered elements and there was no such evidence of fair value established for delivered elements, revenue was first allocated to the elements where fair value has been established and the residual amount was allocated to the delivered elements. If evidence of fair value for any undelivered element of the arrangement did not exist, all revenue from the arrangement was deferred until such time that there was evidence of delivery.

If the arrangement included acceptance criteria, revenue was not recognized until the Group could objectively demonstrate that the acceptance criteria have been met, or the acceptance period lapses, whichever was earlier.

The Group recognized Licence revenue derived from sales to resellers upon delivery to resellers, provided that all other revenue recognition criteria was met; otherwise revenue was deferred and recognized upon delivery of the product to the end-user. Where the Group sold access to a Licence for a specified period of time and collection of a fixed or determinable fee was reasonably assured, Licence revenue was recognized upon delivery, except in instances where future substantive upgrades or similar performance obligations were committed to. Where future performance obligations were specified in the Licence agreement, and fair value could be attributed to those upgrades, revenue for the future performance obligations was deferred and recognized on the basis of the fair value of the upgrades in relation to the total estimated sales value of all items covered by the Licence agreement. Where the future performance obligations were unspecified in the Licence agreement, revenue was deferred and recognized rateably over the specified period.

For Subscription revenue where access and performance obligations were provided evenly over a defined term, the revenue was deferred and recognized rateably over the specified period.

The Group recognized revenue for SaaS arrangements as the service was delivered, generally on a straight-line basis, over the contractual period of performance. In SaaS arrangements, the Group considered the rights provided to the customer (e.g. whether the customer has the contractual right to take possession of the software at any time during the contractual period without significant penalty, and the feasibility of the customer to operate or contract with another vendor to operate the software) in determining whether the arrangement included the sale of a software licence. In SaaS arrangements where software licences were sold, licence revenue was generally recognized according to whether perpetual or term licences are sold, when all other revenue recognition criteria was satisfied.

Maintenance revenue was recognized on a straight-line basis over the term of the contract, which in most cases was one year.

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Summary of significant accounting policies continued

D Revenue recognition continued

For time and material-based professional services contracts, the Group recognized revenue as services are rendered and recognized costs as they were incurred. The Group recognized revenue from fixed-price professional services contracts as work progressed over the contract period on a proportional performance basis, as determined by the percentage of labour costs incurred to date compared to the total estimated labour costs of a contract. Estimates of total project costs for fixed-price contracts were regularly reassessed during the life of a contract. Amounts collected prior to satisfying the above revenue recognition criteria were included in deferred income.

Rebates paid to partners as part of a contracted program were netted against revenue where the rebate paid was based on the achievement of sales targets made by the partner, unless the Company received an identifiable good or service from the partner that was separable from the sales transaction and for which the Group could reasonably estimate fair value.

E Contract-related costs
The Group capitalizes the costs of obtaining a customer contract when they are incremental and, if expected to be recovered, they are amortized over the customer life or pattern of revenue for the related contract.

Normally sales commissions paid for customer contract renewals are not commensurate with the commissions paid for new contracts. It follows that the commissions paid for new contracts also relate to expected future renewals of these contracts. Accordingly, the Group amortizes sales commissions paid for new customer contracts on a straight-line basis over the expected customer life, based on expected renewal frequency. The current average customer life is five years. If the expected amortization period is one year or less the costs are expensed when incurred.

Amortization of the capitalized costs of obtaining customer contracts is classified as sales and marketing expense. Capitalized costs from customer contracts are classified as non-financial assets in our statement of financial position.

F Cost of sales
Cost of sales includes costs related to the amortization of product development costs, amortization of acquired technology intangibles, costs of the consulting business and helpline support and royalties payable to third parties.

G Segment reporting
In accordance with IFRS 8, ‘Operating Segments’, the Group has derived the information for its segmental reporting using the information used by the Chief Operating Decision Maker (“CODM”), defined as the Operating Committee. The segmental reporting is consistent with those used in internal management reporting and the measure used by the Operating Committee is the Adjusted EBITDA, as set out in note 1.

H Exceptional items
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 Group’s financial performance. In setting the policy for exceptional items, judgment is required to determine what the Group defines as ‘exceptional’. The Group considers an item to be exceptional in nature if it is material, non-recurring or does not reflect the underlying performance of the business. Exceptional items are allocated to the financial statement lines (for example: cost of sales) in the Consolidated statement of comprehensive income based on the nature and function of the costs, for example restructuring costs related to employees are classified where their original employment costs are recorded.

Management of the Group first evaluates Group strategic projects such as acquisitions, divestitures and integration activities, Group restructuring and other one-off events such as restructuring programs. In determining whether an event or transaction is exceptional, management of the Group considers quantitative and qualitative factors such as its expected size, precedent for similar items and the commercial context for the particular transaction, while ensuring consistent treatment between favorable and unfavorable transactions impacting revenue, income and expense. Examples of transactions which may be considered of an exceptional nature include major restructuring programs, cost of acquisitions, the cost of integrating acquired businesses or gains on the disposal of discontinued operations.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

I Employee benefit costs

a) Pension obligations and long-term pension assets
The Group operates various pension schemes, including both defined contribution and defined benefit pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The 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. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement or termination. This is usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the Consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period 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 Group. Such assets are recorded separately in the Consolidated statement of financial position as long-term pension assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to mature approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

The current service cost of the defined benefit plan, recognized in the Consolidated statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in finance costs in the Consolidated statement of comprehensive income.

Long-term pension assets relate to the reimbursement right under insurance policies held in the Group with guaranteed interest rates that do not meet the definition of a qualifying insurance policy as they have not been pledged to the plan and are subject to the creditors of the Group. Such reimbursement rights assets are recorded in the Consolidated statement of financial position as long-term pension assets. These contractual arrangements are treated as financial assets measured at fair value through other comprehensive income. Gains and losses on long-term pension assets are charged or credited to equity in other comprehensive income in the period in which they arise.

b) Share based compensation
The Group operated various equity-settled, share based compensation plans during the period.

The fair value of the employee services received in exchange for the grant of the shares or options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Market vesting conditions are taken into account when determining the fair value of the options at grant date. At each Consolidated statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. 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 over the current reporting period.

The shares are recognized when the options are exercised and the proceeds received allocated between ordinary shares and share premium account. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations. The Additional Share Grants have been valued using the Monte-Carlo simulation pricing model.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

I Employee benefit costs continued
b) Share based compensation continued

When the terms of an equity-settled award are modified, the minimum expense recognized is the grant date fair-value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee.

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

J Foreign currency translation

a) Functional and presentation currency
The presentation currency of the Group is US dollars. Items included in the financial statements of each of the Group's entities are measured in the functional currency of each entity.

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 within administrative expenses.

Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments (including purchased intangible assets) to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On consolidation, the results and financial position of all the 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 Consolidated statement of financial position presented are translated at the closing rate at the date of that Consolidated statement of financial position;

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 arising before May 1, 2004 is treated as an asset of the Company and expressed in the Company's functional currency.

c) Exchange rates
The most important foreign currencies for the Group are Pounds Sterling, the Euro, Canadian Dollar, Israeli Shekel and Japanese Yen. The exchange rates used are as follows:

	12 months ended October 31, 2019		18 months ended October 31, 2018		12 months ended April 30, 2017	
	Average	**Closing**	Average	Closing	Average	Closing
£1 = $	**1.27**	**1.29**	1.33	1.27	1.29	1.29
€1 = $	**1.12**	**1.12**	1.18	1.14	1.09	1.09
C$ = $	**0.75**	**0.76**	0.78	0.76	0.76	0.73
ILS = $	**0.28**	**0.28**	0.28	0.27	0.26	0.28
100 JYP = $	**1.10**	**1.08**	0.90	0.92	0.91	0.90

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Consolidated financial statements and notes
Summary of significant accounting policies continued

K Intangible assets

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is classified as held for sale, the goodwill associated with the held-for-sale operation is measured based on the relative values of the held-for-sale operation and the portion of the cash-generating unit retained.

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 seven years.

c) Research and development
Research expenditure is recognized as an expense as incurred in the Consolidated statement of comprehensive income in research and development expenses. Costs incurred on product development projects relating to the developing of new computer software programs and significant enhancement of existing computer software programs 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. Only direct costs are capitalized which are the software development employee costs and third-party contractor costs. Product development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Product development costs are amortized from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit, typically being three years, and are included in costs of sales in the Consolidated statement of comprehensive income.

d) Intangible assets – arising on business combinations
Other intangible assets that are acquired by the Group as part of a business combination are recognized at their fair value at the date of acquisition, and are subsequently amortized. 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 and to date are as follows:

Purchased software	Term licence agreement based, generally three to seven years
Technology	Three to 12 years
Trade names	Three to 20 years
Customer relationships	Two to 15 years
Lease contracts	Term of the lease agreement

Amortization of purchased software intangibles is included in administrative expenses, amortization of purchased technology intangibles is included in cost of sales and amortization of acquired purchased trade names, customer relationships and lease contracts intangibles are included in selling and distribution costs in the Consolidated statement of comprehensive income.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

L Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 to its residual value over its estimated useful life as follows:

Buildings	30 years
Leasehold improvements	Three to 10 years (not exceeding the remaining lease period)
Fixtures and fittings	Two to seven years
Computer equipment	One to five years

Freehold land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Consolidated statement of financial position 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.

M 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 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being cash-generating units. Any non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Assets that are subject to amortization and depreciation are also reviewed for any possible impairment at each reporting date.

N Inventories
Inventories are stated at the lower of cost and net realizable value. The cost of finished goods comprises software for resale and packaging materials. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

When work has been performed and the revenue is not yet recognized, the direct costs of third-party contractors and staff will be treated as work in progress where the probability of invoicing and evidence of collectability can be demonstrated.

O Trade receivables
Trade receivables are initially recognized at fair value and subsequently measured at amortized cost less provisions for impairment based upon an expected credit loss methodology. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. A provision of the lifetime expected credit loss is established upon initial recognition of the underlying asset and are calculated using historical account payment profiles along with historical credit losses experienced. The loss allowance is adjusted for forward looking factors specific to the debtor and the economic environment. The amount of the provision is the difference between the asset's carrying amount and the present value of the probability weighted estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Consolidated statement of comprehensive income.

P Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Consolidated statement of financial position.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

Q 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 being recognized in the Consolidated statement of comprehensive income over the period of borrowing on an effective interest basis.

R Finance and operating leases
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the Consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Operating sub-lease income is recorded as operating income on a straight-line basis over the sub-lease term.

S 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 dealt with 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 nor loss, it is not accounted for. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized, 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 utilized.

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

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

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 Consolidated statement of financial position date.

T Ordinary shares, share premium and dividend distribution
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Dividend distributions to the Company’s shareholders are recognized as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders. Interim dividends are recognized when they are paid.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

U Derivative financial instruments and hedge accounting
Financial assets and liabilities are recognized in the Group's Consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Trade receivables are non-interest bearing and are initially recognized at fair value and subsequently measured at amortized cost less provisions for impairment based upon an expected credit loss methodology. Trade payables are non-interest bearing and are stated at their fair value. Derivative financial instruments are only used for economic hedging purposes and not as speculative investments.

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 also amends certain other standards covering financial instruments such as IAS 1 "Presentation of Financial Statements".

IFRS 9 was effective for accounting periods beginning on or after January 1, 2018 and the impact of the adoption by the Group with effect from November 1, 2018 can be seen in Section X "Adoption of new and revised International Financial Reporting Standards".

Hedge accounting is permitted under certain circumstances provided the following criteria are met:

At inception of the hedge, the documentation must include the risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness. Such hedges are expected to be effective in achieving offsetting changes in cash flows and are assessed on an on-going basis to determine the level of effectiveness.

The measurement of effectiveness determines the accounting treatment. For effective results, changes in the fair value of the hedging instrument should be recognized in other comprehensive income in the hedging reserve, while any material ineffectiveness should be recognized in the statement of comprehensive income. If prospective testing is not satisfactorily completed, all fair value movements on the hedging instrument should be recorded in the Consolidated statement of comprehensive income.

Hedge accounting is ceased prospectively if the instrument expires or is sold, terminated or exercised; the hedge criteria are no longer met; the forecast transaction is no longer expected to occur.

V Provisions
Provisions for onerous leases, property restoration costs, restructuring costs and legal claims are recognized when the 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. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

W Contingent Liabilities
Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by uncertain future events or present obligations that arise from past events where the transfer of economic resources is uncertain or cannot be reliability estimated. Contingent liabilities are not recognized in the consolidated financial statements, except if they arise from a business combination; they are disclosed in the notes to the consolidated financial statements unless the likelihood of an outflow of economic resources is remote.

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Consolidated financial statements and notes
Summary of significant accounting policies continued

X Adoption of new and revised International Financial Reporting Standards

The accounting policies adopted in these consolidated financial statements are consistent with those of the annual financial statements for the 18 months ended October 31, 2018, with the exception of the following standards, amendments to or interpretations of published standards that are now effective and have been adopted during the period:

- IFRS 15 "Revenue from contracts with customers" established the principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard was mandatory for annual reporting periods starting from January 1, 2018 onwards. The standard replaced IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations clarifications. Clarifications to IFRS 15 "Revenue from Contracts with Customers" comprised guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

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

- Amendments to IFRS 2, "Share based payments" on clarifying how to account for certain types of share-based payment transactions are effective on periods beginning on or after January 1, 2018. These amendments clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. This amendment has no material impact on the reported results and financial position.

- Annual improvements 2014–2016 (which includes amendments to IFRS 1 First-time adoption of IFRS, IFRS 12 Disclosure of interests in other entities and IAS 28 Investments in associates and joint ventures) and IFRIC 22 Foreign currency transactions and advance consideration were adopted on November 1, 2018 and had no impact on the reported results and financial position.

Impact of IFRS 15 'Revenue from contracts with customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue and certain incremental contract costs are recognized. IFRS 15 is effective for accounting periods beginning on or after January 1, 2018 and has been adopted by the Group with effect from November 1, 2018. The Group adopted the standard using the modified retrospective approach which means that the cumulative impact of the adoption was recognized in retained earnings as of November 1, 2018 and the comparatives are not restated and continue to be presented in accordance with IAS 18 and IAS 11. The accounting policies applied in the comparative period are presented in Section D "Revenue recognition" above under the heading "Revenue recognition policy in the prior period".

The effect of initially applying this standard is mainly attributed to:

- the earlier recognition of revenue from consideration paid to a customer; and
- later recognition of costs of obtaining customer contracts.

IFRS 15 replaces guidance in IAS 18 and IAS 11. This standard establishes a new principle-based model of recognizing revenue from customer contracts. It introduces a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer. Additionally, there is a requirement in the new standard to capitalize certain incremental contract costs.

Set out below are the three primary areas of difference of the new accounting policy under IFRS 15.

Cost of obtaining customer contracts
The Group has considered the impact of IFRS 15 on the recognition of sales commission costs, which meet the definition of incremental costs of obtaining a contract under IFRS 15. The Group applies a practical expedient to expense the sales commission's costs as incurred where the expected amortization period is one year or less. An asset is recognized for the sales commissions, which will typically be amortized across the contract length or customer life where the practical expedient cannot be applied. The customer life has been assessed as five years for the Group and six years in the SUSE business, until the date of disposal.

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X Adoption of new and revised International Financial Reporting Standards continued

Impact of IFRS 15 'Revenue from contracts with customers' continued.

At transition date, the Group has only capitalized commissions paid for uncompleted contracts at November 1, 2018 and has amortized those balances in the year ended October 31, 2019, as compared to capitalizing all relevant commissions in future periods. By taking this practical expedient there is a benefit to profit before tax in the 12 months ended October 31, 2019 as the capitalization of commissions is greater than the amortization and consequently the overall commission costs is reduced under IFRS 15 compared to prior accounting policies where sales commissions were expensed as incurred.

Rebillable expenses
The Group now reports expenses that are recharged to customers, such as travel and accommodation, as Consulting revenue. Under previous accounting policies, these were presented as an offsetting entry within cost of sales.

Consideration payable to a customer
The Group makes payments, including rebates, to customers. The Group accounts for consideration payable to a customer as a reduction of the transaction price and therefore revenue. An adjustment is recorded as the total expected considerations payable over the contract term is accounted for as variable consideration at the outset of the contract and treated as a reduction in the transaction price to be recognized over the life of the contract, previously amounts were treated as revenue reductions when incurred. Where the payment is for a distinct good or service, then the Group accounts for the purchase in the same way as it does for purchases from suppliers in the normal course of business. Certain marketing costs, which were previously presented as an offsetting entry within revenue, are now presented as a Selling and Distribution cost

Presentation
Under the new IFRS 15 based policies, the Group no longer reports items as deferred revenue and accrued revenue. Instead, we present these as either a contract liability or contract asset. Rights to consideration from customers are only presented as accounts receivable if the rights are unconditional.

IFRS 9 "Financial Instruments"
IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 also amends certain other standards covering financial instruments such as IAS 1 "Presentation of Financial Statements".

IFRS 9 is effective for accounting periods beginning on or after January 1, 2018 and has been adopted by the Group with effect from November 1, 2018.

The classification and measurement basis for the Group's financial assets is largely unchanged by the adoption of IFRS 9.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from IAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

Under the new hedge accounting rules as a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships continue to qualify as hedges under IFRS 9.

The main impact of adopting IFRS 9 is the application of the expected credit loss model, which requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under the prior standard, IAS 39.

The new impairment requirements apply to the consolidated Group's financial assets classified at amortized cost, particularly to its trade receivables and contract assets. The Group has elected to apply the practical expedient allowed under IFRS 9 to recognize the full amount of credit losses that would be expected to be incurred over the full recovery period of trade receivables. The adoption of IFRS 9 resulted in an increase to trade receivables loss reserves of $20.0m being recorded on November 1, 2018 against retained earnings. IFRS 9 has no material impact on the carrying value of contract assets. There is no material impact on the Group's basic or diluted EPS for the periods ended October 31, 2018 or 2019.

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IFRS 9 "Financial Instruments" continued

Reclassification of financial instruments on adoption of IFRS 9

Upon adoption of IFRS 9 on November 1, 2018, there were no changes to the measurement categories of financial instruments. The adoption of IFRS 9 did not result in any changes to the measurement of financial instruments other than as a result of applying the new expected credit loss methodology when determining the trade receivables loss allowance. The change in measure of the trade receivables loss allowance had no material impact on the Group's basic or diluted earnings per share for the 12 months ended October 31, 2019 or the 18 months ended October 31, 2018.

	Note	Measurement category IAS 39	IFRS 9	Carrying amount October 31, 2018 $m	IFRS 9 Adjustments[1] $m	November 1, 2018 $m
Financial assets						
Non-current						
Long-term pension assets	25	**Available-for-sale financial assets**	**Fair value through other comprehensive income**	16.7	-	**16.7**
Derivative financial instruments	31	**Fair value through profit and loss**	**Fair value through profit and loss**	86.4	-	**86.4**
Current						
Cash and cash	18	**Amortized cost**	**Amortized cost**	620.9	-	**620.9**
Trade and other receivables	16	**Amortized cost**	**Amortized cost**	1,212.0	**(20.0)**	**1,192.0**
Financial liabilities – financial liabilities at amortized cost						
Non-current						
Borrowings (gross)	20	**Amortized cost**	**Amortized cost**	4,946.6	-	**4,946.6**
Finance leases	21	**Amortized cost**	**Amortized cost**	14.9	-	**14.9**
Provisions	24	**Amortized cost**	**Amortized cost**	35.4	-	**35.4**
Current						
Borrowings (gross)	20	**Amortized cost**	**Amortized cost**	50.3	-	**50.3**
Finance leases	21	**Amortized cost**	**Amortized cost**	13.6	-	**13.6**
Trade and other payables	19	**Amortized cost**	**Amortized cost**	676.9	-	**676.9**
Provisions	24	**Amortized cost**	**Amortized cost**	57.4	-	**57.4**

[1] The IFRS 9 adjustment of an increase in the trade receivables loss allowance of $20.0m resulted in a corresponding decrease in retained earnings of $20.0m, net of $4.4m of deferred tax.

Summary of quantitative impact of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments"

Under the IFRS 15 and IFRS 9, adoption methods chosen by the Group, prior period comparatives are not restated to conform to the new policies. Consequently, the period-over-period change of revenue and profit in the 12 months to October 31, 2019 is impacted by the new policies.

We have set out below the estimated impacts on the Group of the areas described above, including the adjustment to retained earnings recorded on the transition date of November 1, 2018, which resulted in a corresponding $52.4m asset being recorded relating to IFRS 15 and a $20.0m liability and related deferred tax asset of $4.4m being recorded relating to IFRS 9 on the balance sheet. The in-year impact of IFRS 9 therefore is immaterial.

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Summary of quantitative impact of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments" continued

The following tables summarize the impact of adopting IFRS 15 on the Group's Consolidated statement of financial position as at October 31, 2019 and its Consolidated statement of comprehensive income for the 12 months then ended for each of the lines affected. There was no material impact on the Group's Consolidated statement of cash flows for the 12 months ended October 31, 2019.

Consolidated statement of comprehensive income – impact of IFRS 15 in the year ended October 31, 2019

		12 months ended October 31, 2019			18 months ended October 31, 2018
	Note	Post IFRS 15 $m	IFRS 15 Adjustments $m	Pre IFRS 15 $m	$m
Revenue	**1,2**	**3,348.4**	**(16.1)**	**3,332.3**	4,754.4
Operating profit		**221.7**	**(22.1)**	**199.6**	376.8
Finance costs	**6**	**(282.4)**	**-**	**(282.4)**	(350.4)
Finance income	**6**	**26.6**	**-**	**26.6**	7.7
(Loss)/ profit before tax		**(34.1)**	**(22.1)**	**(56.2)**	34.1
Taxation	**7**	**16.0**	**1.6**	**17.6**	673.1
(Loss)/profit from continuing operations		**(18.1)**	**(20.5)**	**(38.6)**	707.2
Profit from discontinued operation (attributable to equity shareholders of the Company)	**37**	**1,487.2**	**30.6**	**1,517.8**	76.9
Profit for the period		**1,469.1**	**10.1**	**1,479.2**	784.1
Attributable to:					
Equity shareholders of the parent		**1,468.8**	**10.1**	**1,478.9**	784.0
Non-controlling interests		**0.3**	**-**	**0.3**	0.1
Profit for the period		**1,469.1**	**10.1**	**1,479.2**	784.1
Earnings per share (cents)					
From continuing and discontinued operations		**cents**	**cents**	**cents**	**cents**
- Basic	**9**	388.50	2.67	391.17	201.70
- Diluted	**9**	384.35	2.64	386.99	196.17
From continuing operations					
- Basic	**9**	(4.87)	(5.42)	(10.29)	181.91
- Diluted	**9**	(4.87)	(5.42)	(10.29)	176.92
Earnings per share (pence)					
From continuing and discontinued operations		**pence**	**pence**	**pence**	**pence**
- Basic	**9**	305.07	2.10	307.17	151.61
- Diluted	**9**	301.81	2.08	303.89	147.45
From continuing operations					
- Basic	**9**	(3.82)	(4.26)	(8.08)	136.73
- Diluted	**9**	(3.82)	(4.26)	(8.08)	132.98

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Consolidated financial statements and notes
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X Adoption of new and revised International Financial Reporting Standards continued

Summary of quantitative impact of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments" continued

Consolidated statement of financial position – impact of IFRS 15 on year ended October 31, 2019

	Note	12 months ended October 31, 2019 Post IFRS 15 $m	IFRS 15 Adjustments $m	Pre IFRS 15 $m	18 months ended October 31, 2018 $m
ASSETS					
Non-current assets					
Contract-related costs	**17**	**31.5**	**(31.5)**	**-**	-
Current assets					
Trade and other receivables	**16**	**1,032.9**	**(0.9)**	**1,032.0**	1,272.0
Contract-related costs	**17**	**19.3**	**(19.3)**	**-**	-
LIABILITIES					
Current liabilities					
Trade and other payables	**19**	**(611.0)**	**-**	**(611.0)**	(676.9)
Contract liabilities	**23**	**(1,045.9)**	-	**(1,045.9)**	(1,134.7)
Non-current liabilities					
Contract liabilities	**23**	**(149.9)**	**-**	**(149.9)**	(178.1)
Deferred tax liabilities	**28**	**(987.1)**	**9.0**	**(978.1)**	(1,170.5)

Table below shows the impact of IFRS 15 on opening retained earnings at November 1, 2018 and the continuing operations and discontinued operation for the 12 months ended October 31, 2019.

	Continuing operations				Discontinued operation
	Increase / (decrease) in opening retained earnings on November 1, 2018 $m	Increase / (decrease) in Revenue in the 12 months ended October 31, 2019 $m	Increase / (decrease) in Operating expenses in the 12 months ended October 31, 2019 $m	Increase / (decrease) in Profit before tax in the 12 months ended October 31, 2019 $m	Profit/(loss) from discontinued operation (attributable to equity shareholders of the Company) in the 12 months ended October 31, 2019 $m
Cost of obtaining customer contracts	64.7	-	(21.2)	21.2	(35.4)
Rebillable expenses	-	2.4	2.4	-	-
Consideration payable to a customer	5.0	13.7	12.8	0.9	(5.0)
Deferred tax	(17.3)	-	-	-	9.8
	52.4	16.1	(6.0)	22.1	(30.6)

During the 12 months ending October 31, 2019, the Group amortized $10.2m contract-related costs and capitalized $31.4m, resulting in a net increase in profit before tax of $21.2m (note 17).

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X Adoption of new and revised International Financial Reporting Standards continued

Summary of quantitative impact of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments" continued

Retained earnings – impact of IFRS 15 and IFRS 9

	Retained earnings at October 31, 2018 $m	IFRS 15 Adjustment $m	IFRS 9 Adjustment $m	Retained earnings at November 1, 2018 $m
Retained earnings	**3,275.2**	**52.4**	**(15.6)**	**3,312.0**

The impact of the application of future new and revised IFRSs, which are expected to have a material impact to the Group is described below:

IFRS 16 "Leases"
In January 2016, the IASB published IFRS 16 "Leases", which will replace IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease". IFRS 16 is effective for the Group from November 1, 2019.

IFRS 16 introduces a new definition of a lease, with a single lessee accounting model eliminating the previous distinction between operating leases and finance leases. Under IFRS 16, lessees are required to account for all leases in a similar manner to finance lease accounting under IAS 17. Current finance lease accounting remains largely unchanged and so the primary impact of the standard is on leases that are currently classified as operating leases.

The determination of when an arrangement contains a lease is largely unchanged from current requirements and the Group does not expect to recognize any new leases as a result of adopting IFRS 16.

The Group's portfolio of leases materially comprises office facilities around the world that the Group uses to conduct its business, and vehicles for use by the workforce.

The Group has elected to implement IFRS 16 on a modified retrospective basis, which means the cumulative effect of initially applying the standard will be adjusted in retained earnings on November 1, 2019. The Group has a choice, on a lease-by-lease basis, to measure the right-of-use asset at either:

- its carrying amount as if IFRS 16 had been applied since the commencement of the lease; or
- an amount equal to the lease liability, adjusted for accruals or prepayments.

Where historical information is readily available for property leases, we intend to apply the former accounting method. For all other leases, we intend to apply the latter method.

The Group has other elections and accounting policy choices to make in adopting IFRS 16 and as such, the Group has elected not to apply IFRS 16 to leases for which the underlying asset is of low value, nor does the Group intend to apply IFRS 16 to leases of intangible assets.

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X Adoption of new and revised International Financial Reporting Standards continued

IFRS 16 'Leases' continued

In adopting IFRS 16, the Group has applied the following practical expedients that are available in IFRS 16:

- We have not reassessed whether an arrangement is, or contains, a lease at November 1, 2019. Instead, the Group has applied IFRS 16 to leases that had previously been identified as leases under IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease";
- Where there is a group of leases with reasonably similar characteristics, we have applied a single discount rate to each lease portfolio;
- The Group intends to rely on its assessment of whether leases are onerous by applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" at October 31, 2019 as an alternative to performing an impairment review on the application date. The Group will adjust the right-of-use asset at November 1, 2019 by the amount of any provision for onerous leases recognized in the Consolidated statement of financial position on October 31, 2019;
- The Group will exclude initial direct costs from the measurement of the right-of-use asset at November 1, 2019; and
- Where the Group has measured a right-of-use asset as its carrying amount as if IFRS 16 had been applied since its inception, The Group has applied hindsight in assessing extension or termination options.

Effect of IFRS 16 on the Consolidated Statement of Financial Position
While the Group is still evaluating the effect that IFRS 16 will have on the Consolidated financial statements, the Group expects to recognize in the Consolidated Statement of Financial Position on November 1, 2020:

- an asset of between $241.0m and $261.0m representing the Group's right to use leased assets, including $20.9m of assets currently classified as finance leases within property, plant and equipment;
- a liability of between $286.0m and $306.0m representing the Group's contractual obligation to make lease payments (including $23.5m of liabilities currently classified as finance leases); and
- a reduction of between $7.0m and $7.8m in retained earnings.

The asset of between $241.0m and $261.0m disclosed above excludes costs related to obligations to restore leased properties, which are capitalized as part of property, plant and equipment under IAS 17, which will be reclassified to right-of-use assets on adoption of IFRS 16.

The recognition of the new lease liability will increase the Group's debt.

The operating lease expense currently recognized in the Consolidated statement of comprehensive Income will be replaced by a depreciation expense against the right-of-use asset and a finance expense related to the lease liability. The impact on profit before tax for the year ended October 31, 2020 is not expected to be material.

The impact on tax balances as a result of the above changes is still being assessed. There will be no net impact on the Consolidated statement of cash flows, however the operating lease cash out-flows within operating cash-flows will largely be replaced by a financing cash-outflow.

Key judgments and estimates made in calculating the initial impact of adoption include the determination of the lease term, the grouping of leases for the purpose of assigning a discount rate and calculating the discount rate.

The Group's undiscounted non-cancellable operating lease commitments is $301.2m at October 31, 2019 (October 31, 2018: $228.0m) under IAS 17 "Leases" (note 34).

The lease liability of between $286.0m and $306.0m (inclusive of amounts already reported as finance leases under IAS 17) shown above with be included in Net debt as at November 1, 2019.

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X Adoption of new and revised International Financial Reporting Standards continued

The following interpretations and amendments to existing standards are not yet effective and have not been adopted early by the Group:

- IFRIC 23, "Uncertainty over Income Tax Treatments" clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. This interpretation is effective for annual periods beginning on or after January 1, 2019. The Group does not expect a material impact upon adoption of IFRIC23.

- Annual Improvements 2017 includes amendments to IFRS 3, "Business combinations", IFRS 11 "Joint arrangements" and IAS 12 Income taxes applies for periods beginning on or after January 1, 2019.

- Amendments to IAS 28 Investments in Associates and Joint Ventures – "Long-term Interests in Associates and Joint Ventures", clarifies that IFRS 9 "Financial instruments" applies, including its impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- Amendments to IAS 19 "Employee Benefits" clarify that on a plan amendment, curtailment or settlement of a defined benefit plan, entities must use updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income, effective January 1, 2019.

- Amendments to References to the Conceptual Framework in IFRS Standards - Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to the revised Conceptual Framework, effective January 1, 2020.

- Amendments to IFRS 3 Business Combinations, effective January 1, 2020, subject to EU endorsement.

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reforms, effective January 1, 2020.

The impact of the amendments and interpretations listed above will not have a material impact on the consolidated financial statements.

II Critical accounting estimates, assumptions and judgments

In preparing these consolidated financial statements, the Group has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Group regularly reviews these estimates and updates them as required. Actual results could differ from these estimates. Unless otherwise indicated, the Group does not believe that there is a significant risk of a material change to the carrying value of assets and liabilities within the next financial year related to the accounting estimates and assumptions described below. The Group considers the following to be a description of the most significant estimates and judgments, which require the Group to make subjective and complex judgments, and matters that are inherently uncertain.

Critical accounting estimates and assumptions

A Potential impairment of goodwill and other intangible assets
Each period, or whenever there are changes in circumstances indicating that the carrying amounts may not be recoverable, the Group carries out impairment tests of goodwill and other assets which require estimates to be made of the value in use of its CGUs. These value in use calculations are dependent on estimates of future cash flows including long-term growth rates, the medium-term annual revenue growth rate by product group and an appropriate discount rate to be applied to future cash flows. Further details on these estimates and sensitivity of the carrying value of goodwill to the discount rate and the medium-term annual revenue growth rate by product group in particular are provided in note 10.

B Retirement benefit obligations
The valuation of retirement benefit obligations is dependent upon a number of assumptions that are estimated at the year-end date, including estimates of mortality rates, inflation, salary growth rates and the rate at which scheme liabilities are discounted. Further detail on these estimates and the sensitivity of the carrying value of the defined benefit obligation to these is provided in note 25.

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II Critical accounting estimates, assumptions and judgments continued

C Revenue recognition
The key areas of judgment in respect of recognizing revenue are the timing of recognition and how the different elements of bundled contracts are identified, for example between licence and maintenance revenues.

Revenue recognition under IFRS 15 is significantly more complex than under previous reporting requirements and necessitates the increased use of management judgments and estimates to produce financial information. IFRS 15 also introduces management judgment in relation to the timing of recognition of certain categories of cost. The most significant accounting judgments in applying IFRS 15 are disclosed below.

Identification of performance obligations
Revenue recognition requires significant judgment in identifying each distinct performance obligation requiring separate recognition in a multi-element contract (e.g. licence, maintenance, material rights for option to acquire additional products or services at discounted prices). This judgment impacts the timing of revenue recognition, as certain performance obligations are recognized at a point in time and others are recognized over the life of the contract, as explained in Accounting Policy D, and therefore the quantum of revenue and profit recognized in each period.

D Exceptional item classification
The Group classifies items as exceptional in line with Accounting Policy H. The classification of these items as an exceptional is a matter of judgment. This judgment is made by management after evaluating each item deemed to be exceptional against the criteria set out within the defined accounting policy.

E Provision for income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes including structuring activities undertaken by the Group and the application of complex transfer pricing rules. The Group recognizes liabilities for anticipated settlement of tax issues based on judgments of whether additional taxes will be due. Significant issues may take several periods to resolve. In making judgments on the probability and amount of any tax charge, management takes into account:

- Status of the unresolved matter;
- Strength of technical argument and clarity of legislation;
- External advice;
- Resolution process, past experience and precedents set with the particular taxing authority;
- Agreements previously reached in other jurisdictions on comparable issues; and
- Statute of limitations.

Key judgments in the period were related to the structuring activities undertaken in relation to the disposal of SUSE and whether these activities would create an additional tax charge through US and other overseas tax legislation. Based on their assessment, the directors have concluded that no additional material tax provisions are required with regards to these matters.

The ultimate tax liability may differ from the amount provided depending on interpretations of tax law, settlement negotiations or changes in legislation. 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. There is no estimate associated with the provision for income taxes that could be expected to result in a material change within the next 12 months.

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III Financial risk factors
The 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 policies approved by the board of directors. Group treasury identifies and evaluates financial risks alongside the Group's operating units. The board provides written principles for risk management together with specific policies 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.

A Credit risk
Financial instruments which potentially expose the 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 Group provides credit to customers in the normal course of business. Collateral is not required for those receivables, but on-going credit evaluations of customers' financial conditions are performed. The Group maintains a provision for impairment based upon the expected credit losses. The 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 Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, UK Pound Sterling, Israeli Shekel, Japanese Yen and the Canadian Dollar. 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, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

There were no foreign currency hedging transactions in place at October 31, 2019 and October 31, 2018. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

C Interest rate risk
The Group's income and cash generated from operations are substantially independent of changes in market interest rates. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group currently uses four interest rate swaps to manage its cash flow interest rate risk arising from potential increases in the LIBOR interest rate.

D Liquidity risk
Central treasury carries out cash flow forecasting for the 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 Group treasury. These funds are used to repay bank borrowings or are 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. Onerous lease provisions are expected to mature between less than 12 months and eight years.

At October 31, 2019 gross borrowings of $4,775.0m (October 31, 2018: $4,996.9m) related to our senior secured debt facilities (note 20). $nil (October 31, 2018: $50.3m) is current of which $nil (October 31, 2018: $nil) is the revolving credit facility. The borrowings disclosed in the balance sheet are net of pre-paid facility costs and original issue discounts.

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Notes to the consolidated financial statements

1 Segmental reporting
In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its segmental reporting using the information used by the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance. The Chief Operating Decision Maker ("CODM") is defined as the Operating Committee.

For the 12 months ended April 30, 2017 the Chief Operating Decision Marker ("CODM") was defined as the Executive Committee.

On July 2, 2018, the Group announced the proposed sale of SUSE, one of the Group's two historical operating segments, approved by the shareholders on August 21, 2018. As a result, for management purposes, following the agreement to dispose of the SUSE business, which is presented as a discontinued operation, the Group is organized into a single reporting segment comprising the Micro Focus Product Portfolio. Consistent with this the Chief Executive Officer of SUSE, Nils Brauckmann, stepped down from the Board on July 11, 2018 to concentrate on the sale. As such, the CODM from July 11, 2018 consisted of the Executive Chairman, the Chief Executive Officer and the Chief Financial Officer.

For the 12 months to October 31, 2019, the CODM consisted of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Vice President Strategy and Planning and the Chief HR Officer. With the disposal of the SUSE business completed, the Group is organized into a single reporting segment.

The Group's segment under IFRS 8 is:

Micro Focus Product Portfolio – The Micro Focus Product Portfolio segment contains mature infrastructure software products that are managed on a portfolio basis akin to a "fund of funds" investment portfolio. This portfolio is managed with a single product group that makes and maintains the software, whilst the software is sold and supported through a geographic Go-to-Market organization. The products within the existing Micro Focus Product Portfolio are grouped together into five sub-portfolios based on industrial logic and management of the Micro Focus sub-portfolios: Application Modernization & Connectivity, Application Delivery Management, IT Operations Management, Security and Information Management & Governance.

The segmental reporting is consistent with that used in internal management reporting and the profit measure used by the Operating Committee is Adjusted EBITDA.

The internal management reporting that the Operating Committee receives includes a pool of centrally managed costs, which were allocated between Micro Focus and the SUSE business (up to the date of disposal) based on identifiable segment specific costs with the remainder allocated based on other criteria including revenue and headcount.

	Note	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	12 months ended April 30, 2017[1] $m
Reconciliation to Adjusted EBITDA:				
(Loss)/profit before tax		**(34.1)**	34.1	131.6
Finance costs	**6**	**282.4**	350.4	96.8
Finance income	**6**	**(26.6)**	(7.7)	(1.0)
Depreciation of property, plant and equipment	**12**	**66.5**	88.6	9.7
Amortization of intangible assets	**11**	**716.5**	903.1	206.7
Exceptional items (reported in Operating profit)	**4**	**294.2**	538.2	97.2
Share-based compensation charge	**33**	**68.8**	64.3	31.5
Product development intangible costs capitalized	**11**	**(16.5)**	(44.4)	(27.6)
Foreign exchange loss/(credit)	**3**	**11.3**	(37.4)	(2.9)
Adjusted EBITDA		**1,362.5**	1,889.2	542.0

[1] The comparatives for the 12 months to April 30, 2017 have been revised to reflect the divestiture of the SUSE business segment (note 37)
For the reportable segment, the total assets were $14,294.8m and the total liabilities were $8,018.5m as at October 31, 2019. No measure of total assets and total liabilities has been reported for the 18 months ended October 31, 2018 and the 12 months ended April 30, 2017 as these were not regularly provided to the CODM.

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2 Supplementary information

Analysis by geography
The Group is domiciled in the UK. The Group's total segmental revenue from external customers by geographical location is detailed below:

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
UK	**206.9**	299.6	52.2
USA	**1,523.0**	2,279.8	551.5
Germany	**220.7**	309.5	86.8
France	**123.3**	195.5	43.2
Japan	**108.6**	145.8	42.4
Other	**1,165.9**	1,524.2	301.2
Total	**3,348.4**	4,754.4	1,077.3

The total of non-current assets other than financial instruments and deferred tax assets as at October 31, 2019 located in the USA is $4,623.0m (October 31, 2018: $5,145.8m), the total in the non-USA is $8,192.2m (October 31, 2018: $8,488.3m). They exclude trade and other receivables, derivative financial instruments and deferred tax.

As at April 30, 2017 the total of non-current assets other than financial instruments and deferred tax assets located in the UK was $147.7m, the total in the USA was $3,778.7m and the total of such non-current assets located in other countries was $67.3m. They exclude trade and other receivables, derivative financial instruments and deferred tax.

Analysis of revenue from contracts with customers

	12 months ended October 31, 2019 $m		18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Revenue from contracts with customers	**3,348.4**		4,754.4	1,077.3
Being:				
Recognized over time:				
Maintenance revenue	**2,051.6**		2,818.9	720.7
SaaS & other recurring revenue	**278.9**		365.1	-
	2,330.5		3,184.0	720.7
Recognized at point in time:				
Licence revenue	**800.0**		1,206.1	308.4
Consulting revenue	**217.9**		364.3	48.2
	1,017.9		1,570.4	356.6
Total revenue	**3,348.4**		4,754.4	1,077.3

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2 Supplementary information continued

Analysis of revenue by product
Set out below is an analysis of revenue from continuing operations recognized between the principal product portfolios for the 12 months ended October 31 2019, 18 months ended October 31 2018 and 12 months ended April 30, 2017. As a result of the acquisition of HPE Software business the Group's product portfolios have been redefined. The comparatives for the 12 months ended April 30, 2017 have not been represented into the new product portfolios.

12 months ended October 31, 2019:

	Licence $m	**Maintenance $m**	**Consulting $m**	**SaaS & other recurring $m**	**Total $m**
Application Modernization & Connectivity	**170.9**	**326.1**	**11.7**	**-**	**508.7**
Application Delivery Management	**130.3**	**485.4**	**18.2**	**87.8**	**721.7**
IT Operations Management	**237.5**	**645.8**	**127.5**	**11.0**	**1,021.8**
Security	**185.7**	**416.7**	**43.9**	**35.0**	**681.3**
Information Management & Governance	**75.6**	**183.6**	**16.6**	**145.9**	**421.7**
Subtotal	**800.0**	**2,057.6**	**217.9**	**279.7**	**3,355.2**
Deferred revenue haircut	**-**	**(6.0)**	**-**	**(0.8)**	**(6.8)**
Total Revenue	**800.0**	**2,051.6**	**217.9**	**278.9**	**3,348.4**

18 months ended October 31, 2018:

	Licence $m	Maintenance $m	Consulting $m	SaaS & other recurring $m	Total $m
Application Modernization & Connectivity	256.3	497.6	17.9	-	771.8
Application Delivery Management	185.5	646.7	41.6	114.1	987.9
IT Operations Management	363.1	869.9	192.8	15.1	1,440.9
Security	291.6	580.2	81.4	41.6	994.8
Information Management & Governance	117.2	267.2	32.6	203.1	620.1
Subtotal	1,213.7	2,861.6	366.3	373.9	4,815.5
Deferred revenue haircut	(7.6)	(42.7)	(2.0)	(8.8)	(61.1)
Total Revenue	1,206.1	2,818.9	364.3	365.1	4,754.4

12 months ended April 30, 2017:

	Licence $m	Maintenance $m	Consulting $m	SaaS & other recurring $m	Total $m
Application Modernization & Connectivity	106.0	149.7	9.5	-	265.2
Application Delivery Management	69.1	104.9	1.9	-	175.9
IT Operations Management	48.6	141.3	18.4	-	208.3
Security	55.5	219.6	13.8	-	288.9
Information Management & Governance	29.2	112.1	4.6	-	145.9
Subtotal	308.4	727.6	48.2	-	1,084.2
Deferred revenue haircut	-	(6.9)	-	-	(6.9)
Total Revenue	308.4	720.7	48.2	-	1,077.3

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3 Profit before tax

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

	Note	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Staff costs	**33**	**1,409.0**	2,095.0	480.7
Depreciation of property, plant and equipment:				
- owned assets	**12**	**52.6**	71.2	9.7
- leased assets	**12**	**13.9**	17.4	-
Loss on disposal of property, plant and equipment	**12**	**3.6**	4.7	0.5
Amortization of intangibles	**11**	**716.5**	903.1	206.7
Inventories				
– cost of inventories recognized as a debit (included in cost of sales)	**15**	**0.1**	0.3	-
Operating lease rentals payable:				
- plant and machinery		**7.0**	8.8	2.9
- property		**58.9**	85.3	18.4
Provision for receivables impairment	**16**	**16.0**	40.0	2.0
Foreign exchange gain on derivative financial instruments		**(6.9)**	-	-
Foreign exchange loss/(gain)		**18.2**	(37.4)	(2.9)

4 Exceptional items

Reported within Operating profit:	Note	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Integration costs		**245.9**	279.0	27.6
Pre-acquisition costs		**-**	43.0	58.0
Acquisition costs		**1.5**	27.1	2.6
Property related costs		**16.3**	38.1	5.6
Severance and legal costs		**32.1**	129.7	3.4
Divestiture		**2.1**	21.3	-
Gain on disposal of Atalla		**(3.7)**	-	-
		294.2	538.2	97.2
Reported within finance costs:				
Finance costs incurred in escrow period	**6**	**-**	6.4	-
Reported within finance income:				
Finance income earned in escrow period	**6**	**-**	(0.6)	-
		-	5.8	-
Exceptional costs before tax		**294.2**	544.0	97.2
Tax:				
Tax effect of exceptional items		**(54.3)**	(105.9)	(11.6)
Tax exceptional item		**-**	(692.3)	-
		(54.3)	(798.2)	(11.6)
Reported within profit from discontinued operation (attributable to equity shareholders of the Company):				
Gain on disposal of discontinued operation	**37**	**(1,458.5)**	-	-
Exceptional profit after tax		**(1,218.6)**	(254.2)	85.6

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4 Exceptional items continued

Exceptional items are allocated to the financial statement lines (for example: cost of sales) in the Consolidated statement of comprehensive income based on the nature and function of the costs, for example restructuring costs related to employees are classified where their original employment costs are recorded.

Integration costs
Integration costs of $245.9m for the 12 months ended October 31, 2019 arose from the continuing work being done in integrating the HPE Software business into Micro Focus as referred to in Item 5.A. Operating results. Other activities include system and processes integration costs. Integration costs of $279.0m in the 18 months ended October 31, 2018 (12 months to April 30, 2017: $27.6m) arose mainly from the work done to integrate Serena, GWAVA and the HPE Software business into the Micro Focus business.

Pre-acquisition costs
There were no pre-acquisition costs for the 12 months to October 31, 2019. Pre-acquisition costs of $43.0m for the 18 months ended October 31, 2018 (12 month ended April 30, 2017: $58.0m) related to the evaluation of the acquisition of HPE Software business which was announced in October 2016 and was completed on September 1, 2017. The costs related to due diligence work, legal work on the acquisition agreements, professional advisors on the transaction and pre-integration costs.

Acquisition costs
The acquisition costs of $1.5m in the 12 months ended October 31, 2019 related mostly to acquisition of Interset Software Inc. (note 38). The acquisition costs in the 18 months ended October 31, 2018 of $27.1m included external costs in completing the acquisition of the HPE Software business and costs relating to the acquisition of COBOL-IT SAS. The external costs mainly relate to due diligence work, legal work on the acquisition agreements and professional advisors on the transaction. Costs of $2.6m in the 12 months to April 30, 2017 related to the acquisitions of Serena in May 2016 and GWAVA in October 2016.

Property related costs
Property related costs of $16.3m for the 12 months ended October 31, 2019 (18 months to October 31, 2018: $38.1m, 12 months to April 30, 2017: $5.6m) relate to the assessment and reassessment of leases on empty or sublet properties held by the Group, in particular in North America, and the cost of site consolidations resulting from the ongoing integration of the HPE software business into Micro Focus.

Severance and legal costs
Severance and legal costs of $32.1m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $129.7m, 12 months to April 30, 2017: $3.4m) relate mostly to termination costs for employees after acquisition, relating to the integration of the HPE Software business into Micro Focus. The costs for the 12 months ended April 30, 2017 of $3.4m related to termination costs for senior Serena executives after acquisition.

Divestiture
Divestiture costs of $2.1m for the 12 months ended October 31, 2019 relate mostly to employee activities (18 months ended October 31, 2018: $21.3m, 12 months to April 30, 2017: $nil) relate mostly to fees paid to professional advisors involved in the disposal of the SUSE business completed in 2019.

Gain on disposal of Atalla
The non-recurring gain on disposal of $3.7m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $nil) relates to Atalla business disposal (note 37).

Finance income and finance costs
Finance costs of $6.4m and finance income of $0.6m for the 18 months ended October 31, 2018 (12 months to April 30 2017: $nil) related to interest (charged and gained) on additional term loan facilities drawn down in relation to the acquisition of the HPE Software business, between the date the facilities were drawn into escrow and the acquisition date. No such income or costs arose in the 12 months ended October 31, 2019.

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4 Exceptional items continued

Tax
The tax effect of exceptional items on the income statement is a credit of $54.3m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $798.2m credit, 12 months to April 30, 2017: $11.6m). The exceptional tax credit of $692.3m in the 18 months ended October 31, 2018 (April 30, 2017: $nil) related to the impact of US tax reforms, comprised of a credit of $930.6m in respect of the re-measurement of deferred tax liabilities and a transition tax charge of $238.3m payable over eight years.

Gain on disposal of discontinued operation
The element of the profit for the period on the discontinued operation related to the gain on disposal is included as an exceptional item (note 37).

5 Services provided by the Group's auditors and network of firms

During the 12 months ended October 31, 2019, the Group obtained the following services from the Group's auditors as detailed below which have been disclosed in line with the ICAEW Technical Release "Tech 14/13 FRF" guidance on the disclosure of auditor remuneration for the audit of accounts and other (non-audit) services, in accordance with the requirements of the Companies (Disclosure of Auditor Remuneration and Liability Agreements) Regulation 2008 (Statutory Instrument 2008/489) as amended:

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Audit of Company	**12.8**	12.2	1.0
Audit of subsidiaries	**3.9**	1.9	2.5
Total audit	**16.7**	14.1	3.5
Audit related assurance services	**3.6**	0.9	2.6
Other assurance services	**-**	0.7	-
Total assurance services	**3.6**	1.6	2.6
Tax compliance services	**-**	0.2	-
Tax advisory services	**0.1**	0.2	0.1
Services relating to taxation	**0.1**	0.4	0.1
Other non-audit services	**-**	0.1	7.5
Total	**20.4**	16.2	13.7

The 12 months ended October 31, 2019 fees and 18 months ended October 31, 2018 fees represent fees paid to KPMG LLP, as the current auditor. Fees for the years ended April 30, 2017 represent amounts paid to the previous auditor, PricewaterhouseCoopers LLP.

Of the audit related assurance services engagements undertaken in the 12 months ended 31 October 2019 only one was considered to be significant. This related to the controls attestation of the Group's implementation of Sarbanes-Oxley Section 404, for which a fee of $3.0m was paid.

Audit related assurance services in the 18 months ended October 31, 2018 relate primarily to the additional audit procedures performed on the Micro Focus International plc financial statements that are included in US filings and two interim reviews, for both six-month periods ending October 31, 2017 and April 30, 2018.

Other assurance services in the 18 months ended October 31, 2018 relate primarily to the auditor's assurance work in relation to the SUSE divestiture and licence verification compliance work.

The remaining non-audit services in the period included a limited amount of tax compliance and tax advice.

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6 Finance income and finance costs

	Note	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Finance costs				
Interest on bank borrowings		**225.4**	276.5	81.2
Commitment fees		**1.9**	3.3	0.8
Amortization of facility costs and original issue discounts		**46.7**	60.4	14.2
Finance costs on bank borrowings		**274.0**	340.2	96.2
Net interest expense on retirement obligations	**25**	**2.4**	2.8	0.6
Finance lease expense		**2.0**	2.7	-
Interest rate swaps: cash flow hedges, transfer from equity		**-**	3.4	-
Other		**4.0**	1.3	-
Total		**282.4**	350.4	96.8

		12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Finance income				
Bank interest		**16.3**	3.6	0.4
Interest on non-plan pension assets	**25**	**0.3**	0.6	0.4
Interest rate swaps: cash flow hedges, transfer to equity		**9.9**	-	-
Other		**0.1**	3.5	0.2
Total		**26.6**	7.7	1.0
Net finance cost		**255.8**	342.7	95.8
Included within exceptional items				
Finance costs incurred in escrow period	**4**	**-**	6.4	-
Finance income earned in escrow period	**4**	**-**	(0.6)	-
		-	5.8	-

7 Taxation

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Current tax			
Current period	**163.9**	245.8	33.9
Adjustments to tax in respect of previous periods	**(35.3)**	(14.7)	1.7
	128.6	231.1	35.6
Deferred tax			
Origination and reversal of temporary differences	**(139.7)**	26.4	(22.4)
Adjustments to tax in respect of previous periods	**24.5**	1.2	(4.4)
Previously unrecognized temporary differences	**(29.4)**	-	-
Impact of change in tax rates	**-**	(931.8)	(1.3)
	(144.6)	(904.2)	(28.1)
Total tax (credit)/expense	**(16.0)**	(673.1)	7.5

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7 Taxation continued

For the 12 months ended October 31, 2019, a deferred tax debit of $7.6m (18 months ended October 31, 2018: $23.7m debit; 12 months ended April 30, 2017: $23.0m credit) and current tax credit of $13.1m (18 months ended October 31, 2018: $4.1m credit, 12 months ended April 30, 2017: $4.1m credit) have been recognized in equity in relation to share options.

A current tax credit of $23.3m (18 months ended October 31, 2018: $16.4m debit) has been recognized in the hedging reserve (note 31).

In addition, a deferred tax credit of $13.0m (18 months ended October 31, 2018: $4.3m credit, 12 months ended April 30, 2017: $0.3m debit) has been recognized in the Consolidated statement of comprehensive income in relation to defined benefit pension schemes and a deferred tax credit of $14.0m (18 months ended October 31, 2018: $nil, 12 months ended April 30, 2017: $nil) in relation to foreign exchange movements on intangibles.

The tax charge for the 12 months ended October 31, 2019 is higher than the standard rate of corporation tax in the UK of 19.00% (18 months ended October 31, 2018: 19.00%; 12 months ended April 30, 2017: 19.92%). The differences are explained below:

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
(Loss)/profit before taxation	**(34.1)**	34.1	131.6
Tax at UK corporation tax rate 19.00% (2018: 19.00%; 2017: 19.92%)	**(6.5)**	6.5	26.0
Effects of:			
Tax rates other than the UK standard rate	**(4.4)**	17.8	0.6
Intra-Group financing	**(42.8)**	(52.5)	(15.7)
Interest restrictions	**-**	31.8	-
Innovation tax credit benefits	**(13.5)**	(21.4)	(9.8)
US foreign inclusion income	**43.7**	39.0	0.4
US transition tax	**-**	238.3	-
Share options	**7.1**	10.2	-
Movement in deferred tax not recognized	**14.4**	7.3	0.2
Previously unrecognized temporary differences	**(29.4)**	-	-
Effect of change in tax rates	**-**	(931.9)	(1.3)
Expenses not deductible and other permanent differences	**26.2**	(4.7)	9.8
	(5.2)	(659.6)	10.2
Adjustments to tax in respect of previous periods:			
Current tax	**(35.3)**	(14.7)	1.7
Deferred tax	**24.5**	1.2	(4.4)
	(10.8)	(13.5)	(2.7)
Total taxation	**(16.0)**	(673.1)	7.5

The Group continues to benefit from the UK's Patent Box regime, US R&D tax credits and other innovation-based tax credits offered by certain jurisdictions, the benefit for the 12 months ended October 31, 2019 being $13.5m (18 months ended October 31, 2018: $21.4m, 12 months ended April 30, 2017: $9.8m). The Group realized benefits in relation to intra-Group financing of $42.8m for the 12 months ended October 31, 2019 ($52.5m for the 18 months ended October 31, 2018; 12 months ended April 30, 2017: $15.7m). The benefits mostly relate to arrangements put in place to facilitate the acquisitions of the HPE Software business, The Attachmate Group and Serena.

US foreign inclusion income of $43.7m arising in the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $39.0m; 12 months ended April 30 2017: $0.4m) is largely driven by new US tax legislation introduced as part of US tax reforms in 2018.

The Group recognized a net overall charge in respect of share options due to deferred tax credits arising on options held at the balance sheet date being lower than the current tax charge because of the terms of the options.

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7 Taxation continued

During the period the directors reassessed the deferred tax asset recognized in relation to interest restrictions and have recognized an asset to the extent that sufficient taxable temporary differences exist at the balance sheet date. Previously a deferred tax asset was not recognized as the directors forecast that the Group would be unable to utilize the interest restrictions in future periods. This has resulted in a credit of $29.4m in the period in respect of historical interest amounts, recognized as previously unrecognized temporary differences above.

The movement in deferred tax assets and liabilities during the period is analyzed in note 28.

The expenses not deductible and other permanent differences charge of $26.2m (18 months ended October 31, 2018: $4.8m credit; 12 months ended April 30, 2017: $9.8m) included $8.1m in relation to uncertain tax positions and $6.1m related to irrecoverable withholding tax.

The Group realized a net credit in relation to the true-up of prior period, current and deferred tax estimates of $10.8m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $13.5m; 12 months ended April 30, 2017: $2.7m).

The Group's tax charge is subject to various factors, many of which are outside the control of the Group, including changes in local tax legislation, and specifically US tax reform, the OECD's Base Erosion and Profit Shifting project and the consequences of Brexit.

In April 2019, the European Commission published its final decision on its state aid investigation into the UK's "Financing Company Partial Exemption" legislation and concluded that part of the legislation is in breach of EU State Aid rules. Similar to other UK based international groups that have acted in accordance with the UK legislation in force at the time, the Group may be affected by the finding and is monitoring developments. The UK Government and UK-based international companies, including the Group, have appealed to the General Court of the European Union against the decision. The UK Government is required to start collection proceedings in advance of the appeal results and it is possible that the Group will be required to make a payment in the year ending October 31, 2020. If the decision of the European Commission is upheld, the Group have calculated the maximum potential liability to be $60.3m. Based on its current assessment the Group believes that no provision is required in respect of this issue. The UK legislation affected by this EU Commission finding was amended on January 1, 2019 to be compliant with EU law and therefore no longer impacts the Group and so no additional tax liability will accrue in future periods that could be subject to the same challenge.

8 Dividends

Equity - ordinary	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Final paid 58.33 cents (2018: 58.33 cents, 2017: 49.74 cents) per ordinary share	**240.7**	133.9	111.0
First Interim paid 58.33 cents (2018: 34.60 cents; 2017: 29.73 cents) per ordinary share	**198.5**	156.2	66.5
Second Interim paid nil cents (2018: 58.33 cents; 2017: nil cents) per ordinary share	**-**	252.1	-
	439.2	542.2	177.5

The directors announced a final dividend of 58.33 cents per share payable on May 7, 2020 to shareholders who are registered at April 14, 2020. This final dividend, amounting to $194.5m, has not been recognized, as a liability as at October 31, 2019.

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9 Earnings per share

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

Reconciliation of the earnings and weighted average number of shares:

	12 months ended October 31, 2019	18 months ended October 31, 2018	12 months ended April 30, 2017
Earnings ($m)			
(Loss)/profit for the period from continuing operations	**(18.1)**	707.2	124.1
Profit for the period from discontinued operation	**1,487.2**	76.9	33.7
	1,469.1	784.1	157.8
Number of shares (m)			
Weighted average number of shares	**378.1**	388.7	229.2
Dilutive effects of shares	**4.1**	11.0	8.2
	382.2	399.7	237.4
Earnings per share			
Basic earnings per share (cents)			
Continuing operations	(4.87)	181.91	54.17
Discontinued operation	393.37	19.79	14.71
Total Basic earnings per share	**388.50**	201.70	68.88
Diluted earnings per share (cents)			
Continuing operations [1]	(4.87)	176.92	52.31
Discontinued operation	389.16	19.25	14.20
Total Diluted earnings per share [1]	**384.35**	196.17	66.51
Basic earnings per share (pence)			
Continuing operations	(3.82)	136.73	41.88
Discontinued operation	308.89	14.88	11.37
Total Basic earnings per share	**305.07**	151.61	53.25
Diluted earnings per share (pence)			
Continuing operations [1]	(3.82)	132.98	40.44
Discontinued operation	305.59	14.47	10.98
Total Diluted earnings per share [1]	**301.81**	147.45	51.42
Earnings attributable to ordinary shareholders			
From continuing operations	**(18.1)**	707.2	124.1
Excluding non-controlling interests	**(0.3)**	(0.1)	0.1
(Loss)/profit for the period from continuing operations	**(18.4)**	707.1	124.2
From discontinued operation	**1,487.2**	76.9	33.7
	1,468.8	784.0	157.9
Average exchange rate	**$ 1.27/£1**	$ 1.33/£1	$ 1.29/£1

[1] As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the 12 months ended October 31, 2019 ($18.4m), the Diluted EPS is reported as equal to Basic EPS, as no account can be taken of the effect of dilutive securities under IAS 33. There was total earnings attributable to ordinary equity shareholders of the Company for the 12 months ended October 31, 2019 of $1,468.8m and therefore the effect of dilutive securities can be reflected in the total Diluted EPS above.

The weighted average number of shares excludes treasury shares that do not have dividend rights (note 29).

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10 Goodwill

	Note	October 31, 2019 $m	October 31, 2018 $m
Cost and net book amount			
At November 1 /May 1		**6,805.0**	2,828.6
Acquisitions	**38**	**26.8**	4,863.9
Effects of movements in exchange rates		**(160.5)**	-
Reclassification to assets held for sale	**37**	**-**	(887.5)
		6,671.3	6,805.0
A segment-level summary of the goodwill allocation is presented below:			
Micro Focus		**6,671.3**	6,805.0

Goodwill acquired through business combinations has been allocated to a cash-generating unit ("CGU") for the purpose of impairment testing.

The goodwill arising in the 12 months ended October 31, 2019, related to the acquisition of Interset Software Inc. of $26.8m (note 38) has been allocated to the Micro Focus CGU as this is consistent with the segment reporting that is used in internal management reporting. Of the additions to goodwill, all amounts are expected to be deductible for tax purposes.

The goodwill arising in the 18 months ended October 31, 2018 related to the acquisition of the HPE Software business of $4,858.3m (note 38) and COBOL-IT, SAS ("COBOL-IT") $5.6m (note 38), have been allocated to the Micro Focus CGU as this is consistent with the segment reporting that is used in internal management reporting. Of the additions to goodwill, there were no amounts expected to be deductible for tax purposes.

In addition, during the year, following a review of the allocation of goodwill to foreign operations, the directors have determined that goodwill of $6,497.5m, which arose on previous acquisitions (in particular the acquisitions of the HPE Software business on September 1, 2017 and The Attachmate Group on November 20, 2014, being the two most significant) should have been allocated into functional currencies of the underlying foreign operations. The re-denomination has given rise to a total reduction in the carrying value of goodwill of $160.5m, as a result of foreign exchange movement, that has been recognized in the 12 months ended October 31, 2019. Had this allocation taken place from the acquisition dates, a $154.9m decrease in the carrying value of goodwill would have been recognized in the 18 months ended October 31, 2018 and a cumulative decrease of $69.4m in the carrying value would have been recognized as at May 1, 2017. As this change has no impact on the Group's profit before taxation, or statement of cash flows and as the net prior-period impact of $224.3m is not material in the context of the overall value of goodwill or net assets, it is, in the judgment of the directors, appropriate to affect the change in allocation in the current period. Movements in Other comprehensive income are not considered a key performance metric.

This change in the carrying value of $160.5m is a part of the amount reflected in the line "effect of movements in exchange rates" in the table above. The change has been recognized within "currency translation differences – continuing operations" in other comprehensive income, and subsequently the translation reserve in equity.

This adjustment has had no impact on the conclusion of the Group's annual impairment review.

Impairment test
Impairment of goodwill is tested annually, or more frequently where there is indication of impairment. An impairment test is a comparison of the carrying value of the assets of the CGU with their recoverable amount. Where the recoverable amount is less than the carrying value, an impairment results. The Group performed its annual test for impairment as at October 31, 2019 (2018: October 31, 2018), incorporating its knowledge of the business into that testing and noting at that date the market capitalization was less than the net assets of the Group, which was taken into account during the impairment test.

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The recoverable amount of the Micro Focus CGU is determined based on its Value In Use ("VIU"). The VIU includes estimates about the future financial performance of the CGU and is based on five-year projections and then a terminal value calculation. It utilizes discounted board approved forecasts for the first four years and the fifth year reflects management's expectation of the long-term growth prospects which have been applied based upon the expected operating performance of the CGU and growth prospects in the CGU's market. The cash flow projections and inputs combine past performance with adjustments as appropriate where the directors believe that past performance and rates are not indicative of future performance and rates. The VIU calculation excludes the cash outflow and resulting cash inflow assumptions arising from the investment decisions made in the Strategic Review and which are included within the board approved forecasts. Impairment reviews under IAS 36 are required to exclude the estimated cash inflow and outflows arising from improving or enhancing the performance of existing assets, and therefore the impairment test performed in the current year considers the recoverable amount of the CGU based on its current condition without the impact of the approved investment plans.

Key assumptions
Key assumptions in the VIU are considered to be the discount rate, medium term annual revenue growth rate by product group and the long-term cash flow growth rate. These have been assessed taking into consideration the current economic climate and the resulting impact on expected growth and discount rates.

The medium-term annual revenue growth rate by product group, long-term cash flow growth rate and discount rate used in the VIU calculation are:

	2019	2018
Long-term cash flow growth rate	**1.0%**	1.0%
Pre-tax discount rate [1]	**10.3%**	9.7%
Medium term annual revenue growth rate by product group[2]	**(2.0)% to 2.1** %	-

[1] This equates to a Post-tax discount rate of 8.0% (2018: 7.8%)
[2] Medium-term annual revenue growth rate by product group was not a key assumption in 2018 and so has not been presented.

Sensitivity analysis
The results of the sensitivity analysis are set out below. In undertaking this analysis, the directors have considered reasonably possible changes in the key assumptions that could have an adverse impact, taking into consideration that the Group is insulated from some significant adverse impacts by its geographical spread and that the Group's cost base is flexible and could quickly respond to market changes. The headroom and breakeven sensitivities disclosed below are on the VIU calculation which, as explained above, excludes the cash outflow and resulting cash inflow assumptions arising from the investment decisions made in the Strategic Review.

The directors have assessed that a reasonably possible change in the discount rate is an absolute movement of 2.0% (2018: 2.0%) and this increase would cause the carrying value of the Micro Focus CGU to exceed its recoverable amount. An increase in the discount rate of 0.4% to 10.7% (2018: increase of 1.3% to 11.0%) would reduce the amount by which the recoverable amount exceeds its carrying value from $0.5bn to $nil (2018: from $2.2bn to $nil).

The directors have assessed that a reasonably possible change in the average of the medium-term annual revenue growth rate by product group is an absolute reduction of 2.0% and this decrease would cause the carrying value of the Micro Focus CGU to exceed its recoverable amount (2018: not a reasonably possible change). A decrease in the average of the medium-term annual revenue growth rate by product group of 0.7% would reduce the amount by which the recoverable amount exceeds its carrying value from $0.5bn to $nil. This sensitivity has been presented exclusive of mitigating actions, such as cost saving, that would be taken in such a scenario and which would at least partially offset such a reduction in cash flows.

The directors have also assessed that there is not a reasonably possible change in the long-term cash flow growth rate that would reduce the recoverable amount to below its carrying value.

No impairment charge resulted from the goodwill tests for impairment in the 12 months ended October 31, 2019 (18 months ended October 31, 2018: no impairment).

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11 Other intangible assets

				Purchased intangibles				
	Note	Purchased software $m	Product development costs $m	Technology $m	Trade names $m	Customer relationships $m	Lease contracts $m	Total $m
Cost								
At November 1, 2018		**141.1**	**259.1**	**2,158.5**	**267.7**	**5,377.2**	**15.0**	**8,218.6**
Acquisitions – Interset Software Inc.	**38**	**-**	**-**	**44.5**	**4.2**	**12.5**	**-**	**61.2**
Additions		**12.3**	**16.5**	**-**	**-**	**-**	**-**	**28.8**
Additions – external consultants		**-**	**0.5**	**-**	**-**	**-**	**-**	**0.5**
Disposals		**(7.4)**	**(19.1)**	**-**	**-**	**-**	**-**	**(26.5)**
Effects of movements in exchange rates		**0.7**	**-**	**(24.4)**	**(4.6)**	**(66.4)**	**(0.1)**	**(94.8)**
At October 31, 2019		**146.7**	**257.0**	**2,178.6**	**267.3**	**5,323.3**	**14.9**	**8,187.8**
Accumulated amortization								
At November 1, 2018		**50.1**	**206.7**	**478.9**	**48.9**	**801.5**	**3.2**	**1,589.3**
Amortization charge for the period		**34.1**	**26.7**	**200.1**	**20.9**	**424.8**	**9.9**	**716.5**
Disposals		**(7.4)**	**(19.1)**	**-**	**-**	**-**	**-**	**(26.5)**
Effects of movements in exchange rates		**0.1**	**-**	**(10.1)**	**(1.8)**	**(22.0)**	**-**	**(33.8)**
At October 31, 2019		**76.9**	**214.3**	**668.9**	**68.0**	**1,204.3**	**13.1**	**2,245.5**
Net book amount at October 31, 2019		**69.8**	**42.7**	**1,509.7**	**199.3**	**4,119.0**	**1.8**	**5,942.3**
Net book amount at October 31, 2018		**91.0**	**52.4**	**1,679.6**	**218.8**	**4,575.7**	**11.8**	**6,629.3**

During the period, the estimated useful life of certain purchased software was revised. The net effect of the changes in the current financial period was an increase in amortization expense by $8.9m.

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11 Other intangible assets continued

				Purchased intangibles				
	Note	Purchased software $m	Product development costs $m	Technology $m	Trade names $m	Customer relationships $m	Lease contracts $m	Total $m
Cost								
At May 1, 2017		24.6	213.8	398.9	239.6	972.4	-	1,849.3
Continuing operations:								
Acquisitions - HPE Software business	**38**	72.8	-	1,809.0	163.0	4,480.0	15.0	6,539.8
Acquisitions – COBOL-IT	**38**	-	-	1.5	0.2	12.3	-	14.0
Acquisitions – Covertix	**38**	2.5	-	-	-	-	-	2.5
Additions		46.8	44.4	-	-	-	-	91.2
Additions – external consultants		-	0.9	-	-	-	-	0.9
Effects of movements in exchange rates		(0.4)	-	-	-	-	-	(0.4)
Discontinued operation:								
Reclassification to current assets classified as held for sale	**37**	(5.2)	-	(50.9)	(135.1)	(87.5)	-	(278.7)
At October 31, 2018		**141.1**	**259.1**	**2,158.5**	**267.7**	**5,377.2**	**15.0**	**8,218.6**
Accumulated amortization								
At May 1, 2017		21.0	164.7	223.0	38.8	312.5	-	760.0
Continuing operations:								
Amortization charge for the period		30.7	42.0	280.5	26.7	520.0	3.2	903.1
Effects of movements in exchange rates		(0.9)	-	-	-	-	-	(0.9)
Discontinued operation:								
Amortization charge for the period		0.8	-	13.4	9.1	16.9	-	40.2
Reclassification to current assets classified as held for sale	**37**	(1.5)	-	(38.0)	(25.7)	(47.9)	-	(113.1)
At October 31, 2018		**50.1**	**206.7**	**478.9**	**48.9**	**801.5**	**3.2**	**1,589.3**
Net book amount at October 31, 2018		**91.0**	**52.4**	**1,679.6**	**218.8**	**4,575.7**	**11.8**	**6,629.3**
Net book amount at April 30, 2017		3.6	49.1	175.9	200.8	659.9	-	1,089.3

Intangible assets, with the exception of purchased software and internally generated product development costs, relate to identifiable assets purchased as part of the Group's business combinations. Intangible assets are amortized on a straight-line basis over their expected useful economic life - see Accounting Policy K.

In addition, during the year, following a review of the allocation of purchased intangible assets to foreign operations, the directors have determined that intangible assets of $7,321.0m which arose on previous acquisitions (in particular the acquisitions of the HPE Software business on September 1, 2017 and The Attachmate Group on November 20, 2014, being the two most significant) should have been allocated into functional currencies of the underlying foreign operations.

The re-denomination has given rise to a total reduction in the carrying value of purchased intangible assets of $61.0m that has been recognized in the 12 months ended October 31, 2019. Had this allocation taken place from the acquisition dates, a $40.5m decrease in the carrying value of purchased intangible assets would have been recognized in the 18 months ended October 31, 2018 and a cumulative decrease of $20.8m in the carrying value would have been recognized as at May 1, 2017. As this change has no impact on the statement of cash flows and as the net prior-period impact of $61.3m and the impact on profit before taxation is not material in the context of the overall value of purchased intangible assets or net assets, it is, in the judgment of the directors, appropriate to effect the change in allocation in the current period. Movements in Other comprehensive income are not considered a key performance metric.

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This change in the carrying value of $61.0m consists of $94.8m and $33.8m reflected in the lines "effect of movements in exchange rates" for cost, this includes the cumulative impact on amortization of acquisition intangible assets which is not considered material, and cumulative amortization respectively in the table above. $83.3m of this has been recognized as "currency translation differences – continuing operations" in other comprehensive income, and subsequently the translation reserve in equity, and an offsetting $21.6m of this has been recognized as "currency translation differences – continuing operations" in other comprehensive income and subsequently retained earnings within equity.

Expenditure totalling $29.3m (18 months to October 31, 2018: $91.2m) was made in the 12 months ended October 31, 2019, including $17.0m in respect of development costs and $12.3m of purchased software. The acquisition of Interset Software Inc. in the 12 months ended October 31, 2019 gave rise to an addition of $61.2m to purchased intangibles (note 38). The acquisitions of the HPE Software business ($6,539.8m), COBOL-IT ($14.0m) and Covertix ($2.5m) in the 18 months ended October 31, 2018 gave rise to an addition of $6,556.3m to purchased intangibles (note 38).

Of the $17.0m of additions to product development costs, $16.5m (18 months to October 31, 2018: $44.4m) relates to internal product development costs and $0.5m (18 months ended October 31, 2018: $0.9m) to external consultants' product development costs.

At October 31, 2019, the unamortized lives of technology assets were in the range of two to 10 years, customer relationships in the range of one to 13 years and trade names in the range of 10 to 20 years. The HPE Software business acquired purchased intangibles, the largest component of the Group, have another 10 years life remaining for technology and 13 years life remaining for customer relationships purchased intangibles.

Included in the Consolidated statement of comprehensive income for the 12 months ended October 31, 2019 and the 18 months ended October 31, 2018 was:

For continuing operations:	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Cost of sales:			
- amortization of product development costs	**26.7**	42.0	22.4
- amortization of acquired purchased technology	**200.1**	280.5	59.0
Selling and distribution:			
- amortization of acquired purchased trade names, customer relationships and lease contracts	**455.6**	549.9	124.2
Administrative expenses:			
- amortization of purchased software	**34.1**	30.7	1.1
Total amortization charge for the period	**716.5**	903.1	206.7
Research and development:			
- capitalization of product development costs	**16.5**	44.4	27.7

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12 Property, plant and equipment

	Note	Freehold land and buildings $m	Leasehold improvements $m	Computer equipment $m	Fixtures and fittings $m	Total $m
Cost						
At November 1, 2018		**14.3**	**79.2**	**103.3**	**29.1**	**225.9**
Acquisition – Interset Software Inc.	**38**	**-**	**-**	**0.2**	**0.1**	**0.3**
Additions		**-**	**37.7**	**24.6**	**3.0**	**65.3**
Disposals		**-**	**(3.6)**	**(3.0)**	**-**	**(6.6)**
Reclassification		**-**	**-**	**19.8**	**(19.8)**	**-**
Effects of movements in exchange rates		**(0.3)**	**0.2**	**(0.5)**	**0.8**	**0.2**
At October 31, 2019		**14.0**	**113.5**	**144.4**	**13.2**	**285.1**
Accumulated depreciation						
At November 1, 2018		**2.2**	**34.3**	**36.6**	**8.5**	**81.6**
Charge for the period		**0.3**	**18.8**	**46.1**	**1.3**	**66.5**
Disposals		**-**	**(1.7)**	**(1.3)**	**-**	**(3.0)**
Reclassification		**-**	**-**	**4.6**	**(4.6)**	**-**
Effects of movements in exchange rates		**(0.3)**	**0.3**	**(0.9)**	**0.4**	**(0.5)**
At October 31, 2019		**2.2**	**51.7**	**85.1**	**5.6**	**144.6**
Net book amount at October 31, 2019		**11.8**	**61.8**	**59.3**	**7.6**	**140.5**
Net book amount at November 1, 2018		**12.1**	**44.9**	**66.7**	**20.6**	**144.3**

Net book value of $15.2m of laptop computer equipment previously disclosed as fixtures and fitting have been reclassified as computer equipment in the period.

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12 Property, plant and equipment continued

	Note	Freehold land and buildings $m	Leasehold improvements $m	Computer equipment $m	Fixtures and fittings $m	Total $m
Cost						
At May 1, 2017		14.3	27.3	32.6	6.0	80.2
Continuing operations:						
Acquisition – HPE Software business	**38**	-	56.5	79.5	24.1	160.1
Acquisition – COBOL-IT	**38**	-	-	0.1	-	0.1
Additions		-	10.4	33.3	6.4	50.1
Disposals		-	(7.5)	(27.1)	(4.6)	(39.2)
Effects of movements in exchange rates		-	(3.4)	(8.2)	(2.5)	(14.1)
Discontinued operation:						
Additions		-	-	2.0	-	2.0
Disposals		-	-	(0.1)	-	(0.1)
Effects of movements in exchange rates		-	-	0.3	-	0.3
Reclassification to current assets classified as held for sale	**37**	-	(4.1)	(9.1)	(0.3)	(13.5)
At October 31, 2018		**14.3**	**79.2**	**103.3**	**29.1**	**225.9**
Accumulated depreciation						
At May 1, 2017		1.8	12.7	22.1	2.7	39.3
Continuing operations:						
Charge for the period		0.4	26.3	50.7	11.2	88.6
Disposals		-	(4.0)	(26.9)	(3.7)	(34.6)
Effects of movements in exchange rates		-	(1.3)	(6.4)	(2.9)	(10.6)
Discontinued operation:						
Charge for the period		-	2.7	2.6	1.3	6.6
Disposals		-	-	-	-	-
Effects of movements in exchange rates		-	-	0.1	-	0.1
Reclassification to current assets classified as held for sale	**37**	-	(2.1)	(5.6)	(0.1)	(7.8)
At October 31, 2018		**2.2**	**34.3**	**36.6**	**8.5**	**81.6**
Net book amount at October 31, 2018		**12.1**	**44.9**	**66.7**	**20.6**	**144.3**
Net book amount at May 1, 2017		12.5	14.6	10.5	3.3	40.9

Depreciation for the 12 months ended October 31, 2019 of $66.5m (18 months ended October 31, 2018: $95.2m) is included within administrative expenses and cost of sales in the Consolidated statement of comprehensive income. The carrying value of computer equipment held under finance leases and hire purchase contracts, as at October 31, 2019 was $20.9m (October 31, 2018: $25.9m).

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13 Related undertakings

In accordance with section 409 of the UK Companies Act 2006 (the "Act"), information on all related undertakings of the Group is set out below. Related undertakings are categorized in the Act as being "subsidiaries", "associated undertakings" and "significant holdings in undertakings other than subsidiary companies". The information below is stated as at October 31, 2019.

The definition of a subsidiary undertaking in the Act is different from the definition of that term under IFRS. As a result, related undertakings included within this list may not be the same as the related undertakings consolidated in the Group IFRS financial statements. All undertakings in which the Group has an equity interest of greater than 50% are considered as subsidiary undertakings for the purpose of this note:

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
1	Attachmate Australasia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
2	Attachmate Group Australia Pty Limited	Australia	Ordinary Shares	Sale and support of software	1
3	Autonomy Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
4	Autonomy Systems Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
5	Borland Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
6	Entco Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
7	Micro Focus Australia Pty Ltd (formerly Entcorp Australia Pty Limited)	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
8	Micro Focus Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
9	Serena Software Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
10	Borland Entwicklung GmbH	Austria	Registered capital	Development of software	2
11	Autonomy Belgium BVBA	Belgium	Ordinary Shares	Sale and support of software	3
12	Micro Focus Belgium BV (formerly Entco Belgium BVBA)	Belgium	Ordinary Shares	Sale and support of software	3
13	Micro Focus Srl (formerly Micro Focus SPRL)	Belgium	Ordinary Shares	Sale and support of software	4
14	Borland Latin America Ltda	Brazil	Quota RS$1.00	Sale and support of software	5
15	Cambridge Technology Partners do Brasil s.c. Ltda	Brazil	Quota RS$1.00	Dormant	5
16	Micro Focus Brasil Serviços de Tecnologia Ltda (formerly Entco Brasil Serviços de Tecnologia Ltda)	Brazil	Quota RS$1.00	Sale and support of software	5
17	Micro Focus Programmeação de Computadores Ltda	Brazil	Quota RS$1.00	Sale and support of software	5
18	Peregrinne Systems do Brasil Limitada	Brazil	Quota RS$1.00	Sale and support of software	6
19	Serena Software Do Brasil Ltda	Brazil	Quota RS$1.00	Sale and support of software	7

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	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
20	Verity Worldwide Limited	British Virgin Islands	Ordinary Shares US$50,000.00	Sale and support of software	8
21	Micro Focus APM Solutions Limited (EOOD)	Bulgaria	Ordinary Shares BGN1,000.00	Development of software	9
22	Micro Focus Bulgaria EOOD (formerly Entco Bulgaria EOOD)	Bulgaria	Ordinary Shares BGN1.00	Sale and support of software	10
23	Autonomy Systems (Canada) Limited	Canada	Class A Common Stock	Sale and support of software	11
24	Borland Canada Software ULC	Canada	Common Shares	Dormant	12
25	Entcorp Canada, Inc.	Canada	Common Stock	Sale and support of software	13
26	GWAVA ULC (formerly GWAVA Inc.)	Canada	Common Stock	Holding Company	12
27	Interset Software Inc.	Canada	Class A Preferred Shares Class B Preferred Shares Class B-1 Preferred Shares Class B-2 Preferred Shares Common Shares	Sale and support of software	14
28	Micro Focus (Canada) ULC	Canada	Common Shares	Development, sale and support of software	12
29	Micro Focus Acquisition ULC	Canada	Common Shares	Holding Company	15
30	Micro Focus Software (Canada), ULC	Canada	Common Shares	Sale and support of software	16
31	Micro Focus Software Solutions Canada Co. / Solutions Logiciels Micro Focus Canada Cie. (formerly Entco Software Canada Co. Logiciels Entco Canada Cie)	Canada	Common Shares	Sale and support of software	17
32	NetManage Canada ULC	Canada	Common Shares	Dormant	12
33	Entco Bellatrix HoldCo	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18
34	Entco Capital Co	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18
35	Entco Investment Co	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18

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	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
36	Micro Focus International Limited	Cayman Islands	Class A Ordinary Shares US$0.00001 Class B Ordinary Shares US$0.00001 Class C Ordinary Shares US$0.00001 Class L Ordinary Shares US$0.00001	Dormant	18
37	Micro Focus IP Limited	Cayman Islands	Class A Ordinary Shares €0.01 Class B Preferred Redeemable Shares €0.01	Holding Company	18
38	Entco Marigalante Limited	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18
39	Autonomy Systems (Beijing) Limited Company	China	Registered Capital	Sale and support of software	19
40	Borland Software Corporation Beijing Representative Office	China	Branch	In liquidation	104
41	Shanghai Entco Software Technology Co., Limited	China	Registered Capital	Sale and support of software	20
42	Shanghai Entco Software Technology Co., Limited, Beijing Branch	China	Branch	Sale and support of software	21
43	Shanghai Entco Software Technology Co., Limited, Chongqing Branch	China	Branch	Sale and support of software	22
44	Shanghai Entco Software Technology Co., Limited, Shenzhen Branch	China	Branch	Sale and support of software	23
45	Singapore Micro Focus Pte Ltd Shanghai Representative Office	China	Branch	Sale and support of software	24
46	UK Micro Focus Limited Beijing Representative Office	China	Branch	Sale and support of software	25
47	Micro Focus CentroAmerica CAC Limiteda (formerly Entco CentroAmerica CAC Limitada)	Costa Rica	Quota CRC1,000.00	Sale and support of software	26
48	Micro Focus Costa Rica Limiteda (formerly Entco Costa Rica Limitada)	Costa Rica	Quota CRC1,000.00	Sale and support of software	26
49	NetIQ Software International Limited	Cyprus	Ordinary Shares of C£1.00	Dormant	103
50	Micro Focus Czechia s.r.o (formerly Entco Czechia, s.r.o.)	Czech Republic	Registered Capital	Sale and support of software	27
51	NOVL Czech s.r.o.	Czech Republic	Registered Capital	Dormant	28

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	Subsidiaries				
52	Micro Focus Denmark, filial af Micro Focus AS, Norge (Branch)	Denmark	Branch	Sale and support of software	29
53	Micro Focus Software Denmark ApS (formerly Entco Denmark ApS)	Denmark	Ordinary Shares DKK1.00	Sale and support of software	29
54	Attachmate Middle East LLC	Egypt	Cash Shares LE100.00	In liquidation	105
55	Micro Focus AS, Filial i Finland (Branch)	Finland	Branch	Sale and support of software	30
56	Attachmate Group France SARL	France	Ordinary Shares €16.00	Sale and support of software	31
57	Borland (France) Sarl	France	Ordinary Shares €15.25	Sale and support of software	31
58	Cobol-IT, SAS	France	Ordinary Shares €1.00	Sale and support of software	31
59	Micro Focus France SAS (formerly Entco France SAS)	France	Ordinary Shares €1.00	Sale and support of software	32
60	Micro Focus SAS	France	Ordinary Shares €10.00	Sale and support of software	31
61	Attachmate Group Germany GmbH	Germany	Ordinary Shares €191,000.00	Sale and support of software	33
62	Borland GmbH	Germany	Ordinary Shares €49,500.00 Ordinary Shares €450,000.00 Ordinary Shares €100,000.00 Ordinary Shares €500.00	Dormant	33
63	GWAVA EMEA GmbH	Germany	Registered Capital	Sale and support of software	34
64	Micro Focus Deutschland GmbH (formerly Entco Deutschland GmbH)	Germany	Registered Capital	Sale and support of software	35
65	Micro Focus GmbH	Germany	Registered Capital	Sale and support of software	33
66	Novell Holdings Deutschland GmbH	Germany	Registered Capital	Holding Company	36
67	Serena Software GmbH	Germany	Registered Capital	Sale and support of software	37
68	Attachmate (Hong Kong) Limited	Hong Kong	Ordinary Shares HK$1.00	Dormant	38
69	Borland (H.K.) Limited	Hong Kong	Ordinary Shares HK$1.00	Dormant	38
70	EntCorp Hong Kong Limited	Hong Kong	Ordinary Shares HK$1.00	Sale and support of software	39

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	Subsidiaries				
71	Micro Focus Limited Hong Kong (Branch)	Hong Kong	Branch	Sale and support of software	38
72	Micro Focus Software HK Limited (formerly Attachmate Group Hong Kong Limited)	Hong Kong	Ordinary Shares HK$10.00	Sale and support of software	38
73	NetIQ Asia Ltd.	Hong Kong	Ordinary Shares HK$1.00	Dormant	38
74	Autonomy Software Asia Private Limited	India	Equity Shares INR10.00	Sale and support of software	40
75	Borland Software India Private Limited	India	Equity Shares INR10.00	Dormant	41
76	Entco IT Services Private Limited	India	Equity Shares INR10.00	Sale and support of software	42
77	Interwoven, Inc., India Branch	India	Branch	Sale and support of software	43
78	Micro Focus India Private Limited	India	Equity Shares INR10.00	Support of software	41
79	Micro Focus Software India Private Limited	India	Equity Shares INR10.00	Development, sale and support of software	41
80	Micro Focus Software Solutions Private Limited (formerly Entco Software India Private Limited)	India	Equity Shares INR10.00	Sale and support of software	44
81	Novell India Private Ltd.	India	Equity Shares INR10.00	Dormant	45
82	Relativity Technologies Private Limited	India	Equity Shares INR10.00	Sale and support of software	41
83	Attachmate Ireland Limited	Ireland	Ordinary Shares €1.27	Sale and support of software	46
84	Entsoft Holding Ireland Unlimited Company	Ireland	Ordinary Shares US$1.00	Holding Company	46
85	Micro Focus (IP) Ireland Limited	Ireland	Ordinary Shares US$1.00	Dormant	47
86	Micro Focus (Ireland 1) Limited (formerly SUSE Linux Holdings Limited)	Ireland	Ordinary Shares US$1.00	Holding Company	47
87	Micro Focus (Ireland 2) Limited (formerly SUSE Linux Ireland Limited)	Ireland	Ordinary Shares US$1.00	Dormant	47
88	Micro Focus Finance Ireland Limited	Ireland	Ordinary Shares US$1.00	Holding Company	48
89	Micro Focus Galway Limited (formerly Entsoft Galway Limited	Ireland	Ordinary Shares €1.00	Sale and support of software	46
90	Micro Focus Group Holdings Unlimited Company	Ireland	Ordinary Shares €1.00	Holding Company	47
91	Micro Focus International Holdings Limited	Ireland	Ordinary Shares €1.00	Holding Company	47

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	Subsidiaries				
92	Micro Focus Ireland Limited	Ireland	Ordinary Shares €1.00	Development, sale and support of software	47
93	Micro Focus Software (Ireland) Limited	Ireland	Ordinary Shares €1.25 Ordinary Shares US$1.00	Development, sale and support of software	48
94	Micro Focus Software Solutions Ireland Limited (formerly Entsoft Ireland Limited)	Ireland	Ordinary Shares €1.00	Sale and support of software	46
95	NetIQ Europe Limited	Ireland	Ordinary Shares €1.00	Sale and support of software	46
96	NetIQ Ireland Limited	Ireland	Ordinary Shares €1.00	Holding Company	47
97	Novell Cayman Software International Unlimited Company	Ireland	Ordinary Shares US$1.00	Holding Company	47
98	Novell Cayman Software Unlimited Company	Ireland	Ordinary Shares US$1.00	Holding Company	47
99	Novell Ireland Real Estate Unlimited Company	Ireland	Ordinary Shares €1.25 A Ordinary Shares €1.25	Holding Company	47
100	Novell Software International Limited	Ireland	Ordinary Shares US$1.00	Holding Company	47
101	Micro Focus Interactive Israel Ltd (formerly Entco Interactive (Israel) Limited)	Israel	Ordinary Shares of NIS1.00	Sale and support of software	49
102	Micro Focus Israel Limited	Israel	Ordinary Shares NIS1.00	Development and support of software	50
103	Micro Focus Software Israel Ltd (formerly Entcorp Software Israel Limited)	Israel	Ordinary Shares NIS1.00	Sale and support of software	49
104	N.Y. NetManage (Yerushalayim) Ltd	Israel	Ordinary Shares NIS1.00	Dormant	51
105	Novell Israel Software International Limited	Israel	Ordinary Shares NIS1.00	In liquidation	106
106	Enterprise Corp Italiana S.r.l.	Italy	Registered Capital	Sale and support of software	52
107	Micro Focus Italiana S.r.l. (formerly Entco Italiana Srl	Italy	Registered Capital	Sale and support of software	53
108	Micro Focus Srl	Italy	Registered Capital	Sale and support of software	53
109	Serena Software Europe Limited - Italy Branch	Italy	Branch	Sale and support of software	53
110	Verity Italia S.r.l.	Italy	Registered Capital	Sale and support of software	54
111	Entcorp Japan K.K.	Japan	Ordinary Shares	Sale and support of software	55
112	Micro Focus Enterprise Ltd	Japan	Ordinary Shares	Sale and support of software	56
113	Micro Focus LLC (formerly Micro Focus KK)	Japan	Interest in capital	Sale and support of software	56

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	Subsidiaries				
114	Novell Japan, Ltd	Japan	Common Stock	Sale and support of software	56
115	Serena Software Japan LLC (formerly Serena Software Japan KK)	Japan	Interest in Capital	Sale and support of software	56
116	Micro Focus Korea Limited	South Korea	Units KRW5000	Sale and support of software	57
117	Serena Software Europe Limited - Korea Branch	South Korea	Branch	Sale and support of software	58
118	Micro Focus Finance S.à r.l.	Luxembourg	Ordinary Shares US$1.00	In liquidation	59
119	Micro Focus Luxembourg S.à r.l. (formerly Entco Luxembourg Sarl)	Luxembourg	Ordinary Shares	Sale and support of software	59
120	Minerva Finance S.à r.l.	Luxembourg	Ordinary Shares US$1.00	In liquidation	59
121	Verity Luxembourg S.à r.l.	Luxembourg	Ordinary Shares €25.00	Sale and support of software	60
122	Micro Focus Malaysia Sdn. Bhd. (formerly Entco Software Malaysia Sdn. Bhd.)	Malaysia	Ordinary Shares RM1,000.00	Sale and support of software	61
123	Novell Corporation (Malaysia) Sdn. Bhd.	Malaysia	Ordinary Shares RM1.00	Sale and support of software	62
124	Micro Focus International Mexico, S. de R.L. de C.V. (formerly Entco México, S. de R.L. de C.V.)	Mexico	Equity Interest Quota MXN1.00	Sale and support of software	63
125	Micro Focus Limited Mexico (Branch)	Mexico	Branch	Sale and support of software	64
126	Micro Focus Software Mexico, S. De R.L. De C.V. (formerly Entco Software México, S. de R.L. de C.V.)	Mexico	Equity Interest Quota MXN1.00	Sale and support of software	63
127	Micro Focus Software Solutions Mexico, S. de R.L. de C.V. (formerly Entcorp Software México, S. de R.L. de C.V.)	Mexico	Equity Interest Quota MXN1.00	Sale and support of software	63
128	Attachmate Group Netherlands B.V.	Netherlands	Ordinary Shares €100.00	Sale and support of software	65
129	Authasas Advanced Authentication B.V.	Netherlands	Ordinary Shares €1.00	Dormant	65
130	Authasas B.V	Netherlands	Ordinary Shares A €1.00 Ordinary Shares B €1.00	Sale and support of software	65
131	Autonomy HoldCo B.V.	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
132	Autonomy Netherlands BV	Netherlands	Common Shares €100.00	Sale and support of software	65
133	Borland BV	Netherlands	Ordinary Shares €5.00	Sale and support of software	65
134	Entco Eastern Holding B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
135	Entco Gatriam Holding B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65

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	Subsidiaries				
136	Entco HoldCo I B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
137	Entco HoldCo II B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
138	Entco HoldCo III B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
139	Entco HoldCo IV B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
140	Entco Holding Berlin B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
141	Entco Holding Hague II B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
142	Entco Sinope Holding B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
143	Entcorp Nederland B.V.	Netherlands	Ordinary Shares €100.00	Sale and support of software	65
144	Micro Focus B.V.	Netherlands	Common Shares €100.00	Sale and support of software	65
145	Micro Focus Caribe Holding B.V. (formerly Entco Caribe B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
146	Micro Focus Eastern Holding II B.V. (formerly Entco Eastern Holding II B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
147	Micro Focus Enterprise B.V. (formerly Entco Enterprise B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
148	Micro Focus HoldCo B.V. (formerly Entco HoldCo B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
149	Micro Focus Holding Finance B.V. (formerly Entco Holding Finance B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
150	Micro Focus Holding Hague B.V. (formerly Entco Holding Hague B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
151	Micro Focus Holding PR B.V. (formerly Entco Puerto Rico B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
152	Micro Focus International Trade B.V. (formerly Entco International Trade B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
153	Micro Focus Nederland B.V. (formerly Entco Nederland B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
154	Verity Benelux B.V.	Netherlands	Common Shares of €500.00	Sale and support of software	65
155	Micro Focus Software (New Zealand) Unlimited	New Zealand	Ordinary Shares	Sale and support of software	66
156	Micro Focus AS	Norway	Ordinary Shares NOK1,602.00	Sale and support of software	67

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	Subsidiaries				
157	Entcorp Philippines, Inc.	Philippines	Common Stock PHP1.00	Sale and support of software	68
158	Micro Focus Polska sp. z o.o. (formerly Entco Polska sp. z.o.o.)	Poland	Ordinary Shares PLN500.00	Sale and support of software	69
159	Micro Focus S.L. - Sucursal Em Portugal (Branch)	Portugal	Branch	Sale and support of software	70
160	Novell Portugal - Informática Lda	Portugal	Ordinary Shares €14,864.18 Ordinary Shares €99.76	Sale and support of software	71
161	Micro Focus Caribe Holding B.V. LLC Branch (formerly Entco Caribe B.V. LLC)	Puerto Rico	Branch	Sale and support of software	72
162	Micro Focus Holding PR B.V. LLC Branch (formerly Entco Puerto Rico B.V. LLC)	Puerto Rico	Branch	Sale and support of software	73
163	Micro Focus Software Romania SRL (formerly Entco Software Romania SRL)	Romania	Ordinary Shares RON10.00	Sale and support of software	74
164	Limited Liability Company Micro Focus (formerly Limited Liability Company Entco)	Russian Federation	Interest in Capital	Sale and support of software	75
165	Micro Focus LLC	Saudi Arabia	Ordinary Shares SAR50	Sale and support of software	76
166	Autonomy Systems Singapore Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	77
167	Borland (Singapore) Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	78
168	Entco Software Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	77
169	Mercury Interactive (Singapore) Pte Ltd	Singapore	Ordinary Shares	In liquidation	107
170	Micro Focus Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	78
171	Micro Focus Software Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	77
172	Autonomy Systems Software South Africa Pty Ltd	South Africa	Ordinary Shares ZAR1.00	Sale and support of software	79
173	Micro Focus Software South Africa (Pty) Ltd (formerly Attachmate Group South Africa (Pty) Limited	South Africa	Ordinary Shares ZAR1.00	Sale and support of software	80
174	Micro Focus South Africa (Pty) Ltd	South Africa	Ordinary Shares ZAR1.00	Sale and support of software	80
175	Micro Focus Field Delivery Spain, S.L.U. (formerly Entco Field Delivery Spain, S.L.U.)	Spain	Ordinary Shares €1.00	Sale and support of software	81
176	Micro Focus S.L.U.	Spain	Registered Shares €9.00	Sale and support of software	82
177	Micro Focus Software Spain S.L.U. (formerly Entco Software Spain S.L.U.)	Spain	Ordinary Shares €1.00	Sale and support of software	81

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	Subsidiaries				
178	Serena Software SA	Spain	Ordinary Shares €546.92	Sale and support of software	83
179	Micro Focus AS, Norge, filial i Sverige (Branch)	Sweden	Branch	Sale and support of software	84
180	Micro Focus Sverige AB (formerly Entco Sverige AB)	Sweden	Quota SEK1.00	Sale and support of software	84
181	Micro Focus Enterprise B.V., Amstelveen, Versoix Branch	Switzerland	Branch	Sale and support of software	85
182	Micro Focus GmbH	Switzerland	Quotas CHF100.00	Sale and support of software	86
183	Micro Focus International Suisse Sàrl (formerly Entco International Sàrl)	Switzerland	Ordinary Shares CHF1,000.00	Sale and support of software	85
184	Micro Focus Schweiz GmbH (formerly Entco Schweiz GmbH)	Switzerland	Ordinary Shares CHF100.00	Sale and support of software	86
185	Serena Software GmbH- Swiss Branch	Switzerland	Branch	Sale and support of software	87
186	Trilead GmbH	Switzerland	Ordinary Shares CHF100.00	Sale and support of software	88
187	Interwoven, Inc., Taiwan Branch	Taiwan	Branch	Sale and support of software	89
188	Novell (Taiwan) Co., Ltd.	Taiwan	Ordinary Shares NT$10.00	Sale and support of software	90
189	Micro Focus Enterprise Tunisia SARL	Tunisia	Ordinary Shares TND10.00	Sale and support of software	91
190	Micro Focus Teknoloji Çözümleri Limited Şirketi (formerly Entco Turkey Teknoloji Çözümleri Limited Şirketi)	Turkey	Ordinary Shares TRY25.00	Sale and support of software	92
191	Serena Software Ukraine LLC	Ukraine	Interest in Capital	Sale and support of software	93
192	Entco International SARL-Abu Dhabi - Branch	United Arab Emirates	Branch	Sale and support of software	94
193	Entco International SARL-Jebel Ali Free Zone - Branch	United Arab Emirates	Branch	Sale and support of software	95
194	Entco Software Services Middle East FZ-LLC	United Arab Emirates	Ordinary Shares AED1,000.00	Sale and support of software	96
195	Attachmate Sales UK Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
196	Autonomy Digital Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	108
197	Autonomy Systems Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
198	Borland (Holding) UK Ltd	United Kingdom	Ordinary Shares £1.00	Dormant	97

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	Subsidiaries				
199	Borland (UK) Limited	United Kingdom	Ordinary Shares £1.00	Dormant	97
200	Entcorp Marigalante UK Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
201	Interwoven UK Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	108
202	Longsand Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
203	Merant Holdings	United Kingdom	Ordinary Shares £1.00	Holding Company	97
204	Meridio Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	109
205	Micro Focus (IP) Holdings Limited	United Kingdom	Ordinary Shares US$1.00	Dormant	97
206	Micro Focus (IP) Ltd	United Kingdom	Ordinary Shares £1.00	Holding Company	97
207	Micro Focus (US) Holdings	United Kingdom	Ordinary Shares US$1.00	Holding Company	97
208	Micro Focus APM Solutions Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	97
209	Micro Focus CHC Limited	United Kingdom	Ordinary Shares US$0.01 Redeemable Preference Shares US$1.00 C Preference Shares US$1.00	Holding Company	97
210	Micro Focus Foreign HoldCo Ltd (formerly Entco Foreign HoldCo Ltd)	United Kingdom	Ordinary Shares £1.00	Holding Company	98
211	Micro Focus Global Limited (formerly Novell U.K. Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
212	Micro Focus Group Limited	United Kingdom	Ordinary Shares £1.00	Holding Company	97
213	Micro Focus Holdings Unlimited	United Kingdom	Ordinary Shares £0.01	Holding Company	97
214	Micro Focus Integration Holdings Limited	United Kingdom	Ordinary Shares US$1.00	Holding Company	97
215	Micro Focus Integration Limited	United Kingdom	Ordinary Shares US$1.00	Sale and support of software	97
216	Micro Focus IP Development Limited	United Kingdom	Ordinary Shares US$1.00	Development and support of software	97

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	Subsidiaries				
217	Micro Focus Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
218	Micro Focus MHC Limited	United Kingdom	A Ordinary Shares £0.00001 B Ordinary Shares £0.00001	Holding Company	97
219	Micro Focus Midco Holdings Limited	United Kingdom	Ordinary Shares US$0.01	Holding Company	97
220	Micro Focus Midco Limited	United Kingdom	Ordinary Shares US$0.0001	Holding Company	97
221	Micro Focus Situla Holding Ltd (formerly Entco Situla Holding Ltd)	United Kingdom	Ordinary Shares £1.00	Holding Company	98
222	Micro Focus Software (IP) Holdings Limited	United Kingdom	Ordinary Shares US$0.01 Preferred Shares US$1.00	Holding Company	97
223	Micro Focus Software Holdings Ltd (formerly Novell UK Software Limited)	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
224	Micro Focus Software UK Ltd (formerly Entcorp UK Ltd)	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
225	Micro Focus UK Limited	United Kingdom	Ordinary Shares £1.00	Dormant	97
226	NetIQ Limited	United Kingdom	Ordinary Shares £1.00	Dormant	97
227	Ryan McFarland Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	97
228	Serena Holdings	United Kingdom	Ordinary Shares US$1.00	Holding Company	97
229	Serena Software Europe Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
230	XDB (UK) Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	97
231	ZANTAZ UK Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	108
232	Attachmate Corporation	United States	Common Stock US$0.01	Development and support of software	99
233	Borland Corporation	United States	Common Stock US$0.01	Holding Company	100
234	Borland Software Corporation	United States	Common Stock US$0.01	Development and support of software	100
235	Borland Technology Corporation	United States	Common Stock US$0.01	Dormant	100

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	Subsidiaries				
236	Entco Delaware LLC	United States	Interest in Capital	Sale and support of software	100
237	Entco Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100
238	Entco Technologies, Inc.	United States	Common Stock US$0.001	Sale and support of software	100
239	Entco, LLC	United States	Interest in Capital	Sale and support of software	100
240	GWAVA Technologies Inc	United States	Common Stock of US$1.00	Sale and support of software	100
241	Interset Software - US, Inc.	United States	Common Stock US$0.0001	Sale and support of software	100
242	MA FinanceCo., LLC	United States	Units	Holding Company	100
243	Marcel Holdings LLC	United States	Limited Liability Company Interest US$1.00	Sale and support of software	101
244	Micro Focus (US) Group, Inc	United States	Common Stock US$0.01	Holding Company	100
245	Micro Focus (US) International Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100
246	Micro Focus (US), Inc.	United States	Common Stock US$0.01	Development and support of software	100
247	Micro Focus Brazil Holdings LLC (formerly Entco Brazil Holdings LLC)	United States	Interest in Capital	Holding Company	100
248	Micro Focus Government Solutions LLC (formerly Entco Government Solutions LLC)	United States	Interest in Capital	Sale and support of software	100
249	Micro Focus LLC (formerly EntIT Software LLC)	United States	Limited Liability Company Interests	Sale and support of software	100
250	Micro Focus Software Inc.	United States	Voting Common Stock US$0.01 Non-voting Common Stock US$0.01	Development and support of software	100
251	MicroLink LLC	United States	Limited Liability Company Interests	Sale and support of software	102
252	NetIQ Corporation	United States	Common Stock US$0.001	Development and support of software	100
253	Novell Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100

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	Subsidiaries				
254	Novell International Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100
255	Seattle SpinCo, Inc.	United States	Class A Common Stock US$0.01 Class B Common Stock US$0.01	Holding Company	100
256	Serena Software, Inc.	United States	Common Stock US$0.01	Holding Company	100
257	Spartacus Acquisition Holdings Corp	United States	Common Stock US$0.001	Holding Company	100
258	Stratify, Inc.	United States	Common Stock US$0.001	Sale and support of software	100
259	The Attachmate Group, Inc.	United States	Common Stock US$0.001	Holding Company	100
260	Vertica Systems, LLC	United States	Limited Liability Company Interests	Sale and support of software	100

[1] The Group has a 100% equity ownership interest in each of the subsidiary undertakings, with the exception of Novell Japan Ltd, in which it has an 84.24% equity interest (note 32).

[2]. The ultimate parent company is Micro Focus International plc (the "Company"). The Company has a direct interest in Micro Focus Midco Holdings Limited and an indirect interest in all of the other related undertakings. The Company has an effective interest of 100% in all of the related undertakings listed in the table, save as disclosed above.

The financial results of all of the related undertakings listed above are included in the Group's consolidated financial statements.
None of the related undertakings holds any shares in the Company.

For each of the subsidiaries listed above, the Registered office or, in the case of undertakings other than subsidiaries, the principal place of business is as follows:

Registered office addresses:

Number	Address
1	Level 8, 76 Berry Street, North Sydney, NSW 2060, Australia
2	Donau Centre, Hauptstrasse 4-10, Linz, 4040, Austria
3	Officenter, Luchthavenlaan 27, 1800 Vilvoorde, Belgium
4	EU Parliament, 4th Floor, 37 De Meeussquare, Brussels, 1000, Belgium
5	Rua Joaquim Floriano, 466-12 Ander, Sao Paulo, CEP 04534-002, Brazil
6	Avenida das nações Unidas, nº 12.901, conjunto 2302, sala 72, Itaim Bibi, São Paulo, CEP 04578-000, Brazil
7	Rua Dom Jose de Barros, 177, 3rd Floor, Suite 302, Vila Buarque, Sao Paulo 01038-100, Brazil
8	Estera Corporate Services (BVI) Limited, Jayla Place Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
9	76A James Bourchier Blvd, Lozenetz, Sofia, 1407, Bulgaria
10	1715 Sofia, Mladost district, Business Park Sofia, Building 9, Sophia, Bulgaria
11	200-204 Lambert Street, Whitehorse, Y1A 3T2, Canada
12	250 Howe Street, Suite 1400-C, Vancouver, BC V6C 3S7, Canada
13	Barker House , Suite 600, Fredericton E3B 6Z6, Canada

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13 Related undertakings continued

Registered office addresses continued

Number	Address
14	411 Legget Drive, Suite 503, Ottawa ON K2K 3C9, Canada
15	Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8, Canada
16	4300 Bankers Hall West, 888 - 3rd Street S.W., Calgary, Alberta T2P 5C5, Canada
17	1300-1960 Upper Water Street, Halifax, Nova Scotia B3J 3R7, Canada
18	Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands
19	Unit 601, Block A, Yuanyang International Center, Building 56, Dong Si Huan Zhong Dong Road, Beijing, Chaoyang District, China
20	Floor 2, Building 1, No. 799 Naxian Road, Pilot Free Trade Zone, Shanghai, China
21	8 Guangshun Avenue South, B01, 3F, Building 1, Chaoyang District, ,China,
22	No. 209, Chuangxin Plaza, No. 5 Keyuanyi Road, Jiulongpo District, Chongqing, China
23	14/F, Office 1436, Times Financial Center, 4001 Shennan Avenue, Futian District, Shenzhen, Guangdong, 518046, China or Unit H 1483 - 04, 14th Floor, Times Financial Center, 4001 Shennan Avenue, Fu'An Community, Futian Street, Shenzhen, Futian District, China
24	Room 810, Level 8, International Finance Center, Tower 2, 8 Century Avenue, Pudong, Shangahi 200120, P.R. China
25	Madrid 17-02F Suite, 17/F Ping An International Financial Center, Tower B, No. 3 Xin Yuan South Road, Chao Yang District, Beijing China 100027
26	San José, Cantón Montes de Oca, Distrito San Pedro, cincuenta metros al sur del Restaurante Le Chandelier, Edificio Blanco, Costa Rica
27	Za Brumlovkou 1559/5, Michle, Prague, 140 00, Czech Republic
28	Krizikova 148/34, Karlin, 186 00 Praha 8 Czech Republic
29	Borupvang 3, 2750, Ballerup, Denmark
30	Accountor Turku Oy, Yliopistonkatu 34,5 krs, Turku FI-20100
31	Tour, Atlantique, La Defense 9, 1 Place de la Pyramide, La Defense, Cedex, Paris, 92911, France
32	1 Avenue du Canada, Les Ulis, 91947, France
33	Fraunhoferstrasse 7, Ismaning, 85737, Germany
34	Von-Braun-Strabe 38a, 48683 Ahaus, Germany
35	Herrenberger Str. 140, 71034 Boeblingen, Germany
36	Maxfeldstr. 5, 90409 Nürnberg, Germany
37	Nöerdlicher Zubringer 9-11, 40470 Düsseldorf
38	21st floor, Henley Building, 5 Queen's Road Central, Hong Kong
39	19th Floor, Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
40	4th Floor, Laurel Building 'A" Block, Bagmane Tech Park, Survey no.65/2, C.V.Raman Nagar, Byrasandra Village, KR Pura Hobli, Bangalore South Taluk, Bengaluru-560093, India
41	Laurel, Block D, 65/2, Bagmane Tech Park, C.V. Raman Nagar, Byrasasdraa Post, Bangalore 560093, India
42	4th Floor, Bagmane Tech Park, Olympia Building Survey Nos. 66/1, 66/66-1 & 66/1-3, CV Raman Nagar, Bangalore, 560093, India
43	602 MMTC House C-22 Bandra Kurla Complex Bandra East, Mumbai, MH 400051, India
44	66/1, 6th Floor, Olympia Building, Bagmane Tech Park, Byrasandra, C V Raman Nagar, Bangalore, Karnataka, 560093, India
45	Leela Galleria, 1st Floor, Andheri Kurla Road, Andheri (East), Mumbai - 400059, Maharashtra, India
46	Block A, Ballybrit Business Park, Ballybane Road, Galway, Eircode, NE2 2003, Ireland
47	One Spencer Dock, North Wall Quay, Dublin 1, Ireland
48	Corrig Court, Corrig Road, Sandyford Industrial Estate, Sandyford, Dublin 18, Ireland
49	5 Altalef St., Yahud, Israel
50	Matam Advanced Tech Center, Building 5/1, Haifa, 31 905, Israel
51	Scientific Industries Center, Haifa, 33263, Israel
52	Via Filippo Turati 8, 20121, Milan, Italy
53	Viale Sarca 235, 20126, Milan, Italy

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Registered office addresses continued

Number	Address
54	Via Santa - Maria alla Porta n.9, 20123, Milan, Italy
55	No. 8 Center Plaza Bldg, 5F, 1-10-16 Horidomecho Nihonbashi, Chuo-ku, Tokyo 103-0012, Japan
56	Midtown Tower 19F, 9-7-1 Akasaka, Minato-ku, Tokyo, 107-6219, Japan
57	Yeoidodong, SK Building, 15F, 31 Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul, Korea
58	Gangnam Finance Centre, Level 41, 152 Teheren-ro, Gangnam-gu, Seoul - 06236 Korea
59	20, rue des Peupliers, L-2328 Luxembourg, Luxembourg
60	15, Boulevard F.W. Raiffeisen, L - 2411, Luxembourg
61	Level 11, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, 50470 59200 Kuala Lumpur, Malaysia
62	Unit 501 Lvl 5 Uptwn 1, 1 Jalan SS2, Selangor Darul Ehsan, Malaysia
63	Av. Periférico Sur 6751, Col. Toluquilla, Municipio Tlaquepaque, Jalisco, CP 45610, Mexico
64	Insurgentes Sur 1898, Pisos 12 y 14, Col. La Florida, Mexico City 1020, Mexico
65	Van Deventerlaan 31-51, 3528 AG Utrecht, The Netherlands
66	Level 8, 188 Quay Street, Auckland, 1010, New Zealand
67	7th Floor, Dronning Eufemias gate 16, 0191 Oslo, Norway
68	2/F Three World Square, Upper Mckinley Road, Taguig City, Philippines
69	Centrum Biurowe Globis, Powstańców Śląskich 7A, 53-332, Wrocław, Poland
70	Centro Empresarial Torres de Lisboa, Rua Tomás da Fonseca, Torre G, 1.º, 1600-209 Lisbon, Portugal
71	Centro Empresarial Torres de Lisboa, Rua Tomás da Fonseca, Torre G, 1600-203 Lisbon, Portugal
72	110 Highway North Km. 28, Bldg. #1, Aguadilla, 00603, Puerto Rico
73	350 Chardon Avenue, Chardon Tower, Suite 801, San Juan, 00918, Puerto Rico
74	2nd District, 3 George Constantinescu Street, BOC Office Building, Bucharest, Romania
75	Leningradskoye shosse 16 A, building 3, floor 10, premise XV, room 16, 125171, Moscow, Russian Federation
76	Maazar Street, Futuro Tower, 3rd Floor, P.O. Box 69171, Riyadh 11547, Saudi Arabia
77	#12-04/06, 1 Harbourfront Place, Harbourfront Tower 1, 098633, Singapore
78	80 Robinson Road #02 - 00, 068898, Singapore
79	PO Box 2238, Florida Hills, 1716, South Africa
80	Morning View Office Park 255 Rivonia Road, Morningside, South Africa
81	Calle José Echegaray 8, Las Rozas de Madrid, 28232 Madrid, Spain
82	Paseo de la Castellana 42, Madrid, 28046, Spain
83	Ronda General Mitre 28-30, Barcelona 08017, Spain
84	Kronborgsgränd 1, 164 46 Kista, Stockholm, Sweden
85	Chemin Jean-Baptiste Vandelle 3A, 1290 Versoix, Switzerland
86	Ueberlandstrasse 1, 8600 Dübendorf, Switzerland
87	Kirchgasse 24, 8001 Zurich, Switzerland
88	Rembach 7, 8852, Altendorf, Switzerland
89	10F.-1 No.66, Jing Mao 2nd Road, Nangang Distric, Taipei City, 115, Taiwan
90	Room B 26/F #216 Tun-Hwa S Road Sec, Taipei ROC 106, Taiwan
91	ZI Chotrana, Technopole El Ghazala, Lot No 45, Ariana, 2088, Tunisia
92	AND Plaza Kozyatağa İçerenköy Mahallesi Umut Sk. 10/12, Kat: 16 34752 Ataşehir/İstanbul, Turkey
93	13 Pimonenko str., building 1, Office 1B/22, Kiev 04050, Ukraine
94	Al Hilal Building, Al Falah Road, Office 318, Abu Dhabi, United Arab Emirates
95	JAFZA One building, Unit No. AB 1005, Jebel Ali Free Zone, Dubai, United Arab Emirates
96	1204 - 1205, Floor 12 Al Shatha Tower, Dubai, United Arab Emirates
97	The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, United Kingdom, RG14 1QN, England
98	Cain Road, Amen Corner, Bracknell, Berkshire, RG12 1HN, United Kingdom
99	505 Union Ave SE STE120, Olympia, WA 98501, USA
100	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle, DE 19801, USA
101	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE19808, USA
102	4701 Cox Road, Suite 285, Henrico County, Glen Allen VA 23060, United States

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13 Related undertakings continued

Registered office addresses continued

Number	Address
103	54 Digeni Akrita, Akritas 2nd Floor, Office 201-202, PC 1061, Nicosia, Cyprus
104	Room 1213A Tower B, Full Link Plaza, No 18 Chaoyangmen Wai Avenue, Chaoyang District, Beijing, China
105	19 Helmy El Masry Street, Almaza, Cairo, Egypt
106	17 Hatidhar St., Raannana, 43665, Israel
107	450 Alexandra Road, Singapore 119960, Singapore
108	Autonomy House, Cambridge Business Park, Cambridge, Cambridgeshire, CB4 0WZ
109	The Innovation Centre, Northern Ireland Science Park, Queen's Road, Queens Island, Belfast, BT3 9DT

14 Other non-current assets

	October 31, 2019	October 31, 2018
	$m	$m
Employee benefit deposit	**33.4**	31.1
Long-term rent deposits	**4.9**	4.1
Long-term prepaid expenses	**4.5**	2.9
Other	**1.2**	0.7
	44.0	38.8

Employee benefit deposits are held in Germany ($16.4m), Israel ($11.9m), Italy ($2.4m) and the Netherlands ($2.7m) (October 31, 2018: Germany $15.4m, Israel $10.2m, Italy $2.7m and the Netherlands $2.8m). Employers in Germany, Italy and Israel are required by law to maintain funds to satisfy certain employee benefit liabilities, including free time off and compensation for involuntary termination of employment. These investment-based deposits are managed by third parties and the carrying values are marked-to-market based on third-party investment reports. In addition, a cash deposit was held in the Netherlands on behalf of certain employees to cover legacy employment subsistence benefits.

15 Inventories

	October 31, 2019	October 31, 2018
	$m	$m
Work in progress	**-**	-
Finished goods	**0.1**	0.2
	0.1	0.2

The Group utilized $0.1m (18 months to October 31, 2018: $0.3m) of inventories included in cost of sales during the 12 months to October 31, 2019.

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16 Trade and other receivables

	October 31, 2019 $m	October 31, 2018 $m
Trade receivables	**877.9**	1,089.6
Loss allowance	**(42.4)**	(41.9)
Trade receivables net	**835.5**	1,047.7
Prepayments	**53.9**	60.0
Other receivables	**87.2**	79.0
Contract assets	**56.3**	85.3
	1,032.9	1,272.0

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. The Group considers the credit quality of trade and other receivables on a customer-by-customer basis. The Group considers that the carrying value of the trade and other receivables that is disclosed below gives a fair presentation of the credit quality of the assets. This is considered to be the case as there is a low risk of default due to the high number of recurring customers and credit control policies. In determining the recoverability of a trade receivable, the Group considers the ageing of each debtor and any change in the circumstances of the individual receivable. Due to this, management believes there is no further credit risk provision required in excess of the normal provision determined by the expected credit loss methodology applied.

At October 31, 2019 and October 31, 2018, the carrying amount approximates the fair value of the instrument due to the short-term nature of the instrument. The trade receivables of $877.9m at October 31, 2019 (October 31, 2018: $1,089.6m) are net of the $nil (October 31, 2018: $21.5m) loss allowance in the opening balance sheet for the HPE Software business (note 38) as amounts provided in the prior period have been utilized in the current period.

As at October 31, 2019, a loss allowance of $42.4m (October 31, 2018: $41.9m) was recognized for trade receivables.

The ageing of these receivables is as follows:

	Current $m	**Up to three months $m**	**Three to four months $m**	**Over four months $m**	**Total $m**
October 31, 2019					
Gross trade receivables	**696.0**	**110.1**	**8.9**	**62.9**	**877.9**
Loss allowance	**(8.9)**	**(3.8)**	**(1.5)**	**(28.2)**	**(42.4)**
Net trade receivables	**687.1**	**106.3**	**7.4**	**34.7**	**835.5**
October 31, 2018					
Gross trade receivables	798.5	153.4	13.6	124.1	1,089.6
Loss allowance	-	-	(3.6)	(38.3)	(41.9)
Net trade receivables	798.5	153.4	10.0	85.8	1,047.7

Movements in the Group provision for impairment of trade receivables were as follows:

	October 31, 2019 $m	October 31, 2018 $m
At November 1 / May 1 (calculated under IAS 39)	**41.9**	2.6
Accounting policy change (IFRS 9 - recognized against retained earnings on November 1, 2018)	**20.0**	-
Revised November 1 / May 1	**61.9**	2.6
Loss allowance provided in the period	**16.0**	40.0
Receivables written off as uncollectable	**(35.5)**	(0.7)
At October 31	**42.4**	41.9

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16 Trade and other receivables continued

The creation and release of the loss allowance for receivables have been included in selling and distribution costs in the Consolidated statement of comprehensive income. Amounts charged in the allowance account are generally written off when there is no expectation of recovering additional cash. The Group does not hold any collateral as security.

The loss allowance for trade receivables is measured at an amount equal to the life-time expected credit losses as allowed for by IFRS 9. Prior to the adoption of IFRS 9 on November 1, 2018, trade receivables were stated net of allowances for estimated irrecoverable amounts due to the identification of a loss event (the incurred loss method).

Contract assets relate to amounts not yet due from customers and contain no amounts past due.

17 Contract-related costs

	October 31, 2019	October 31, 2018
	$m	$m
Current	**19.3**	-
Non-current	**31.5**	-
	50.8	-

The Group capitalize the costs of obtaining a customer contract when they are incremental and, if expected to be recovered, they are amortized over the customer life or pattern of revenue for the related contract.

Normally sales commissions paid for customer contract renewals are not commensurate with the commissions paid for new contracts. It follows that the commissions paid for new contracts also relate to expected future renewals of these contracts. Accordingly, we amortize sales commissions paid for new customer contracts on a straight-line basis over the expected customer life, based on expected renewal frequency. The current average customer life is five years. If the expected amortization period is one year or less the Group expenses the costs when incurred.

As at November 1, 2018, the date of transition to IFRS 15, the capitalized commissions paid for uncompleted contracts were $64.7m ($35.4m was disposed of as part of the discontinued operation), of which $14.1m were current and $50.6m non-current.

The amortization expenses in the period for the costs of obtaining customer contracts were $10.2m.

Amortization of the capitalized costs of obtaining customer contracts is classified as sales and marketing expense. Capitalized costs from customer contracts are classified as non-financial assets in our statement of financial position.

	October 31, 2019	October 31, 2018
	$m	$m
Asset recognized from costs incurred to acquire a contract	**31.4**	-
Amortization and impairment loss recognized as cost of providing services during the period	**(10.2)**	-

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18 Cash and cash equivalents

	Note	October 31, 2019 $m	October 31, 2018 $m
Cash at bank and in hand		**292.2**	387.1
Short-term bank deposits		**63.5**	236.7
		355.7	623.8
Reclassification to current assets classified as held for sale	**37**	**-**	(2.9)
Cash and cash equivalents		**355.7**	620.9

At October 31, 2019 and October 31, 2018, the carrying amount approximates to the fair value. The Group's credit risk on cash and cash equivalents is limited as the counterparties are well established banks with high credit ratings. The credit quality of cash and cash equivalents is as follows:

	October 31, 2019 $m	October 31, 2018 $m
S&P/Moody's/Fitch rating:		
AAA	**69.8**	231.5
AA-	**87.6**	81.0
A+	**144.4**	260.4
A	**23.4**	20.1
A-	**14.4**	3.8
BBB+	**1.7**	4.5
BBB	**4.5**	1.0
BBB-	**0.8**	0.6
BB+	**0.8**	2.0
BB	**0.3**	-
BB-	**6.3**	15.2
B+	**0.2**	-
CCC+	**-**	0.2
C-	**-**	0.3
Not rated	**1.5**	0.3
	355.7	620.9

Where the opinions of the rating agencies differ, the lowest applicable rating has been assigned to the counterparty.

19 Trade and other payables – current

	October 31, 2019 $m	October 31, 2018 $m
Trade payables	**105.0**	46.1
Tax and social security	**80.7**	46.5
Accruals	**425.3**	584.3
	611.0	676.9

At October 31, 2019 and at October 31, 2018, the carrying amount approximates to the fair value. At October 31, 2019 accruals include vacation and payroll – $88.4m (October 31, 2018: $147.0m), commission and employee bonuses - $74.9m (October 31, 2018: $162.7m), integration and divestiture expenses - $26.4m (October 31, 2018: $44.5m) and consulting and audit fees - $36.9m (October 31, 2018: $30.3m).

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20 Borrowings

	October 31, 2019 $m	October 31, 2018 $m
Bank loan secured	**4,775.0**	4,996.9
Unamortized prepaid facility arrangement fees and original issue discounts	**(104.3)**	(151.0)
	4,670.7	4,845.9

	October 31, 2019			October 31, 2018		
Reported within:	**Bank loan secured $m**	**Unamortized prepaid facility arrangement fees and original issue discounts $m**	**Total $m**	Bank loan secured $m	Unamortized prepaid facility arrangement fees and original issue discounts $m	Total $m
Current liabilities	**-**	**-**	**-**	50.3	(46.6)	3.7
Non-current liabilities	**4,775.0**	**(104.3)**	**4,670.7**	4,946.6	(104.4)	4,842.2
	4,775.0	**(104.3)**	**4,670.7**	4,996.9	(151.0)	4,845.9

In April 2019, early repayments totaling $200.0m in total were made against the existing term loans, utilizing some of the proceeds from the sale of the SUSE business. As a result of this no further repayments are expected within the next 12 months. The term of the loans remains unchanged.

The following facilities were drawn as at October 31, 2019:

- The $1,414.7m senior secured term loan B-2 issued by MA FinanceCo LLC is priced at LIBOR plus 2.25% (subject to a LIBOR floor of 0.00%);
- The $368.2m senior secured seven-year term loan B-3 issued by MA FinanceCo LLC is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%;
- The $2,486.3m senior secured seven-year term loan B issued by Seattle SpinCo. Inc. is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%; and
- The €452.8m m (equivalent to $505.8m) senior secured seven-year term loan B issued by MA FinanceCo LLC is priced at EURIBOR plus 2.75% (subject to a EURIBOR floor of 0.00%) with an original issue discount of 0.25%.

The following facilities were undrawn as at October 31, 2019:

- A senior secured revolving credit facility of $500.0m, “Revolving Facility”, with an interest rate of 3.25% above LIBOR on amounts drawn (and 0.375% on amounts undrawn) thereunder (subject to a LIBOR floor of 0.00%).

The only financial covenant attaching to these facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. At October 31, 2019, $nil of the Revolving Facility was drawn together with $4,775.0m of Term Loans giving gross debt of $4,775.0m drawn. As a covenant test is only applicable when the Revolving Facility is drawn down by 35% or more, and $nil of Revolving Facility was drawn at October 31, 2019, no covenant test is applicable.

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20 Borrowings

The movements on the Group loans in the period were as follows:

	Term Loan B-2 $m	Term Loan B-3 $m	Seattle Spinco Term Loan B $m	Euro Term Loan B $m	Revolving Facility $m	Total $m
At May 1, 2017	1,515.2	-	-	-	80.0	1,595.2
Acquisitions	-	-	2,600.0	-	-	2,600.0
Draw downs	-	385.0	-	523.8	135.0	1,043.8
Repayments	(11.4)	(2.9)	(19.5)	(4.1)	(215.0)	(252.9)
Foreign exchange	-	-	-	10.8	-	10.8
At October 31, 2018	1,503.8	382.1	2,580.5	530.5	-	4,996.9
At November 1, 2018	**1,503.8**	**382.1**	**2,580.5**	**530.5**	**-**	**4,996.9**
Draw downs	**-**	**-**	**-**	**-**	**-**	**-**
Repayments	**(89.1)**	**(13.9)**	**(94.2)**	**(15.4)**	**-**	**(212.6)**
Foreign exchange	**-**	**-**	**-**	**(9.3)**	**-**	**(9.3)**
At October 31, 2019	**1,414.7**	**368.2**	**2,486.3**	**505.8**	**-**	**4,775.0**

Borrowings are stated after deducting unamortized prepaid facility fees and original issue discounts. Facility arrangement costs and original issue discounts are amortized between three and six years. Long-term borrowings with a carrying value of $4,775.0m before unamortized prepaid facility fees, have a fair value estimate of $4,686.0m based on trading prices as at October 31, 2019.

Maturity of borrowings
The maturity profile of the anticipated future cash flows including interest in relation to the Group's borrowings on an undiscounted basis, which therefore, differs from both the carrying value and fair value, is as follows:

As at October 31, 2019:

	Term Loan B-2 $m	Term Loan B-3 $m	Seattle Spinco Term Loan B $m	Euro Term Loan B $m	Revolving Facility $m	Total $m
Within one year	**61.6**	**17.0**	**114.6**	**14.1**	**1.9**	**209.2**
In one to two years	**61.5**	**16.9**	**114.3**	**14.6**	**1.9**	**209.2**
In two to three years	**1,419.8**	**18.5**	**124.1**	**19.3**	**1.6**	**1,583.3**
In three to four years	**-**	**20.6**	**139.4**	**19.1**	**-**	**179.1**
In four to five years	**-**	**373.5**	**2,522.6**	**503.6**	**-**	**3,399.7**
In more than five years	**-**	**-**	**-**	**-**	**-**	**-**
At October 31, 2019	**1,542.9**	**446.5**	**3,015.0**	**570.7**	**5.4**	**5,580.5**

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20 Borrowings continued

Maturity of borrowings continued

	Less than 1 year $m	1-3 years $m	3-5 years $m	After 5 years $m	Total $m
Debt principal repayment	**-**	**1,431.7**	**3,343.3**	**-**	**4,775.0**
Interest payment on debt	**209.2**	**360.6**	**235.7**	**-**	**805.5**
At October 31, 2019	**209.2**	**1,792.3**	**3,579.0**	**-**	**5,580.5**

As at October 31, 2018:

	Term Loan B-2 $m	Term Loan B-3 $m	Seattle Spinco Term Loan B $m	Euro Term Loan B $m	Revolving Facility $m	Total $m
Within one year	84.3	22.4	151.2	20.1	1.9	279.9
In one to two years	83.8	22.2	150.2	20.0	1.9	278.1
In two to three years	82.9	22.0	148.6	19.8	1.9	275.2
In three to four years	1,462.1	21.8	147.4	19.6	1.6	1,652.5
In four to five years	-	21.6	146.1	19.5	-	187.2
In more than five years	-	374.2	2,526.8	512.7	-	3,413.7
At October 31, 2018	1,713.1	484.2	3,270.3	611.7	7.3	6,086.6

	Less than 1 year $m	1-3 years $m	3-5 years $m	After 5 years $m	Total $m
Debt principal repayment	50.3	100.7	1,528.8	3,317.1	4,996.9
Interest payment on debt	229.6	452.6	310.9	96.6	1,089.7
At October 31, 2018	279.9	553.3	1,839.7	3,413.7	6,086.6

Assets pledged as collateral
An all assets security has been granted in the US and England & Wales by certain members of the Micro Focus Group organized in such jurisdictions, including security over intellectual property rights and shareholdings of such members of the Micro Focus Group.

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21 Finance leases

	October 31, 2019 $m	October 31, 2018 $m
Current	**11.8**	13.6
Non-current	**11.7**	14.9
	23.5	28.5

Finance lease liabilities – minimum lease payments:

	October 31, 2019 $m	October 31, 2018 $m
Within one year	**13.1**	15.1
Between one and five years	**12.5**	16.0
	25.6	31.1
Future lease charges	**(2.1)**	(2.6)
	23.5	28.5

The carrying value of computer equipment held under finance leases and hire purchase contracts as at October 31, 2019 was $20.9m (October 31, 2018: $25.9m) (note 12).

Finance lease liabilities – present value of minimum lease payments:

	October 31, 2019 $m	October 31, 2018 $m
Within one year	**11.8**	13.6
Between one and three years	**10.8**	13.3
Between three and five years	**0.9**	1.6
	23.5	28.5

The Group's obligations under finance leases are secured by charges over the related leased assets. The weighted average fixed interest rate on the outstanding finance lease liabilities is 7.5% (October 31, 2018: 8.5%).

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22 Current tax receivables, current tax liabilities and non-current tax liabilities

Current tax receivables

	October 31, 2019 $m	October 31, 2018 $m
Corporation tax	**40.1**	24.5

The current tax receivable at October 31, 2019 is $40.1m (October 31, 2018: $24.5m).

Current tax liabilities

	October 31, 2019 $m	October 31, 2018 $m
Corporation tax	**104.0**	124.1

The current tax creditor at October 31, 2019 is $104.0m (October 31, 2018: $124.1m). The current tax creditor includes liabilities in respect of uncertain tax positions, net of overpayments.

Within current tax liabilities is $78.3m (October 31, 2018: $67.7m) in respect of the Group income tax reserve, the majority of which relates to the risk of challenge from the local tax authorities. The Group does not anticipate that there will be any material change to these provisions in the next 12 months. Due to the uncertainty associated with such tax items, it is possible that at a future date, on conclusion of open tax matters, the final outcome may vary significantly.

Non-current tax liabilities

	October 31, 2019 $m	October 31, 2018 $m
Corporation tax	**119.7**	131.0

The non-current tax creditor is $119.7m (October 31, 2018: $131.0m). The non-current creditor reflects the US transition tax payable more than 12 months after the balance sheet date.

23 Contract liabilities

	October 31, 2019 $m	October 31, 2018 $m
Current	**1,045.9**	1,134.7
Non-current	**149.9**	178.1
	1,195.8	1,312.8

Contract liabilities as at October 31, 2019 were $1,195.8m (October 31, 2018: $1,312.8m). The movement in contract liabilities in the period mainly results from new amounts being deferred, where the billing is advance of satisfaction of the related performance obligation, and amounts being recognized as revenue, where performance obligations have been satisfied. The amount of revenue recognized in the reporting period that was included in the contract liability balance as at November 1, 2018 was $1,134.7m.

Revenue billed but not recognized in the Consolidated statement of comprehensive income under the Group's accounting policy for revenue recognition is classified as contract liabilities in the consolidated statement of financial position to be recognized in future periods. Contract liabilities primarily relates to undelivered maintenance and subscription services on billed contracts.

Remaining Performance Obligations
Revenue allocated to remaining performance obligations represents contracted revenue that has not yet been recognized which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. The remaining revenue allocated to future performance obligations was $1,468.9m as at October 31, 2019, of which approximately 80% of the revenue is expected to be recognized over the next 12 months and the remainder thereafter.

This amount mostly comprises obligations to provide maintenance and SaaS subscriptions as the contracts have durations of one or multiple years.

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24 Provisions

	October 31, 2019 $m	October 31, 2018 $m
Onerous leases and dilapidations	**34.2**	35.1
Restructuring	**36.4**	50.7
Legal	**5.7**	7.0
Other	**2.1**	-
Total	**78.4**	92.8
Current	**29.3**	57.4
Non-current	**49.1**	35.4
Total	**78.4**	92.8

	Note	Onerous leases and dilapidations $m	Restructuring $m	Legal $m	Other $m	Total $m
At November 1, 2018		**35.1**	**50.7**	**7.0**	**-**	**92.8**
Acquisitions – Interset Software Inc.	**38**	**-**	**-**	**-**	**0.7**	**0.7**
Additional provision in the period		**19.2**	**49.4**	**5.4**	**2.1**	**76.1**
Released		**(7.4)**	**(19.8)**	**(6.2)**	**-**	**(33.4)**
Utilization of provision		**(13.9)**	**(43.5)**	**(0.5)**	**(0.7)**	**(58.6)**
Unwinding of discount		**1.1**	**-**	**-**	**-**	**1.1**
Effects of movements in exchange rates		**0.1**	**(0.4)**	**-**	**-**	**(0.3)**
At October 31, 2019		**34.2**	**36.4**	**5.7**	**2.1**	**78.4**
Current		**9.5**	**12.0**	**5.7**	**2.1**	**29.3**
Non-current		**24.7**	**24.4**	**-**	**-**	**49.1**
Total		**34.2**	**36.4**	**5.7**	**2.1**	**78.4**

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24 Provisions continued

	Note	Onerous leases and dilapidations $m	Restructuring $m	Legal $m	Other $m	Total $m
At May 1, 2017		16.3	12.1	3.2	0.5	32.1
Continuing operations:						
Acquisitions – HPE Software business	**38**	11.3	21.4	36.5	-	69.2
Additional provision in the period		17.7	133.4	1.4	-	152.5
Released		(3.9)	(3.7)	(4.7)	(0.4)	(12.7)
Utilization of provision		(5.6)	(110.0)	(29.3)	(0.1)	(145.0)
Effects of movements in exchange rates		(0.7)	(2.5)	(0.1)	-	(3.3)
Discontinued operation:						
Additional provision in the period		2.8	0.2	-	-	3.0
Reclassification of current assets classified as held for sale	**37**	(2.8)	(0.2)	-	-	(3.0)
At October 31, 2018		35.1	50.7	7.0	-	92.8
Current		11.2	39.2	7.0	-	57.4
Non-current		23.9	11.5	-	-	35.4
Total		35.1	50.7	7.0	-	92.8

Onerous leases and dilapidations provisions
The onerous lease and dilapidations provision relates to leased Group properties and this position is expected to be fully utilized within eight years. An additional provision of $19.2m was recorded in the 12 months ended October 31, 2019, mainly across European and US sites, as the property portfolio was reassessed, including planned site vacations and a review of obligations to restore leased property at the end of the lease period.

The provision was increased by $29.0m in the 18 months ended October 31, 2018, due to the acquisition of the HPE Software business ($11.3m) and relating to legal obligations to restore leased properties at the end of the lease period and a reassessment of sites across North America, United Kingdom, Israel and Australia ($17.7m). Provisions of $3.9m were released following the renegotiation/exit of leases of two North American properties.

Restructuring provisions
Restructuring provisions relate to severance resulting from headcount reductions. The majority of provisions are expected to be fully utilized within 24 months. Restructuring costs are reported within exceptional costs (note 4).

Legal provisions
Legal provisions include the directors' best estimate of the likely outflow of economic benefits associated with on-going legal matters. Further information on legal matters can be found in note 35, contingent liabilities.

Other provisions
Other provisions during the 12 months ended October 31, 2019 relate to interest on uncertain tax provisions of $2.1m. Releases of other provisions during the 18 months ended October 31, 2018 relate to future fees no longer considered likely to be incurred.

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25 Pension commitments

a) Defined contribution

The Group has established a number of pension schemes around the world covering many of its employees. The principal funds are those in the US, UK and Germany. These were funded schemes of the defined contribution type.

Pension costs for defined contributions schemes are as follows:

Continuing operations	Note	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Defined contribution schemes	**33**	**32.7**	43.3	10.9

b) Defined benefit

	October 31, 2019 $m	October 31, 2018 $m
Within non-current assets:		
Long-term pension assets	**17.1**	16.7
Within non-current liabilities:		
Retirement benefit obligations	**(141.4)**	(110.4)

The acquisition and subsequent integration of the software segment of Hewlett Packard Enterprise Company ("HPE Software") on September 1, 2017 added 27 defined benefit plans primarily in France, Germany and Switzerland.

As of October 31, 2019 there are a total of 30 defined benefit plans in 10 countries around the world (October 31, 2018: 30). The highest concentration of the pension schemes are in Germany, where the Group sponsor 11 separate schemes that comprise over 85% of the total net retirement benefit obligation recorded on our Consolidated statement of financial position. Our German schemes are primarily final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life in the case of retirement, disability and death. The level of benefits provided depends not only on the final salary but also on members' length of service, social security ceiling and other factors. Although most of these schemes in Germany are funded at some level, there are no funding requirements in Germany. There are no requirements for the appointment of independent trustees in Germany, and all of these schemes are administered locally with the assistance of German pension experts. Final pension entitlements, including benefits for death in service and disability amounts, are calculated by these experts. Plan assets for three of our German schemes include re-insurance contracts with guaranteed interest rates, while the majority of the schemes invest in funds focusing on equities and debt instruments. Most of our German schemes are closed to new entrants, however, two of the schemes are open to new members.

The remainder of the Group's defined benefit schemes are comprised of a mix of final salary plans, termination or retirement indemnity plans and other types of statutory plans that provide a one-time benefit at termination. Final pension entitlements are calculated by local administrators in the applicable country. They also complete calculations for cases of death in service and disability. Where required by local or statutory requirements, some of the schemes are governed by an independent Board of Trustees that is responsible for the investment strategies with regard to the assets of the funds, however, other schemes are administered locally with the assistance of local pension experts. Many of the Group's plans outside of Germany are funded and the Group makes at least the minimum contributions required by local government, funding and taxing authorities. Plan assets for these schemes include a range of assets including investment funds or re-insurance contracts. Not all of these plans are closed for new membership. The Group sponsors 10 plans outside of Germany that are open to new members, most of which are termination or retirement indemnity plans or statutory plans providing a one-time benefit at termination, retirement, death or disability. As a result of the acquisition of HPE Software, the Group participates in multi-employer plans in Switzerland and Japan. These plans are accounted for as defined benefit plans and the Group's obligations are limited to the liabilities of our employees.

Long-term pension assets
Long-term pension assets relate to the contractual arrangement under insurance policies held by the Group with guaranteed interest rates that do not meet the definition of a qualifying insurance policy as they have not been pledged to the plan or beneficiaries and are subject to the creditors of the Group. Such arrangements are recorded in the Consolidated statement of financial position as long-term pension assets. These contractual arrangements are treated as financial assets measured at fair value through Other comprehensive income. Movement in the fair value of long-term pension assets is included in Other comprehensive income. All non-plan assets are held in Germany.

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25 Pension commitments continued

The movement on the long-term pension asset is as follows:

	Note	October 31, 2019 $m	October 31, 2018 $m
As at November 1 / May 1		**16.7**	22.0
Reclassification to assets held for sale		**0.1**	(1.5)
Interest on non-plan assets	**6**	**0.3**	0.6
Benefits paid		**(0.1)**	(0.2)
Contributions		**0.3**	0.5
Included within other comprehensive income:			
- Change in fair value assessment		**0.4**	(6.1)
- Actuarial gain on non-plan assets		**-**	0.3
		0.4	(5.8)
Effects of movements in exchange rates		**(0.6)**	1.1
As at October 31,		**17.1**	16.7

Included within other comprehensive income:			
Continuing operations		**0.3**	(5.3)
Discontinued operation		**0.1**	(0.5)
		0.4	(5.8)

The non-plan assets are considered to be Level 3 asset under the fair value hierarchy as of October 31, 2019. These assets have been valued by an external insurance expert by applying a discount rate to the future cash flows and taking into account the fixed interest rate, mortality rates and term of the insurance contract. There have been no transfers between levels for the period ended October 31, 2019 (October 31, 2018: none).

Retirement benefit obligations
The following amounts have been included in the Consolidated statement of comprehensive income for defined benefit pension arrangements:

	Note	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Current service charge		**9.0**	12.6	0.5
Past service credit		**-**	(5.5)	-
Charge to operating profit	**33**	**9.0**	7.1	0.5
Current service charge – discontinued operations		**0.1**	0.3	0.1
Interest on pension scheme liabilities		**4.2**	5.2	0.7
Interest on pension scheme assets		**(1.8)**	(2.4)	(0.1)
Charge to finance costs	**6**	**2.4**	2.8	0.6
Total continuing charge to profit for the period		**11.5**	10.2	1.2

Past service credits are the result of headcount reductions under the Group's restructuring and integration activities relating to the acquisition of the HPE Software business (note 38).

The contributions for the year ended October 31, 2020 are expected to be broadly in line with the 12 months to October 31, 2019. The Group funds the schemes so that it makes at least the minimum contributions required by local government, funding and taxing authorities.

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25 Pension commitments continued

The following amounts have been recognized as movements in the Consolidated statement of other comprehensive income:

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Actuarial return on assets excluding amounts included in interest income	**5.9**	0.6	-
Re-measurements – actuarial gains/(losses):			
- Demographic	**(1.6)**	0.3	-
- Financial	**(38.8)**	(11.1)	2.8
- Experience	**8.4**	1.9	0.6
	(32.0)	(8.9)	3.4
Reclassification from defined contribution scheme to defined benefit scheme	**-**	(2.1)	(3.0)
Movement in the period	**(26.1)**	(10.4)	0.4
Continuing operations	**(26.2)**	(8.9)	(0.2)
Discontinued operation	**0.1**	(1.5)	0.6
	(26.1)	(10.4)	0.4

The weighted average key assumptions used for the valuation of the schemes were:

	October 31, 2019			October 31, 2018		
	Germany	**Rest of World**	**Total**	Germany	Rest of World	Total
Rate of increase in final pensionable salary	**2.50%**	**3.09%**	**2.65%**	2.50%	2.75%	2.61%
Rate of increase in pension payments	**1.75%**	**1.50%**	**1.75%**	2.00%	1.50%	1.99%
Discount rate	**1.09%**	**1.71%**	**1.20%**	1.83%	2.14%	1.92%
Inflation	**1.75%**	**1.16%**	**1.69%**	2.00%	1.26%	1.89%

During the 12 months ended October 31, 2019, the model used to derive our discount rates was updated to better reflect yields on corporate bonds over the life of our schemes. The key difference in the revised model lies in the extrapolation of yields in the outlying years of the curve and uses AA government bond rates to determine these yields. This change resulted in a decrease in our defined benefit obligation of approximately $14.0m. The old and revised models are both considered standard models devised by our external consolidating actuary.

The mortality assumptions for the German schemes are set based on the 'Richttafeln 2018 G' by Prof. Dr. Klaus Heubeck. The mortality assumptions for the remaining schemes are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	October 31, 2019			October 31, 2018		
	Germany	**Rest of World**	**Total**	Germany	Rest of World	Total
Retiring at age 65 at the end of the reporting period:						
Male	**20**	**20**	**20**	20	20	20
Female	**23**	**23**	**23**	23	23	23
Retiring 15 years after the end of the reporting period:						
Male	**22**	**23**	**22**	22	22	22
Female	**25**	**26**	**25**	25	25	25

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25 Pension commitments continued

The net liability included in the Consolidated statement of financial position arising from obligations in respect of defined benefit schemes is as follows:

	October 31, 2019			October 31, 2018		
	Germany	Rest of World	Total	Germany	Rest of World	Total
Present value of defined benefit obligations	**213.5**	**48.0**	**261.5**	173.8	47.4	221.2
Fair values of plan assets	**(92.0)**	**(28.1)**	**(120.1)**	(82.1)	(28.7)	(110.8)
	121.5	**19.9**	**141.4**	91.7	18.7	110.4

The defined benefit obligation has moved as follows:

	October 31, 2019								
	Germany			Rest of World			Total		
Defined benefit obligations	**Defined benefit obligations $m**	**Scheme assets $m**	**Retirement benefit obligations $m**	**Defined benefit obligations $m**	**Scheme assets $m**	**Retirement benefit obligations $m**	**Defined benefit obligations $m**	**Scheme assets $m**	**Retirement benefit obligations $m**
At November 1, 2018	**173.8**	**(82.1)**	**91.7**	**47.4**	**(28.7)**	**18.7**	**221.2**	**(110.8)**	**110.4**
Reclassification to assets held for sale	**0.3**	**-**	**0.3**	**0.2**	**(0.2)**	**-**	**0.5**	**(0.2)**	**0.3**
Current service cost	**6.0**	**-**	**6.0**	**3.1**	**-**	**3.1**	**9.1**	**-**	**9.1**
Past service credit	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Benefits paid	**(0.4)**	**0.3**	**(0.1)**	**(4.2)**	**4.1**	**(0.1)**	**(4.6)**	**4.4**	**(0.2)**
Contributions by plan participants	**1.5**	**(1.5)**	**-**	**0.3**	**(0.3)**	**-**	**1.8**	**(1.8)**	**-**
Contribution by employer	**-**	**(0.3)**	**(0.3)**	**-**	**(4.2)**	**(4.2)**	**-**	**(4.5)**	**(4.5)**
Interest cost/(income) (note 6)	**3.1**	**(1.5)**	**1.6**	**1.1**	**(0.3)**	**0.8**	**4.2**	**(1.8)**	**2.4**
Included within Other comprehensive income:									
Re-measurements - actuarial (gains) and losses:									
- Demographic	**1.6**	**-**	**1.6**	**-**	**-**	**-**	**1.6**	**-**	**1.6**
- Financial	**34.0**	**-**	**34.0**	**4.8**	**-**	**4.8**	**38.8**	**-**	**38.8**
- Experience	**(3.2)**	**-**	**(3.2)**	**(5.2)**	**-**	**(5.2)**	**(8.4)**	**-**	**(8.4)**
Actuarial return on assets excluding amounts included in interest income	**-**	**(8.0)**	**(8.0)**	**-**	**2.1**	**2.1**	**-**	**(5.9)**	**(5.9)**
	32.4	**(8.0)**	**24.4**	**(0.4)**	**2.1**	**1.7**	**32.0**	**(5.9)**	**26.1**
Effects of movements in exchange rates	**(3.2)**	**1.1**	**(2.1)**	**0.5**	**(0.6)**	**(0.1)**	**(2.7)**	**0.5**	**(2.2)**
At October 31, 2019	**213.5**	**(92.0)**	**121.5**	**48.0**	**(28.1)**	**19.9**	**261.5**	**(120.1)**	**141.4**

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25 Pension commitments continued

	October 31, 2018								
	Germany			Rest of World			Total		
Defined benefit obligations	**Defined benefit obligations $m**	**Scheme assets $m**	**Retirement benefit obligations $m**	**Defined benefit obligations $m**	**Scheme assets $m**	**Retirement benefit obligations $m**	**Defined benefit obligations $m**	**Scheme assets $m**	**Retirement benefit obligations $m**
At May 1, 2017	36.5	(5.7)	30.8	-	-	-	36.5	(5.7)	30.8
HPE Software business acquisition	121.1	(77.0)	44.1	60.4	(33.0)	27.4	181.5	(110.0)	71.5
Reclassification to assets held for sale	(4.8)	0.7	(4.1)	(4.3)	2.9	(1.4)	(9.1)	3.6	(5.5)
Current service cost	7.7	-	7.7	5.2	-	5.2	12.9	-	12.9
Past service credit	(0.8)	-	(0.8)	(4.7)	-	(4.7)	(5.5)	-	(5.5)
Benefits paid	(0.3)	0.1	(0.2)	(9.3)	9.3	-	(9.6)	9.4	(0.2)
Contributions by plan participants	1.5	(1.5)	-	1.0	(0.8)	0.2	2.5	(2.3)	0.2
Contribution by employer	-	(0.1)	(0.1)	-	(3.9)	(3.9)	-	(4.0)	(4.0)
Interest cost/(income) (note 6)	4.0	(2.0)	2.0	1.2	(0.4)	0.8	5.2	(2.4)	2.8
Included within Other comprehensive income:									
Re-measurements - actuarial (gains) and losses:									
- Demographic	(0.1)	-	(0.1)	(0.2)	-	(0.2)	(0.3)	-	(0.3)
- Financial	13.8	-	13.8	(2.7)	-	(2.7)	11.1	-	11.1
- Experience	0.5	-	0.5	(2.4)	-	(2.4)	(1.9)	-	(1.9)
Actuarial return on assets excluding amounts included in interest income	-	(0.2)	(0.2)	-	(0.4)	(0.4)	-	(0.6)	(0.6)
Reclassification from defined contribution scheme to defined benefit scheme	-	-	-	5.5	(3.4)	2.1	5.5	(3.4)	2.1
	14.2	(0.2)	14.0	0.2	(3.8)	(3.6)	14.4	(4.0)	10.4
Effects of movements in exchange rates	(5.3)	3.6	(1.7)	(2.3)	1.0	(1.3)	(7.6)	4.6	(3.0)
At October 31, 2018	173.8	(82.1)	91.7	47.4	(28.7)	18.7	221.2	(110.8)	110.4

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None of the plan assets are represented by financial instruments of the Group. None of the plan assets are occupied or used by the Group. The major categories of the plan assets are as follows:

	October 31, 2019								
	Germany			Rest of World			Total		
	Quoted $m	Unquoted $m	Total $m	Quoted $m	Unquoted $m	Total $m	Quoted $m	Unquoted $m	Total $m
Funds that invest in:									
- Equity instruments	**39.8**	**-**	**39.8**	**-**	**5.5**	**5.5**	**39.8**	**5.5**	**45.3**
- Debt instruments	**46.6**	**-**	**46.6**	**3.0**	**6.0**	**9.0**	**49.6**	**6.0**	**55.6**
- Real estate	**-**	**-**	**-**	**-**	**3.1**	**3.1**	**-**	**3.1**	**3.1**
Cash and cash equivalents	**-**	**-**	**-**	**-**	**1.7**	**1.7**	**-**	**1.7**	**1.7**
Re-insurance contracts with guaranteed interest rates *	**-**	**5.6**	**5.6**	**-**	**-**	**-**	**-**	**5.6**	**5.6**
Other	**-**	**-**	**-**	**-**	**8.8**	**8.8**	**-**	**8.8**	**8.8**
Total	**86.4**	**5.6**	**92.0**	**3.0**	**25.1**	**28.1**	**89.4**	**30.7**	**120.1**

	October 31, 2018								
	Germany			Rest of World			Total		
	Quoted $m	Unquoted $m	Total $m	Quoted $m	Unquoted $m	Total $m	Quoted $m	Unquoted $m	Total $m
Funds that invest in:									
- Equity instruments	42.3	-	42.3	7.6	1.6	9.2	49.9	1.6	51.5
- Debt instruments	34.3	-	34.3	3.1	5.1	8.2	37.4	5.1	42.5
- Real estate	-	-	-	2.0	0.1	2.1	2.0	0.1	2.1
Cash and cash equivalents	-	-	-	-	2.3	2.3	-	2.3	2.3
Re-insurance contracts with guaranteed interest rates *	-	5.5	5.5	-	-	-	-	5.5	5.5
Other	-	-	-	-	6.9	6.9	-	6.9	6.9
Total	76.6	5.5	82.1	12.7	16.0	28.7	89.3	21.5	110.8

* The majority of the re-insurance contracts have guaranteed interest rates of 4.0%, with the remaining at 3.25% or 2.75%.

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

– Changes in bond yields – A decrease in corporate bond yields will increase the Group's IAS 19 plan liabilities, although this will be partially offset by increases in the value of scheme assets.

– Inflation – Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

– Life expectancy – The majority of the plan obligations are to provide benefits over the life of the member, so increases in life expectancy will result in an increase in the plan liabilities as benefits would be paid over a longer period.

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25 Pension commitments continued

– Asset returns – Returns on plan assets are subject to volatility and may not move in line with plan liabilities. The Group ensures that the investment positions are managed within an asset liability matching ("ALM") to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework the Group's objective is to match assets to the pension obligations by investing in assets that match the benefit payments as they fall due and in the appropriate currency.

Sensitivities

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

These sensitivities have been calculated using the same methodology as used for the main calculations. The weighted average duration of the defined benefit obligation is 25 years for Germany and 14 years for all other schemes.

	Germany		**Rest of World**	
	Change in assumption	**Change in defined benefit obligation**	**Change in assumption**	**Change in defined benefit obligation**
Discount rate for scheme liabilities	**0.50%**	**(11.5%)**	**0.50%**	**(6.7%)**
Price inflation	**0.25%**	**3.8%**	**0.25%**	**0.9%**
Salary growth rate	**0.50%**	**1.0%**	**0.50%**	**3.6%**
Life expectancy	**1 year**	**3.7%**	**1 year**	**1.3%**

26 Other non-current liabilities

	October 31, 2019 $m	October 31, 2018 $m
Accruals	**50.4**	58.0
	50.4	58.0

Accruals includes employee benefit liability $33.3m (October 31, 2018: $31.0m) that relates to employee obligations in certain countries, a deferred gain on real estate $8.1m (October 31, 2018: $14.0m) relating to free-rent incentives or tenant improvement allowances given by landlords and an IT contractual liability $6.6m (October 31, 2018: $11.3m).

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27 Financial instruments

The tables below set out the values of financial and non-financial assets and liabilities.

	Note	**Financial October 31, 2019 $m**	**Non-financial October 31, 2019 $m**	**Total October 31, 2019 $m**	Financial October 31, 2018 $m	Non-financial October 31, 2018 $m	Total October 31, 2018 $m
Financial and non-financial assets							
Non-current							
Long-term pension assets	**25**	**17.1**	**-**	**17.1**	16.7	-	16.7
Derivative financial instruments – Interest rate swaps	**31**	**-**	**-**	**-**	-	86.4	86.4
Current							
Cash and cash equivalents	**18**	**355.7**	**-**	**355.7**	620.9	-	620.9
Trade and other receivables	**16**	**922.7**	**110.2**	**1,032.9**	1,212.0	60.0	1,272.0
		1,295.5	**110.2**	**1,405.7**	1,849.6	146.4	1,996.0

	Note	**Financial October 31, 2019 $m**	**Non-financial October 31, 2019 $m**	**Total October 31, 2019 $m**	Financial October 31, 2018 $m	Non-financial October 31, 2018 $m	Total October 31, 2018 $m
Financial and non-financial liabilities – financial liabilities at amortized cost							
Non-current							
Derivative financial instruments – Interest rate swaps		**36.5**	**-**	**36.5**	-	-	-
Borrowings (gross)	**20**	**4,775.0**	**-**	**4,775.0**	4,946.6	-	4,946.6
Finance leases	**21**	**11.7**	**-**	**11.7**	14.9	-	14.9
Provisions	**24**	**49.1**	**-**	**49.1**	35.4	-	35.4
Current							
Borrowings (gross)	**20**	**-**	**-**	**-**	50.3	-	50.3
Finance leases	**21**	**11.8**	**-**	**11.8**	13.6	-	13.6
Trade and other payables	**19**	**530.3**	**80.7**	**611.0**	676.9	-	676.9
Provisions	**24**	**29.3**	**-**	**29.3**	57.4	-	57.4
		5,443.7	**80.7**	**5,524.4**	5,795.1	-	5,795.1

Fair value measurement
For trade and other receivables, cash and cash equivalents, trade and other payables, obligations under finance leases and provisions, fair values approximate to book values due to the short maturity periods of these financial instruments. For trade and other receivables, allowances are made for credit risk.

Long-term borrowings with a carrying value of $4,775.0m before unamortized prepaid facility fees, have a fair value estimate of $4,686.0m based on trading prices as at October 31, 2019 (note 20).

Derivative financial instruments measured at fair value are classified as level 2 in the fair value measurement hierarchy as they have been determined using significant inputs based on observable market data. The fair values of interest rate derivatives are derived from forward interest rates based on yield curves observable at the balance sheet date together with the contractual interest rates.

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the period.

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The Group has four interest rate swaps which are designated in a hedge relationship and also utilized forward exchange contracts to fix Sterling equivalent on the April 2019 Return of Value to shareholders (note 29) and the April 2019 and September 2019 dividend payments. The forward contracts were not designated for formal hedge accounting and matured for delivery within the reporting period.

	October 31, 2019 $m	October 31, 2018 $m
Derivative financial instruments- non-current asset – interest rate swaps	**-**	86.4
Derivative financial instruments- non-current liabilities – interest rate swaps	**(36.5)**	-
	(36.5)	86.4

Derivative financial instruments
Derivatives are only used for economic hedging purposes and not as speculative investments. Four interest rate swaps are in place with a total notional value of $2.25bn to hedge against the impact of potential rises in interest rates until September 30, 2022. The swaps are designated against the $2,486.3m (note 20) loan issued by Seattle SpinCo. Inc. and the notional value covers 52.7% of the overall dollar loan principal outstanding for the Group.

The swap contracts require settlement of net interest receivable or payable on a monthly basis. The fixed interest rate for each swap is 1.949% and the Group receives a variable rate in line with LIBOR. The Seattle loan is priced at LIBOR (with a floor) plus a current margin of 2.50% with the swaps aimed at addressing the risk of a rising LIBOR element. As such, the total interest cost of the hedged element of the Seattle loan is 4.44%. For the period to October 31, 2019, net interest received for the swaps amounted to $9.9m. For the life of the swap, net interest received amounted to $6.5m.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments (adjusted for credit risk) to ensure that an economic relationship exists between the hedged item and the hedging instrument. The testing determined that the hedge was highly effective throughout the financial reporting period for which the hedge was designated.

The impact of changes in the fair value of interest rate swaps in the year ended October 31, 2019 is shown in the Consolidated statement of comprehensive income. Note 31 shows the derivative financial instruments relating to hedging transactions entered into in the period ended October 31, 2019 (other reserves).

	October 31, 2019 $m	October 31, 2018 $m
Carrying amount	**(36.5)**	86.4
Notional amount (4 x $562.5m)	**2,250.0**	2,250.0
Maturity date	**September 30, 2022**	September 30, 2022
Change in fair value of outstanding hedging instruments (note 31)	**(122.9)**	86.4
Change in value of hedging instruments adjusted for credit risk	**(121.9)**	84.7

Credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at October 31, 2019 was:

	Note	**October 31, 2019 $m**	October 31, 2018 $m
Trade receivables (gross)	**16**	**877.9**	1,089.6
Cash and cash equivalents	**18**	**355.7**	620.9
Total		**1,233.6**	1,710.5

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The Group applies the IFRS 9 expedited approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables.

A provision of the lifetime expected credit loss is established upon initial recognition of the underlying asset by predicting the future cash flows based upon the days past due status of an invoice and other relevant information. The model uses historical collection data along with historical credit losses experienced. The loss allowance is adjusted for forward-looking factors specific to the receivable and the economic environment.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

On that basis, the loss allowance as at October 31, 2019 and November 1, 2018 (on adoption of IFRS 9) was determined as follows for trade receivables (note 16):

	October 31, 2019	October 31, 2018
	$'m	$'m
At November 1 / May 1 – calculated under IAS 39	**41.9**	2.6
Accounting policy change – IFRS 9 (recognized against retained earnings on November 1, 2018)	**20.0**	-
	61.9	2.6
Loss allowance provided in the period	**16.0**	40.0
Receivables written off as uncollectable	**(35.5)**	(0.7)
At October 31	**42.4**	41.9

In the prior period, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables, which were known to be uncollectable were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. Receivables for which an impairment provision was recognized were written off against the provision when there was no expectation of recovering additional cash.

Market risk
The Group's treasury function aims to reduce exposures to interest rate, foreign exchange and other financial risks, to ensure liquidity is available as and when required, and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments. The treasury function's policies and procedures are reviewed and monitored by the Audit committee and are subject to internal audit review.

Foreign exchange risk
The Group's currency exposures comprise those that give rise to net currency gains and losses to be recognized in the Consolidated statement of comprehensive income as well as gains and losses on consolidation, which go to reserves. Such exposures reflect the monetary assets and liabilities of the Group that are not denominated in the operating or functional currency of the operating unit involved and the Group's investment in net assets in currencies other than US Dollar.

Note 3 shows the impact on the Consolidated statement of comprehensive income of foreign exchange losses in the 12 months ended October 31, 2019 of $11.3m (18 months ended October 31, 2018: $37.4m gain).

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Sensitivity analysis
The Group's principal exposures in relation to market risks are the changes in the exchange rates between the US Dollar and transactions made in other currencies as well as changes in US Dollar LIBOR interest rates. Foreign exchange exposures for all re-measuring balances are tracked and reported to management.

The key drivers are cash, borrowings and inter-company positions with trade receivables and trade payables having less relative aggregate exposure. As at October 31, 2019, the key aggregate exposures involved the Euro, British Sterling, Japanese Yen, Israeli Shekel and Canadian Dollar. The table below illustrates the equity sensitivity analysis of the Group exposures to movements in currency and interest rates.

Key aggregate currency exposures	**Group exposure $m**	**+/- 5% $m**	**+/- 10% $m**	**+/- 1% interest $m**
Euro	**512.6**	**25.6**	**51.2**	
GBP	**137.2**	**6.8**	**13.7**	
JPY	**69.6**	**3.5**	**6.9**	
ILS	**36.7**	**1.8**	**3.7**	
CAN$	**26.1**	**1.3**	**2.6**	
Borrowings -Interest rate LIBOR +1% (based on gross debt excluding the effects of hedging)	**n/a**	**n/a**	**n/a**	**47.75**

Capital risk management
The Group's objective when managing its capital structures is to minimize the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximize shareholder return over the long-term.

The only financial covenant attaching to these facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. The facility was not utilized as at October 31, 2019 and therefore no covenant test is applicable.

The capital structure of the Group at the Consolidated statement of financial position date is as follows:

	Note	**October 31, 2019 $m**	October 31, 2018 $m
Bank and other borrowings (net of arrangement fees)	**20**	**4,670.7**	4,845.9
Finance lease obligations	**21**	**23.5**	28.5
Less cash and cash equivalents	**18**	**(355.7)**	(620.9)
Total net debt		**4,338.5**	4,253.5
Total equity		**6,276.3**	7,792.0
Debt/equity %		**69.1%**	54.6%

Borrowings are shown here net of unamortized prepaid facility arrangement fees of $104.3m. (October 31, 2018: $151.0m). Gross borrowings are $4,775.0m (October 31, 2018: $4,996.9m).

Change in liabilities arising from financing activities for interest bearing loans (note 20) and finance leases (note 21) were as follows:

	Interest bearing loans $m	**Finance leases $m**	**Total $m**
At November 1, 2018	**4,996.9**	**28.5**	**5,025.4**
Draw down/New leases	**-**	**9.0**	**9.0**
Repayments	**(212.6)**	**(14.9)**	**(227.5)**
Foreign exchange	**(9.3)**	**0.9**	**(8.4)**
At October 31, 2019	**4,775.0**	**23.5**	**4,798.5**

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28 Deferred tax

Net Deferred tax liability	Note	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m
At November 1 / May 1		**(1,170.5)**	(118.5)
Credited/(debited) to consolidated statement of comprehensive income:		**188.7**	(17.1)
- Continuing operations	**7**	**156.4**	(27.6)
- Discontinued operation		**32.3**	10.5
Credited directly to equity in relation to share options		**(7.6)**	(23.7)
Credited to other comprehensive income:		**27.0**	4.3
- Continuing operations		**27.0**	3.8
- Discontinued operation		**-**	0.5
Acquisition of subsidiaries:		**-**	(1,957.4)
Acquisition of subsidiaries – HPE Software business	**38**	**-**	(1,953.5)
Acquisition of subsidiaries – COBOL-IT	**38**	**-**	(3.9)
Impact of adoption of IFRS 9		**4.4**	-
Impact of adoption of IFRS15		**(17.3)**	-
Foreign exchange adjustment		**(11.8)**	11.6
Reclassification to current assets held for sale	**37**	**-**	(1.6)
Effect of change in tax rates – charged to Consolidated statement of comprehensive income		**-**	931.9
At October 31		**(987.1)**	(1,170.5)

Deferred tax assets and liabilities below are presented net where there is a legally enforceable right to offset and the intention to settle on a net basis.

Deferred Tax Assets

	Tax losses and interest restrictions $m	Share-based payments $m	Deferred revenue $m	Prepaid royalty $m	Tax credits $m	Intangible fixed assets $m	Other temporary differences $m	Total $m
At May 1, 2017	56.7	43.7	44.5	-	33.8	5.9	23.6	208.2
Acquisition of subsidiaries - HPE Software business	4.5	-	(36.5)	332.0	39.0	-	43.7	382.7
(Charged)/credited to Consolidated statement of comprehensive income – continuing operations	(13.5)	0.1	45.2	(201.4)	(46.1)	(0.8)	14.1	(202.4)
Credited directly to equity	-	(23.7)	-	-	-	-	-	(23.7)
Debited to Other comprehensive income	-	-	-	-	-	-	4.3	4.3
Foreign exchange adjustment	-	(0.3)	-	-	-	-	-	(0.3)
Reclassification to current assets held for sale	-	-	-	-	-	-	(1.6)	(1.6)
Effect of change in tax rates – credited to Consolidated statement of comprehensive income	(21.1)	(2.4)	66.7	(88.7)	3.0	(2.1)	(13.3)	(57.9)
Subtotal	26.6	17.4	119.9	41.9	29.7	3.0	70.8	309.3
Jurisdictional offsetting								(309.3)
At October 31, 2018								-

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28 Deferred tax continued

Deferred Tax Assets continued

	Tax losses and interest restrictions $m	Share-based payments $m	Deferred revenue $m	Prepaid royalty $m	Tax credits $m	Intangible fixed assets $m	Other temporary differences $m	Total $m
At November 1, 2018	**26.6**	**17.4**	**119.9**	**41.9**	**29.7**	**3.0**	**70.8**	**309.3**
(Charged)/credited to Consolidated statement of comprehensive income – continuing operations	**73.9**	**(5.1)**	**(12.0)**	**(41.9)**	**(22.9)**	**(3.0)**	**12.7**	**1.7**
Credited/(charged) to Consolidated statement of comprehensive income – discontinued operation	**-**	**-**	**0.7**	**-**	**-**	**-**	**(12.3)**	**(11.6)**
Credited directly to equity	**-**	**(7.6)**	**-**	**-**	**-**	**-**	**-**	**(7.6)**
Debited to Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**13.0**	**13.0**
Foreign exchange adjustment	**-**	**0.3**	**-**	**-**	**-**	**-**	**-**	**0.3**
Impact of adoption of IFRS 9	**-**	**-**	**-**	**-**	**-**	**-**	**4.4**	**4.4**
Subtotal	**100.5**	**5.0**	**108.6**	**-**	**6.8**	**-**	**88.6**	**309.5**
Jurisdictional offsetting								**(309.5)**
At October 31, 2019								**-**

A deferred tax charge to equity of $7.6m (October 31, 2018: $23.7m) arises during the period in relation to share-based payments. The change is primarily due to the decrease in the Group's share price during the 12 months ended October 31, 2019.

The deferred tax asset relating to other temporary differences of $88.6m as at October 31, 2019 (October 31, 2018: $70.8m) has increased during the current period primarily due to hedging movements and also includes temporary differences arising on fixed assets, short-term temporary differences and defined benefit pension schemes. The deferred tax asset relating to tax losses and interest restrictions has increased by $73.9m during the 12 months ended October 31, 2019 due to the recognition of the deferred tax asset relating to interest restrictions. Deferred tax assets are recognized in respect of tax losses carried forward to the extent that the realization of the related tax benefit through the utilization of future taxable profits is probable.

The Group did not recognize deferred tax assets in relation to the following gross temporary differences, the expiration of which is determined by the tax law of each jurisdiction:

	Expiration: 2020 $m	2021 $m	2022 $m	2023 $m	2024 $m	Thereafter $m	No expiry $m	Total $m
At October 31, 2019								
Type of temporary difference:								
Losses	**56.3**	**99.2**	**40.1**	**33.6**	**41.8**	**2,191.6**	**50.7**	**2,513.3**
Credits	**3.5**	**3.6**	**2.1**	**1.3**	**0.7**	**1.7**	**28.9**	**41.8**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**23.9**	**23.9**
Total	**59.8**	**102.8**	**42.2**	**34.9**	**42.5**	**2,193.3**	**103.5**	**2,579.0**

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	Expiration:							
	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Thereafter $m	No expiry $m	Total $m
At October 31, 2018								
Type of temporary difference:								
Losses	35.2	66.1	99.2	37.5	33.6	2,117.7	95.6	2,484.9
Credits	2.2	4.4	4.0	2.4	1.3	5.2	196.4	215.9
Other	1.9	-	-	-	-	-	47.7	49.6
Total	39.3	70.5	103.2	39.9	34.9	2,122.9	339.7	2,750.4

Deferred Tax Liabilities

	Intangible fixed assets $m	Other temporary differences $m	Total $m
At May 1, 2017	(311.7)	(15.0)	(326.7)
Acquisition of subsidiaries – HPE Software business	(2,324.1)	(12.1)	(2,336.2)
Acquisition of subsidiaries – COBOL-IT	(3.9)	-	(3.9)
Charged/(credited) to Consolidated statement of comprehensive income – continuing operations	186.8	(12.0)	174.8
Charged to Consolidated statement of comprehensive income – discontinued operations	10.5	-	10.5
Foreign exchange adjustment	11.9	-	11.9
Effect of change in tax rates – charged to consolidated statement of comprehensive income	982.0	7.8	989.8
Subtotal	(1,448.5)	(31.3)	(1,479.8)
Jurisdictional offsetting			309.3
At October 31, 2018			(1,170.5)

	Intangible fixed assets $m	Other temporary differences $m	Total $m
At November 1, 2018	**(1,448.5)**	**(31.3)**	**(1,479.8)**
Charged to Consolidated statement of comprehensive income – continuing operations	**155.5**	**(0.8)**	**154.7**
Charged to Consolidated statement of comprehensive income – discontinued operation	**34.0**	**9.9**	**43.9**
Credited to other comprehensive income – continuing operations	**14.0**	**-**	**14.0**
Impact of adoption of IFRS15	**-**	**(17.3)**	**(17.3)**
Foreign exchange adjustment	**(12.1)**	**-**	**(12.1)**
Subtotal	**(1,257.1)**	**(39.5)**	**(1,296.6)**
Jurisdictional offsetting			**309.5**
At October 31, 2019			**(987.1)**

No deferred tax liability is recognized in respect of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint arrangements because the Group is in a position to control the timing of the reversal of the temporary differences and none are expected to reverse in the foreseeable future.

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29 Share capital

Ordinary shares at 10 pence each as at October 31, 2019 (October 31, 2018: 10 pence each)

	Note	October 31, 2019		October 31, 2018		April 30, 2017	
		Shares	**$m**	Shares	$m	Shares	$m
Issued and fully paid							
At November 1 /May 1		**436,800,513**	**65.8**	229,674,479	39.7	228,706,210	39.6
Shares issued to satisfy option awards		**6,109,091**	**0.1**	1,894,673	0.2	968,269	0.1
Shares utilized to satisfy option awards		**(4,804,817)**	**-**	-	-	-	-
Share reorganisation		**(74,521,459)**	**(18.7)**	(16,935,536)	(2.9)	-	-
Shares issued relating to acquisition of the HPE Software business	**38**	**-**	**-**	222,166,897	28.8	-	-
At October 31		**363,583,328**	**47.2**	436,800,513	65.8	229,674,479	39.7

"B" shares at 335.859391 pence each (October 31, 2018: 168 pence each)

	October 31, 2019		October 31, 2018		April 30, 2017	
	Shares	**$m**	Shares	$m	Shares	$m
Issued and fully paid						
At November 1 / May 1	**-**	**-**	-	-	-	-
Issue of B shares	**413,784,754**	**1,800.0**	229,799,802	500.0	-	-
Redemption of B shares	**(413,784,754)**	**(1,800.0)**	(229,799,802)	(500.0)	-	-
At October 31	**-**	**-**	-	-	-	-

Deferred D Shares at 10 pence each

	October 31, 2019		October 31, 2018		April 30, 2017	
	Shares	**$m**	Shares	$m	Shares	$m
Issued and fully paid						
At November 1 / May 1	**-**	**-**	-	-	-	-
Issue of Deferred shares	**74,521,459**	**-**	-	-	-	-
Redemption of Deferred shares	**(74,521,459)**	-	-	-	-	-
At October 31	**-**	**-**	-	-	-	-

Share issuances during the 12 months to October 31, 2019
In the 12 months to October 31, 2019, 6,109,091 ordinary shares of 10 pence each (18 months to October 31, 2018: 1,894,673 ordinary shares of 10 pence; 12 months to April 2017: 968,269) were issued and 4,804,817 treasury shares were utilized by the Company to settle exercised share options. The gross consideration received in the 12 months to October 31, 2019 was $3.1m (18 months to October 31, 2018: $5.8m; 12 months to April 30, 2017: $2.0m). 222,166,897 ordinary shares of 10 pence each were issued by the Company as consideration for the acquisition of the HPE Software business in the 18 months ended October 31, 2018 (note 38).

At October 31, 2019, 30,200,905 treasury shares were held (October 31, 2018: 9,858,205; April 30, 2017: nil) such that the number of ordinary shares with voting rights was 333,382,423 (October 31, 2018: 426,942,308; April 30, 2017: 229,674,479) and the number of listed shares at October 31, 2019 was 363,583,328 (October 31, 2018: 436,800,513; April 30, 2017: 229,674,479).

Potential issues of shares
Certain employees hold options to subscribe for shares in the Company at prices ranging from nil pence to 1,963.00 pence under the following share option schemes approved by shareholders in 2005 and 2006: The Long-Term Incentive Plan 2005, the Additional Share Grants, the Sharesave Plan 2006 and the Employee Stock Purchase Plan 2006.

The number of shares subject to options at October 31, 2019 was 14,533,973 (October 31, 2018: 18,156,060; April 30, 2017: 8,607,889).

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29 Share capital continued

Share buy-back
On August 29, 2018, the Company announced the start of a share buy-back program for an initial tranche of up to $200m, which was extended on November 5, 2018 to a total value of $400m (including the initial tranche). On February14, 2019, the buy-back program was extended into a third tranche of up to $110m up until the day before the AGM which took place on March 29, 2019 when the current buy-back authority approved by shareholders at the 2017 AGM to make market purchases of up to 65,211,171 ordinary shares expired.

On July 17, 2019, the Company announced a new share buy-back program with an initial tranche of up to $200m. The Program was effected in accordance with the terms of the authority granted by shareholders at the 2019 AGM and the Listing Rules. On October 3, 2019, the Company completed the $200m share buy-back program. The total amount bought back under share buy-back programs was $710.0m, excluding expenses.

In addition to purchasing ordinary shares on the London Stock Exchange, Citi acquired American Depository Receipts representing ordinary shares ("ADRs") listed on the New York Stock Exchange which it cancelled for the underlying shares and then sold such shares to the Company.

Shares bought back under these programs are held as treasury shares. Treasury share movements and share buy-back costs are shown below:

Treasury shares	**12 months ended October 31, 2019 Number**	18 months ended October 31, 2018 Number	**Total Number**
Share buy-backs	**29,160,054**	9,858,205	**39,018,259**
Shares issued to satisfy option awards	**(4,804,817)**	-	**(4,804,817)**
Share reorganisation	**(4,012,537)**	-	**(4,012,537)**
	20,342,700	9,858,205	**30,200,905**
Share buy-back numbers:			
Ordinary shares bought on the London Stock Exchange	**25,766,919**	8,567,659	**34,334,578**
ADRs purchased on the New York Stock Exchange	**3,393,135**	1,290,546	**4,683,681**
	29,160,054	9,858,205	**39,018,259**

Share buy-back cost:	**$m**	$m	**$m**
Share buy-back cost	**538.8**	171.2	**710.0**
Expenses	**5.9**	0.5	**6.4**
	544.7	171.7	**716.4**

The weighted average price of shares bought back in the 12 months ended October 31, 2019 was £14.61 per share (18 months ended October 31, 2018 was £13.82 per share).

Return of Value
On April 29, 2019, a Return of Value was made to shareholders amounting to $1,800.0m (£1,389.7m) in cash (335.89 pence per existing Ordinary Share and American Depositary Shares ("ADS") held at the Record Time of 6.00 pm on April 29, 2019). The Return of Value was approved by shareholders on 29 April 2019. The Return of Value was effected through an issue and redemption of B shares and resulted in a $1,800.0m increase in capital redemption reserve and a $1,800.0m reduction in the merger reserve. 413,784,754 "B" shares were issued at 335.859391 pence each, resulting in a total $1,800.0m being credited to the "B" share liability account. Subsequently and on the same date, 413,784,754 "B" shares were redeemed at 335.859391pence each and an amount of $1,800.0m was debited from the "B share liability account. The Group entered into a forward exchange contract to protect the Company from any foreign exchange movement and the resulting payment to shareholders of $1,800.0m incurred net transaction costs of $1.0m. The Return of Value was accompanied by a 0.8296 share consolidation and the share consolidation resulted in the issue of D deferred shares which were subsequently bought back for 1 pence, resulting in a transfer of $18.7m to the capital redemption reserve. The settlement date was May 13, 2019 for the Ordinary Shares.

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On August 31, 2017 a Return of Value was made to shareholders amounting to $500.0m. The Return of Value was effected through an issue and redemption of B shares and resulted in a $500.0m increase in the capital redemption reserve, a $343.3m reduction in the merger reserve and a $156.7m reduction in share premium. 229,799,802 "B" shares were issued at 168 pence each, resulting in a total $500.0m being credited to the "B" share liability account. Subsequently and on the same date, 229,799,802 "B" shares were redeemed at 168 pence each and an amount of $500.0m was debited from the "B share liability account. The Return of Value was accompanied by a 0.9263 share consolidation and the share consolidation resulted in the issue of D deferred shares which were subsequently bought back for 1 penny, resulting in a transfer of $2.9m (note 31) to the capital redemption reserve.

30 Share premium account

	Note	**October 31, 2019 $m**	October 31, 2018 $m	April 30, 2017 $m
At November 1/ May 1		**41.0**	192.1	190.3
Issue and redemption of B shares	**29**	**-**	(156.7)	-
Movement in relation to share options exercised	**33**	**3.0**	5.6	1.8
At October 31		**44.0**	41.0	192.1

31 Other reserves

	Note	Capital redemption reserve $m	Merger reserve $m	Hedging reserve $m	Total $m
As at May 1, 2016		163.4	988.1	-	1,151.5
Reallocation of merger reserve		-	(650.0)	-	(650.0)
As at April 30, 2017		163.4	338.1	-	501.5
Return of Value - share consolidation	**29**	2.9	-	-	2.9
Return of Value - issue and redemption of B shares	**29**	500.0	(343.3)	-	156.7
Hedge accounting[1]	**27**	-	-	86.4	86.4
Current tax movement on hedging[1]		-	-	(16.4)	(16.4)
Acquisition of the HPE Software business[2]	**38**	-	6,485.4	-	6,485.4
Reallocation of merger reserve [3]		-	(2,755.8)	-	(2,755.8)
As at October 31, 2018		666.3	3,724.4	70.0	4,460.7
As at November 1, 2018		**666.3**	**3,724.4**	**70.0**	**4,460.7**
Return of Value - share consolidation	**29**	**18.7**	**-**	**-**	**18.7**
Return of Value - issue and redemption of B shares	**29**	**1,800.0**	**(1,800.0)**	**-**	**-**
Hedge accounting[1]	**27**	**-**	**-**	**(122.9)**	**(122.9)**
Current tax movement on hedging[1]		**-**	**-**	**23.3**	**23.3**
Reallocation of merger reserve [3]		**-**	**(184.6)**	**-**	**(184.6)**
As at October 31, 2019		**2,485.0**	**1,739.8**	**(29.6)**	**4,195.2**

[1] **Hedging reserve**
A debit of $99.6m was recognized in the hedging reserve in relation to hedging transactions entered into in the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $70.0m credit).

[2] **Acquisition of HPE Software**
On September 1, 2017, the acquisition of the HPE Software business was completed (note 38). As a result of this a merger reserve was created of $6,485.4m. The acquisition was structured by way of equity consideration; this transaction fell within the provisions of section 612 of the Companies Act 2006 (merger relief) such that no share premium was recorded in respect of the shares issued. The Parent Company chose to record its investment in the HPE Software business at fair value and therefore recorded a merger reserve equal to the value of the share premium which would have been recorded had section 612 of the Companies Act 2006 not been applicable (i.e. equal to the difference between the fair value of the HPE Software business and the aggregate nominal value of the shares issued).

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31 Other reserves continued

[3] **Reallocation of merger reserve**
In the 12 months ended October 31, 2019, an amount of $184.6m was transferred from the merger reserve to retained earnings. The merger reserve is an unrealized profit until it can be realized by the settlement of the intercompany loan by qualifying consideration. In the 18 months ended October 31, 2018, it was disclosed that $2,755.8m of the merger reserve would be settled in the period. However, as at October 31, 2019, only $2,540.4m of the balance was settled as the balance of $215.4m was not required for any Returns of Value to shareholders. However, the remaining $215.4m and an additional $184.6m is expected to be settled in qualifying consideration during the year ended October 31, 2020 (18 months ended October 31, 2018: $2,540.4m) and as such an equivalent proportion of the merger reserve is considered realized, in accordance with section 3.11(d) of Tech 02/17 and therefore has been transferred to retained earnings. An amount of $650.0m was transferred from the merger reserve to retained earnings in the 12 months ended April 30, 2017.

32 Non-controlling interests
The Group has minority shareholders in one subsidiary, Novell Japan Ltd.
On October 25, 2019, a payment of 340,700 JPY ($3,140) was made to acquire 170,350 ordinary 1 JPY shares held. This payment increased the Group's shareholding from 81.05% to 84.24%.

	October 31, 2019 $m	October 31, 2018 $m	April 30, 2017 $m
At November 1 / May 1	**1.0**	0.9	1.0
Share of profit after tax	**0.3**	0.1	(0.1)
At October 31	**1.3**	1.0	0.9

Non-controlling interests relate to the companies detailed below:

Company name	**Country of incorporation and principal place of business**	**October 31, 2019 Proportion held**	October 31, 2018 Proportion held	April 30, 2017 Proportion held
Novell Japan Ltd	Japan	**84.24%**	81.05%	74.70%

33 Employees and directors

Staff costs

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Staff costs			
Wages and salaries	**1,204.4**	1,819.2	382.5
Redundancy and termination costs (non-exceptional)	**0.5**	2.1	2.1
Social security costs	**93.6**	159.0	53.2
Other pension costs	**41.7**	50.4	11.4
	1,340.2	2,030.7	449.2
Cost of employee share schemes (Share-based payments section)	**68.8**	64.3	31.5
Total	**1,409.0**	2,095.0	480.7

	Note	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Pension costs comprise:				
Defined benefit schemes	**25**	**9.0**	7.1	0.5
Defined contribution schemes	**25**	**32.7**	43.3	10.9
Total		**41.7**	50.4	11.4

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33 Employees and directors continued

Staff Numbers

	12 months ended October 31, 2019 Number	18 months ended October 31, 2018 Number	12 months ended April 30, 2017 Number
Average monthly number of people (including executive directors) employed by the Group:			
Continuing Operations			
Sales and distribution	**5,413**	5,860	1,818
Research and development	**5.056**	4,323	1,400
General and administration	**1,991**	1,378	642
	12,460	11,561	3,860
Discontinued Operation			
Sales and distribution	**164**	515	323
Research and development	**170**	629	476
General and administration	**3**	8	4
	337	1,152	803
Total			
Sales and distribution	**5,577**	6,375	2,141
Research and development	**5,226**	4,952	1,876
General and administration	**1,994**	1,386	646
Total	**12,797**	12,713	4,663

Directors and Key Management

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Directors			
Aggregate emoluments	**3.7**	14.6	5.2
Aggregate gains made on the exercise of share options	**79.7**	77.7	8.2
Company contributions to money purchase pension scheme	**-**	0.7	0.5
Total	**83.4**	93.0	13.9

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Key management compensation			
Short-term employee benefits	**9.5**	25.9	8.0
Share-based payments	**25.3**	44.5	9.4
Total	**34.8**	70.4	17.4

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

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33 Employees and directors continued

Share-based payments

The amount charged to the Consolidated statement of comprehensive income in respect of share-based payments was $71.3m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $72.2m). The Consolidated statement of comprehensive income has been presented split between continuing and discontinued operations. The table below provides information of the share-based payments on a continuing operations basis. The tables below for each type of share option are presented on a combined continuing and discontinued operations basis.

Continuing operations	**12 months ended October 31, 2019 $m**	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Share-based compensation – IFRS 2 charge	**62.0**	70.9	20.8
Employer taxes	**6.8**	(6.6)	10.7
	68.8	64.3	31.5

As at October 31, 2019, accumulated employer taxes of $1.9m (October 31, 2018: $20.6m; April 30, 2017: $17.0m) are included in trade and other payables and $nil (October 31, 2018: $0.5m; April 30, 2017: $1.2m) is included in other non-current liabilities.

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

a) Incentive Plan 2005
On April 27, 2005, the remuneration committee approved the rules of the Incentive Plan 2005 ("LTIP") which permits the granting of share options to executive directors and senior management. The total number of options they receive is determined by the performance criteria set by the remuneration committee over a three-year performance period. Prior to April 18, 2011 performance conditions required that cumulative EPS growth over a three-year vesting period is at least equal to Retail Prices Index ("RPI") plus 11% (at which point 25% of awards will vest), 60% of shares will vest for cumulative EPS growth of RPI plus 13% and for full vesting the cumulative EPS growth will be required to be RPI plus 15% per annum. RPI is the general index of the UK retail prices (for all items) published by the Office of National Statistics or any similar index replacing it. Straight-line vesting will apply between these points.

Awards granted are subject to either Absolute Shareholder Returns ("ASR") over a three-year period, cumulative EPS growth or a combination of both. ASR is defined as the average closing share price over the period of five days ending on the day prior to the vesting date less the reference price plus the total of all dividends and cash distributions and any other measures as determined by the Remuneration Committee between the award date and the vesting date. Where the cumulative EPS growth over a three-year period is at least equal to RPI plus 3% per annum 25% of awards will vest, with full vesting achieved when the cumulative EPS growth is RPI plus 9% per annum. Straight-line vesting will apply between these points. Where the award is subject to ASR, the resulting level of vesting will be reduced by 25% if the ASR is below 150 pence or increased by 50% if ASR is 300 pence or more.

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	12 months ended October 31, 2019		18 months ended October 31, 2018	
	Number of Options '000	**Weighted average exercise price pence**	Number of Options '000	Weighted average exercise price pence
Outstanding at November 1 / May 1	**5,620**	**14**	4,662	29
Exercised	**(3,410)**	**17**	(1,283)	12
Forfeited	**(545)**	**27**	(582)	3
Granted	**7,562**	**-**	2,823	-
Outstanding at October 31	**9,227**	**6**	5,620	14
Exercisable at October 31	**1,416**	**34**	2,270	51

The weighted average share price in the period for options on the date of exercise was 1,707 pence for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: 1,781 pence).

The amount charged to the Consolidated statement of comprehensive income in respect of the scheme was $31.1m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $30.3m). In addition to this $8.5m (18 months ended October 31, 2018: $4.1m charge) was charged to the Consolidated statement of comprehensive income in respect of National Insurance on these share options.

	October 31, 2019			October 31, 2018		
Range of exercise prices	**Weighted average exercise price pence**	**Number of options '000**	**Weighted average remaining contractual life (years)**	Weighted average exercise price pence	Number of options '000	Weighted average remaining contractual life (years)
£0.10 or less	**1**	**8,982**	**3.4**	1	5,127	6.7
£0.11 – £1.00	**13**	**137**	**3.7**	13	205	4.9
£1.01 – £2.00	**-**	**-**	**-**	-	-	-
£2.01 – £3.00	**-**	**-**	**-**	-	-	-
£3.01 - £4.00	**-**	**-**	**-**	358	146	0.7
More than £4.00	**402**	**108**	**0.7**	402	142	1.7
	6	**9,227**	**3.4**	14	5,620	4.0

The weighted average fair value of options granted during the 12 months ended October 31, 2019 determined using the Black-Scholes valuation model was £14.54 (18 months ended October 31, 2018: £15.25).

The significant inputs into the model for the 12 months ended October 31, 2019 were:

	12 months ended October 31, 2019	18 months ended October 31, 2018
Weighted average share price at the grant date	**£16.44**	£16.87
Expected volatility	**between 48.91% and 49.68%**	between 28.59% and 48.54%
Expected dividend yield	**between 4.78% and 5.87%**	between 2.82% and 7.02%
Expected option life	**0.76 to four years**	three years
Annual risk-free interest rate	**between 0.49% and 1.38%**	between 1.0% and 1.6%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical daily share prices over the last three years.

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Share based payments continued

b) **Additional Share grants**

	12 months ended October 31, 2019				18 months ended October 31, 2018			
	Number of Options				Number of Options			
	TAG ASGs '000	HPE Software ASGs '000	Total '000	Weighted average exercise price pence	TAG ASGs '000	HPE Software ASGs '000	Total '000	Weighted average exercise price pence
Outstanding at November 1 / May 1	**3,062**	**7,427**	**10,489**	**-**	3,262	-	3,262	-
Granted	**-**	**458**	**458**	**-**	-	13,115	13,115	-
Exercised	**(2,601)**	**-**	**(2,601)**	**-**	(200)	-	(200)	-
Lapsed	**-**	**(4,670)**	**(4,670)**	**-**	-	(2,412)	(2,412)	-
Cancelled	**-**	**-**	**-**	**-**	-	(3,276)	(3,276)	-
Outstanding at October 31	**461**	**3,215**	**3,676**	**-**	3,062	7,427	10,489	-
Exercisable at October 31	**461**	**-**	**461**	**-**	3,062	-	3,062	-

Additional Share Grants – The Attachmate Group ("TAG") acquisition

The Remuneration Committee awarded Additional Share Grants ("ASGs") to a number of senior managers and executives, critical to delivering the anticipated results of the acquisition of The Attachmate Group, which completed on November 20, 2014.

The ASGs were nil cost options over ordinary shares. The ASGs became exercisable, subject to the satisfaction of the performance condition, on the third anniversary of the date of Completion or November 1, 2017, whichever is earlier (the "vesting date") and remained exercisable until the tenth anniversary of Completion.

The performance condition applicable was that the percentage of ordinary shares subject to the ASG which may be acquired on exercise on or after the vesting date was as follows:

(i) 0% if the Shareholder Return Percentage (as defined below) is 50% or less;
(ii) 100% if the Shareholder Return Percentage is 100% or more; and
(iii) A percentage determined on a straight-line basis between (i) and (ii) above.

The "Shareholder Return Percentage" was calculated by deducting 819.425 pence per share (the "Reference Price"), being the average of the 20 days before June 3 2014, from the sum of the "Vesting Price" (calculated as the average closing share price over the period of 20 days ending on the day prior to the vesting date) plus the total of all dividends per share between Completion and the vesting date. This was divided by the Reference Price, multiplying the resulting figure by 100 to obtain the Shareholder Return Percentage.

These TAG ASG options vested in full. As at October 31, 2019, 460,917 of these options were vested but not yet exercised.

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Share based payments continued

Additional Share Grants – The HPE Software business acquisition

The Remuneration Committee awarded a number of Additional Share Grants ("ASGs") to a number of senior managers and executives, critical to delivering the anticipated results of the acquisition of the HPE Software business, which completed on September 1, 2017.

The ASGs were nil cost options over ordinary shares. The ASGs became exercisable, subject to the satisfaction of the performance condition, on the third anniversary of the announcement date of September 7, 2016 (the "vesting date") and remained exercisable for a period of 84 months commencing on the vesting date.

The performance condition applicable was that the percentage of ordinary shares subject to the ASG, which may be acquired on exercise on or after the vesting date was as follows:

(i) 0% if the Shareholder Return Percentage (as defined below) is 50% or less;
(ii) 100% if the Shareholder Return Percentage is 100% or more; and
(iii) A percentage determined on a straight-line basis between (i) and (ii) above.

The "Shareholder Return Percentage" will be calculated by deducting 1,817.75 pence per share (the "Reference Price"), being the average of the 20 days before August 1, 2016, from the sum of the "Vesting Price" (calculated as the average closing share price over the period of 20 days ending on the day prior to the vesting date) plus the total of all dividends per share between the announcement date and the vesting date. This was divided by the Reference Price, multiplying the resulting figure by 100 to obtain the Shareholder Return Percentage.

Amendments made on September 20, 2018

On September 20, 2018, the Group announced that, following a review of existing Additional Share Grant ("ASG") awards, ASG awards made to Executive Directors on completion of the HPE Software business acquisition on September 1, 2017 were to be cancelled. New ASG awards were granted in order to align with the business plan to deliver value by October 2020 and focus Executive Directors on delivering significant value to shareholders over the three years from completion of the transaction. The Company believed that, in the light of the HPE Software business integration and the wider competitive environment evidenced by recent M&A activity in the software sector, the alignment of the vesting period to September 1, 2020 was essential to provide an effective incentive over the period of the business plan.

The Executive Directors (Kevin Loosemore, Stephen Murdoch and Chris Kennedy) and those who were Executive Directors at the time of the existing award and remained in employment (Nils Brauckmann and Mike Phillips) as at September 20, 2018, agreed to surrender their existing ASG awards made on September 1, 2017 which were due to vest on September 7, 2019. In return, the Company made new ASG awards over ordinary shares in the Company as detailed below, which are due to vest on September 1, 2020 (being three years from the completion of the Transaction).

Director	Number of granted and cancelled nil cost share options over Ordinary Shares '000	Number of replacement nil cost options over Ordinary Shares '000
Kevin Loosemore	**1,100**	**1,100**
Stephen Murdoch	**500**	**947**
Chris Kennedy[1]	**500**	**676**
Mike Phillips[1]	**676**	**676**
Nils Brauckmann[1]	**500**	**500**
	3,276	**3,899**

1 These ASG options awarded to Chris Kennedy (all), Nils Brauckmann (all) and Mike Phillips (partial) lapsed as a result of their resignations and subsequent leaving employment.

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b) Additional Share Grants continued

The Total Shareholder Returns ("TSR") performance thresholds for the new awards were unchanged from the previous awards, save in respect of the period to vesting. The number of new awards was equal to the number of previous awards which they replace, except for Stephen Murdoch and Chris Kennedy where increases of 447,000 and 176,000 awards respectively were made to reflect Stephen's promotion to Chief Executive Officer and to align Chris' awards to those granted to his predecessor.
As new ASGs were granted to replace the original ASGs that were cancelled, this was treated under IFRS 2 "Share-based payment" as modification of the original ASG grant. Due to the performance conditions attached to them, the fair value for ASGs was determined using the Monte Carlo simulation method. The fair value of the original awards was determined at the modification date (September 20, 2018) i.e. replacing the original fair values. The incremental fair value of the new awards over the original awards at the date of modification was recognized in addition to the grant date fair value. The original expense continued to be recognized over the original service period, the incremental expense was recognized over the remaining service period for the new awards i.e. to September 1, 2020 rather than September 7, 2019.

Lapses in the 12 months ended October 31, 2019
In the 12 months ended October 31, 2019, 4,669,454 ASGs relating to the HPE Software business acquisition lapsed as a result of either leavers (1,234,454) or performance conditions not met (3,435,000).

Additional Share Grants made in the 12 months ended October 31, 2019
In the 12 months ended October 31, 2019, 458,000 ASG options were granted including 338,000 ASG options to Brian McArthur- Muscroft, the Chief Financial Officer. These ASG grants each had a vesting date of September 1, 2020 with the same performance threshold as the amended grants issued on September 20, 2018.

The weighted average fair value of options granted during the period determined using the Monte-Carlo simulation model was £0.54 (18 months ended October 31, 2018: £4.80).

The significant inputs into the model for the 12 months ended October 31, 2019 were:

	12 months ended October 31, 2019	18 months ended October 31, 2018
Weighted average share price at the grant date	**£22.81**	£18.35
Expected volatility	**28.00%**	Between 28.00% - 31.00%
Expected dividend yield	**2.85%**	Between 3.26% - 5.29%
Expected option life	**1.75 years – 1.78 years**	1.96 years
Annual risk-free interest rate	**0.43%**	Between 0.43% - 0.84%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical daily share prices over the last three years.

The amount charged to the Consolidated statement of comprehensive income in respect of the ASGs was $30.6m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $45.6m. In addition to this $1.7m (18 months ended October 31, 2018: $2.5m charge) was credited to the Consolidated statement of comprehensive income in respect of National Insurance on these share options in the 12 months ended October 31, 2019.

	October 31, 2019			October 31, 2018		
Range of exercise prices	**Weighted average exercise price pence**	**Number of options '000**	**Weighted average remaining contractual life (years)**	Weighted average exercise price pence	Number of options '000	Weighted average remaining contractual life (years)
£0.00	**-**	**3,676**	**7.3**	-	10,489	5.5
	-	**3,676**	**7.3**	-	10,489	5.5

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c) Sharesave and Employee Stock Purchase Plan 2006

In August 2006, the Company introduced the Micro Focus Employee Stock Purchase Plan 2006 and the Micro Focus Sharesave Plan 2006, approved by members on July 25, 2006. The Group operates several plans throughout the world, but the two main plans are the Sharesave Plan ("Sharesave") primarily for UK employees and the Employee Stock Purchase Plan ("ESPP") for employees in the USA and Canada. The Sharesave and ESPP provide for an annual award of options at a discount to the market price and are open to all eligible Group employees. Under these plans employees make monthly savings over a period (Sharesave three years, ESPP two years) linked to the grant of an option with an option price which can be at a discount (Sharesave 20%, ESPP 15%) of the market value of the shares on grant. The option grants are subject to employment conditions and continuous savings.

Further Sharesave and ESPP grants were made during the 12 months to October 31, 2019.

Sharesave

	12 months ended October 31, 2019		18 months ended October 31, 2018	
	Number of options '000	**Weighted average exercise price pence**	Number of options '000	Weighted average exercise price pence
Outstanding at November 1 / May 1	**496**	**1,185**	559	1,039
Exercised	**(81)**	**1,171**	(294)	829
Forfeited	**(102)**	**1,297**	(223)	1,508
Granted	**125**	**1,374**	454	1,293
Outstanding at October 31	**438**	**1,221**	496	1,185
Exercisable at October 31	**62**	**1,461**	47	1,116

Number of options '000	**Date of grant**	**Exercise price per share pence**	**Exercise period**
61	August 12, 2016	1,465.6	October 1, 2019 – February 1, 2020
21	February 23, 2018	1,720.0	April 1, 2021 – September 30, 2021
2	February 23, 2018	1,963.0	April 1, 2021 – September 30, 2021
221	August 3, 2018	1,023.0	October 1, 2021 – March 31, 2022
19	August 3, 2018	1,159.0	October 1, 2021 – March 31, 2022
67	March 7, 2019	1,344.0	April 1, 2022 – September 30, 2022
4	March 7, 2019	1,533.0	April 1, 2022 – September 30, 2022
40	August 5, 2019	1,411.0	October 1, 2021 – August 4, 2022
3	August 5, 2019	1,574.3	October 1, 2021 – August 4, 2022
438			

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33 Employees and directors continued

Share based payments continued

ESPP

	12 months ended October 31, 2019		18 months ended October 31, 2018	
	Number of options '000	**Weighted average exercise price pence**	Number of options '000	Weighted average exercise price pence
Outstanding at November 1 / May 1	**800**	**1,047**	124	1,510
Exercised	**(17)**	**1,114**	(110)	1,598
Forfeited	**(44)**	**1,440**	(31)	1,236
Granted	**453**	**1,444**	817	1,057
Outstanding at October 31	**1,192**	**1,182**	800	1,047
Exercisable at October 31	**-**	**-**	-	-

Number of Options '000	**Date of grant**	**Exercise price per share pence**	**Exercise period**
309	March 1, 2018	1,235.6	March 1, 2020 – May 31, 2020
430	July 1, 2018	868.5	July 1, 2020 – September 30, 2020
244	March 1, 2019	1,428.0	March 1, 2021 – May 31, 2021
209	October 1, 2019	1,462.8	October 1, 2021 – December 31, 2021
1,192			

The amount charged to the Consolidated statement of comprehensive income in respect of the Sharesave and ESPP schemes was $2.8m for the 12 months ended October 31, 2019 (18 months ended October 31, 2018: $2.9m).

The weighted average fair value of options granted in the Sharesave and ESPP schemes during the 12 months ended October 31, 2019 determined using the Black-Scholes valuation model was £5.93 (18 months ended October 31, 2018: £6.28).

The significant inputs into the model for the 12 months ended October 31, 2019 were:

	12 months ended October 31, 2019	18 months ended October 31, 2018
Weighted average share price at the grant date	**£17.56**	£15.48
Expected volatility	**between 49.06% and 49.68%**	between 28.82% - 48.60%
Expected dividend yield	**between 4.63% and 5.87%**	between 3.86% - 7.02%
Expected option life	**Two or three years**	two or three years
Annual risk-free interest rate	**between 0.49% and 1.16%**	between 1.3% - 1.5%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical daily share prices over the last three years.

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34 Operating lease commitments – minimum lease payments

At October 31, 2019 the 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.

	October 31, 2019 $m	October 31, 2018 $m
Future minimum lease payments under non-cancellable operating leases falling due:		
No later than one year	**78.6**	65.8
Later than one year and no later than three years	**123.6**	86.4
Later than three years and no later than five years	**61.4**	53.3
Later than five years	**37.6**	22.5
Total	**301.2**	228.0

The 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.

The properties owned or leased and operated by the Group's subsidiaries are maintained in good condition and are believed to be suitable and adequate for the Group's present needs. The Group's headquarters are located at premises in Newbury, England. The Group owns or leases properties amounting to over 2.4 million square feet of space, in over 40 countries worldwide. Two individual leased properties are material to the Group. One is located in Provo, Utah, where the Group currently leases approximately 405,700 square feet of office space. The lease on this facility expires in 2024, with an option to extend for a further three, five-year periods. The Group's current annual rent under this lease is $8.2m. Since March 1, 2019, part of the property has been sublet. Current annual sub-lease income is $1.0m. The other property is located in Santa Clara, California, where the Group currently lease approximately 635,000 square feet of office space. The lease on this facility expires in 2029, with an option to extend for one further five-year period. The Group's current annual rent under this lease is $4.6m.

The minimum lease payments payable under operating leases recognized as an expense in the 12 months ended October 31, 2019 were $65.9m (18 months ended October 31, 2018: $94.1m).

The total of future minimum sublease payments expected to be received under non-cancellable subleases as at October 31, 2019 is $3.9m (October 31, 2018: $4.7m)

35 Contingent liabilities
The Company and several of its subsidiaries are, from time to time, parties to legal proceedings and claims, which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

Shareholder litigation
Micro Focus International plc and certain current and former directors and officers are involved in two class action lawsuits in which plaintiffs are seeking damages for alleged violations of the Securities Act of 1933 and the Exchange Act of 1934. Plaintiffs allege false and misleading statements or omissions in offering documents issued in connection with the Hewlett Packard Enterprise software business merger and issuance of Micro Focus American Depository Shares ("ADS") as merger consideration, and other purportedly false and misleading statements. No liability has been recognized in either case as these are still very early in proceedings and it is too early to estimate whether there will be any financial impact.

Patent litigation
Several indirect subsidiaries of Micro Focus International plc are involved in a patent infringement lawsuit in which plaintiffs allege that certain Micro Focus ADM software products infringe three patents in the field of mobile application development and testing. Plaintiffs are seeking monetary damages in an amount that has yet to be specified. No liability has been recognized in these cases as they are still at an early stage in proceedings, and it is too soon to estimate whether there will be any financial impact.

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36 Related party transactions
The Group's related parties are its subsidiary undertakings, key management personnel and post-employment benefit plans.

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

Remuneration of key management personnel
The remuneration of key management personnel of the Group (which is defined as the executive management team and directors) is set out in note 33. There are no loans between the Group and the key management personnel.

Transactions with other related parties.
The following transactions occurred with other related parties:

Contributions made to pension plans by the Group on behalf of employees are set out in note 25.

Sales and purchases of goods and services between related parties are not considered material.

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37 Discontinued operation, assets classified as held for sale and disposals

Net Assets classified as held for sale
There are no disposal groups classified as held for sale in the current period. At October 31, 2018, the assets and liabilities relating to the SUSE and Atalla businesses were presented as held for sale.

	October 31, 2019			October 31, 2018		
Reported in:	**Current Assets $m**	**Current liabilities $m**	**Total $m**	Current assets $m	Current liabilities $m	Total $m
SUSE	-	-	-	1,114.5	(427.4)	687.1
Atalla	-	-	-	28.0	(10.3)	17.7
	-	-	-	1,142.5	(437.7)	704.8

The net asset assets held for sale relating to the disposals of SUSE and Atalla are detailed in the tables below. These include non-current assets and non-current liabilities that are shown as current assets and liabilities in the Consolidated statement of financial position.

A. SUSE Business

On July 2, 2018, the Group announced the proposed sale of the SUSE business segment to Blitz 18-679 GmbH (subsequently renamed to Marcel Bidco GmbH), a newly incorporated directly wholly owned subsidiary of EQTVIII SCSp, which is advised by EQT Partners. The total cash consideration of $2.5bn was on a cash and debt free basis and subject to normalization of working capital.

On August 21, 2018, Shareholders voted to approve the proposed transaction whereby the Company agreed to sell its SUSE business segment to Marcel Bidco GmbH, for a total cash consideration of approximately $2.5bn, subject to customary closing adjustments. Following this vote, all applicable antitrust, competition, merger control and governmental clearances were obtained. The sale was completed on March 15, 2019 and the SUSE business segment has been treated as discontinued in these financial statements.

Discontinued operation – Financial performance

	12 months ended October 31, 2019			18 months ended October 31, 2018	12 months ended April 30, 2017
	Before Exceptional Items $m	**Exceptional Items $m**	**Total $m**	Total $m	Total $m
Revenue	**127.0**	**-**	**127.0**	538.2	303.4
Operating costs	**(89.3)**	**-**	**(89.3)**	(425.3)	(238.6)
Operating profit	**37.7**	**-**	**37.7**	112.9	64.8
Share of results of associate	**(0.3)**	**-**	**(0.3)**	(1.8)	-
Profit on disposal of the SUSE business	**-**	**1,767.9**	**1,767.9**	-	-
Profit before taxation	**37.4**	**1,767.9**	**1,805.3**	111.1	64.8
Taxation	**(8.7)**	**(309.4)**	**(318.1)**	(34.2)	(31.1)
Profit for the period from discontinued operation	**28.7**	**1,458.5**	**1,487.2**	76.9	33.7

Discontinued operation – Cash flow
The cash flow statement shows amounts related to the discontinued operations:

	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017 $m
Net cash inflows from operating activities	**18.6**	136.1	70.4
Net cash outflows from investing activities	**-**	(2.5)	(7.4)
Net cash flows from financing activities	**-**	-	-

The assets and liabilities relating to SUSE were presented as held for sale following the shareholder approval on August 21, 2018. Costs to sell have been included in trade and other payables.

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37 Discontinued operation, assets classified as held for sale and disposals continued

A. SUSE Business continued

	Note	October 31, 2019 $m	October 31, 2018 $m
Non-current assets			
Goodwill	**10**	**-**	859.6
Other Intangible assets	**11**	-	165.6
Property, plant and equipment	**12**	**-**	5.7
Investment in associates		-	9.6
Deferred tax assets		**-**	1.6
Long-term pension assets	**25**	-	1.5
Other non-current assets		**-**	2.2
		-	1,045.8
Current assets			
Trade and other receivables		-	65.8
Cash and cash equivalents		**-**	2.9
		-	68.7
Total assets held for sale		**-**	1,114.5
Current liabilities			
Trade and other payables		**-**	(38.0)
Provisions	**24**	-	(0.7)
Current tax liabilities		**-**	(1.2)
Deferred income		-	(218.3)
		-	(258.2)
Non-current liabilities			
Deferred income		**-**	(160.8)
Retirement benefit obligations	**25**	-	(5.5)
Long-term provisions	**24**	**-**	(2.3)
Other non-current liabilities		-	(0.6)
		-	(169.2)
Total liabilities held for sale		-	(427.4)
Net assets classified as held for sale		**-**	687.1

Disposal of the SUSE business

On March 15, 2019, the Group disposed of the SUSE business for $2,540.3m. Details of net assets disposed of and the profit on disposal are as follows:

	Carrying value pre-disposal $m
Non-current assets classified as held for sale	**989.8**
Current assets classified as held for sale	**127.3**
Current liabilities classified as held for sale	**(288.5)**
Non-current liabilities classified as held for sale	**(177.3)**
Net assets disposed	**651.3**

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37 Discontinued operation, assets classified as held for sale and disposals continued

A. SUSE Business continued

The profit on disposal is calculated as follows:

	$m
Disposal proceeds	**2,540.3**
Costs to sell recognized in the period	**(45.3)**
Disposal proceeds, less costs to sell recognized in the period	**2,495.0**
Net assets disposed	**(651.3)**
Profit on disposal	**1,843.7**
Cumulative exchange gain in respect of the net assets of the subsidiaries, reclassified from equity on disposal	**(75.8)**
Profit on disposal	**1,767.9**

The profit on disposal is reflected in the profit for the period from discontinued operations in the Consolidated statement of comprehensive income. All cash flows occurred in the current period.

The inflow of cash and cash equivalents on the disposal of the SUSE business is calculated as follows:

	$m
Disposal proceeds, less total costs to sell	**2,495.0**
Cash disposed	**(21.5)**
Investing cash flows generated from discontinued operations, net of cash disposed	**2,473.5**

B. Atalla

On May 18, 2018 the Company entered into an agreement with Utimaco Inc. (“Utimaco”), under which Utimaco would acquire Atalla for $20m in cash. The deal was subject to regulatory approval by the Committee on Foreign Investment in the United States (“CFUIS”). CFIUS placed the deal into investigation in September and final approval was received October 10, 2018. The deal closed on November 5, 2018 and Utimaco acquired the Atalla HSM product line, the Enterprise Security Manger (“ESKM”) product line, and related supporting assets, including applicable patents and other IP.

The assets and liabilities relating to the Atalla business included in the Financial Statements at October 31, 2018 amount to $17.7m.

	Note	**October 31, 2019 $m**	October 31, 2018 $m
Goodwill	**10**	**-**	27.9
Property, plant and equipment	**12**	**-**	0.1
Non-current assets		**-**	28.0
Deferred income		**-**	(10.3)
Current liabilities		**-**	(10.3)
Net assets classified as held for sale		**-**	17.7

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37 Discontinued operation, assets classified as held for sale and disposals continued

B. Atalla continued

On November 5, 2018, the Group disposed of the Atalla business for a net cash consideration of $20.0m. Details of net assets disposed of and the profit on disposal are as follows:

	Carrying value pre-disposal $m
Goodwill	**28.0**
Property, plant and equipment	**0.3**
Non-current assets	**28.3**
Deferred income	**(12.0)**
Current liabilities	**(12.0)**
Net assets disposed	**16.3**

The profit on disposal which has been recorded as exceptional (note 4) is calculated as follows:

	$m
Disposal proceeds	**20.0**
Net assets disposed	**(16.3)**
Profit on disposal	**3.7**

38 Acquisitions

Summary of acquisitions

	Carrying value at acquisition $m	Fair value adjustments $m	Goodwill $m	Consideration: Shares $m	Consideration: Cash $m	Consideration: Total $m
Acquisitions in the 12 months ended October 31, 2019:						
Interset Software Inc.	**0.9**	**61.3**	**26.8**	**-**	**89.0**	**89.0**
	0.9	**61.3**	**26.8**	**-**	**89.0**	**89.0**
Acquisitions in the 18 months ended October 31, 2018:						
HPE Software business	(2,487.8)	4,143.7	4,858.3	6,514.2	-	6,514.2
COBOL-IT	(3.0)	14.0	5.6	-	16.7	16.7
	(2,490.8)	4,157.7	4,863.9	6,514.2	16.7	6,530.9
	(2,489.8)	**4,219.0**	**4,890.7**	**6,514.2**	**105.7**	**6,619.9**

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38 Acquisitions continued

Acquisitions in the 12 months ended October 31, 2019:

1 Acquisition of Interset Software Inc.
On February 15, 2019, the Group completed the acquisition of Interset Software Inc. ("Interset"), a worldwide leader in security analytics software that provides highly intelligent and accurate cyber-threat protection. The addition of this predictive analytics technology adds depth to Micro Focus' Security, Risk & Governance portfolio, and aligns with the Company's strategy to help customers quickly and accurately validate and assess risk as they digitally transform their businesses.

Consideration of $89.0m consists of a completion payment of $85.0m, working capital adjustments and net cash adjustments. The Group has not presented the full IFRS 3 "Business Combinations" disclosures as this acquisition is not material to the Group, given that it was an acquisition of a business with a carrying value of $5.5m of assets and $4.6m of liabilities.

A provisional fair value review was carried out on the assets and liabilities of the acquired business, resulting in the identification of intangible assets. Adjustments to the provisional fair values have been recorded in the period which has reduced the amount of Goodwill recognized by $7.4m. At the time these consolidated financial statements were authorised for issue, the Group had not yet fully completed its assessment of the Interset Software Inc. acquisition.

The fair value review will be finalised in the 12-month period following completion.

	Note	Carrying value at acquisition $m	Fair value adjustments $m	Fair value $m
Intangible assets – purchased [1]	**11**	-	61.2	**61.2**
Property, plant and equipment	**12**	0.3	-	**0.3**
Other non-current assets		0.2	-	**0.2**
Trade and other receivables		3.8	-	**3.8**
Cash and cash equivalent		1.2	-	**1.2**
Trade and other payables		(1.5)	-	**(1.5)**
Finance leases obligations – short-term		(0.1)	-	**(0.1)**
Provisions – short-term	**24**	(0.7)	-	**(0.7)**
Deferred income – short-term [2]		(2.1)	0.1	**(2.0)**
Deferred income – long-term [2]		(0.2)	-	**(0.2)**
Net assets		0.9	61.3	**62.2**
Goodwill (note 10)				**26.8**
Consideration				**89.0**
Consideration satisfied by:				
Cash				**89.0**

The fair value adjustments relate to:
1 Purchased intangible assets of $61.2m ($44.5m Technology, $4.2m Trade names, $12.5m Customer Relationships) have been valued based on a market participant point of view and the fair value has been based on various characteristics of the product lines and intangible assets of Interset.
2 Deferred income has been valued taking account of the remaining performance obligations**.**

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

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38 Acquisitions continued

Acquisitions in the year ended October 31, 2018:

1 Acquisition of the HPE Software business

On September 1, 2017, the Company completed the acquisition of HPE's software business ("HPE Software") by way of merger with a wholly owned subsidiary of HPE incorporated to hold the business of HPE Software in accordance with the terms of the previously announced merger agreement ("Completion"). Accordingly, on Admission, American Depositary Shares representing 222,166,897 Consideration Shares were issued to HPE Shareholders, representing 50.1% of the fully diluted share capital of the Company. The fair value of the ordinary shares issued was based on the listed share price of the Company as of August 31, 2017 of $6.5 billion. The costs of acquiring the HPE Software business of $70.1m are included in exceptional items (note 4) and include costs relating to due diligence work, legal work on the acquisition agreement and professional advisors on the transaction.

There was judgment used in identifying who the accounting acquirer was in the acquisition of the HPE Software business, as the resulting shareholdings were not definitive to identify the entity, which obtains control in the transaction. The Group considered the other factors laid down in IFRS, such as the composition of the governing body of the combined entity, composition of senior management of the combined entity, the entity that issued equity interest, terms of exchange of equity interests, the entity which initiated the combination, relative size of each entity, the existence of a large minority voting interest in the combined entity and other factors (e.g. location of headquarters of the combined entity and entity name). The conclusion of this assessment is that the Company is the accounting acquirer of the HPE Software business, and the acquisition accounting, as set out below, has been performed on this basis.

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

	Note	Carrying value at acquisition $m	Fair value adjustments $m	Fair value $m
Intangible assets	**11**	72.8	6,467.0	**6,539.8**
Property, plant and equipment	**12**	160.1	-	**160.1**
Other non-current assets		41.9	-	**41.9**
Inventories		0.2	-	**0.2**
Trade and other receivables		721.2	-	**721.2**
Current tax recoverable		0.5	-	**0.5**
Cash and cash equivalents		320.7	-	**320.7**
Trade and other payables		(686.8)	1.6	**(685.2)**
Current tax liabilities		(9.9)	-	**(9.9)**
Borrowings		(2,547.6)	-	**(2,547.6)**
Short-term provisions	**24**	(30.2)	-	**(30.2)**
Short-term deferred income [2]		(701.2)	58.0	**(643.2)**
Long-term deferred income [2]		(116.9)	8.7	**(108.2)**
Long-term provisions	**24**	(39.0)	-	**(39.0)**
Retirement benefit obligations	**25**	(71.5)	-	**(71.5)**
Other non-current liabilities		(52.3)	12.1	**(40.2)**
Deferred tax assets/(liabilities) [3]		450.2	(2,403.7)	**(1,953.5)**
Net (liabilities)/assets		(2,487.8)	4,143.7	**1,655.9**
Goodwill	**10**	-		**4,858.3**
Consideration				**6,514.2**
Consideration satisfied by:				
Shares				**6,514.2**

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $4,858.3m has been capitalized. The Group made a repayment of working capital in respect of the HPE Software business acquisition of $225.8m in the period.

Trade and other receivables are net of a provision for impairment of trade receivables of $21.5m.

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38 Acquisitions continued

Acquisitions in the 12 months ended October 31, 2018 continued**:**

1 Acquisition of HPE Software business continued

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

The fair value adjustments include:

1 Purchased intangible assets have been valued based on a market participant point of view and the fair value has been based on various characteristics of the product lines and intangible assets of the HPE Software business;
2 Deferred income has been valued taking account of the remaining performance obligations; and
3 A deferred tax liability has been established relating to the purchase of intangibles.

The purchased intangible assets acquired as part of the acquisition can be analyzed as follows (note 11):

	Fair value $m
Technology	**1,809.0**
Customer relationships	**4,480.0**
Trade names	**163.0**
Leases	**15.0**
	6,467.0

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

As a consequence of the HPE Software business transaction, the Group is subject to potentially significant restrictions relating to tax issues that could limit the Group's ability to undertake certain corporate actions (such as the issuance of Micro Focus shares or Micro Focus ADSs or the undertaking of a merger or consolidation) that otherwise could be advantageous to the Group. The Group is obliged to indemnify HPE for tax liabilities relating to the separation of the HPE Software business from HPE if such liabilities are triggered by actions taken by the Group. The Group has robust procedures in place, including on-going consultation with its tax advisors, to ensure no such triggering actions are taken.

2 Acquisition of COBOL-IT, SAS

On December 1, 2017, the Group completed on the acquisition of COBOL-IT SAS ("COBOL-IT"). COBOL-IT is in the business of designing, editing and commercialization of software, IT devices and related services.

Consideration of $16.7m consists of a completion payment of Euro 11.3m, retention amounts of Euro 2.7m payable at a later date, working capital adjustments and net cash adjustments. The Group did not present the full IFRS 3 "Business Combinations" disclosures as this acquisition was not material to the Group.

A fair value review was carried out on the assets and liabilities of the acquired business, resulting in the identification of intangible assets. The fair value review was finalised in the 12 month period following completion, which ended on November 30, 2018. Goodwill of $5.6m (note 10), deferred tax liabilities of $3.9m, purchased intangibles of $14.0m (note 11) (Purchased Technology $1.5m, Customer relationships $12.3m and Trade names $0.2m) and cash of $1.0m were recorded as a result of the COBOL-IT acquisition and no adjustments were identified.

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38 Acquisitions continued

Acquisitions in the 12 months ended October 31, 2018 continued**:**

3 Acquisition of Covertix

On May 15, 2018, the Group entered into an Asset Purchase Agreement ("the agreement") to acquire certain assets of Covertix, an Israeli company that had entered voluntary liquidation in April 2018. Covertix used their patented solutions to develop and sell security products that offered control and protection of confidential files when shared with both internal and external parties. Prior to entering liquidation Covertix had offices in Israel and the US, with partners in the Netherlands and Singapore.

Under the agreement, the Group paid $2.5m in cash to acquire certain equipment, patents, and licence rights under certain agreements, and seven employees all involved in R&D activities. The purchase completed on July 26, 2018.

Under IFRS 3, the Covertix Ltd. acquisition was considered to be a business combination, however due to the immaterial amount of the transaction, the assets acquired have been recorded at cost and are being amortized over their useful lives within the ledgers of the acquiring entities. The Company did not create a new subsidiary for Covertix and no goodwill has been recorded.

Acquisitions in the year ended April 30, 2017:

1 Acquisition of Serena Software Inc.

On May 2, 2016, the Group acquired the entire share capital of Spartacus Acquisition Holdings Corp. the holding company of Serena Software Inc. ("Serena") and its subsidiaries for $277.6m, payable in cash at completion. The Group then repaid the outstanding Serena bank borrowings of $316.7m as at May 2, 2016, making the total cash outflow for the Group of $528.5m, net of cash acquired of $65.8m. The transaction costs for the Serena acquisition were $0.9m ($0.5m was incurred in the 12 months ended April 30, 2016).

The acquisition is highly consistent with the Group's established acquisition strategy and focus on the efficient management of mature infrastructure software products.

Serena is a leading provider of enterprise software focused on providing Application Lifecycle Management products for both mainframe and distributed systems. Whilst Serena is headquartered in San Mateo, California the operations are effectively managed from offices in Hillsboro, Oregon and St. Albans in the United Kingdom. It operates in a further 10 countries. The Serena Group's customers are typically highly regulated large enterprises, across a variety of sectors including banking, insurance, telco, manufacturing and retail, healthcare and government.

Serena was integrated into the Micro Focus Product Portfolio and the revenues reported in the Development and IT Operations Management Tools sub-portfolio.

The transaction was funded through the Group's existing cash resources together with additional debt and equity finance arranged through Barclays, HSBC, the Royal Bank of Scotland and Numis Securities. On May 2, 2016, the Group's existing revolving credit facility was extended from $225m to $375m and the Group raised approximately £158.2m (approximately $225.7m) through a Placing underwritten by Numis Securities incurring $3.0m of costs associated with the Placing in March 2016.

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

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

	Fair value $m
Technology	**86.1**
Customer relationships	**210.2**
Trade names	**21.4**
	317.7

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38 Acquisitions continued

Acquisitions in the 12 months ended October 31, 2017 continued

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

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $379.7m has been capitalized.

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

	Carrying value at acquisition $m	Fair value adjustments $m	Fair value $m
Goodwill	462.4	(462.4)	-
Intangible assets - purchased	-	317.7	**317.7**
Intangible assets[1] - other	0.1	-	**0.1**
Property, plant and equipment	1.9	-	**1.9**
Other non-current assets	0.2	-	**0.2**
Deferred tax asset	15.3	-	**15.3**
Trade and other receivables	27.4	-	**27.4**
Cash and cash equivalents	65.8	-	**65.8**
Trade and other payables	(27.7)	-	**(27.7)**
Current tax liabilities	(11.8)	-	**(11.8)**
Borrowings – short term	(4.0)	-	**(4.0)**
Short-term provisions	(3.2)	-	**(3.2)**
Short-term deferred income [2]	(72.3)	3.8	**(68.5)**
Long-term deferred income [2]	(14.9)	0.8	**(14.1)**
Borrowings – long term	(288.9)	-	**(288.9)**
Other non-current liabilities	(0.7)	-	**(0.7)**
Deferred tax liabilities [3]	(2.4)	(109.2)	**(111.6)**
Net assets/(liabilities)	**147.2**	**(249.3)**	**(102.1)**
Goodwill	-	-	**379.7**
Consideration	**-**	**-**	**277.6**
Consideration satisfied by:			**277.6**
Cash			**277.6**

The fair value adjustments relate to:

1 Purchased intangible assets have been valued based on a market participant point of view and the fair value has been based on various characteristics of the product lines and intangible assets of Serena;

2 Deferred income has been valued taking account of the remaining performance obligations; and

3 A deferred tax liability has been established relating to the purchase of intangibles.

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38 Acquisitions continued

Acquisitions in the year ended April 30, 2017 continued**:**

2 Acquisition of GWAVA Inc.

On September 30, 2016, the Group acquired the entire share capital of GWAVA Inc. ("GWAVA") and its subsidiaries for $16.4m, payable in cash at completion. The transaction costs for the GWAVA acquisition were $1.5m.

The acquisition is highly consistent with the Group's established acquisition strategy and focus on the efficient management of mature infrastructure software products.

GWAVA is a leading company in email security and enterprise information archiving ("EIA"). GWAVA has approximately 90 employees, based in the US, Canada and Germany. More than a million users across 60 countries rely on its products in over 3,000 customer organizations, supported by GWAVA's global team, with a further 1,000 GWAVA business partners collaborating closely to ensure successful customer solutions. In addition to GWAVA's award winning EIA product Retain, GWAVA has a full suite of products to protect, optimize, secure and ensure compliance for customers running Micro Focus GroupWise.

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

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

	Carrying value at acquisition $m	Fair value adjustments $m	Fair value $m
Intangible assets – purchased[1]	-	5.3	**5.3**
Intangible assets – other [2]	1.2	(1.2)	**-**
Property, plant and equipment	0.2	-	**0.2**
Trade and other receivables	3.0	-	**3.0**
Cash and cash equivalents	2.4	-	**2.4**
Trade and other payables	(1.4)	-	**(1.4)**
Short-term deferred income [3]	(4.0)	0.3	**(3.7)**
Long-term deferred income [3]	(0.8)	-	**(0.8)**
Deferred tax liabilities [4]	-	(1.4)	**(1.4)**
Net assets	**0.6**	**3.0**	**3.6**
Goodwill			**12.8**
Consideration			**16.4**
Consideration satisfied by:			
Cash			**16.4**

The fair value adjustments relate to:

1 Purchased intangible assets have been valued based on a market participant point of view and the fair value has been based on various characteristics of the product lines and intangible assets of GWAVA Inc.;
2 Other intangible assets relating to historic IP has been written down to nil;
3 Deferred income has been valued taking account of the remaining performance obligations; and
4 A deferred tax liability has been established relating to the purchase of intangibles.

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Acquisitions in the year ended April 30, 2017 continued

2 Acquisition of GWAVA Inc. continued

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

	Fair value $m
Technology	**4.1**
Customer relationships	**0.5**
Trade names	**0.7**
	5.3

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

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $12.8m has been capitalized.

3 Acquisition of OpenATTIC

On November 1, 2016, the Group acquired the OpenATTIC storage management technology and engineering talent from the company it-novum GmbH for a cash consideration of 4.7m Euros ($5.0m). The OpenATTIC technology aligns perfectly with SUSE's strategy to provide open source, software defined infrastructure solutions for the enterprise and will strengthen SUSE Enterprise Storage solution by adding enterprise grade storage management capabilities to the portfolio. The transaction costs for the OpenATTIC acquisition were $1.2m. OpenATTIC will be included in the Group's SUSE business disposal.

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

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

	Carrying value at acquisition $m	Fair value adjustments $m	Fair value $m
Intangible assets – purchased technology	-	5.0	**5.0**
Net assets	**-**	**5.0**	**5.0**
Goodwill			**-**
Consideration	**-**	**-**	**5.0**
Consideration satisfied by:			
Cash			**5.0**

4 Acquisition of OpenStack

During the year ended April 30, 2017, the Group acquired purchased technology and talent from HPE for $nil consideration that will expand SUSE's OpenStack Infrastructure-as-a-Service ("IaaS") solution and accelerate SUSE's entry into the growing Cloud Foundry Platform-as-a-Service ("PaaS") market, subject to regulatory clearances. The last regulatory clearance was received on March 8, 2017 and the deal was completed then. OpenStack will be included in the Group's SUSE business disposal.

The acquired OpenStack technology assets were integrated into SUSE OpenStack Cloud and the acquired Cloud Foundry and PaaS assets will enable SUSE in the future to bring to market a certified, enterprise-ready SUSE Cloud Foundry PaaS solution for all customers and partners in the SUSE ecosystem. Additionally, SUSE has increased engagement with the Cloud Foundry Foundation, becoming a platinum member and taking a seat on the Cloud Foundry Foundation Board.

As part of the transaction, HPE has named SUSE as its preferred open source partner for Linux, OpenStack IaaS and Cloud Foundry PaaS. HPE's choice of SUSE as their preferred open source partner further cements SUSE's reputation for delivering high-quality, enterprise-grade open source solutions and services.

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39. Cash Flow Statement

	Note	12 months ended October 31, 2019 $m	18 months ended October 31, 2018 $m	12 months ended April 30, 2017[1] $m
Cash flows from operating activities				
(Loss) / Profit from continuing operations		**(18.1)**	707.2	124.1
Profit from discontinued operation		**1,487.2**	76.9	33.7
Profit for the period		**1,469.1**	784.1	157.8
Adjustments for:				
Gain on disposal of discontinued operation	**37**	**(1,767.9)**	-	-
Net finance costs	**6**	**255.8**	342.7	95.8
Taxation – continuing operations	**7**	**(16.0)**	(673.1)	38.5
Taxation – discontinued operation	**37**	**318.1**	34.2	-
Share of results of associates		**0.3**	1.8	1.3
Operating profit (attributable to continuing and discontinued operations)		**259.4**	489.7	293.4
- continuing operations		**221.7**	376.8	293.4
- discontinued operation	**37**	**37.7**	112.9	-
		259.4	489.7	293.4
Research and development tax credits		**(1.2)**	(2.0)	(3.0)
Depreciation	**12**	**66.5**	95.2	11.8
Loss on disposal of property, plant and equipment		**3.6**	4.7	0.5
Gain on disposal of Atalla	**37, 4**	**(3.7)**	-	-
Amortization of intangible assets	**11**	**716.5**	943.3	236.4
Amortization of contract-related costs		**10.2**	-	-
Share-based compensation charge	**33**	**71.3**	72.2	34.5
Foreign exchange movements		**11.1**	(34.6)	(4.9)
Provisions movements	**24**	**43.8**	142.8	47.3
Changes in working capital:				
Inventories		**-**	0.1	-
Trade and other receivables		**183.0**	(408.8)	10.3
Increase in contract-related costs		**(36.7)**	-	-
Payables and other liabilities		**(114.8)**	131.3	(33.3)
Provision utilization	**24**	**(58.6)**	(145.0)	(43.5)
Contract liabilities - deferred income		**(98.5)**	131.4	15.5
Pension funding in excess of charge to operating profit		**4.4**	4.0	(0.2)
Cash generated from operations		**1,056.3**	1,424.3	564.8

[1] The comparatives for the 12 months to April 30, 2017 have been revised to reflect the divestiture of the SUSE business segment (note 37)

Exhibit 1.1

TRAVERS SMITH

Company No. 5134647

The Companies Act 2006

Company Limited by Shares

ARTICLES OF ASSOCIATION

of

MICRO FOCUS INTERNATIONAL PLC
(incorporated on 21 May 2004)

Adopted by special resolution passed on 26 September 2013, and amended by special resolution on 27 October 2014 and on 26 May 2017.

Travers Smith LLP
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The Companies Act 2006

Company Limited by Shares

Articles of Association

Adopted by special resolution passed on 26 September 2013, and amended by special resolution on 27 October 2014 and on 26 May 2017

of

Micro Focus International PLC

Preliminary

1 Exclusion of other regulations

No regulations set out in any Statutes shall apply as the regulations or articles of the Company.

2 Interpretation

In these Articles (if not inconsistent with the subject or context) the words and expressions set out in the first column below shall bear the meanings set opposite to them respectively:

"these Articles"	These Articles of Association as from time to time altered.
"Company"	Micro Focus International PLC, with registered number 5134647.
the **"CREST Regulations"**	The Uncertificated Securities Regulations 2001.
"Directors"	The Directors of the Company from time to time.
"in writing"	Written or produced by any substitute for writing (including anything in electronic form) or partly one and partly another.
the **"London Stock Exchange"**	London Stock Exchange plc.
"month"	Calendar month.
"Office"	The registered office of the Company for the time being.
"Operator"	CRESTCo Limited or such other person as may for the time being be approved by H.M. Treasury as Operator under the CREST Regulations.
"Operator-instruction"	A properly authenticated dematerialised instruction attributable to the Operator.
"paid"	Paid or credited as paid.

"participating security"	A security title to units of which is permitted by the Operator to be transferred by means of a relevant system.
"Procedural Resolution"	A resolution at a shareholders' meeting which in the opinion of the chairman is of a procedural nature (such as a resolution on the choice of a chairman of the meeting or a resolution to adjourn the meeting).
"Register"	The register of members of the Company.
"relevant system"	A computer-based system, and procedures, which enable title to units of a security to be evidenced and transferred without a written instrument pursuant to the CREST Regulations.
"Seal"	The Common Seal of the Company.
"Securities Seal"	An official seal kept by the Company for sealing securities issued by the Company, or for sealing documents creating or evidencing securities so issued, as permitted by the Companies Acts.
the **"Statutes"**	The Companies Acts, the CREST Regulations and every other enactment, statutory instrument or other subordinate legislation for the time being in force concerning companies and affecting the Company.
"Substantive Resolution"	Any resolution at a shareholders' meeting, other than a Procedural Resolution.
"Transfer Office"	The place where the Register is situate for the time being.
the **"UK Listing Authority"**	The Financial Services Authority in its capacity as competent authority for official listing under Part VI of the Financial Services and Markets Act 2000.
the **"United Kingdom"**	The United Kingdom of Great Britain and Northern Ireland.
"year"	Calendar year.

The expressions **"debenture"** and **"debenture holder"** shall respectively include "debenture stock" and "debenture stockholder".

The expressions **"recognised clearing house"** and **"recognised investment exchange"** shall mean any clearing house or investment exchange (as the case may be) granted recognition under the Financial Services and Markets Act 2000.

The expression **"Secretary"** shall include any person appointed by the Directors to perform any of the duties of the Secretary including, but not limited to, a joint, assistant or deputy Secretary.

The expression **"officer"** shall include a Director, manager and the Secretary, but shall not include an auditor.

The expression **"shareholders' meeting"** shall include both a General Meeting and a meeting of the holders of any class of shares of the Company. The expression **"General Meeting"** shall include any general meeting of the Company, including any general meeting held as the Company's annual general meeting in accordance with Section 360 of the Companies Act 2006 (**"Annual General Meeting"**).

All such of the provisions of these Articles as are applicable to paid-up shares shall apply to stock, and the words **"share"** and **"shareholder"** shall be construed accordingly.

The expressions **"hard copy form" "electronic form"** and **"electronic means"** shall have the same respective meanings as in the Company Communications Provisions.

The expression **"address"** shall include any number or address (including, in the case of any Uncertificated Proxy Instruction permitted under Article 64, an identification number of a participant in the relevant system) used for the purposes of sending or receiving notices, documents or information by electronic means and/or by means of a website.

The expression **"Companies Acts"** shall have the meaning given thereto by Section 2 of the Companies Act 2006 but shall only extend to provisions which are in force at the relevant date.

The expression **"Company Communications Provisions"** shall have the same meaning as in the Companies Acts.

The expression **"working day"** shall have the meaning given thereto by Section 1173 of the Companies Act 2006.

Except where the context otherwise requires, any reference to issued shares of any class (whether of the Company or of any other company) shall not include any shares of that class held as treasury shares.

Words denoting the singular shall include the plural and vice versa. Words denoting the masculine shall include the feminine. Words denoting persons shall include bodies corporate and unincorporated associations.

References to any statute or statutory provision shall be construed as relating to any statutory modification or re-enactment thereof for the time being in force (whether coming into force before or after the adoption of these Articles).

References to a share (or to a holding of shares) being in certificated or uncertificated form are references, respectively, to that share being a certificated or an uncertificated unit of a security for the purposes of the CREST Regulations.

Subject as aforesaid any words or expressions defined in the Companies Acts or the CREST Regulations shall (if not inconsistent with the subject or context) bear the same meanings in these Articles.

A Special Resolution shall be effective for any purpose for which an Ordinary Resolution is expressed to be required under any provision of these Articles.

Limited Liability

3 Limited Liability

The liability of members is limited to the amount, if any unpaid on the shares held by them.

Share Capital

4 Consolidation, subdivision and cancellation

4.1 Subject to the provisions of the Statutes, the Company may by Ordinary Resolution:

(a) Consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

(b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;

(c) subdivide its shares, or any of them, into shares of a smaller amount than its existing shares, and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares.

4.2 Whenever as a result of a consolidation or subdivision of shares any members would become entitled to fractions of a share, the Directors may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Statutes, the Company) and distribute the net proceeds of sale in due proportion among those members, and the Directors may authorise some person to transfer the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale. So far as the Statutes allow, the Directors may treat shares of a member in certificated form and in uncertificated form as separate holdings in giving effect to subdivisions and/or consolidations and may cause any shares arising on consolidation or subdivision and representing fractional entitlements to be entered in the Register as shares in certificated form where this is desirable to facilitate the sale thereof.

5 Purchase of own shares

5.1 Subject to the provisions of the Statutes, the Company may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class (including any redeemable shares) but so that if there shall be in issue any shares which are admitted to the official list maintained by the UK Listing Authority and which are convertible into equity share capital of the Company of the class proposed to be purchased, then the Company shall not purchase, or enter into a contract under which it will or may purchase, such equity securities unless either:

(a) the terms of issue of such convertible securities include provisions permitting the Company to purchase its own equity shares or providing for adjustment to the conversion terms upon such a purchase; or

(b) the purchase, or the contract, has first been approved by a Special Resolution passed at a separate meeting of the holders of such convertible securities.

5.2 The Company may not exercise any right in respect of treasury shares held by it, including any right to attend or vote at meetings, to participate in any offer by the Company to shareholders or to receive any distribution (including in a winding-up), but without prejudice to its right to sell the treasury shares, to transfer the shares for the purposes of or pursuant to an employees' share scheme, to receive an allotment of shares as fully paid bonus shares in respect of the treasury shares or to receive any amount payable on redemption of any redeemable treasury shares.

6 Reduction of capital

Subject to the provisions of the Statutes, the Company may by Special Resolution reduce its share capital, share premium account, capital redemption reserve or other undistributable reserve in any way.

7 Rights attaching to shares on issue

Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes the Company may issue any shares which are, or at the option of the Company or the holder are liable, to be redeemed. The Directors can decide on the terms and conditions and the manner of redemption of any redeemable shares. These terms and conditions will apply to the relevant shares as if set out in full in these Articles.

8 Commissions on issue of shares

The Company may exercise the powers of paying commissions conferred by the Statutes to the full extent thereby permitted. The Company may also on any issue of shares pay such brokerage as may be lawful.

9 Renunciation of allotment

The Directors may at any time after the allotment of any share but before any person has been entered in the Register as the holder:

(a) recognise a renunciation thereof by the allottee in favour of some other person and accord to any allottee of a share a right to effect such renunciation; and/or

(b) allow the rights represented thereby to be one or more participating securities,

in each case upon and subject to such terms and conditions as the Directors may think fit to impose.

10 Trust etc. interests not recognised

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the holder.

Share Certificates

11 Issue of share certificates

Every person (except a person to whom the Company is not required by law to issue a certificate) whose name is entered in the Register in respect of shares in certificated form shall upon the issue or transfer to him of such shares be entitled without payment to a certificate therefor (in the case of issue) within one month (or such longer period as the terms of issue shall provide) after allotment or (in the case of a transfer of fully-paid shares) within five business days after lodgement of the transfer or (in the case of a transfer of partly-paid shares) within two months after lodgement of the transfer or (in the case of the surrender of a share warrant for cancellation) within two months of the surrender of the warrant.

12 Form of share certificate

Every share certificate shall be executed by the Company in such manner as the Directors may decide (which may include use of the Seal or the Securities Seal (or, in the case of shares on a branch register, an official seal for use in the relevant territory) and/or manual or facsimile signatures by one or more Directors) and shall specify the number and class of shares to which it relates and the amount paid up thereon. No certificate shall be issued representing shares of more than one class.

13 Joint holders

In the case of a share held jointly by several persons in certificated form the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of the joint holders shall be sufficient delivery to all.

14 Replacement of share certificates

14.1 Any two or more certificates representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.

14.2 If any member shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request.

14.3 If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the holder upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of any exceptional out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.

14.4 In the case of shares held jointly by several persons any such request may be made by any one of the joint holders.

Calls on Shares

15 Power to make calls

The Directors may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or, when permitted, by way of premium) but subject always to the terms of allotment of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

16 Liability for calls

Each member shall (subject to being given at least 14 days' notice in writing specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be wholly or partly revoked or postponed as the Directors may determine.

17 Interest on overdue amounts

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding 15 per cent per annum) as the Directors determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.

18 Other sums due on shares

Any sum (whether on account of the nominal value of the share or by way of premium) which by the terms of allotment of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of allotment the same becomes payable. In case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

19 Power to differentiate between holders

The Directors may on the allotment of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

20 Payment of calls in advance

The Directors may if they think fit receive from any member willing to advance the same all or any part of the moneys (whether on account of the nominal value of the shares or by way of premium) uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish *pro tanto* the liability upon the shares in respect of which it is made and upon the money so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate as the member paying such sum and the Directors may agree.

Forfeiture and Lien

21 Notice on failure to pay a call

21.1 If a member fails to pay in full any call or instalment of a call on or before the due date for payment thereof, the Directors may at any time thereafter serve a notice in writing on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

21.2 The notice shall name a further day (not being less than seven days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.

22 Forfeiture for non-compliance

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

23 Disposal of forfeited shares

A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposal the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such other person as aforesaid.

24 Holder to remain liable despite forfeiture

A person whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares. He shall, in the case of shares held in certificated form, surrender to the Company for cancellation the certificate for such shares. He shall nevertheless remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at 15 per cent per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment. The Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or for any consideration received on their disposal. They may also waive payment in whole or in part.

25 Lien on partly-paid shares

The Company shall have a first and paramount lien on every share (not being a fully-paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share and the Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

26 Sale of shares subject to lien

The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing demanding payment of the sum presently payable and giving notice of intention to sell the share in default of payment shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy or otherwise by operation of law.

27 Proceeds of sale of shares subject to lien

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the amount in respect whereof the lien exists so far as the same is then payable and any residue shall, upon surrender (in the case of shares held in certificated form) to the Company for cancellation of the certificate for the shares sold and subject to a like lien for sums not presently payable as existed upon the shares prior to the sale, be paid to the person entitled to the shares at the time of the sale. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer the shares sold to, or in accordance with the directions of, the purchaser.

28 Evidence of forfeiture

A statutory declaration that the declarant is a Director or the Secretary and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration shall (subject to the relevant share transfer being made, if the same be required) constitute a good title to the share. The person to whom the share is sold, re-allotted or disposed of shall not be bound to see to the application of the consideration (if any). The title of such person to the share shall not be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

Variation of Rights

29 Manner of variation of rights

29.1 Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.

29.2 To every such separate meeting all the provisions of these Articles relating to General Meetings and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall in accordance with Article 45 be a quorum) and that any holder of shares of the class present in person or by proxy in accordance with Article 45 may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.

29.3 The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

30 Matters not constituting variation of rights

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by (a) the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto or (b) the purchase or redemption by the Company of any of its own shares.

Transfer of Shares

31 Form of transfer

31.1 All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. All instruments of transfer which are registered may be retained by the Company.

31.2 All transfers of shares which are in uncertificated form shall, unless the CREST Regulations otherwise provide, be effected by means of a relevant system.

32 Balance certificate

Where some only of the shares comprised in a share certificate are transferred the old certificate shall be cancelled and, to the extent that the balance is to be held in certificated form, a new certificate for the balance of such shares issued in lieu without charge.

33 Right to refuse registration

33.1 The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless it is in respect of only one class of share, it is lodged (duly stamped if required) at the Transfer Office accompanied by the relevant share certificate(s) and when lodged it is accompanied by such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (or, if the instrument of transfer is executed by some other person on his behalf, the authority of that person) so to do. In the case of a transfer of shares in certificated form by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange the lodgement of share certificates will only be necessary if and to the extent that certificates have been issued in respect of the shares in question.

33.2 The Directors may, in the case of shares in certificated form, in their absolute discretion refuse to register any transfer of shares (not being fully-paid shares) provided that, where any such shares are admitted to the official list maintained by the UK Listing Authority, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

33.3 The Directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly.

33.4 If the Directors refuse to register an allotment or transfer of shares they shall as soon as practicable and in any event within two months after the date on which:

(a) the letter of allotment or instrument of transfer was lodged with the Company (in the case of shares held in certificated form); or

(b) the Operator-instruction was received by the Company (in the case of shares held in uncertificated form),

send to the allottee or transferee notice in writing of the refusal giving reasons for the refusal.

34 No fee on registration

No fee will be charged by the Company in respect of the registration of any transfer or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register affecting the title to any shares.

35 Branch Register

Subject to and to the extent permitted by the Statutes, the Company, or the Directors on behalf of the Company, may cause to be kept in any territory a branch register of members resident in such territory, and the Directors may make and vary such regulations as they may think fit respecting the keeping of any such register.

36 Further provisions on shares in uncertificated form

36.1 Subject to the Statutes and the rules (as defined in the CREST Regulations), and apart from any class of wholly dematerialised security, the Directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of a relevant system or that shares of any class should cease to be held and transferred as aforesaid.

36.2 The provisions of these Articles shall not apply to shares of any class which are in uncertificated form to the extent that such Articles are inconsistent with:

(a) the holding of shares of that class in uncertificated form;

(b) the transfer of title to shares of that class by means of a relevant system; or

(c) any provision of the CREST Regulations.

Transmission of Shares

37 Persons entitled on death

In case of the death of a member, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares, but nothing in this Article shall release the estate of a deceased member (whether sole or joint) from any liability in respect of any share held by him.

38 Election by persons entitled by transmission

A person becoming entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share either be registered himself as holder of the share upon giving to the Company notice in writing to that effect or transfer such share to some other person. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the notice or transfer were a transfer made by the member registered as the holder of any such share.

39 Rights of persons entitled by transmission

Save as otherwise provided by or in accordance with these Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to shareholders' meetings until he shall have been registered as a member in respect of the share.

Untraced Shareholders

40 Untraced Shareholders

40.1 The Company shall be entitled to sell at the best price reasonably obtainable at the time of sale the shares of a member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if and provided that:

(a) during the period of 6 years prior to the date of the publication of the advertisements referred to in paragraph 40.1(b) below (or, if published on different dates, the first thereof) at least three dividends in respect of the shares have become payable and no dividend in respect of those shares has been claimed; and

(b) the Company shall on expiry of such period of 6 years have inserted advertisements in both a national newspaper and in a newspaper circulating in the area in which the last known postal address of the member or the postal address at which service of notices may be effected under these Articles is located giving notice of its intention to sell the said shares; and

(c) during the period of three months following the publication of such advertisements the Company shall have received no communication from such member or person.

40.2 To give effect to any such sale the Company may appoint any person to transfer, as transferor, the said shares and such transfer shall be as effective as if it had been carried out by the registered holder of or person entitled by transmission to such shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of sale shall belong to the Company which shall be obliged to account to the former member or other person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount which shall be a permanent debt of the Company. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments (other than shares of the Company or its holding company if any) as the Directors may from time to time think fit.

General Meetings

41 Annual General Meetings

An Annual General Meeting shall be held in each period of six months beginning with the day following the Company's accounting reference date at such place, date and time as may be determined by the Directors.

42 Convening of General Meetings

The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed to convene a General Meeting.

Notice of General Meetings

43 Notice

43.1 In accordance with the Statutes, an Annual General Meeting shall be called by notice of at least 21 days and any other General Meeting shall be called by notice of at least 14 days.

43.2 The period of notice of any General Meeting (including an Annual General Meeting) shall in either case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held.

43.3 Notice shall be given to all members other than such as are not under the provisions of these Articles entitled to receive such notices from the Company. The Company may determine that only those persons entered on the Register at the close of business on a day determined by the Company, such day being no more than 21 days before the day that notice of the meeting is sent, shall be entitled to receive such a notice.

44 Contents of notice of General Meetings

44.1 Every notice calling a General Meeting shall specify the place, date and time of the meeting.

44.2 There shall appear with reasonable prominence in every such notice a statement:

(a) that a member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote;

(b) that a proxy need not be a member of the Company;

(c) giving the address of the website on which the information required by Section 311A of the Companies Act 2006 is published;

(d) that the right to vote at the meeting is determined by reference to the register of members, and of the time when such right will be determined;

(e) of the procedures with which members must comply in order to be able to attend and vote at the meeting, including the date by which they must comply;

(f) giving details of any forms to be used to appoint a proxy;

(g) where the Company offers for member to vote in advance or by electronic means, the procedure for doing so, including the date by which such procedures must be complied with and details of any forms to be used; and

(h) a statement of the right of members to ask questions in accordance with Section 319A of the Companies Act 2006.

44.3 The notice shall specify the general nature of the business to be transacted at the meeting; and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

44.4 In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

44.5 For the purposes of determining which persons are entitled to attend or vote at a General Meeting and how many votes such persons may cast, the Company may specify in the notice of the General Meeting a time, not more than 48 hours before the time fixed for the General Meeting, not taking account of days which are not working days, by which a person must be entered on the Register in order to have the right to attend or vote at the General Meeting.

Proceedings at General Meetings

45 Attendance and speaking at General Meetings

45.1 A person is able to exercise the right to speak at a General Meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.

45.2 A person is able to exercise the right to vote at a General Meeting when:

(a) that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and

(b) that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

45.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a General Meeting to exercise their rights to speak or vote at it. Such arrangements may include but are not limited to convening a meeting by electronic means.

45.4 In determining attendance at a General Meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

45.5 Two or more persons who are not in the same place as each other attend a General Meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

46 Chairman

At any General Meeting the Chairman of the Directors, failing whom a Deputy Chairman, failing whom any Director present and willing to act and, if more than one, chosen by the Directors present at the meeting, shall preside as chairman. If no Director is present within five minutes after the time appointed for holding the meeting and willing to act as chairman, a member may be elected to be the Chairman by a resolution of the Company passed at the meeting.

47 Quorum

No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Two members present in person or by proxy in accordance with Article 45 and entitled to vote shall be a quorum for all purposes.

48 Lack of quorum

If within five minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, or if during the meeting a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to such day, time and place as may have been specified for the purpose in the notice convening the meeting or (if not so specified) as the chairman of the meeting may determine in accordance with these Articles.

49 Adjournment

The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. The adjourned meeting shall not take place prior to ten clear days after the date of the original meeting.

50 Notice of adjourned meeting

When a meeting is adjourned for 30 days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in accordance, mutatis mutandis, with Articles 43 and 44. Otherwise it shall not be necessary to give any such notice.

51 Amendments to resolutions

If an amendment shall be proposed to any Substantive Resolution under consideration but shall in good faith be ruled out of order by the Chairman of the meeting the proceedings on the Substantive Resolution shall not be invalidated by any error in such ruling.

In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

Polls

52 Demand for poll

52.1 At any General Meeting any Substantive Resolution put to the vote shall be decided on a poll, and any Procedural Resolution put to the vote shall be decided on a show of hands unless a poll is (before the resolution is put to the vote on a show of hands, or on the declaration of the result of the show of hands) demanded by:

(a) the chairman of the meeting; or

(b) not less than five members present in person or by proxy in accordance with Article 45 and entitled to vote; or

(c) a member or members present in person or by proxy in accordance with Article 45 and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) a member or members present in person or by proxy in accordance with Article 45 and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

52.2 A demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman. A demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

53 Procedure on a poll

A poll shall be taken in such manner (including by use of ballot or voting papers or electronic means, or any combination thereof) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers (who need not be members) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

54 Voting on a poll

On a poll votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

55 Timing of poll

A poll demanded on the choice of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

Votes of Members

56 Votes attaching to shares

Subject to Articles 44.5 and 58 and to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, members present in person or by proxy in accordance with Article 45 will be entitled to vote at a General Meeting whether on a show of hands or by poll as provided by the Statutes.

57 Votes of joint holders

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the share.

58 Restriction on voting in particular circumstances

58.1 No member shall, unless the Directors otherwise determine, be entitled in respect of any share held by him to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

58.2 If any member, or any other person appearing to be interested in shares (within the meaning of Part 22 of the Companies Act 2006) held by such member, has been duly served with a notice under Section 793 of the Companies Act 2006 and is in default for a period of 14 days in supplying to the Company the information thereby required, then (unless the Directors otherwise determine) in respect of:

(a) the shares comprising the shareholding account in the Register which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the "default shares", which expression shall include any further shares which are issued in respect of such shares); and

(b) any other shares held by the member,

the member shall not (for so long as the default continues) nor shall any transferee to whom any of such shares are transferred (other than pursuant to an approved transfer or pursuant to paragraph 58.3(b) below) be entitled to attend or vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings.

58.3 Where the default shares represent 0.25 per cent or more of the issued shares of the class in question, the Directors may in their absolute discretion by notice in writing (a **"direction notice"**) to such member direct that:

(a) any dividend or part thereof or other money which would otherwise be payable in respect of the default shares shall be retained by the Company without any liability to pay interest thereon when such dividend or other money is finally paid to the member and the member shall not be entitled to elect to receive shares in lieu of dividend; and/or

(b) no transfer of any of the shares held by such member shall be registered unless the transfer is an approved transfer or:

(i) the member is not himself in default as regards supplying the information required; and

(ii) the transfer is of part only of the member's holding and, when presented for registration, is accompanied by a certificate by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares the subject of the transfer are default shares,

provided that, in the case of shares in uncertificated form, the Directors may only exercise their discretion not to register a transfer if permitted to do so by the CREST Regulations.

Any direction notice may treat shares of a member in certificated and uncertificated form as separate holdings and either apply only to the former or to the latter or make different provision for the former and the latter.

Upon the giving of a direction notice its terms shall apply accordingly.

58.4 The Company shall send to each other person appearing to be interested in the shares the subject of any direction notice a copy of the notice, but the failure or omission by the Company to do so shall not invalidate such notice.

58.5 Save as herein provided any direction notice shall have effect in accordance with its terms for so long as the default in respect of which the direction notice was issued continues and shall cease to have effect thereafter upon the Directors so determining (such determination to be made within a period of one week of the default being duly remedied, with notice in writing thereof being given to the member forthwith).

58.6 Any direction notice shall cease to have effect in relation to any shares which are transferred by such member by means of an approved transfer or in accordance with paragraph 58.3(b) above.

58.7 For the purposes of this Article:

(a) a person shall be treated as appearing to be interested in any shares if the member holding such shares has been served with a notice under the said Section 793 and either (i) the member has named such person as being so interested or (ii) (after taking into account the response of the member to the said notice and any other relevant information) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares; and

(b) a transfer of shares is an **"approved transfer"** if:

(i) it is a transfer of shares to an offeror by way or in pursuance of acceptance of a takeover offer (as defined in Section 974 of the Companies Act 2006); or

(ii) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a party unconnected with the member or with any person appearing to be interested in such shares including any such sale made through a recognised investment exchange or through a stock exchange outside the United Kingdom on which the Company's shares are normally traded. For the purposes of this sub-paragraph any associate (as that term is defined in Section 435 of the Insolvency Act 1986) shall be included amongst the persons who are connected with the member or any person appearing to be interested in such shares.

58.8 The provisions of this Article are in addition and without prejudice to the provisions of the Companies Acts.

59 Voting by guardian

Where in England or elsewhere a guardian, receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such guardian, receiver or other person on behalf of such member to vote in person or by proxy at any shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings.

60 Validity and result of vote

60.1 No objection shall be raised as to the qualification of any voter or the admissibility of any vote except at the meeting or adjourned meeting at which the vote is tendered. Every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

60.2 On a vote on a resolution at a meeting on a show of hands, a declaration by the chairman that the resolution:

(a) has or has not been passed; or

(b) has been passed with a particular majority,

is conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. An entry in respect of such a declaration in minutes of the meeting recorded in accordance with the Companies Acts is also conclusive evidence of that fact without such proof. The Article does not have effect if a poll is demanded in respect of the resolution (and the demand is not subsequently withdrawn).

Proxies and Corporate Representatives

61 Appointment of proxies

61.1 A member is entitled to appoint a proxy or (subject to Article 62) proxies to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company.

61.2 A proxy need not be a member of the Company.

61.3 The Company is not obliged to verify that a proxy or representative of a member has acted in accordance with the terms of his appointment and any failure by the proxy or representative to so act in accordance with the terms of his appointment shall not affect the validity of any proceedings at a meeting of the Company.

62 Multiple Proxies

A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him.

63 Form of proxy

The appointment of a proxy must be in writing in any usual or common form or in any other form which the Directors may approve and:

(a) in the case of an individual must either be signed by the appointor or his attorney or authenticated in accordance with Article 132; and

(b) in the case of a corporation must be either given under its common seal or be signed on its behalf by an attorney or a duly authorised officer of the corporation or authenticated in accordance with Article 132.

Any signature on or authentication of such appointment need not be witnessed. Where appointment of a proxy is signed or authenticated in accordance with Article 132 on behalf of the appointor by an attorney, the power of attorney or a copy thereof certified notarially or in some other way approved by the Directors must (failing previous registration with the Company) be submitted to the Company, failing which the appointment may be treated as invalid.

64 Deposit of form of proxy

64.1 The appointment of a proxy (together with any supporting documentation required under Article 63) must be received at the address or one of the addresses (if any) as may be specified for that purpose in, or by way of note to, or in any document accompanying, the notice convening the meeting (or, if no address is so specified, at the Transfer Office):

(a) in the case of a meeting or adjourned meeting, not less than 48 hours before the commencement of the meeting or adjourned meeting to which it relates;

(b) in the case of the poll taken following the conclusion of a meeting or adjourned meeting, but not more than 48 hours after the poll was demanded, not less than 48 hours before the commencement of the meeting or adjourned meeting at which the poll was demanded; and

(c) in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll,

and in default shall not be treated as valid.

64.2 The Directors in calculating the periods mentioned in Article 64.1, shall not take account of any part of any day that is not a working day.

64.3 Without limiting the foregoing, in relation to any shares in uncertificated form the Directors may permit a proxy to be appointed by electronic means or by means of a website in the form of an Uncertificated Proxy Instruction (that is, a properly authenticated dematerialised instruction, and/or other instruction or notification, sent by means of a relevant system to such participant in that system acting on behalf of the Company as the Directors may prescribe, in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the relevant system)); and may permit any supplement to, or amendment or revocation of, any such Uncertificated Proxy Instruction to be made by a further Uncertificated Proxy Instruction. The Directors may in addition prescribe the method of determining the time at which any such instruction or notification is to be treated as received by the Company. The Directors may treat any such instruction or notification purporting or expressed to be sent on behalf of a holder of a share as sufficient evidence of the authority of the person sending the instruction to send it on behalf of that holder.

64.4 The appointment of a proxy shall, unless the contrary is stated thereon, be as valid for any adjournment of a meeting as it is for the meeting to which it relates. An appointment relating to more than one meeting (including any adjournment of any such meeting) having once been delivered in accordance with this Article 64 for the purposes of any such meeting does not need to be delivered again for the purposes of any subsequent meeting to which it relates.

65 Rights of proxy

65.1 A proxy shall have the right to exercise all or any of the rights of his appointor, or (where more than one proxy is appointed) all or any of the rights attached to the shares in respect of which he is appointed the proxy to attend, and to speak and vote, at the meeting of the Company.

65.2 Unless his appointment provides otherwise, a proxy may vote or abstain at his discretion on any resolution put to the vote at a shareholders' meeting.

65.3 Every proxy present who has been duly appointed by a member entitled to vote on a show of hands on a resolution has one vote except where:

(a) that proxy has been duly appointed by more than one member entitled to vote on the resolution; and

(b) the proxy has been instructed:

(i) by one or more of those members to vote for the resolution and by one or more of those members to vote against the resolution; or

(ii) by one or more of those members to vote in the same way on the resolution (whether for or against) and one of more of those members has permitted the proxy discretion as to how to vote,

in which case, the proxy has the ability to cast one vote for and one vote against the resolution.

65.4 Every proxy present who has been duly appointed by a member entitled to vote on a poll on a resolution has one vote for every share held by the relevant member.

66 Termination of proxy's authority

66.1 Neither the death or insanity of a member who has appointed a proxy, nor the revocation or termination by a member of the appointment of a proxy (or of the authority under which the appointment was made), shall invalidate the proxy or the exercise of any of the rights of the proxy thereunder, unless notice of such death, insanity, revocation or termination shall have been received by the Company in accordance with Article 66.2.

66.2 Any such notice of death, insanity, revocation or termination must be received at the address or one of the addresses (if any) specified for receipt of proxies in, or by way of note to, or in any document accompanying, the notice convening the meeting to which the appointment of the proxy relates (or if no address is so specified, at the Transfer Office):

(a) in the case of a meeting or adjourned meeting, not less than one hour before the commencement of the meeting or adjourned meeting to which the proxy appointment relates;

(b) in the case of a poll taken following the conclusion of a meeting or adjourned meeting, but not more than 48 hours after it was demanded, not less than one hour before the commencement of the meeting or adjourned meeting at which the poll was demanded; or

(c) in the case of a poll taken more than 48 hours after it was demanded, not less than one hour before the time appointed for the taking of the poll.

67 Corporations acting by representatives

Subject to the Statutes, any corporation which is a member of the Company may by resolution of its Directors or other governing body authorise a person or persons to act as its representative or representatives at any shareholders' meeting and where separate representatives are appointed by a corporation in respect of separate shares held by the corporation, each such representative is entitled to vote on a resolution on a show of hands or on a poll as such representative is instructed by the corporation.

Directors

68 Number of Directors

Subject as hereinafter provided the Directors shall not be less than three nor more than eleven in number. The Company may by Ordinary Resolution from time to time vary the minimum number and/or maximum number of Directors.

69 Share qualification

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at shareholders' meetings.

70 Directors' fees

The ordinary remuneration of the Directors shall from time to time be determined by the Directors except that such remuneration shall not exceed £1,000,000 per annum in aggregate or such higher amount as may from time to time be determined by Ordinary Resolution of the Company. Such ordinary remuneration shall (unless otherwise provided by Ordinary Resolution) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

71 Other remuneration of Directors

Any Director who holds any executive office (including for this purpose the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity), or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as the Directors may determine.

72 Directors' expenses

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or shareholders' meetings or otherwise in connection with the business of the Company.

73 Directors' pensions and other benefits

The Directors shall have power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

74 Appointment of executive Directors

74.1 The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman) on such terms and for such period as they may (subject to the provisions of the Statutes) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

74.2 The appointment of any Director to the office of Chairman or Deputy Chairman or Managing or Joint Managing or Deputy or Assistant Managing Director shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

74.3 The appointment of any Director to any other executive office shall not automatically determine if he ceases from any cause to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

75 Powers of executive Directors

The Directors may entrust to and confer upon any Director holding any executive office any of the powers exercisable by them as Directors upon such terms and conditions and with such restrictions as they think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Appointment and Retirement of Directors

76 Retirement at Annual General Meetings

76.1 Subject to Article 76.2, each Director shall retire at each Annual General Meeting held following the year in which he was elected or last re-elected but, unless he falls within Article 76.3 below, he shall be eligible for re-election.

76.2 Each Director (other than the Chairman and any director holding an executive office) shall retire at each Annual General Meeting following the ninth anniversary of the date on which he was elected by the Company.

76.3 A Director shall also retire at any Annual General Meeting if he has agreed to do so (whether in accordance with the terms of his appointment or otherwise) and, unless the Directors have agreed otherwise, he shall not be eligible for re-election.

77 Re-election of retiring Director

The Company at the meeting at which a Director retires under any provision of these Articles may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director (if eligible for re-election) or some other person eligible for election. In the absence of such a resolution the retiring Director shall nevertheless be deemed to have been re-elected except in any of the following cases:

(a) where at such meeting a resolution for the re-election of such Director is put to the meeting and lost, or it is expressly resolved not to fill the office being vacated;

(b) where such Director is ineligible for re-election or has given notice in writing to the Company that he is unwilling to be re-elected; or

(c) where a resolution to elect such Director is void by reason of contravention of the next following Article.

The retirement shall not have effect until the conclusion of the meeting , or if earlier, where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost. A retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

78 Election of two or more Directors

A resolution for the election of two or more persons as Directors by a single resolution shall not be moved at any General Meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it. Any resolution moved in contravention of this provision shall be void.

79 Nomination of Director for election

No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any General Meeting unless not less than seven nor more than 42 days (inclusive of the date on which the notice is given) before the date appointed for the meeting there shall have been lodged at the Office notice in writing signed or authenticated in accordance with Article 132 by some member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed (or authenticated in accordance with Article 132) by the person to be proposed of his willingness to be elected.

80 Election or appointment of additional Director

The Company may by Ordinary Resolution elect, and without prejudice thereto the Directors shall have power at any time to appoint, any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not thereby exceed the maximum number (if any) fixed by or in accordance with these Articles. Any person so appointed by the Directors shall retire at the next Annual General Meeting and shall then be eligible for election.

81 Vacation of office

The office of a Director shall be vacated in any of the following events, namely:

(a) if he shall become prohibited by law from acting as a Director;

(b) if he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer;

(c) if he shall have a bankruptcy order made against him or shall compound with his creditors generally or shall apply to the court for an interim order under Section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

(d) if in England or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs;

(e) if he shall be absent from meetings of the Directors for six months without leave and the Directors shall resolve that his office be vacated;

(f) if a notice in writing is served upon him, signed by not less than three-quarters of the Directors for the time being (which, for the avoidance of doubt, may be signed in counterpart), to the effect that his office as Director shall on receipt (or deemed receipt) of such notice *ipso facto* be vacated, but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company; or

(g) in the case of a director other than the Chairman and any director holding an executive office, if the Directors shall resolve to require him to resign in accordance with paragraph (b) above and within 30 days of being given notice of such resolution, he shall fail to do so.

82 Removal of Director

The Company may in accordance with and subject to the provisions of the Statutes by Ordinary Resolution of which special notice has been given remove any Director from office (notwithstanding any provision of these Articles or of any agreement between the Company and such Director, but without prejudice to any claim he may have for damages for breach of any such agreement) and elect another person in place of a Director so removed from office.

Meetings and Proceedings of Directors

83 Convening of meetings of Directors

83.1 Subject to the provisions of these Articles the Directors may meet together for the despatch of business, adjourn and otherwise regulate their proceedings as they think fit. At any time any Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Any Director may waive notice of any meeting and any such waiver may be retroactive. Notice of a meeting of the Directors shall be deemed to be properly sent to a Director if it is given to him personally or by word of mouth or sent by instrument to him, at his last known address or such other address (if any) as may, for the time being, be notified to him or on his behalf to the Company for that purpose, or sent using electronic communication to such address (if any) for the time being notified by him or on his behalf to the Company for that purpose. A Director absent or intending to be absent from the United Kingdom may request the board that notices of board meetings shall, during his absence, be sent by instrument to him at such address (if any) for the time being notified by him or on his behalf to the Company for that purpose, or sent using electronic communication to such address (if any) for the time being notified by him or on his behalf to the Company for that purpose, but such notices need not be sent any earlier than notices sent to Directors not so absent. It shall be necessary to send notice of a board meeting to any Director who is for the time being absent from the United Kingdom.

83.2 The Directors shall be deemed to meet together if, being in separate locations, they are nonetheless linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other, and a quorum in that event shall be two Directors so linked. Such a meeting shall be deemed to take place where the largest group of Directors participating is assembled or, if there is no such group, where the chairman of the meeting then is.

84 Quorum

The quorum necessary for the transaction of business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

85 Chairman

85.1 The Directors may elect from their number a Chairman and a Deputy Chairman (or two or more Deputy Chairmen) and determine the period for which each is to hold office. If no Chairman or Deputy Chairman shall have been appointed or if at any meeting of the Directors no Chairman or Deputy Chairman shall be present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.

85.2 If at any time there is more than one Deputy Chairman the right in the absence of the Chairman to preside at a meeting of the Directors or of the Company shall be determined as between the Deputy Chairmen present (if more than one) by seniority in length of appointment or otherwise as resolved by the Directors.

86 Casting vote

Questions arising at any meeting of the Directors shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

87 Number of Directors below minimum

The continuing Directors may act notwithstanding any vacancies, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles the continuing Directors or Director may act for the purpose of filling such vacancies or of summoning General Meetings, but not for any other purpose. If there be no Directors or Director able or willing to act, then any two members may summon a General Meeting for the purpose of appointing Directors.

88 Directors' written resolutions

88.1 A Directors' written resolution is adopted when all the Directors entitled to vote on such resolution have:

(a) signed one or more copies of it; or

(b) otherwise indicated their agreement to it in writing.

88.2 A Directors' written resolution is not adopted if the number of Directors who have signed it is less than the quorum for Directors' meetings.

88.3 Once a Directors' written resolution has been adopted, it must be treated as if it had been a resolution passed at a Directors' meeting in accordance with the Articles.

89 Validity of proceedings

All acts done by any meeting of Directors, or of any committee or sub-committee of the Directors, or by any person acting as a Director or as a member of any such committee or sub-committee, shall as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment of any Director or any of the persons acting as aforesaid, or that any such persons were disqualified or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of the committee or sub-committee and had been entitled to vote.

Directors' Interests

90 Authorisation of Directors' interests

90.1 For the purposes of Section 175 of the Companies Act 2006, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under that Section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.

90.2 Authorisation of a matter under this Article shall be effective only if:

(a) the matter in question shall have been proposed in writing for consideration at a meeting of the Directors, in accordance with the Board's normal procedures or in such other manner as the Directors may determine;

(b) any requirement as to the quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Director (together the **"Interested Directors"**); and

(c) the matter was agreed to without the Interested Directors voting or would have been agreed to if the votes of the Interested Directors had not been counted.

90.3 Any authorisation of a matter under this Article may:

(a) extend to any actual or potential conflict of interest which may arise out of the matter so authorised;

(b) be subject to such conditions or limitations as the Directors may determine, whether at the time such authorisation is given or subsequently;

(c) be terminated by the Directors at any time,

and a Director shall comply with any obligations imposed on him by the Directors pursuant to any such authorisation.

90.4 A Director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any matter authorised by the Directors under this Article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

90.5 This Article does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.

91 Permitted Interests

91.1 Subject to compliance with Article 91.2, a Director, notwithstanding his office, may have an interest of the following kind:

(a) where a Director (or a person connected with him) is a director or other officer of, or employed by, or otherwise interested (including by the holding of shares) in any Relevant Company;

(b) where a Director (or a person connected with his) is a party to, or otherwise interested in, any contract, transaction or arrangement with a Relevant Company, or in which the Company is otherwise interested;

(c) where the Director (or a person connected with him) acts (or any firm of which he is a partner, employee or member acts) act in a professional capacity for any Relevant Company (other than as Auditor) whether or not he or it is remunerated therefor;

(d) where a Director is or becomes a director of any other company in which the Company does not have an interest if that cannot reasonably be regarded as likely to give rise to a conflict of interest at the time of his appointment as director of that other Company;

(e) an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;

(f) an interest, or a transaction or arrangement giving rise to an interest, of which the Director is not aware; or

(g) any other interest authorised by Ordinary Resolution.

No authorisation under Article 90 shall be necessary in respect of any such interest.

91.2 Subject to Section 182 of the Companies Act 2006, the Director shall declare the nature and extent of any interest permitted under Article 91.1, and not falling within Article 91.3, at a meeting of the Directors or in such other manner as the Directors may determine.

91.3 No declaration of an interest shall be required by a Director in relation to an interest:

(a) falling within paragraph (e) or (f) of Article 91.1;

(b) if, or to the extent that, the other Directors are already aware of such interest (and for this purpose the other Directors are treated as aware of anything of which they ought reasonably to be aware); or

(c) if, or to the extent that, it concerns the terms of his service contract (as defined in Section 227 of the Companies Act 2006) that have been or are to be considered by a meeting of the Directors, or by a committee of Directors appointed for the purpose under these Articles.

91.4 A Director shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he (or a person connected with him) derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any Relevant Company or for such remuneration, each as referred to in Article 91.1, and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

91.5 For the purposes of this Article, **"Relevant Company"** shall mean:

(a) the Company;

(b) a subsidiary undertaking of the Company;

(c) any holding company of the Company or a subsidiary undertaking of any such holding company;

(d) any body corporate promoted by the Company; or

(e) any body corporate in which the Company is otherwise interested.

92 Restrictions on quorum and voting

92.1 Save as provided in this Article, and whether or not the interest is one which is authorised pursuant to Article 90 or permitted under Article 91, a Director shall not be entitled to vote on any resolution in respect of any contract, transaction or arrangement, or any other proposal, in which he (or a person connected with him) is interested. Any vote of a Director in respect of a matter where he is not entitled to vote shall be disregarded.

92.2 A Director shall not be counted in the quorum at a meeting of the Directors in relation to any resolution on which he is not entitled to vote.

92.3 Subject to the provisions of the Statutes, a Director shall (in the absence of some other interest than is set out below) be entitled to vote, and be counted in the quorum, in respect of any resolution concerning any contacts, transaction or arrangements, or any other proposal:

(a) in which he has an interest of which he is not aware;

(b) in which he has an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest;

(c) in which he has an interest only by virtue of interests in shares, debentures or other securities of the Company, or by reason of any other interest in or through the Company;

(d) which involves the giving of any security, guarantee or indemnity to the Director or any other person in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(e) concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings (i) in which offer he is or may be entitled to participate as a holder of securities or (ii) in the underwriting or sub-underwriting of which he is to participate;

(f) concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor, employee or otherwise, provided that he (together with persons connected with him) is not the holder of, or beneficially interested in, one per cent or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of the relevant body corporate;

(g) relating to an arrangement for the benefit of the employees or former employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees or former employees to whom such arrangement relates;

(h) concerning the purchase or maintenance by the Company of insurance for any liability for the benefit of Directors or for the benefit of persons who include Directors;

(i) concerning the giving of indemnities in favour of Directors;

(j) concerning the funding of expenditure by any Director or Directors on (i) defending criminal, civil or regulatory proceedings or action against him or them, (ii) in connection with an application to the court for relief, or (iii) defending him or them in any regulatory investigations;

(k) concerning the doing of anything to enable any Director or Directors to avoid incurring expenditure as described in paragraph (j); and

(l) in respect of which his interest, or the interest of Directors generally, has been authorised by Ordinary Resolution.

92.4 Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, the proposals may be divided and considered in relation to each Director separately. In such case each of the Directors concerned (if not debarred from voting under paragraph (f) of Article 92.3) above) shall be entitled to vote, and be counted in the quorum, in respect of each resolution except that concerning his own appointment or the fixing or variation of the terms thereof.

92.5 If a question arises at any time as to whether any interest of a Director prevents him from voting, or being counted in the quorum, under this Article, and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fairly disclosed. If any such question shall arise in respect of the chairman of the meeting, the question shall be decided by resolution of the Directors and the resolution shall be conclusive except in a case where the nature or extent of the interest of the chairman of the meeting (so far as it is known to him) has not been fairly disclosed to the Directors.

93 Confidential information

93.1 Subject to Article 93.2, if a Director, otherwise than by virtue of his position as Director, receives information in respect of which he owes a duty of confidentiality to a person other than the Company, he shall not be required:

(a) to disclose such information to the Company or to the Directors, or to any Director, officer or employee of the Company; or

(b) otherwise use or apply such confidential information for the purpose of or in connection with the performance of his duties as a Director.

93.2 Where such duty of confidentiality arises out of a situation in which the Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, Article 93.1 shall apply only if the conflict arises out of a matter which has been authorised under Article 90 above or falls within Article 91 above.

93.3 This Article is without prejudice to any equitable principle or rule of law which may excuse or release the Director from disclosing information, in circumstances where disclosure may otherwise be required under this Article.

94 Directors' interests - general

94.1 For the purposes of Articles 90 to 94 inclusive:

(a) an interest of a person who is connected with a Director shall be treated as an interest of the Director; and

(b) Section 252 of the Companies Act 2006 shall determine whether a person is connected with a Director.

94.2 Where a Director has an interest which can reasonably be regarded as likely to give rise to a conflict of interest, the Director may, and shall if so requested by the Directors take such additional steps as may be necessary or desirable for the purpose of managing such conflict of interest, including compliance with any procedures laid down from time to time by the Directors for the purpose of managing conflicts of interest generally and/or any specific procedures approved by the Directors for the purpose of or in connection with the situation or matter in question, including without limitation:

(a) absenting himself from any meetings of the Directors at which the relevant situation or matter falls to be considered; and

(b) not reviewing documents or information made available to the Directors generally in relation to such situation or matter and/or arranging for such documents or information to be reviewed by a professional adviser to ascertain the extent to which it might be appropriate for him to have access to such documents or information.

94.3 The Company may by Ordinary Resolution ratify any contract, transaction or arrangement, or other proposal, not properly authorised by reason of a contravention of any provisions of Articles 90 to 94 inclusive.

Committees of the Directors

95 Appointment and constitution of committees

The Directors may delegate any of their powers or discretions (including without prejudice to the generality of the foregoing all powers and discretions whose exercise involves or may involve the payment of remuneration to or the conferring of any other benefit on all or any of the Directors) to committees. Any such committee shall, unless the Directors otherwise resolve, have power to sub-delegate to sub-committees any of the powers or discretions delegated to it. Any such committee or sub-committee shall consist of one or more Directors and (if thought fit) one or more other named person or persons to be co-opted as hereinafter provided. Insofar as any such power or discretion is delegated to a committee or sub-committee, any reference in these Articles to the exercise by the Directors of the power or discretion so delegated shall be read and construed as if it were a reference to the exercise thereof by such committee or sub-committee. Any committee or sub-committee so formed shall in the exercise of the powers so delegated conform to any regulations which may from time to time be imposed by the Directors. Any such regulations may provide for or authorise the co-option to the committee or sub-committee of persons other than Directors and may provide for members who are not Directors to have voting rights as members of the committee or sub-committee but so that (a) the number of members who are not Directors shall be less than one-half of the total number of members of the committee or sub-committee and (b) no resolution of the committee or sub-committee shall be effective unless a majority of the members of the committee or sub-committee present throughout the meeting are Directors.

96 Proceedings of committee meetings

The meetings and proceedings of any such committee or sub-committee consisting of two or more persons shall be governed *mutatis mutandis* by the provisions of these Articles regulating the meetings and proceedings of the Directors, so far as the same are not superseded by any regulations made by the Directors under the last preceding Article.

Powers of Directors

97 General powers

The business and affairs of the Company shall be managed by the Directors, who may exercise all such powers of the Company as are not by the Statutes or by these Articles required to be exercised by the Company in General Meeting subject nevertheless to any regulations of these Articles, to the provisions of the Statutes and to such regulations as may be prescribed by Special Resolution of the Company, but no regulation so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.

98 Local boards

The Directors may establish any local boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

99 Appointment of attorney

The Directors may from time to time and at any time appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such appointment may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

100 President

The Directors may from time to time elect a President of the Company and may determine the period for which he shall hold office. Such President may be either honorary or paid such remuneration as the Directors in their discretion shall think fit, and need not be a Director. The President is not by virtue of his or her office entitled to receive notice of, attend, speak or vote at any meetings of the Board of Directors unless the Directors in their discretion shall think fit.

101 Signature on cheques etc.

All cheques, promissory notes, drafts, bills of exchange, and other negotiable or transferable instruments, and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

102 Borrowing powers

102.1 Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

102.2 The Directors shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group less the aggregate amount of Current Asset Investments shall not at any time without the previous sanction of an Ordinary Resolution of the Company exceed an amount equal to $600,000,000.

102.3 For the purpose of this Article:

(a) the **"Group"** means the Company and its subsidiary undertakings for the time being;

(b) the **"relevant balance sheet"** means at any time the latest audited consolidated balance sheet dealing with the state of affairs of the Company and (with or without exceptions) its subsidiary undertakings **provided that** if in any case such balance sheet has been prepared on a basis not being in substance a historical cost basis then all such adjustments shall be made therein as in the opinion of the Auditors (such opinion to be conclusive and binding on all concerned) are appropriate to bring such balance sheet into line with the accounting bases and principles which were applied in relation to the last audited consolidated balance sheet of the Company which was prepared on an historical cost basis and "the relevant balance sheet" shall then be the balance sheet as so adjusted;

(c) **"moneys borrowed"** shall be deemed to include (to the extent that the same would not otherwise fall to be taken into account):

(i) the amount of all debentures allotted or issued (whether or not for cash) by any member of the Group which are not for the time being beneficially owned by a company within the Group;

(ii) the outstanding amount of acceptances (not being acceptances of trade bills in respect of the purchase or sale of goods in the ordinary course of trading) by any member of the Group or by any bank or accepting house under any acceptance credit opened on behalf of and in favour of any member of the Group;

(iii) the nominal amount of any allotted or issued and paid up share capital (other than equity share capital) of any subsidiary undertaking which is a body corporate of the Company not for the time being beneficially owned by other members of the Group;

(iv) the amount of any other allotted or issued and paid up share capital and of any other debentures or other borrowed moneys (not being shares or debentures which or borrowed moneys the indebtedness in respect of which is for the time being beneficially owned within the Group) the redemption or repayment whereof is guaranteed (or is the subject of an indemnity granted) by any member of the Group or which any member of the Group may be required to purchase;

(v) the minority proportion of moneys borrowed and owing to a partly-owned subsidiary undertaking by another member of the Group;

(vi) the aggregate amount owing by any member of the Group under finance leases (as determined in accordance with any then current Financial Reporting Standard or otherwise in accordance with United Kingdom generally accepted accounting principles but excluding leaseholds of immovable property);

(vii) the principal amount of any book debts of any member of the Group which have been sold or agreed to be sold, to the extent that any member of the Group is for the time being liable to indemnify or reimburse the purchaser in respect of any non-payment in respect of such book debts;

(viii) any part of the purchase price of any movable or immovable assets acquired by any member of the Group, the payment of which is deferred beyond the date of completion of the conveyance, assignment or transfer of the legal estate to such assets or, if no such conveyance, assignment or transfer is to take place within six months after the date on which the contract for such purchase is entered into or (if later) becomes unconditional, beyond that date;

but shall be deemed not to include:

(i) moneys borrowed by any member of the Group for the purpose of repaying, redeeming or purchasing (with or without premium) in whole or in part any other borrowed moneys falling to be taken into account and intended to be applied for such purpose within six months after the borrowing thereof pending the application for such purpose or, if earlier, the end of such period;

(ii) any amounts borrowed by any member of the Group from bankers or others for the purpose of financing any contract up to an amount not exceeding that part of the price receivable under such contract which is guaranteed or insured by the Export Credits Guarantee Department or other like institution carrying on a similar business;

(iii) the minority proportion of moneys borrowed by a partly-owned subsidiary undertaking and not owing to another member of the Group;

and so that:

(i) no amount shall be taken into account more than once in the same calculation but subject thereto (i) to (iii) above shall be read cumulatively; and

(ii) in determining the amount of any debentures or other moneys borrowed or of any share capital for the purpose of this Article 103.3.3 there shall be taken into account the nominal or principal amount thereof (or, in the case of partly-paid debentures or shares, the amount for the time being paid up thereon) together with any fixed or minimum premium payable on final redemption or repayment Provided that if moneys are borrowed or shares are issued on terms that they may be repayable or redeemable (or that any member of the Group may be required to purchase them) earlier than their final maturity date (whether by exercise of an option on the part of the issuer or the creditor (or a trustee for the creditor) or the shareholder, by reason of a default or for any other reason) at a premium or discount to their nominal or principal amount then there shall be taken into account the amount (or the greater or greatest of two or more alternative amounts) which would, if those circumstances occurred, be payable on such repayment or, redemption or purchase at the date as at which the calculation is being made;

(d) in relation to a partly-owned subsidiary undertaking the **"minority proportion"** is a proportion equal to the proportion of its issued equity share capital which is not attributable to the Company;

102.4 "Current Asset Investments" means the aggregate of:

(a) cash in hand of the Group;

(b) sums standing to the credit of any current or other account of any member of the Group with banks in the United Kingdom or elsewhere to the extent that remittance of the same to the United Kingdom is not prohibited by any law, regulation, treaty or official directive or, where remittance of the same to the United Kingdom is so prohibited, to the extent that the same may be set off against or act as security for any moneys borrowed by such member;

(c) the amount of such assets as would be included in "Current Assets - Investments" in a consolidated balance sheet of the Group prepared as at the date of the relevant calculation in accordance with the principles used in the preparation of the relevant balance sheet;

less:

(a) in the case of a partly-owned subsidiary undertaking, a proportion thereof equal to the minority proportion; and

(b) an amount equal to any amount excluded from Article (c)by virtue of sub-paragraph (i).

102.5 For the purposes of the foregoing paragraphs borrowed moneys expressed in or calculated by reference to a currency other than sterling shall be converted into sterling at the relevant rate of exchange used for the purposes of the relevant balance sheet save that moneys borrowed (or first brought into account for the purposes of this Article) since the date of such balance sheet shall be converted at the rate of exchange or approximate rate of exchange (determined on such basis as the Auditors may determine or approve) ruling on the date on which such moneys are borrowed (or first taken into account as aforesaid): **provided that** in the case of any bank overdraft or other borrowing of a fluctuating amount (together herein described as an **"Overdraft Account"**) the following further provisions shall apply:

(a) if the amount outstanding on an Overdraft Account on a date as at which a calculation is being made for the purpose of the foregoing limit is not more than the amount outstanding on such Overdraft Account at the date of the relevant balance sheet, the whole of such amount shall be converted at the rate of exchange used for the purpose of such balance sheet;

(b) if the amount outstanding on an Overdraft Account on a date as at which the calculation is being made for such purpose exceeds the amount which was outstanding on the same Overdraft Account at the date of the relevant balance sheet (or if the latter amount is nil), an amount equal to the excess shall be converted at the rate of exchange or approximate rate of exchange (determined on such basis as the Auditors may determine or approve) on the last business day preceding the date as on which the calculation is being made for such purpose and the balance shall be converted at the rate of exchange used for the purpose of the said balance sheet.

102.6 No person dealing with the Company or any of its subsidiary undertakings shall be concerned to see or enquire whether the said limit is observed and no debt incurred or security given in excess of such limit shall be invalid or ineffectual unless the lender or the recipient of the security had, at the time when the debt was incurred or security given, express notice that the said limit had been or would thereby be exceeded.

Alternate Directors

103 Alternate Directors

103.1 Any Director may at any time by writing under his hand and deposited at the Office, or delivered at a meeting of the Directors, appoint any person (including another Director) to be his alternate Director and may in like manner at any time terminate such appointment. Such appointment, unless previously approved by the Directors or unless the appointee is another Director, shall have effect only upon and subject to being so approved.

103.2 The appointment of an alternate Director shall determine on the happening of any event which if he were a Director would cause him to vacate such office or if his appointor ceases to be a Director, otherwise than by retirement at a General Meeting at which he is re-elected.

103.3 An alternate Director shall (except when absent from the United Kingdom) be entitled to receive notices of meetings of the Directors and shall be entitled to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all functions of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he (instead of his appointor) were a Director. If he shall be himself a Director or shall attend any such meeting as an alternate for more than one Director or shall act, his voting rights shall be cumulative but he shall not be counted more than once for the purposes of the quorum. If his appointor is for the time being temporarily unable to act through ill health or disability his signature to any resolution in writing of the Directors shall be as effective as the signature of his appointor. To such extent as the Directors may from time to time determine in relation to any committees of the Directors the foregoing provisions of this paragraph shall also apply *mutatis mutandis* to any meeting of any such committee of which his appointor is a member. An alternate Director shall not (save as aforesaid) have power to act as a Director, nor shall he be deemed to be a Director for the purposes of these Articles, nor shall he be deemed to be the agent of his appointor.

103.4 An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company in respect of his appointment as alternate Director any remuneration except only such part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct.

Secretary

104 Secretary

The Secretary shall be appointed by the Directors on such terms and for such period as they may think fit. Any Secretary so appointed may at any time be removed from office by the Directors, but without prejudice to any claim for damages for breach of any contract of service between him and the Company. If thought fit two or more persons may be appointed as Joint Secretaries. The Directors may also appoint from time to time on such terms as they may think fit one or more Deputy and/or Assistant Secretaries.

The Seal

105 The Seal

105.1 The Directors shall provide for the safe custody of the Seal and any Securities Seal and neither shall be used without the authority of the Directors or of a committee authorised by the Directors in that behalf. The Securities Seal shall be used only for sealing securities issued by the Company and documents creating or evidencing securities so issued.

105.2 Every instrument to which the Seal or the Securities Seal shall be affixed (other than a certificate for or evidencing shares, debentures or other securities (including options) issued by the Company) shall be signed autographically by one Director and the Secretary or by two Directors.

105.3 The Company may exercise the powers conferred by the Statutes with regard to having an official seal for use abroad and such powers shall be vested in the Directors.

105.4 Any instrument signed by:

(a) one Director and the Secretary; or

(b) by two Directors; or

(c) by a Director in the presence of a witness who attests the signature,

and expressed to be executed by the Company shall have the same effect as if executed under the Seal, provided that no instrument which makes it clear on its face that it is intended to have effect as a deed shall be so signed without the authority of the Directors or of a committee authorised by the Directors in that behalf.

Provision for Employees

106 Provision for Employees

The Directors can exercise the powers under the Statutes to make provision for the benefit of employees or former employees of the Company or any of its subsidiaries from time to time in connection with the cessation or transfer of the whole or part of the business of the Company or that subsidiary.

Authentication of Documents

107 Authentication of documents

Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any document affecting the constitution of the Company and any resolution passed at a shareholders' meeting or at a meeting of the Directors or any committee, and any book, record, document or account relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts; and where any book, record, document or account is elsewhere than at the Office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid. A document purporting to be a copy of any such resolution, or an extract from the minutes of any such meeting, which is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that any minute so extracted is a true and accurate record of proceedings at a duly constituted meeting.

Reserves

108 Establishment of reserves

The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions of the Statutes.

109 Business bought as from past date

Subject to the provisions of the Statutes, where any asset, business or property is bought by the Company as from a past date the profits and losses thereof as from such date may at the discretion of the Directors in whole or in part be carried to revenue account and treated for all purposes as profits or losses of the Company. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest, such dividend or interest may at the discretion of the Directors be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof.

Dividends

110 Final dividends

The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

111 Fixed and interim dividends

If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit. Provided the Directors act in good faith they shall not incur any liability to the holders of any shares for any loss they may suffer by the lawful payment, on any other class of shares having rights ranking after or *pari passu* with those shares, of any such fixed or interim dividend as aforesaid.

112 Distribution *in specie*

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees.

113 No dividend except out of profits

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.

114 Ranking of shares for dividend

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.

115 Manner of payment of dividends

115.1 Any dividend or other moneys payable on or in respect of a share shall be paid to the member or to such other person as the member (or, in the case of joint holders of a share, all of them) may in writing direct. Such dividend or other moneys may be paid (i) by cheque sent by post to the payee or, where there is more than one payee, to any one of them, or (ii) by inter-bank transfer to such account as the payee or payees shall in writing direct, or (iii) (if so authorised by the holder of shares in uncertificated form) using the facilities of a relevant system (subject to the facilities and requirements of the relevant system), or (iv) by such other method of payment as the member (or, in the case of joint holders of a share, all of them) may agree to. Every such cheque shall be sent at the risk of the person or persons entitled to the money represented thereby, and payment of a cheque by the banker upon whom it is drawn, and any transfer or payment within (ii), (iii) or (iv) above, shall be a good discharge to the Company.

115.2 Subject to the provisions of these Articles and to the rights attaching to any shares, any dividend or other moneys payable on or in respect of a share may be paid in such currency as the Directors may determine, using such exchange rate for currency conversions as the Directors may select.

115.3 The Company may cease to send any cheque, warrant or order by post for any dividend on any shares which is normally paid in that manner if in respect of at least two consecutive dividends payable on those shares the cheque, warrant or order has been returned undelivered or remains uncashed but, subject to the provisions of these Articles, shall recommence sending cheques, warrants or orders in respect of the dividends payable on those shares if the holder or person entitled by transmission claims the arrears of dividend and does not instruct the Company to pay future dividends in some other way.

116 Joint holders

If two or more persons are registered as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder or otherwise by operation of law, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

117 Record date for dividends

Any resolution for the declaration or payment of a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such dividend of transferors and transferees of any such shares.

118 No interest on dividends

No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

119 Retention of dividends

119.1 The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the moneys payable to the Company in respect of that share.

119.2 The Directors may retain the dividends payable upon shares in respect of which any person is entitled to become a member under the provisions as to the transmission of shares contained in these Articles, until such person shall become a member in respect of such shares or which any person is under those provisions entitled to transfer until such person shall transfer the same.

120 Unclaimed dividend

The payment by the Directors of any unclaimed dividend or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof and any dividend unclaimed after a period of 6 years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Company.

121 Waiver of dividend

The waiver in whole or in part of any dividend on any share shall be effective only if such waiver is in writing (whether or not executed as a deed) signed or authenticated in accordance with Article 132 by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder or otherwise by operation of law) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Capitalisation of Profits and Reserves

122 Capitalisation of profits and reserves

122.1 The Directors may, if they are so authorised by a Special Resolution, capitalise any part of any amount for the time being standing to the credit of any reserve (including the share premium account, capital redemption reserve, merger reserve and retained earnings) in each case, whether or not the same is available for distribution, and appropriate the amount to be capitalised to the members or any class of members (on the Register at such time and on such date as may be specified in, or determined as provided in, the resolution of the general meeting granting authority for such capitalisation (or, in the absence of any such specification or determination, as the Directors may determine)) who would have been entitled thereto if distributed by way of dividend (which may exclude the Company in respect of any treasury shares) and in the same proportions (or, in connection with the arrangements and proposed transactions described in the circular to holders of shares in the capital of the Company dated [9] May 2017 (the "Circular"), in such proportions as the Directors determine to give effect to the arrangements and proposed transactions set out in that Circular) and the Directors shall apply such sum on their behalf either:

(a) in or towards paying up the amounts unpaid at the relevant time on any shares in the Company held by those members respectively; or

(b) in paying up in full at par shares, debentures or other obligations of the Company to be allotted credited as fully paid up among those members in the proportions aforesaid; or partly in one way and partly in the other, but so that, for the purposes of this Article, a share premium account and a capital redemption reserve and a merger reserve, and any other reserve which is not available for distribution may be applied only in paying up in full shares of the Company that are to be allotted credited as fully paid up.

122.2 The Directors shall have power after the passing of any such resolution to do all acts and things which they may consider necessary or expedient to give effect thereto, with full power to the Directors:

(a) to make such provision (by the issue of fractional certificates or by payment in cash or otherwise) as they think fit in the case of shares, debentures or obligations becoming distributable in fractions, such power to include the right for the Company to disregard fractional entitlements or the benefit thereof to accrue to the Company rather than the members concerned and to retain small amounts, the cost of distribution of which would be disproportionate to the amounts involved;

(b) to make such provision as they think fit for legal or regulatory or practical difficulties which may arise under the laws or the requests of any regulatory body or stock exchange in any territory or for any other matter whatsoever; and

(c) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing (as the case may require) either:

(i) for the payment up by the Company on behalf of such members (by the application thereto of their respective proportions of the profits resolved to be capitalised) of the amounts, or any part of the amounts, remaining unpaid on their existing shares; or

(ii) for the allotment to such members respectively, credited as fully paid, of any further shares, debentures or obligations to which they may be entitled upon such capitalisation; and

(iii) any agreement made under such authority shall be effective and binding on all such members.

122A. Capitalisation of profits and reserves in connection with employee share plans

122A.1 This Article applies where:

(a) a person is granted pursuant to an employees' share plan a right to subscribe for shares in the capital of the Company in cash (or for nil consideration) at a subscription price which is less than the nominal value of the relevant shares;

(b) as a result of a share consolidation or other variation of capital, the nominal value of shares in the capital of the Company is increased such that the subscription price (if any) at which any person is entitled to subscribe for shares in the capital of the Company pursuant to an employee share plan is less than the nominal value of the relevant shares; or

(c) pursuant to an employees' share plan, the terms on which any person is entitled to subscribe for shares in the capital of the Company are adjusted as a result of a capitalisation issue, rights issue or other variation of capital so that the subscription price is less than the nominal value of the relevant shares.

122A.2 In any such case the Board:

(a) may transfer to a reserve account a sum equal to the deficiency between the subscription price if any and the nominal value of the shares (the "**Cash Deficiency**") from the profits or reserves of the Company specified in Article 122A.5; and

(b) subject to Article 122A.4, shall not apply that reserve account for any purpose other than paying up the Cash Deficiency on the allotment of those shares.

122A.3 Whenever the Company is required to allot shares pursuant to such a right to subscribe, the Board may, subject to the provisions of the Act:

(a) appropriate to capital out of the reserve account an amount equal to the Cash Deficiency applicable to those shares;

(b) apply that amount in paying up the deficiency on the nominal value of those shares; and

(c) allot those shares credited as fully paid to the person entitled to them.

122A.4 If any person previously entitled to subscribe for shares as described in Article 122A.1 ceases to be so entitled, the restrictions on the reserve account shall cease to apply in relation to such part of the account as is equal to the amount of the Cash Deficiency applicable to those shares.

122A.5 The profits or reserves of the Company to which Articles 122A.1 to 122A.4 (inclusive) apply shall be:

(a) any profits of the Company, including, without limitation any profits arising from appreciation in capital assets (whether realised by sale of ascertained by valuation); and

(b) any amounts for the time being standing to any reserve or reserves, to the capital redemption reserve, to the share premium account, to the share based payment reserve, or to any other special account.

Scrip Dividends

123 Scrip Dividends

123.1 Subject as hereinafter provided, the Directors may offer to shareholders the right to receive, in lieu of dividend (or part thereof), an allotment of new shares credited as fully paid.

123.2 The Directors shall not make such an offer unless so authorised by an Ordinary Resolution passed at any General Meeting, which authority may extend to dividends declared or paid prior to the fifth Annual General Meeting of the Company occurring thereafter, but no further, provided that this Article shall, without the need for any further Ordinary Resolution, authorise the Directors to offer rights of election in respect of any dividend declared or proposed after the date of the adoption of these Articles and at or prior to the Annual General Meeting in the year 2015.

123.3 The Directors may either offer such rights of election in respect of the next dividend (or part thereof) proposed to be paid; or may offer such rights of election in respect of that dividend and all subsequent dividends, until such time as the election is revoked; or may allow shareholders to make an election in either form.

123.4 The basis of allotment on each occasion shall be determined by the Directors so that, as nearly as may be considered convenient, the value of the shares to be allotted in lieu of any amount of dividend shall equal such amount. For such purpose the value of an share shall be the average of the middle market quotations of an share on the London Stock Exchange, as derived from the Daily Official List, on each of the first five business days on which the shares are quoted "ex" the relevant dividend.

123.5 If the Directors determine to offer such right of election on any occasion they shall give notice in writing to the shareholders of such right and shall issue forms of election and shall specify the procedures to be followed in order to exercise such right provided that they need not give such notice to a shareholder who has previously made, and has not revoked, an earlier election to receive shares in lieu of all future dividends, but instead shall send him a reminder that he has made such an election, indicating how that election may be revoked in time for the next dividend proposed to be paid.

123.6 On each occasion the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable on shares in respect whereof the share election has been duly exercised and has not been revoked (the **"elected shares"**), and in lieu thereof additional shares (but not any fraction of a share) shall be allotted to the holders of the elected shares on the basis of allotment determined as aforesaid. For such purpose the Directors shall capitalise, out of such of the sums standing to the credit of reserves (including any share premium account or capital redemption reserve) or profit and loss account as the Directors may determine, a sum equal to the aggregate nominal amount of the additional shares to be allotted on that occasion on such basis and shall apply the same in paying up in full the appropriate number of shares for allotment and distribution to and amongst the holders of the elected shares on such basis.

123.7 The additional shares so allotted on any occasion shall rank *pari passu* in all respects with the fully-paid shares in issue on the record date for the relevant dividend save only as regards participation in the relevant dividend.

123.8 Article 122 shall apply (*mutatis mutandis*) to any capitalisation made pursuant to this Article.

123.9 No fraction of an share shall be allotted. The Directors may make such provision as they think fit for any fractional entitlements including, without limitation, provision whereby, in whole or in part, the benefit thereof accrues to the Company and/or fractional entitlements are accrued and/or retained and in either case accumulated on behalf of any shareholder.

123.10 The Directors may on any occasion determine that rights of election shall not be made available to any shareholders with registered addresses in any territory where in the absence of a registration statement or other special formalities the circulation of an offer of rights of election would or might be unlawful, and in such event the provisions aforesaid shall be read and construed subject to such determination.

123.11 In relation to any particular proposed dividend the Directors may in their absolute discretion decide (i) that shareholders shall not be entitled to make any election in respect thereof and that any election previously made shall not extend to such dividend or (ii) at any time prior to the allotment of the shares which would otherwise be allotted in lieu thereof, that all elections to take shares in lieu of such dividend shall be treated as not applying to that dividend, and if so the dividend shall be paid in cash as if no elections had been made in respect of it.

Accounts

124 Accounting records

Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Statutes shall be kept at the Office, or at such other place as the Directors think fit, and shall always be open to inspection by the officers of the Company. Subject as aforesaid no member of the Company or other person shall have any right of inspecting any account or book or document of the Company except as conferred by statute or ordered by a court of competent jurisdiction or authorised by the Directors.

125 Copies of accounts for members

125.1 Subject as provided in Article 125.2, a copy of the Company's annual accounts and reports, which are to be laid before a General Meeting of the Company (including every document required by law to be comprised therein or attached or annexed thereto), shall not less than 21 days before the date of the meeting be sent to every member of, and every holder of debentures of, the Company and to every other person who is entitled to receive notices of General Meetings from the Company under the provisions of the Statutes or of these Articles.

125.2 Article 125.1 shall not require a copy of these documents to be sent to any member to whom a summary financial statement is sent in accordance with the Statutes nor to more than one of joint holders nor to any person of whose postal address the Company is not aware, but any member or holder of debentures to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

Auditors

126 Validity of Auditor's acts

Subject to the provisions of the Statutes, all acts done by any person acting as an Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that he was at the time of his appointment not qualified for appointment or subsequently became disqualified.

127 Auditor's right to attend General Meetings

An Auditor shall be entitled to attend any General Meeting and to receive all notices of and other communications relating to any General Meeting which any member is entitled to receive and to be heard at any General Meeting on any part of the business of the meeting which concerns him as Auditor.

Communications with members

128 Service of notices

128.1 The Company may, subject to and in accordance with the Companies Acts and these Articles, send or supply all types of notices, documents or information to members by electronic means and/or including by making such notices, documents or information available on a website.

128.2 The Company Communications Provisions have effect for the purposes of any provision of the Companies Acts or these Articles that authorises or requires notices, documents or information to be sent or supplied by or to the Company.

128.3 Any notice, document or information (including a share certificate) which is sent or supplied by the Company in hard copy form, or in electronic form but to be delivered other than by electronic means, and which is sent by pre-paid post and properly addressed shall be deemed to have been received by the intended recipient at the expiration of 24 hours (or, where first-class mail is not employed, 48 hours) after the time it was posted, and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed, pre-paid and posted.

128.4 Any notice, document or information which is sent or supplied by the Company by electronic means shall be deemed to have been received by the intended recipient 24 hours after it was transmitted, and in proving such receipt it shall be sufficient to show that such notice, document or information was properly addressed.

128.5 Any notice, document or information which is sent or supplied by the Company by means of a website shall be deemed to have been received when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website.

128.6 The accidental failure to send, or the non-receipt by any person entitled to, any notice of or other document or information relating to any meeting or other proceeding shall not invalidate the relevant meeting or other proceeding.

128.7 The provisions of this Article shall have effect in place of the Company Communications Provisions relating to deemed delivery of notices, documents or information.

129 Joint holders

129.1 Anything which needs to be agreed or specified by the joint holders of a share shall for all purposes be taken to be agreed or specified by all the joint holders where it has been agreed or specified by the joint holder whose name stands first in the Register in respect of the share.

129.2 Any notice, document or information which is authorised or required to be sent or supplied to joint holders of a share may be sent or supplied to the joint holder whose name stands first in the Register in respect of the share, to the exclusion of the other joint holders. For such purpose, a joint holder having no registered address in the United Kingdom and not having supplied an address within the United Kingdom for the service of notices may, subject to the Statutes, be disregarded.

129.3 The provisions of this Article shall have effect in place of the Company Communications Provisions regarding joint holders of shares.

130 Deceased and bankrupt members

130.1 A person who claims to be entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law, shall supply to the Company such evidence as the Directors may reasonably require to show his title to the share; and an address at which notices may be sent or supplied to such person, whereupon he shall be entitled to have sent or supplied to him at such address any notice, document, or information to which the said member would have been entitled. Any notice, document or information so sent or supplied shall for all purposes be deemed to be duly sent or supplied to all persons interested (whether jointly with or as claiming through or under him) in the share.

130.2 Save as provided by Article 130.1 any notice, document or information sent or supplied to the address of any member in pursuance of these Articles shall, notwithstanding that such member be then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly sent or supplied in respect of any share registered in the name of such member as sole or first-named joint holder.

130.3 The provisions of this Article shall have effect in place of the Company Communications Provisions regarding the death or bankruptcy of a holder of shares in the Company.

131 Suspension of postal services

If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Company is unable to give notice by post in hard copy form of a shareholders' meeting, such notice shall be deemed to have been given to all members entitled to receive such notice in hard copy form if such notice is advertised in at least one national newspaper and such notice shall be deemed to have been given on the day when the advertisement appears. In any such case the Company shall (i) make such notice available on its website from the date of such advertisement until the conclusion of the meeting or any adjournment thereof and (ii) send confirmatory copies of the notice by post to such members if at least seven days prior to the meeting the posting of notices again becomes practicable.

132 Signature or authentication of documents sent by electronic means

Where these Articles require a notice or other document to be signed or authenticated by a member or other person then any notice or other document sent or supplied in electronic form is sufficiently authenticated in any manner authorised by the Company Communications Provisions or in such other manner as may be approved by the Directors. The Directors may designate mechanisms for validating any such notice or other document, and any such notice or other document not so validated by use of such mechanisms shall be deemed not to have been received by the Company.

133 Statutory provisions as to notices

Nothing in any of the preceding six Articles shall affect any provision of the Statutes that requires or permits any particular notice, document or information to be sent or supplied in any particular manner.

Winding Up

134 Directors' power to petition

The Directors shall have power in the name and on behalf of the Company to present a petition to the Court for the Company to be wound up.

Destruction of Documents

135 Destruction of Documents

Subject to compliance with the rules (as defined in the CREST Regulations) applicable to shares of the Company in uncertificated form, the Company shall be entitled to destroy all instruments of transfer or other documents which have been registered or on the basis of which registration was made at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of two years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of one year from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company provided always that:

(a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article;

(c) any document referred to above may, subject to the Statutes, be destroyed before the end of the relevant period so long as a copy of such document (whether made electronically, by microfilm, by digital imaging or by any other means) has been made and is retained until the end of the relevant period; and

(d) references herein to the destruction of any document include references to the disposal thereof in any manner.

Directors' liabilities

136 Indemnity

136.1 Subject to the provisions of, and so far as may be permitted by and consistent with, the Statutes and rules made by the UK Listing Authority, every Director and officer and former Director and former officer of the Company and of each of the Associated Companies of the Company shall be indemnified by the Company out of its own funds against:

(a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any Associated Company of the Company other than:

(i) any liability to the Company or any Associated Company; and

(ii) any liability of the kind referred to in Section 234(3) of the Companies Act 2006; and

(b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office.

136.2 Subject to the Companies Acts and rules made by the UK Listing Authority, the Company may indemnify a Director or former Director of the Company or of any Associated Company of the Company if it is the trustee of an occupational pension scheme (within the meaning of Section 235(6) of the Companies Act 2006).

136.3 Where a Director or officer is indemnified against any liability in accordance with Article 136.1, such indemnity shall extend to all costs, charges, losses, expenses and liabilities incurred by him in relation thereto.

136.4 In this Article, **"Associated Company"** shall have the meaning given thereto by Section 256 of the Companies Act 2006.

137 Insurance

137.1 Without prejudice to Article 136 above, the Directors shall have power to purchase and maintain insurance for or for the benefit of:

(a) any person who is or was at any time a Director or officer of any Relevant Company (as defined in Article 137.2 below); or

(b) any person who is or was at any time a trustee of any pension fund or employees' share scheme in which employees of any Relevant Company are interested,

including (without prejudice to the generality of the foregoing) insurance against any liability incurred by or attaching to him in respect of any act or omission in the actual or purported execution and/or discharge of his duties and/or in the exercise or purported exercise of his powers and/or otherwise in relation to his duties, powers or offices in relation to any Relevant Company, or any such pension fund or employees' share scheme (and all costs, charges, losses, expenses and liabilities incurred by him in relation thereto).

137.2 For the purpose of Article 137.1 above, **"Relevant Company"** shall mean:

(a) the Company;

(b) any holding company of the Company;

(c) any other body, whether or not incorporated, in which the Company or such holding company or any of the predecessors of the Company or of such holding company has or had any interest whether direct or indirect or which is in any way allied to or associated with the Company; or

(d) any subsidiary undertaking of the Company or of such other body.

138 Defence expenditure

138.1 Subject to the provisions of and so far as may be permitted by the Statutes and rules made by the UK Listing Authority, the Company:

(a) may provide a Director or former Director or officer of the Company or any Associated Company of the Company with funds to meet expenditure incurred or to be incurred by him in:

(i) defending any criminal or civil proceedings in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or an Associated Company of the Company; or

(ii) in connection with any application for relief under the provisions mentioned in Section 205(5) of the Companies Act 2006; and

(b) may do anything to enable any such Director or officer to avoid incurring such expenditure.

138.2 The terms set out in Section 205(2) of the Companies Act 2006 shall apply to any provision of funds or other things done under Article 138.1.

138.3 Subject to the provisions of and so far as may be permitted by the Statutes and rules made by the UK Listing Authority, the Company:

(a) may provide a Director or former Director or officer of the Company or any Associated Company of the Company with funds to meet expenditure incurred or to be incurred by him in defending himself in an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or any Associated Company of the Company; and

(b) may do anything to enable any such Director or officer to avoid incurring such expenditure.

138.4 In this Article **"Associated Company"** shall have the meaning given thereto by Section 256 of the Companies Act 2006.

Other

139 Rights and Restrictions Attached to the B Shares

139.1 **General**

Notwithstanding Article 7, the redeemable B shares in the capital of the Company (the "**B Shares**") shall have the rights, and be subject to the restrictions, attaching to shares set out in these Articles save that in the event of a conflict between any provision in this Article 139 and any other provision in these Articles, the provisions in this Article 139 shall prevail.

139.2 **Income**

The B Shares shall confer no right to participate in the profits of the Company save pursuant to the right to redemption under Article 139.6 below.

139.3 **Capital**

(a) Except as provided in Article 139.5 below, on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis) but not otherwise, the holders of the B Shares shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the Company, to an amount equal to the nominal value of a B Share per B Share held by them, rounded down in respect of the holder's aggregate holding to the nearest penny.

(b) On a winding up, the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in Article 139.3(a) above. In the event that there is a winding-up to which Article 139.3(a) applies and the amounts available for payment are insufficient to pay the amounts due on all the B Shares in full, the holders of the B Shares shall be entitled to their pro rata proportion of the amounts to which they would otherwise be entitled.

(c) The holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in their capacity as holders of B Shares, save as provided in Article 139.3(a) or 139.6.

139.4 **Attendance and voting at general meetings**

(a) The holders of the B Shares shall not be entitled, in their capacity as holders of such B Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting unless the business of the meeting includes the consideration of a resolution for the winding-up of the Company (excluding any intra group reorganisation on a solvent basis), in which case the holders of the B Shares shall have the right to attend the general meeting and shall be entitled to speak and vote only on any such resolution.

(b) If the holders of the B Shares are entitled to vote at a general meeting of the Company in their capacity as holders of such B Shares, then, subject to any other provisions of these Articles, each holder thereof shall be entitled to vote at such general meeting whether on a show of hands or on a poll as provided in the Companies Acts. For this purpose, where a proxy is given discretion as to how to vote on a show of hands, this shall be treated as an instruction by the relevant holder of B Shares to vote in the way in which the proxy elects to exercise that discretion.

139.5 **Class rights**

(a) The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent or sanction of the holders of the B Shares.

(b) A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent or sanction of the holders of the B Shares.

(c) Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the B Shares for any purpose or require the consent or sanction of the holders of the B Shares.

(d) If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of holders of ordinary shares, B Shares or Deferred Shares (as defined in Article 140 below), to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of B Shares under these Articles as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights attaching to the B Shares. Any such arrangements and adjustments shall not involve a variation of any rights attaching to the B Shares for any purpose.

139.6 **Redemption of B Shares**

Subject to the provisions of the Companies Acts and these Articles, the Company shall redeem, out of the profits available for distribution, the B Shares as follows:

(a) The B Shares shall be redeemed (without the Company having to give any notice to holders of B shares) at such time as the Directors may in their absolute discretion determine (the "**Redemption Time**").

(b) On redemption of a B Share at the Redemption Time, the Company shall be liable to pay to a holder of B Shares an amount equal to the nominal value of a B Share (the "**Redemption Amount**") for each B Share registered on the Company's relevant register at the Redemption Time, rounded down in respect of the holder's aggregate holding to the nearest penny. The Company's liability to pay to such holder the Redemption Amount for each such B Share shall be discharged by the Company by a payment to such holder within 25 days of the Redemption Time of the Redemption Amount for each such B Share by cheque or by the crediting of CREST accounts.

(c) In the absence of bad faith or wilful default, neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the determination of the Redemption Time in accordance with Article 139.6(a) above.

(d) All B Shares redeemed shall be cancelled and Micro Focus shall not be entitled to re-issue them.

139.7 **Transfer and Certificates**

Subject to such of the provisions of these Articles as may be applicable, no transfer of B Shares will be registered after 5.00 p.m. on the second Business Day prior to the Redemption Time unless determined to the contrary by the Directors. No share certificates or other documents of title shall be issued in relation to the B Shares.

139.8 **Deletion of Article 139 when no B Shares in existence**

Following the first issue of B Shares, Article 139 shall remain in force until there are no longer any B Shares in existence, notwithstanding any provision in these Articles to the contrary. Thereafter, Article 139 shall be, and shall be deemed to be, of no effect (save to the extent that the provisions of Article 139 are referred to in other Articles) and shall be deleted and replaced with the wording "Article 139 has been deleted'', and the separate register for the holders of B Shares shall no longer be required to be maintained by the Company; provided that the validity of anything done under Article 139 before that date shall not otherwise be affected and any actions taken under Article 139 before that date shall be conclusive and not be open to challenge on any grounds whatsoever.

140 Deferred Shares

140.1 **General**

Notwithstanding Article 7, the deferred shares of 10 pence each (the "**Deferred Shares**") shall have the rights, and be subject to the restrictions, attaching to shares set out in these Articles save that in the event of a conflict between any provision in this Article 140 and any other provision in these Articles, the provisions in this Article 140 shall prevail.

140.2 **Income**

The Deferred Shares shall confer no right to participate in the profits of the Company.

140.3 **Capital**

On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis) but not otherwise, there shall be paid to the holders of the Deferred Shares, the nominal capital paid up, or credited as paid up, on such Deferred Shares after:

(a) firstly, paying to the holders of the B Shares, the amounts they are entitled to receive on a winding up in accordance with their terms; and

(b) secondly, paying to the holders of the ordinary shares the nominal capital paid up or credited as paid up on the ordinary shares held by them respectively, together with the sum of £100,000,000,000 on each ordinary share.

The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

140.4 **Attendance and voting at general meetings**

The holders of the Deferred Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

140.5 **Class rights**

(a) The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent or sanction of the holders of the Deferred Shares.

(b) The reduction by the Company of the capital paid up on the Deferred Shares, or any other shares, or reduction of share premium account shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (in accordance with the Companies Acts) or share premium account without obtaining the consent or sanction of the holders of the Deferred Shares.

(c) Without prejudice to the foregoing, the Company is authorised to reduce (or purchase or redeem shares in) its capital of any class or classes and such reduction (or purchase or redemption) shall not involve a variation of any rights attaching to the Deferred Shares for any purpose or require the consent of the holders of the Deferred Shares.

140.6 **Form**

The Deferred Shares shall not be listed or traded on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall not be transferable except in accordance with Article 140.7 below or with the written consent or sanction of the Directors.

140.7 **Transfer and purchase**

The Company shall at any time (and from time to time) (subject to the provisions of the Companies Act) without obtaining the sanction of the holder or holders of the Deferred Shares.

(a) appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the Directors may determine (whether or not an officer of the Company), in any case for not more than the aggregate amount of one penny for all the Deferred Shares then being transferred which shall be donated to a suitable charity; and

(b) cancel all or any of the Deferred Shares purchased or acquired by Micro Focus in accordance with the Companies Acts.

140.8 **Deletion of Article 140 when no Deferred Shares in existence**

Article 140 shall remain in force until there are no longer any Deferred Shares in existence, notwithstanding any provision in these Articles to the contrary. Thereafter Article 140 shall be, and shall be deemed to be, of no effect (save to the extent that the provisions of Article 140 are referred to in other Articles) and shall be deleted and replaced with the wording "Article 140 has been deleted'', and the separate register for the holders of Deferred Shares shall no longer be required to be maintained by Micro Focus; provided that the validity of anything done under Article 140 before that date shall not otherwise be affected and any actions taken under Article 140 before that date shall be conclusive and not be open to challenge on any grounds whatsoever.

Exhibit 2.1

DESCRIPTION OF SECURITIES
REGISTERED UNDER SECTION 12 OF THE EXCHANGE ACT

As of October 31, 2019 Micro Focus International plc ("we," "us," and "our") had the following series of securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Ordinary shares*, nominal value 10 pence per share		
American Depositary Shares, each representing 1 share	**MFGP**	**New York Stock Exchange**

* Not for trading, but only in connection with the listing of the American Depositary Receipts on the New York Stock Exchange.

Our shares are also listed in the United Kingdom on the London Stock Exchange ("LSE").

American Depositary Shares ("ADSs"), each representing one ordinary share, nominal value 10 pence per share of Micro Focus International plc (the "shares"), have been available in the US through an American Depositary Receipt ("ADR") program since September 2017.

This program was established pursuant to the deposit agreement that we entered into with Deutsche Bank Trust Company Americas ("Deutsche Bank"), as depositary ("Deposit Agreement"). Our ADRs have been listed on the New York Stock Exchange ("NYSE") since September 2017 and are traded under the symbol MFGP. In connection with this listing (but not for trading), the shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of shares and (ii) ADR holders. Shares underlying the ADSs are held by Deutsche Bank, the depositary, and holders of ADSs will not be treated as holders of the shares.

The following summary is subject to and qualified in its entirety by Micro Focus International plc's Articles of Incorporation ("Articles"), Regulations of the Board of Directors ("Board Regulations"), and by United Kingdom law. This is not a summary of all the significant provisions of the Articles, the Board Regulations, or of United Kingdom law and does not purport to be complete. Capitalized terms used but not defined herein have the meanings given to them in Micro Focus International plc's annual report on Form 20-F for the fiscal year ended October 31, 2019 and in the Deposit Agreement, which is an exhibit to our registration statement on Form F-4 filed with the SEC on April 25, 2017.

ORDINARY SHARES

Type and class of securities

Each Micro Focus International plc share has a nominal (par) value of £0.10 per share. The respective number of shares that have been issued as of October 31, 2019 is given in note 29 of the financial statements in Item 18 of the annual report on Form 20-F for the fiscal year ended October 31, 2019. All Micro Focus International plc shares are in registered form, are freely transferable (either on- or off-market) subject to the company's Articles of Association, have equal voting rights and carry equal entitlements to dividends.

Pre-emptive rights

Under the U.K. Companies Act 2006, the directors only have power to issue new shares where authority to do so has been conferred on them by the company's shareholders in general meeting. Any resolution seeking such authority must be proposed as an ordinary resolution. There is a further presumption in English law that all shares to be issued for a cash consideration must first be offered to existing shareholders on a pro-rata basis.

The directors are permitted to seek further authorities from the company's shareholders in general meeting, by way of separate special resolutions, to issue new ordinary shares for cash other than on a pre-emptive basis, but any such authority is limited to:

(a) A general dis-application of pre-emption rights over a number of shares not exceeding 5 per cent. of the company's issued share capital; and

(b) A specific dis-application of pre-emption rights over a number of shares not exceeding a further 5 per cent. of the company's issued share capital to facilitate an acquisition or a specified capital investment, or re-finance any such transaction entered into within the previous six months.

Memorandum and articles of association

Shareholder rights

Micro Focus International plc only has one class of registered shares, therefore the following information applies to all shareholders.

Share capital

The Micro Focus Articles do not specify an amount of authorized capital, as the requirement to have an authorized capital is no longer applicable under the Companies Act 2006. As of October 31, 2019, the issued ordinary share capital of Micro Focus was 363,583,328 ordinary shares, with a par value of £0.10 each, of which 30,200,905 ordinary shares were held in treasury. The Micro Focus Articles provide that (without prejudice to any existing rights attached to shares) new shares may be issued by Micro Focus carrying such rights as Micro Focus may determine provided the prior sanction of an ordinary resolution in general meeting is obtained.

Micro Focus does not have any class of preferred stock.

Redemption rights

Ordinary shares are non-redeemable.

Participation rights

Ordinary shares carry rights to participate in the profits of the Company.

Alteration of Share Capital

Micro Focus may by ordinary resolution alter its share capital in accordance with the Companies Act. The resolution may determine that, as between the holders of shares resulting from a sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.

Liability to further capital calls by the Company

All ordinary shares currently in issue are fully paid. The Company may, under its Articles and in accordance with the Companies Act, issue new ordinary shares either fully-paid (as to their par value) or partly-paid. Where shares are issued with a partly-paid par value then the registered holder of those shares will be liable to further cash calls in line with the provisions of the Articles and the Companies Act.

The board of directors typically seeks authority from shareholders at each Annual General Meeting to issue further shares in the company, including by way of a rights issue (which may be fully or partially pre-emptive). Shareholders who do not wish to take up their rights would generally be entitled to sell their rights, nil paid, in the market ahead of any such rights issue being closed.

Voting rights

Ordinary Shares

Micro Focus Ordinary Shareholders shall be entitled, in respect of their holding of such shares and subject to relevant provisions of the Micro Focus Articles, to receive notice of any general meeting of Micro Focus and to attend and vote at any such general meeting. At any such meeting, on a show of hands, each Micro Focus Ordinary Shareholder present in person or by proxy shall have one vote and each such holder present in person or by proxy or by corporate representative shall upon a poll have one vote for every Micro Focus Share of which he or she is the holder.

At a General Meeting of the Company:

- On a show of hands, every ordinary member present in person and every proxy or corporate representative duly appointed by a member shall have one vote; and
- On a poll, every member who is present in person and every proxy or corporate representative shall have one vote for every ordinary share of which he or she is the holder.

No member shall be entitled to vote at any general meeting or class meeting in respect of shares held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid. Currently, all issued ordinary shares are fully paid.

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting (the 'AGM') to be held on March 25, 2020 are set out in the Notice of Meeting, which accompanies this report.

Dividends

Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to ordinary members but no dividend shall exceed the amount recommended by the board. The board may pay interim dividends and any fixed rate dividend whenever the profits of the Company, in the opinion of the board, justifies its payment. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares. Any dividend unclaimed after a period of 6 years from the date of declaration or from the date on which such dividends became due for payment shall be forfeited and shall revert to Micro Focus. The Micro Focus Board may, if authorized by an ordinary resolution, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

Liquidation rights

In the event of our liquidation, after payment of all liabilities, our remaining assets would be used to repay the holders of ordinary shares the amount they paid for their ordinary shares. Any balance would be divided among the holders of ordinary shares in proportion to the nominal amount of the ordinary shares held by them.

Provisions discriminating against the holders of ordinary shares or other securities

There are no provisions in the Articles which discriminate against any existing or prospective holder as a result of such holder owning a substantial number of shares. Under the Listing Rules made by the U.K.'s competent authority, the Financial Conduct Authority, in certain circumstances that company would be obliged to enter into a relationship agreement with a substantial shareholder.

Under the Companies Act, the company is able to serve a notice on any member, or any other person appearing to be interested in its shares under Section 793 of the Companies Act 2006, requiring them to provide confirmation of that person's interest in the company's shares. Where the recipient of such a notice is in default for a period of 14 days in supplying to the Company the information thereby required, then (unless the Directors otherwise determine) the company may suspend voting rights on (a) the shares comprising the shareholding account in the Register which comprises or includes the shares subject to the notice in relation to which the default occurred; and (b) any other shares held by the member.

Changes to shareholder rights

General meetings at which "special resolutions" are proposed and passed generally involve proposals to change the name of the company, change or amend the rights of shareholders, permit the company to issue new shares for cash without applying the shareholders' pre-emptive rights, amend the company's articles of association, or carry out other matters where either the company's articles of association or the Companies Act 2006 prescribe that a "special resolution" is required. Other proposals relating to the ordinary course of the company's business, such as the election of directors, would generally be the subject of an "ordinary resolution."

Under the Companies Act, an ordinary resolution requires a simple majority of those attending and voting (in person or by proxy) and a special resolution requires not less than a 75% majority of those attending and voting (in person or by proxy).

Limitations affecting holders of ordinary shares or ADSs

Under English law and our Memorandum and Articles of Association, persons who are neither UK residents nor UK nationals may freely hold, vote and transfer ordinary shares in the same manner as UK residents or nationals.

With respect to the items discussed above, applicable UK law is not materially different from applicable US law.

Change in control

The Articles and the Board Regulations contain no provision that would have an effect of delaying, deferring or preventing a change in control of Micro Focus International plc and that would operate only with respect to a merger, acquisition or corporate restructuring involving us or any of our subsidiaries.

Disclosure of shareholdings

There are no provisions in the Articles of Association requiring the disclosure of share ownership above any specific threshold.

Differences in the law

See the references to United Kingdom law throughout this section “Item 10.B Memorandum and articles of association.”

Changes in capital

The provisions of the Articles of Association are no more stringent than those required under U.K. company law.

AMERICAN DEPOSITARY SHARES

Depositary

Deutsche Bank Trust Company has been appointed as the depositary pursuant to the Deposit Agreement. Deutsche Bank’s principal executive office is located 60 Wall Street, New York, NY 1005, USA.

Provisions

ADSs, each representing one ordinary share of £0.10 in the capital of Micro Focus International plc (‘Micro Focus’) and evidenced by ADRs, are issued by the depositary, and not by us. The ADR is vested with rights defined and enumerated in the Deposit Agreement (such as the rights to vote, to receive a dividend and to receive a share of Micro Focus in exchange for a certain number of ADRs). The enumeration of rights, including any limitations on those rights in the Deposit Agreement, is final. There are no other rights given to the ADR holders. Only the nominee company appointed by the depositary is registered as shareholder in our share register. An ADR is not a Micro Focus share and an ADR holder is not a Micro Focus shareholder.

The following is a summary of the material provisions of the Deposit Agreement. For more complete information, you should read the Deposit Agreement and form of ADR. The Deposit Agreement has been filed with the SEC as an exhibit to the Form F-4 filed with the SEC on August 3, 2017.

Voting rights

The Deposit Agreement has granted certain indirect rights to vote to the ADR holders. ADR holders may not attend Micro Focus general meetings in person. ADR holders exercise their voting rights by instructing the depositary to exercise the voting rights attached to the registered shares underlying the ADRs. The depositary exercises the voting rights for registered shares underlying ADRs for which no voting instructions have been given by providing a discretionary proxy to an uninstructed independent designee pursuant to paragraph [13] of the form of ADR. Such designee has to be a shareholder of Micro Focus. The same voting restrictions apply to ADR holders as to those holding Micro Focus shares.

As soon as practicable after receipt from Micro Focus of notice of any meeting or solicitation of consents or proxies of holders of shares or other deposited securities, the depositary will mail to holders a notice stating (a) such information as is contained in such notice and any solicitation materials (or a summary thereof), (b) that each holder on the record date set by the depositary therefor will be entitled, subject to applicable law and the provisions of or governing deposited securities to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the ADSs evidenced by such holder’s ADRs and (c) the manner in which such instructions may be given, including instructions to give a discretionary proxy to a person designated by Micro Focus. Upon receipt of instructions of a holder on such record date in the manner and on or before the date established by the depositary for such purpose, the depositary will endeavor insofar as practicable and permitted under the provisions of or governing deposited securities to vote or cause to be voted (or to grant a discretionary proxy to a person designated by Micro Focus) the deposited securities represented by the ADSs evidenced by such holder’s ADRs in accordance with such instructions. The depositary will not itself exercise any voting discretion in respect of any deposited securities. To the extent such instructions are not so received by the depositary from any holder, the depositary shall deem such holder to have so instructed the depositary to give a discretionary proxy to a person designated by Micro Focus and the depositary shall endeavor insofar as practicable and permitted under the provisions of or governing deposited securities to give a discretionary proxy to a person designated by Micro Focus to vote the deposited securities represented by the ADSs evidenced by such holder’s ADRs as to which such instructions are so given, provided that no such instruction shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which the Micro Focus informs the depositary (and Micro Focus agrees to provide such information promptly in writing) that Micro Focus does not wish such proxy given.

Share dividends and other distributions

The depositary will distribute as promptly as practicable by mail, to the extent distribution by mail is practicable, to each ADR holder on the record date set by the depositary at such ADR holder's address shown on the ADR Register, in proportion to the number of deposited securities (on which the following distributions on deposited securities are received by the custodian) represented by ADSs evidenced by such holder's ADRs:

(a) *Cash:* Any US dollars available to the depositary resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof authorized in paragraph [10] ("Cash") of the form of ADR, on an averaged or other reasonably practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible pursuant to applicable law with respect to certain holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to US dollars by sale or in such other manner as the depositary may determine to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or US dollars to the US by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner.

(b) *Shares*. (i) Additional ADRs evidencing whole ADSs representing any shares available to the depositary resulting from a dividend or free distribution on deposited securities consisting of shares (a "Share Distribution") and (ii) US dollars available to it resulting from the net proceeds of sales of shares received in a Share Distribution, which shares would give rise to fractional ADSs if additional ADRs were issued therefor, as in the case of Cash.

(c) *Rights*. (i) Warrants or other instruments in the discretion of the depositary after consultation with Micro Focus if practicable representing rights to acquire additional ADRs in respect of any rights to subscribe for additional shares or rights of any nature available to the depositary as a result of a distribution on deposited securities ("Rights"), to the extent that Micro Focus timely furnishes to the depositary evidence satisfactory to the depositary that the depositary may lawfully distribute the same (Micro Focus has no obligation to so furnish such evidence), or (ii) to the extent Micro Focus does not so furnish such evidence and sales of Rights are practicable, any US dollars available to the depositary from the net proceeds of sales of Rights as in the case of Cash, or (iii) to the extent Micro Focus does not so furnish such evidence and such sales cannot practicably be accomplished by reason of the non-transferability of the Rights, limited markets therefor, their short duration or otherwise, nothing (and any Rights may lapse).

(d) *Other Distributions*. (i) Securities or property available to the depositary resulting from any distribution on deposited securities other than Cash, Share Distributions and Rights ("Other Distributions"), by any means that the depositary may deem equitable and practicable, or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, any US dollars available to the depositary from the net proceeds of sales of Other Distributions as in the case of Cash. The depositary shall endeavor to conduct any sales hereunder in a commercially reasonable manner.

The depositary will distribute US dollars by checks drawn on a bank in the US for whole dollars and cents (any fractional cents being withheld without liability for interest and dealt with by the depositary in accordance with its then current procedures), pursuant to paragraph [10] of the form of ADR.

Deposit, withdrawal and cancellation

Subject to paragraphs [4] and [5] of the form of ADR, upon surrender of (i) a certificated ADR in form satisfactory to the depositary at the transfer office or (ii) proper instructions and documentation in the case of a Direct Registration ADR, the holder hereof is entitled to delivery at the custodian's office of the deposited securities at the time represented by the ADSs evidenced by this ADR. At the request, risk and expense of the holder, the depositary may deliver such deposited securities at such other place as may have been requested by the holder. Notwithstanding any other provision of the Deposit Agreement or the form of ADR, the withdrawal of deposited securities may be restricted only for the reasons set forth in General Instruction I.A.(1) of Form F-6 (as such instructions may be amended from time to time) under the Securities Act.

Reclassification, recapitalizations and mergers

If Micro Focus takes certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all the assets of the company, then the depositary may choose to:

(a) issue and distribute additional ADRs;

(b) amend the deposit agreement and applicable ADRs;

(c) call for the surrender of outstanding ADRs to be exchanged for new ADRs; and

(d) distribute cash, securities or property on the record date set by the depositary to reflect the transaction.

Amendment and termination

The ADRs and the Deposit Agreement may be amended by Micro Focus and the depositary, provided that any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that shall otherwise prejudice any substantial existing right of holders, shall become effective [30] days after notice of such amendment shall have been given to the holders. Every holder of an ADR at the time any amendment to the Deposit Agreement so becomes effective shall be deemed, by continuing to hold such ADR, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby.

The depositary may, and shall at the written direction of Micro Focus, terminate the Deposit Agreement and this ADR by mailing notice of such termination to the holders at least [30] days prior to the date fixed in such notice for such termination. After the date so fixed for termination, the depositary and its agents will perform no further acts under the Deposit Agreement and this ADR, except to receive and hold (or sell) distributions on deposited securities and deliver deposited securities being withdrawn. As soon as practicable after the expiration of [six] months from the date so fixed for termination, the depositary shall sell the deposited securities and shall thereafter (as long as it may lawfully do so) hold in a segregated account the net proceeds of such sales, together with any other cash then held by it under the Deposit Agreement, without liability for interest, in trust for the pro rata benefit of the holders of ADRs not theretofore surrendered. After making such sale, the Depositary shall be discharged from all obligations in respect of the Deposit Agreement and this ADR, except for its obligations to Micro Focus under Section [16] of the Deposit Agreement and to account for such net proceeds and other cash. After the date so fixed for termination, Micro Focus will discharged from all obligations under the Deposit Agreement except for its obligations to the depositary and its agents.

Limitation on obligations and liability to ADR holders

The depositary, Micro Focus, their respective directors, employees, officers, agents or affiliates and each of them shall: (a) incur no liability (i) if any present or future law, regulation, order, decree, moratorium, fiat, the provisions of or governing any deposited securities and the Articles of Association, act of God, war or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty or restraint or any act which the Deposit Agreement or this ADR provides shall be done or performed by it, or (ii) by reason of any exercise or failure to exercise any discretion given it in the Deposit Agreement, this ADR or the Articles of Association; (b) assume no liability except to perform its obligations to the extent they are specifically set forth in this ADR and the Deposit Agreement without gross negligence or bad faith; (c) be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or this ADR; or (d) not be liable for any action or inaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any holder, or any other person believed by it to be competent to give such advice or information. The depositary, its agents and Micro Focus may rely and shall be protected in acting upon any written notice, request, direction or other document believed by them to be genuine and to have been signed or presented by the proper party or parties. The depositary and its agents will not be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. The depositary and its agents may own and deal in any class of securities of Micro Focus and its affiliates and in ADRs. Micro Focus has agreed to indemnify the depositary and its agents under certain circumstances and the depositary and its agents have agreed to indemnify Micro Focus under certain circumstances. No disclaimer of liability under the Securities Act is intended by any provision hereof.

Books of depositary

The depositary will keep books at its principal office for the registration and transfer of ADRs, which will be open for inspection by holders at all reasonable times. Such inspection shall not be for the purpose of communicating with other owners of ADRs in the interest of a business or object other than the business of Micro Focus or other than a matter related to the deposit agreement or the ADRs.

Exhibit 8.1

Details of subsidiaries as at October 31, 2018 are provided below

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
1	Attachmate Australasia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
2	Attachmate Group Australia Pty Limited	Australia	Ordinary Shares	Sale and support of software	1
3	Autonomy Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
4	Autonomy Systems Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
5	Borland Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
6	Entco Australia Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
7	Micro Focus Australia Pty Ltd (formerly Entcorp Australia Pty Limited)	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
8	Micro Focus Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
9	Serena Software Pty Limited	Australia	Ordinary Shares AU$1.00	Sale and support of software	1
10	Borland Entwicklung GmbH	Austria	Registered capital	Development of software	2
11	Autonomy Belgium BVBA	Belgium	Ordinary Shares	Sale and support of software	3
12	Micro Focus Belgium BV (formerly Entco Belgium BVBA)	Belgium	Ordinary Shares	Sale and support of software	3
13	Micro Focus Srl (formerly Micro Focus SPRL)	Belgium	Ordinary Shares	Sale and support of software	4
14	Borland Latin America Ltda	Brazil	Quota RS$1.00	Sale and support of software	5
15	Cambridge Technology Partners do Brasil s.c. Ltda	Brazil	Quota RS$1.00	Dormant	5
16	Micro Focus Brasil Serviços de Tecnologia Ltda (formerly Entco Brasil Serviços de Tecnologia Ltda)	Brazil	Quota RS$1.00	Sale and support of software	5
17	Micro Focus Programmeação de Computadores Ltda	Brazil	Quota RS$1.00	Sale and support of software	5
18	Peregrinne Systems do Brasil Limitada	Brazil	Quota RS$1.00	Sale and support of software	6
19	Serena Software Do Brasil Ltda	Brazil	Quota RS$1.00	Sale and support of software	7

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
20	Verity Worldwide Limited	British Virgin Islands	Ordinary Shares US$50,000.00	Sale and support of software	8
21	Micro Focus APM Solutions Limited (EOOD)	Bulgaria	Ordinary Shares BGN1,000.00	Development of software	9
22	Micro Focus Bulgaria EOOD (formerly Entco Bulgaria EOOD)	Bulgaria	Ordinary Shares BGN1.00	Sale and support of software	10
23	Autonomy Systems (Canada) Limited	Canada	Class A Common Stock	Sale and support of software	11
24	Borland Canada Software ULC	Canada	Common Shares	Dormant	12
25	Entcorp Canada, Inc.	Canada	Common Stock	Sale and support of software	13
26	GWAVA ULC (formerly GWAVA Inc.)	Canada	Common Stock	Holding Company	12
27	Interset Software Inc.	Canada	Class A Preferred Shares Class B Preferred Shares Class B-1 Preferred Shares Class B-2 Preferred Shares Common Shares	Sale and support of software	14
28	Micro Focus (Canada) ULC	Canada	Common Shares	Development, sale and support of software	12
29	Micro Focus Acquisition ULC	Canada	Common Shares	Holding Company	15
30	Micro Focus Software (Canada), ULC	Canada	Common Shares	Sale and support of software	16
31	Micro Focus Software Solutions Canada Co. / Solutions Logiciels Micro Focus Canada Cie. (formerly Entco Software Canada Co. Logiciels Entco Canada Cie)	Canada	Common Shares	Sale and support of software	17
32	NetManage Canada ULC	Canada	Common Shares	Dormant	12
33	Entco Bellatrix HoldCo	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18
34	Entco Capital Co	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18
35	Entco Investment Co	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
36	Micro Focus International Limited	Cayman Islands	Class A Ordinary Shares US$0.00001 Class B Ordinary Shares US$0.00001 Class C Ordinary Shares US$0.00001 Class L Ordinary Shares US$0.00001	Dormant	18
37	Micro Focus IP Limited	Cayman Islands	Class A Ordinary Shares €0.01 Class B Preferred Redeemable Shares €0.01	Holding Company	18
38	Entco Marigalante Limited	Cayman Islands	Ordinary Shares US$1.00	Sale and support of software	18
39	Autonomy Systems (Beijing) Limited Company	China	Registered Capital	Sale and support of software	19
40	Borland Software Corporation Beijing Representative Office	China	Branch	In liquidation	104
41	Shanghai Entco Software Technology Co., Limited	China	Registered Capital	Sale and support of software	20
42	Shanghai Entco Software Technology Co., Limited, Beijing Branch	China	Branch	Sale and support of software	21
43	Shanghai Entco Software Technology Co., Limited, Chongqing Branch	China	Branch	Sale and support of software	22
44	Shanghai Entco Software Technology Co., Limited, Shenzhen Branch	China	Branch	Sale and support of software	23
45	Singapore Micro Focus Pte Ltd Shanghai Representative Office	China	Branch	Sale and support of software	24
46	UK Micro Focus Limited Beijing Representative Office	China	Branch	Sale and support of software	25
47	Micro Focus CentroAmerica CAC Limiteda (formerly Entco CentroAmerica CAC Limitada)	Costa Rica	Quota CRC1,000.00	Sale and support of software	26
48	Micro Focus Costa Rica Limiteda (formerly Entco Costa Rica Limitada)	Costa Rica	Quota CRC1,000.00	Sale and support of software	26
49	NetIQ Software International Limited	Cyprus	Ordinary Shares of C£1.00	Dormant	103
50	Micro Focus Czechia s.r.o (formerly Entco Czechia, s.r.o.)	Czech Republic	Registered Capital	Sale and support of software	27
51	NOVL Czech s.r.o.	Czech Republic	Registered Capital	Dormant	28

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
52	Micro Focus Denmark, filial af Micro Focus AS, Norge (Branch)	Denmark	Branch	Sale and support of software	29
53	Micro Focus Software Denmark ApS (formerly Entco Denmark ApS)	Denmark	Ordinary Shares DKK1.00	Sale and support of software	29
54	Attachmate Middle East LLC	Egypt	Cash Shares LE100.00	In liquidation	105
55	Micro Focus AS, Filial i Finland (Branch)	Finland	Branch	Sale and support of software	30
56	Attachmate Group France SARL	France	Ordinary Shares €16.00	Sale and support of software	31
57	Borland (France) Sarl	France	Ordinary Shares €15.25	Sale and support of software	31
58	Cobol-IT, SAS	France	Ordinary Shares €1.00	Sale and support of software	31
59	Micro Focus France SAS (formerly Entco France SAS)	France	Ordinary Shares €1.00	Sale and support of software	32
60	Micro Focus SAS	France	Ordinary Shares €10.00	Sale and support of software	31
61	Attachmate Group Germany GmbH	Germany	Ordinary Shares €191,000.00	Sale and support of software	33
62	Borland GmbH	Germany	Ordinary Shares €49,500.00 Ordinary Shares €450,000.00 Ordinary Shares €100,000.00 Ordinary Shares €500.00	Dormant	33
63	GWAVA EMEA GmbH	Germany	Registered Capital	Sale and support of software	34
64	Micro Focus Deutschland GmbH (formerly Entco Deutschland GmbH)	Germany	Registered Capital	Sale and support of software	35
65	Micro Focus GmbH	Germany	Registered Capital	Sale and support of software	33
66	Novell Holdings Deutschland GmbH	Germany	Registered Capital	Holding Company	36
67	Serena Software GmbH	Germany	Registered Capital	Sale and support of software	37
68	Attachmate (Hong Kong) Limited	Hong Kong	Ordinary Shares HK$1.00	Dormant	38
69	Borland (H.K.) Limited	Hong Kong	Ordinary Shares HK$1.00	Dormant	38
70	EntCorp Hong Kong Limited	Hong Kong	Ordinary Shares HK$1.00	Sale and support of software	39

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
71	Micro Focus Limited Hong Kong (Branch)	Hong Kong	Branch	Sale and support of software	38
72	Micro Focus Software HK Limited (formerly Attachmate Group Hong Kong Limited)	Hong Kong	Ordinary Shares HK$10.00	Sale and support of software	38
73	NetIQ Asia Ltd.	Hong Kong	Ordinary Shares HK$1.00	Dormant	38
74	Autonomy Software Asia Private Limited	India	Equity Shares INR10.00	Sale and support of software	40
75	Borland Software India Private Limited	India	Equity Shares INR10.00	Dormant	41
76	Entco IT Services Private Limited	India	Equity Shares INR10.00	Sale and support of software	42
77	Interwoven, Inc., India Branch	India	Branch	Sale and support of software	43
78	Micro Focus India Private Limited	India	Equity Shares INR10.00	Support of software	41
79	Micro Focus Software India Private Limited	India	Equity Shares INR10.00	Development, sale and support of software	41
80	Micro Focus Software Solutions Private Limited (formerly Entco Software India Private Limited)	India	Equity Shares INR10.00	Sale and support of software	44
81	Novell India Private Ltd.	India	Equity Shares INR10.00	Dormant	45
82	Relativity Technologies Private Limited	India	Equity Shares INR10.00	Sale and support of software	41
83	Attachmate Ireland Limited	Ireland	Ordinary Shares €1.27	Sale and support of software	46
84	Entsoft Holding Ireland Unlimited Company	Ireland	Ordinary Shares US$1.00	Holding Company	46
85	Micro Focus (IP) Ireland Limited	Ireland	Ordinary Shares US$1.00	Dormant	47
86	Micro Focus (Ireland 1) Limited (formerly SUSE Linux Holdings Limited)	Ireland	Ordinary Shares US$1.00	Holding Company	47
87	Micro Focus (Ireland 2) Limited (formerly SUSE Linux Ireland Limited)	Ireland	Ordinary Shares US$1.00	Dormant	47
88	Micro Focus Finance Ireland Limited	Ireland	Ordinary Shares US$1.00	Holding Company	48
89	Micro Focus Galway Limited (formerly Entsoft Galway Limited	Ireland	Ordinary Shares €1.00	Sale and support of software	46
90	Micro Focus Group Holdings Unlimited Company	Ireland	Ordinary Shares €1.00	Holding Company	47
91	Micro Focus International Holdings Limited	Ireland	Ordinary Shares €1.00	Holding Company	47

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
92	Micro Focus Ireland Limited	Ireland	Ordinary Shares €1.00	Development, sale and support of software	47
93	Micro Focus Software (Ireland) Limited	Ireland	Ordinary Shares €1.25 Ordinary Shares US$1.00	Development, sale and support of software	48
94	Micro Focus Software Solutions Ireland Limited (formerly Entsoft Ireland Limited)	Ireland	Ordinary Shares €1.00	Sale and support of software	46
95	NetIQ Europe Limited	Ireland	Ordinary Shares €1.00	Sale and support of software	46
96	NetIQ Ireland Limited	Ireland	Ordinary Shares €1.00	Holding Company	47
97	Novell Cayman Software International Unlimited Company	Ireland	Ordinary Shares US$1.00	Holding Company	47
98	Novell Cayman Software Unlimited Company	Ireland	Ordinary Shares US$1.00	Holding Company	47
99	Novell Ireland Real Estate Unlimited Company	Ireland	Ordinary Shares €1.25 A Ordinary Shares €1.25	Holding Company	47
100	Novell Software International Limited	Ireland	Ordinary Shares US$1.00	Holding Company	47
101	Micro Focus Interactive Israel Ltd (formerly Entco Interactive (Israel) Limited)	Israel	Ordinary Shares of NIS1.00	Sale and support of software	49
102	Micro Focus Israel Limited	Israel	Ordinary Shares NIS1.00	Development and support of software	50
103	Micro Focus Software Israel Ltd (formerly Entcorp Software Israel Limited)	Israel	Ordinary Shares NIS1.00	Sale and support of software	49
104	N.Y. NetManage (Yerushalayim) Ltd	Israel	Ordinary Shares NIS1.00	Dormant	51
105	Novell Israel Software International Limited	Israel	Ordinary Shares NIS1.00	In liquidation	106
106	Enterprise Corp Italiana S.r.l.	Italy	Registered Capital	Sale and support of software	52
107	Micro Focus Italiana S.r.l. (formerly Entco Italiana Srl	Italy	Registered Capital	Sale and support of software	53
108	Micro Focus Srl	Italy	Registered Capital	Sale and support of software	53
109	Serena Software Europe Limited - Italy Branch	Italy	Branch	Sale and support of software	53
110	Verity Italia S.r.l.	Italy	Registered Capital	Sale and support of software	54
111	Entcorp Japan K.K.	Japan	Ordinary Shares	Sale and support of software	55
112	Micro Focus Enterprise Ltd	Japan	Ordinary Shares	Sale and support of software	56
113	Micro Focus LLC (formerly Micro Focus KK)	Japan	Interest in capital	Sale and support of software	56

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
114	Novell Japan, Ltd	Japan	Common Stock	Sale and support of software	56
115	Serena Software Japan LLC (formerly Serena Software Japan KK)	Japan	Interest in Capital	Sale and support of software	56
116	Micro Focus Korea Limited	South Korea	Units KRW5000	Sale and support of software	57
117	Serena Software Europe Limited - Korea Branch	South Korea	Branch	Sale and support of software	58
118	Micro Focus Finance S.à r.l.	Luxembourg	Ordinary Shares US$1.00	In liquidation	59
119	Micro Focus Luxembourg S.à r.l. (formerly Entco Luxembourg Sarl)	Luxembourg	Ordinary Shares	Sale and support of software	59
120	Minerva Finance S.à r.l.	Luxembourg	Ordinary Shares US$1.00	In liquidation	59
121	Verity Luxembourg S.à r.l.	Luxembourg	Ordinary Shares €25.00	Sale and support of software	60
122	Micro Focus Malaysia Sdn. Bhd. (formerly Entco Software Malaysia Sdn. Bhd.)	Malaysia	Ordinary Shares RM1,000.00	Sale and support of software	61
123	Novell Corporation (Malaysia) Sdn. Bhd.	Malaysia	Ordinary Shares RM1.00	Sale and support of software	62
124	Micro Focus International Mexico, S. de R.L. de C.V. (formerly Entco México, S. de R.L. de C.V.)	Mexico	Equity Interest Quota MXN1.00	Sale and support of software	63
125	Micro Focus Limited Mexico (Branch)	Mexico	Branch	Sale and support of software	64
126	Micro Focus Software Mexico, S. De R.L. De C.V. (formerly Entco Software México, S. de R.L. de C.V.)	Mexico	Equity Interest Quota MXN1.00	Sale and support of software	63
127	Micro Focus Software Solutions Mexico, S. de R.L. de C.V. (formerly Entcorp Software México, S. de R.L. de C.V.)	Mexico	Equity Interest Quota MXN1.00	Sale and support of software	63
128	Attachmate Group Netherlands B.V.	Netherlands	Ordinary Shares €100.00	Sale and support of software	65
129	Authasas Advanced Authentication B.V.	Netherlands	Ordinary Shares €1.00	Dormant	65
130	Authasas B.V	Netherlands	Ordinary Shares A €1.00 Ordinary Shares B €1.00	Sale and support of software	65
131	Autonomy HoldCo B.V.	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
132	Autonomy Netherlands BV	Netherlands	Common Shares €100.00	Sale and support of software	65
133	Borland BV	Netherlands	Ordinary Shares €5.00	Sale and support of software	65
134	Entco Eastern Holding B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
135	Entco Gatriam Holding B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
136	Entco HoldCo I B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
137	Entco HoldCo II B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
138	Entco HoldCo III B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
139	Entco HoldCo IV B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
140	Entco Holding Berlin B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
141	Entco Holding Hague II B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
142	Entco Sinope Holding B.V.	Netherlands	Ordinary Shares US$100.00	Holding Company	65
143	Entcorp Nederland B.V.	Netherlands	Ordinary Shares €100.00	Sale and support of software	65
144	Micro Focus B.V.	Netherlands	Common Shares €100.00	Sale and support of software	65
145	Micro Focus Caribe Holding B.V. (formerly Entco Caribe B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
146	Micro Focus Eastern Holding II B.V. (formerly Entco Eastern Holding II B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
147	Micro Focus Enterprise B.V. (formerly Entco Enterprise B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
148	Micro Focus HoldCo B.V. (formerly Entco HoldCo B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
149	Micro Focus Holding Finance B.V. (formerly Entco Holding Finance B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
150	Micro Focus Holding Hague B.V. (formerly Entco Holding Hague B.V.)	Netherlands	Ordinary Shares US$100.00	Holding Company	65
151	Micro Focus Holding PR B.V. (formerly Entco Puerto Rico B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
152	Micro Focus International Trade B.V. (formerly Entco International Trade B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
153	Micro Focus Nederland B.V. (formerly Entco Nederland B.V.)	Netherlands	Ordinary Shares US$100.00	Sale and support of software	65
154	Verity Benelux B.V.	Netherlands	Common Shares of €500.00	Sale and support of software	65
155	Micro Focus Software (New Zealand) Unlimited	New Zealand	Ordinary Shares	Sale and support of software	66
156	Micro Focus AS	Norway	Ordinary Shares NOK1,602.00	Sale and support of software	67

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
157	Entcorp Philippines, Inc.	Philippines	Common Stock PHP1.00	Sale and support of software	68
158	Micro Focus Polska sp. z o.o. (formerly Entco Polska sp. z.o.o.)	Poland	Ordinary Shares PLN500.00	Sale and support of software	69
159	Micro Focus S.L. - Sucursal Em Portugal (Branch)	Portugal	Branch	Sale and support of software	70
160	Novell Portugal - Informática Lda	Portugal	Ordinary Shares €14,864.18 Ordinary Shares €99.76	Sale and support of software	71
161	Micro Focus Caribe Holding B.V. LLC Branch (formerly Entco Caribe B.V. LLC)	Puerto Rico	Branch	Sale and support of software	72
162	Micro Focus Holding PR B.V. LLC Branch (formerly Entco Puerto Rico B.V. LLC)	Puerto Rico	Branch	Sale and support of software	73
163	Micro Focus Software Romania SRL (formerly Entco Software Romania SRL)	Romania	Ordinary Shares RON10.00	Sale and support of software	74
164	Limited Liability Company Micro Focus (formerly Limited Liability Company Entco)	Russian Federation	Interest in Capital	Sale and support of software	75
165	Micro Focus LLC	Saudi Arabia	Ordinary Shares SAR50	Sale and support of software	76
166	Autonomy Systems Singapore Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	77
167	Borland (Singapore) Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	78
168	Entco Software Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	77
169	Mercury Interactive (Singapore) Pte Ltd	Singapore	Ordinary Shares	In liquidation	107
170	Micro Focus Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	78
171	Micro Focus Software Pte. Ltd.	Singapore	Ordinary Shares	Sale and support of software	77
172	Autonomy Systems Software South Africa Pty Ltd	South Africa	Ordinary Shares ZAR1.00	Sale and support of software	79
173	Micro Focus Software South Africa (Pty) Ltd (formerly Attachmate Group South Africa (Pty) Limited	South Africa	Ordinary Shares ZAR1.00	Sale and support of software	80
174	Micro Focus South Africa (Pty) Ltd	South Africa	Ordinary Shares ZAR1.00	Sale and support of software	80
175	Micro Focus Field Delivery Spain, S.L.U. (formerly Entco Field Delivery Spain, S.L.U.)	Spain	Ordinary Shares €1.00	Sale and support of software	81
176	Micro Focus S.L.U.	Spain	Registered Shares €9.00	Sale and support of software	82
177	Micro Focus Software Spain S.L.U. (formerly Entco Software Spain S.L.U.)	Spain	Ordinary Shares €1.00	Sale and support of software	81

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
178	Serena Software SA	Spain	Ordinary Shares €546.92	Sale and support of software	83
179	Micro Focus AS, Norge, filial i Sverige (Branch)	Sweden	Branch	Sale and support of software	84
180	Micro Focus Sverige AB (formerly Entco Sverige AB)	Sweden	Quota SEK1.00	Sale and support of software	84
181	Micro Focus Enterprise B.V., Amstelveen, Versoix Branch	Switzerland	Branch	Sale and support of software	85
182	Micro Focus GmbH	Switzerland	Quotas CHF100.00	Sale and support of software	86
183	Micro Focus International Suisse Sàrl (formerly Entco International Sàrl)	Switzerland	Ordinary Shares CHF1,000.00	Sale and support of software	85
184	Micro Focus Schweiz GmbH (formerly Entco Schweiz GmbH)	Switzerland	Ordinary Shares CHF100.00	Sale and support of software	86
185	Serena Software GmbH- Swiss Branch	Switzerland	Branch	Sale and support of software	87
186	Trilead GmbH	Switzerland	Ordinary Shares CHF100.00	Sale and support of software	88
187	Interwoven, Inc., Taiwan Branch	Taiwan	Branch	Sale and support of software	89
188	Novell (Taiwan) Co., Ltd.	Taiwan	Ordinary Shares NT$10.00	Sale and support of software	90
189	Micro Focus Enterprise Tunisia SARL	Tunisia	Ordinary Shares TND10.00	Sale and support of software	91
190	Micro Focus Teknoloji Çözümleri Limited Şirketi (formerly Entco Turkey Teknoloji Çözümleri Limited Şirketi)	Turkey	Ordinary Shares TRY25.00	Sale and support of software	92
191	Serena Software Ukraine LLC	Ukraine	Interest in Capital	Sale and support of software	93
192	Entco International SARL-Abu Dhabi - Branch	United Arab Emirates	Branch	Sale and support of software	94
193	Entco International SARL-Jebel Ali Free Zone - Branch	United Arab Emirates	Branch	Sale and support of software	95
194	Entco Software Services Middle East FZ-LLC	United Arab Emirates	Ordinary Shares AED1,000.00	Sale and support of software	96
195	Attachmate Sales UK Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
196	Autonomy Digital Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	108
197	Autonomy Systems Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
198	Borland (Holding) UK Ltd	United Kingdom	Ordinary Shares £1.00	Dormant	97

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
199	Borland (UK) Limited	United Kingdom	Ordinary Shares £1.00	Dormant	97
200	Entcorp Marigalante UK Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
201	Interwoven UK Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	108
202	Longsand Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
203	Merant Holdings	United Kingdom	Ordinary Shares £1.00	Holding Company	97
204	Meridio Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	109
205	Micro Focus (IP) Holdings Limited	United Kingdom	Ordinary Shares US$1.00	Dormant	97
206	Micro Focus (IP) Ltd	United Kingdom	Ordinary Shares £1.00	Holding Company	97
207	Micro Focus (US) Holdings	United Kingdom	Ordinary Shares US$1.00	Holding Company	97
208	Micro Focus APM Solutions Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	97
209	Micro Focus CHC Limited	United Kingdom	Ordinary Shares US$0.01 Redeemable Preference Shares US$1.00 C Preference Shares US$1.00	Holding Company	97
210	Micro Focus Foreign HoldCo Ltd (formerly Entco Foreign HoldCo Ltd)	United Kingdom	Ordinary Shares £1.00	Holding Company	98
211	Micro Focus Global Limited (formerly Novell U.K. Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
212	Micro Focus Group Limited	United Kingdom	Ordinary Shares £1.00	Holding Company	97
213	Micro Focus Holdings Unlimited	United Kingdom	Ordinary Shares £0.01	Holding Company	97
214	Micro Focus Integration Holdings Limited	United Kingdom	Ordinary Shares US$1.00	Holding Company	97
215	Micro Focus Integration Limited	United Kingdom	Ordinary Shares US$1.00	Sale and support of software	97
216	Micro Focus IP Development Limited	United Kingdom	Ordinary Shares US$1.00	Development and support of software	97

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
217	Micro Focus Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
218	Micro Focus MHC Limited	United Kingdom	A Ordinary Shares £0.00001 B Ordinary Shares £0.00001	Holding Company	97
219	Micro Focus Midco Holdings Limited	United Kingdom	Ordinary Shares US$0.01	Holding Company	97
220	Micro Focus Midco Limited	United Kingdom	Ordinary Shares US$0.0001	Holding Company	97
221	Micro Focus Situla Holding Ltd (formerly Entco Situla Holding Ltd)	United Kingdom	Ordinary Shares £1.00	Holding Company	98
222	Micro Focus Software (IP) Holdings Limited	United Kingdom	Ordinary Shares US$0.01 Preferred Shares US$1.00	Holding Company	97
223	Micro Focus Software Holdings Ltd (formerly Novell UK Software Limited)	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
224	Micro Focus Software UK Ltd (formerly Entcorp UK Ltd)	United Kingdom	Ordinary Shares £1.00	Sale and support of software	98
225	Micro Focus UK Limited	United Kingdom	Ordinary Shares £1.00	Dormant	97
226	NetIQ Limited	United Kingdom	Ordinary Shares £1.00	Dormant	97
227	Ryan McFarland Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	97
228	Serena Holdings	United Kingdom	Ordinary Shares US$1.00	Holding Company	97
229	Serena Software Europe Limited	United Kingdom	Ordinary Shares £1.00	Sale and support of software	97
230	XDB (UK) Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	97
231	ZANTAZ UK Limited	United Kingdom	Ordinary Shares £1.00	In liquidation	108
232	Attachmate Corporation	United States	Common Stock US$0.01	Development and support of software	99
233	Borland Corporation	United States	Common Stock US$0.01	Holding Company	100
234	Borland Software Corporation	United States	Common Stock US$0.01	Development and support of software	100
235	Borland Technology Corporation	United States	Common Stock US$0.01	Dormant	100

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
236	Entco Delaware LLC	United States	Interest in Capital	Sale and support of software	100
237	Entco Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100
238	Entco Technologies, Inc.	United States	Common Stock US$0.001	Sale and support of software	100
239	Entco, LLC	United States	Interest in Capital	Sale and support of software	100
240	GWAVA Technologies Inc	United States	Common Stock of US$1.00	Sale and support of software	100
241	Interset Software - US, Inc.	United States	Common Stock US$0.0001	Sale and support of software	100
242	MA FinanceCo., LLC	United States	Units	Holding Company	100
243	Marcel Holdings LLC	United States	Limited Liability Company Interest US$1.00	Sale and support of software	101
244	Micro Focus (US) Group, Inc	United States	Common Stock US$0.01	Holding Company	100
245	Micro Focus (US) International Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100
246	Micro Focus (US), Inc.	United States	Common Stock US$0.01	Development and support of software	100
247	Micro Focus Brazil Holdings LLC (formerly Entco Brazil Holdings LLC)	United States	Interest in Capital	Holding Company	100
248	Micro Focus Government Solutions LLC (formerly Entco Government Solutions LLC)	United States	Interest in Capital	Sale and support of software	100
249	Micro Focus LLC (formerly EntIT Software LLC)	United States	Limited Liability Company Interests	Sale and support of software	100
250	Micro Focus Software Inc.	United States	Voting Common Stock US$0.01 Non-voting Common Stock US$0.01	Development and support of software	100
251	MicroLink LLC	United States	Limited Liability Company Interests	Sale and support of software	102
252	NetIQ Corporation	United States	Common Stock US$0.001	Development and support of software	100
253	Novell Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100

	Company name	Country of incorporation	Class(es) of shares held[1,2]	Principal activities	Key to Registered office address
	Subsidiaries				
254	Novell International Holdings, Inc.	United States	Common Stock US$0.01	Holding Company	100
255	Seattle SpinCo, Inc.	United States	Class A Common Stock US$0.01 Class B Common Stock US$0.01	Holding Company	100
256	Serena Software, Inc.	United States	Common Stock US$0.01	Holding Company	100
257	Spartacus Acquisition Holdings Corp	United States	Common Stock US$0.001	Holding Company	100
258	Stratify, Inc.	United States	Common Stock US$0.001	Sale and support of software	100
259	The Attachmate Group, Inc.	United States	Common Stock US$0.001	Holding Company	100
260	Vertica Systems, LLC	United States	Limited Liability Company Interests	Sale and support of software	100

[1] The Group has a 100% equity ownership interest in each of the subsidiary undertakings, with the exception of Novell Japan Ltd, in which it has an 84.24% equity interest.

[2]. The ultimate parent company is Micro Focus International plc (the "Company"). The Company has a direct interest in Micro Focus Midco Holdings Limited and an indirect interest in all of the other related undertakings. The Company has an effective interest of 100% in all of the related undertakings listed in the table, save as disclosed above.

The financial results of all of the related undertakings listed above are included in the Group's consolidated financial statements.
None of the related undertakings holds any shares in the Company.

For each of the subsidiaries listed above, the Registered office or, in the case of undertakings other than subsidiaries, the principal place of business is as follows:

Registered office addresses:

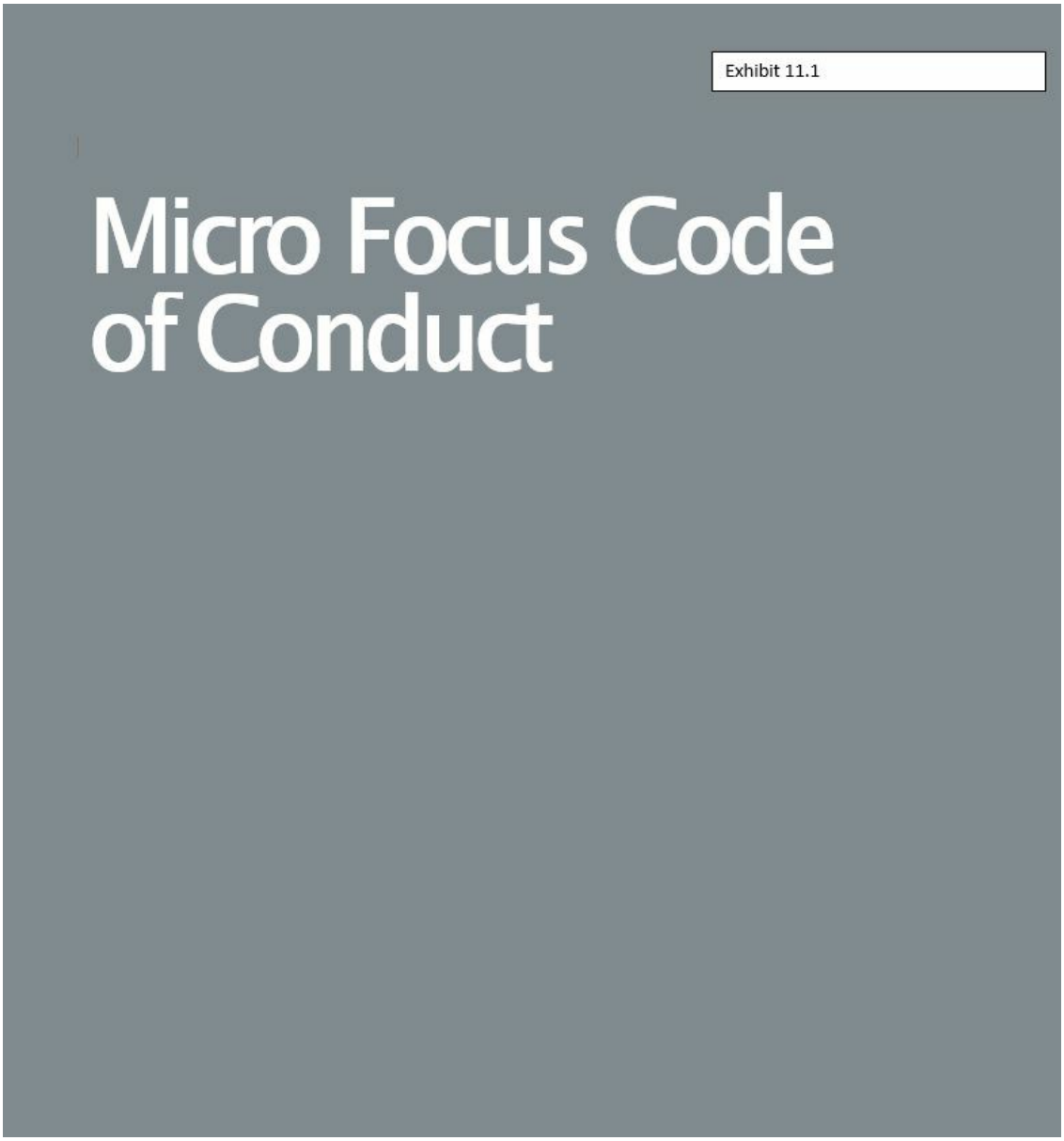
Number	Address
1	Level 8, 76 Berry Street, North Sydney, NSW 2060, Australia
2	Donau Centre, Hauptstrasse 4-10, Linz, 4040, Austria
3	Officenter, Luchthavenlaan 27, 1800 Vilvoorde, Belgium
4	EU Parliament, 4th Floor, 37 De Meeussquare, Brussels, 1000, Belgium
5	Rua Joaquim Floriano, 466-12 Ander, Sao Paulo, CEP 04534-002, Brazil
6	Avenida das nações Unidas, nº 12.901, conjunto 2302, sala 72, Itaim Bibi, São Paulo, CEP 04578-000, Brazil
7	Rua Dom Jose de Barros, 177, 3rd Floor, Suite 302, Vila Buarque, Sao Paulo 01038-100, Brazil
8	Estera Corporate Services (BVI) Limited, Jayla Place Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
9	76A James Bourchier Blvd, Lozenetz, Sofia, 1407, Bulgaria
10	1715 Sofia, Mladost district, Business Park Sofia, Building 9, Sophia, Bulgaria
11	200-204 Lambert Street, Whitehorse, Y1A 3T2, Canada
12	250 Howe Street, Suite 1400-C, Vancouver, BC V6C 3S7, Canada
13	Barker House , Suite 600, Fredericton E3B 6Z6, Canada

Number	Address
14	411 Legget Drive, Suite 503, Ottawa ON K2K 3C9, Canada
15	Suite 1700, Park Place, 666 Burrard Street, Vancouver BC V6C 2X8, Canada
16	4300 Bankers Hall West, 888 - 3rd Street S.W., Calgary, Alberta T2P 5C5, Canada
17	1300-1960 Upper Water Street, Halifax, Nova Scotia B3J 3R7, Canada
18	Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands
19	Unit 601, Block A, Yuanyang International Center, Building 56, Dong Si Huan Zhong Dong Road, Beijing, Chaoyang District, China
20	Floor 2, Building 1, No. 799 Naxian Road, Pilot Free Trade Zone, Shanghai, China
21	8 Guangshun Avenue South, B01, 3F, Building 1, Chaoyang District, ,China,
22	No. 209, Chuangxin Plaza, No. 5 Keyuanyi Road, Jiulongpo District, Chongqing, China
23	14/F, Office 1436, Times Financial Center, 4001 Shennan Avenue, Futian District, Shenzhen, Guangdong, 518046, China or Unit H 1483 - 04, 14th Floor, Times Financial Center, 4001 Shennan Avenue, Fu'An Community, Futian Street, Shenzhen, Futian District, China
24	Room 810, Level 8, International Finance Center, Tower 2, 8 Century Avenue, Pudong, Shangahi 200120, P.R. China
25	Madrid 17-02F Suite, 17/F Ping An International Financial Center, Tower B, No. 3 Xin Yuan South Road, Chao Yang District, Beijing China 100027
26	San José, Cantón Montes de Oca, Distrito San Pedro, cincuenta metros al sur del Restaurante Le Chandelier, Edificio Blanco, Costa Rica
27	Za Brumlovkou 1559/5, Michle, Prague, 140 00, Czech Republic
28	Krizikova 148/34, Karlin, 186 00 Praha 8 Czech Republic
29	Borupvang 3, 2750, Ballerup, Denmark
30	Accountor Turku Oy, Yliopistonkatu 34,5 krs, Turku FI-20100
31	Tour, Atlantique, La Defense 9, 1 Place de la Pyramide, La Defense, Cedex, Paris, 92911, France
32	1 Avenue du Canada, Les Ulis, 91947, France
33	Fraunhoferstrasse 7, Ismaning, 85737, Germany
34	Von-Braun-Strabe 38a, 48683 Ahaus, Germany
35	Herrenberger Str. 140, 71034 Boeblingen, Germany
36	Maxfeldstr. 5, 90409 Nürnberg, Germany
37	Nöerdlicher Zubringer 9-11, 40470 Düsseldorf
38	21st floor, Henley Building, 5 Queen's Road Central, Hong Kong
39	19th Floor, Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
40	4th Floor, Laurel Building 'A" Block, Bagmane Tech Park, Survey no.65/2, C.V.Raman Nagar, Byrasandra Village, KR Pura Hobli, Bangalore South Taluk, Bengaluru-560093, India
41	Laurel, Block D, 65/2, Bagmane Tech Park, C.V. Raman Nagar, Byrasasdraa Post, Bangalore 560093, India
42	4th Floor, Bagmane Tech Park, Olympia Building Survey Nos. 66/1, 66/66-1 & 66/1-3, CV Raman Nagar, Bangalore, 560093, India
43	602 MMTC House C-22 Bandra Kurla Complex Bandra East, Mumbai, MH 400051, India
44	66/1, 6th Floor, Olympia Building, Bagmane Tech Park, Byrasandra, C V Raman Nagar, Bangalore, Karnataka, 560093, India
45	Leela Galleria, 1st Floor, Andheri Kurla Road, Andheri (East), Mumbai - 400059, Maharashtra, India
46	Block A, Ballybrit Business Park, Ballybane Road, Galway, Eircode, NE2 2003, Ireland
47	One Spencer Dock, North Wall Quay, Dublin 1, Ireland
48	Corrig Court, Corrig Road, Sandyford Industrial Estate, Sandyford, Dublin 18, Ireland
49	5 Altalef St., Yahud, Israel
50	Matam Advanced Tech Center, Building 5/1, Haifa, 31 905, Israel
51	Scientific Industries Center, Haifa, 33263, Israel
52	Via Filippo Turati 8, 20121, Milan, Italy
53	Viale Sarca 235, 20126, Milan, Italy

Number	Address
54	Via Santa - Maria alla Porta n.9, 20123, Milan, Italy
55	No. 8 Center Plaza Bldg, 5F, 1-10-16 Horidomecho Nihonbashi, Chuo-ku, Tokyo 103-0012, Japan
56	Midtown Tower 19F, 9-7-1 Akasaka, Minato-ku, Tokyo, 107-6219, Japan
57	Yeoidodong, SK Building, 15F, 31 Gukjegeumyung-ro 8-gil, Yeongdeungpo-gu, Seoul, Korea
58	Gangnam Finance Centre, Level 41, 152 Teheren-ro, Gangnam-gu, Seoul - 06236 Korea
59	20, rue des Peupliers, L-2328 Luxembourg, Luxembourg
60	15, Boulevard F.W. Raiffeisen, L - 2411, Luxembourg
61	Level 11, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, 50470 59200 Kuala Lumpur, Malaysia
62	Unit 501 Lvl 5 Uptwn 1, 1 Jalan SS2, Selangor Darul Ehsan, Malaysia
63	Av. Periférico Sur 6751, Col. Toluquilla, Municipio Tlaquepaque, Jalisco, CP 45610, Mexico
64	Insurgentes Sur 1898, Pisos 12 y 14, Col. La Florida, Mexico City 1020, Mexico
65	Van Deventerlaan 31-51, 3528 AG Utrecht, The Netherlands
66	Level 8, 188 Quay Street, Auckland, 1010, New Zealand
67	7th Floor, Dronning Eufemias gate 16, 0191 Oslo, Norway
68	2/F Three World Square, Upper Mckinley Road, Taguig City, Philippines
69	Centrum Biurowe Globis, Powstańców Śląskich 7A, 53-332, Wrocław, Poland
70	Centro Empresarial Torres de Lisboa, Rua Tomás da Fonseca, Torre G, 1.º, 1600-209 Lisbon, Portugal
71	Centro Empresarial Torres de Lisboa, Rua Tomás da Fonseca, Torre G, 1600-203 Lisbon, Portugal
72	110 Highway North Km. 28, Bldg. #1, Aguadilla, 00603, Puerto Rico
73	350 Chardon Avenue, Chardon Tower, Suite 801, San Juan, 00918, Puerto Rico
74	2nd District, 3 George Constantinescu Street, BOC Office Building, Bucharest, Romania
75	Leningradskoye shosse 16 A, building 3, floor 10, premise XV, room 16, 125171, Moscow, Russian Federation
76	Maazar Street, Futuro Tower, 3rd Floor, P.O. Box 69171, Riyadh 11547, Saudi Arabia
77	#12-04/06, 1 Harbourfront Place, Harbourfront Tower 1, 098633, Singapore
78	80 Robinson Road #02 - 00, 068898, Singapore
79	PO Box 2238, Florida Hills, 1716, South Africa
80	Morning View Office Park 255 Rivonia Road, Morningside, South Africa
81	Calle José Echegaray 8, Las Rozas de Madrid, 28232 Madrid, Spain
82	Paseo de la Castellana 42, Madrid, 28046, Spain
83	Ronda General Mitre 28-30, Barcelona 08017, Spain
84	Kronborgsgränd 1, 164 46 Kista, Stockholm, Sweden
85	Chemin Jean-Baptiste Vandelle 3A, 1290 Versoix, Switzerland
86	Ueberlandstrasse 1, 8600 Dübendorf, Switzerland
87	Kirchgasse 24, 8001 Zurich, Switzerland
88	Rembach 7, 8852, Altendorf, Switzerland
89	10F.-1 No.66, Jing Mao 2nd Road, Nangang Distric, Taipei City, 115, Taiwan
90	Room B 26/F #216 Tun-Hwa S Road Sec, Taipei ROC 106, Taiwan
91	ZI Chotrana, Technopole El Ghazala, Lot No 45, Ariana, 2088, Tunisia
92	AND Plaza Kozyatağa İçerenköy Mahallesi Umut Sk. 10/12, Kat: 16 34752 Ataşehir/İstanbul, Turkey
93	13 Pimonenko str., building 1, Office 1B/22, Kiev 04050, Ukraine
94	Al Hilal Building, Al Falah Road, Office 318, Abu Dhabi, United Arab Emirates
95	JAFZA One building, Unit No. AB 1005, Jebel Ali Free Zone, Dubai, United Arab Emirates
96	1204 - 1205, Floor 12 Al Shatha Tower, Dubai, United Arab Emirates
97	The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, United Kingdom, RG14 1QN, England
98	Cain Road, Amen Corner, Bracknell, Berkshire, RG12 1HN, United Kingdom
99	505 Union Ave SE STE120, Olympia, WA 98501, USA
100	The Corporation Trust Company, Corporation Trust Center, 1209 Orange St, Wilmington, New Castle, DE 19801, USA
101	Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle, DE19808, USA
102	4701 Cox Road, Suite 285, Henrico County, Glen Allen VA 23060, United States

Number	Address
103	54 Digeni Akrita, Akritas 2nd Floor, Office 201-202, PC 1061, Nicosia, Cyprus
104	Room 1213A Tower B, Full Link Plaza, No 18 Chaoyangmen Wai Avenue, Chaoyang District, Beijing, China
105	19 Helmy El Masry Street, Almaza, Cairo, Egypt
106	17 Hatidhar St., Raannana, 43665, Israel
107	450 Alexandra Road, Singapore 119960, Singapore
108	Autonomy House, Cambridge Business Park, Cambridge, Cambridgeshire, CB4 0WZ
109	The Innovation Centre, Northern Ireland Science Park, Queen’s Road, Queens Island, Belfast, BT3 9DT

Exhibit 11.1





A message from Stephen Murdoch, Chief Executive Officer

At Micro Focus International plc and its group companies, we are committed to maintaining the highest ethical standards in our business dealings around the world. Our Code of Conduct sets out the standards that guide our business practices and govern our behaviour.

The Board of Directors and I require a culture of integrity and honesty in all our business dealings worldwide. In particular we take a zero-tolerance approach towards dishonesty, bribery or corruption of any type in all parts of our business operations and in every part of the Micro Focus group. We require the same standards from our third party business partners.

It is essential that we work together to address any issues that arise under this Code of Conduct, any related policies or local legal requirements. This includes all of us taking action and reporting what does not seem right.

It is the responsibility of each employee to apply the highest ethical standards in making business decisions including where there is no stated guideline in this Code of Conduct.

Thank you for playing your part in ensuring that Micro Focus maintains its commitment to the highest ethical business conduct and compliance.

Yours sincerely,

Stephen Murdoch
Chief Executive Officer

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Section A:

Governance

The Board of Directors

The Board of Directors (Board) is responsible for:

- the approval and implementation of this Code of Conduct as part of its role in establishing the highest ethical standards and a zero tolerance approach to bribery and corruption. The Board has ultimate responsibility for the review and approval of Micro Focus' policies.

- appointing a senior officer accountable for oversight of the Code of Conduct, namely the Group Compliance Officer

- ensuring that throughout the business the Code of Conduct is understood and that the rules and principles within it are followed



Group Compliance Offi (GCO)

The GCO oversees Micro Focus' legal compliance and ethics program which is managed day-to-day by the compliance team in Legal.

The GCO is responsible for:

- distributing copies of the Code of Conduct annually via email to each employee with a reminder that each employee is responsible for reading, understanding and complying with it. Each employee will be required to agree to comply with the Code of Conduct. The standards set out in the Code of Conduct will be communicated to suppliers, business partners and other intermediaries who are expected to observe and comply with them
- being the escalation point of contact for employees, suppliers, business partners and other intermediaries who are concerned about breaches of this Code of Conduct
- managing Micro Focus' ethical and reputational risks, working closely with the Board and Micro Focus' Compliance and Audit Committees
- supervising the Compliance Committee's role in relation to anti-bribery and corruption risk
- reporting to the Board and Audit Committee
- otherwise promoting an atmosphere of responsible and ethical conduct

Compliance Committee

The Compliance Committee is responsible for:

- the business ethics risk assessment process, including its implementation, review and monitoring
- agreeing the Code of Conduct and the underlying policies and recommending these and any updates to the Board for approval
- implementing the Code of Conduct
- communicating the Code of Conduct, training and monitoring compliance with the Code of Conduct
- providing assistance to the GCO in the exercise of his or her functions

Employee and Management Commitment and Support

In turn, the Board requires that all employees including managers fully support the GCO and Compliance Committee and provide the GCO with feedback and reports on the Code of Conduct and Micro Focus' rules, controls, policies and procedures, to ensure that the highest standards are maintained.

Section B:

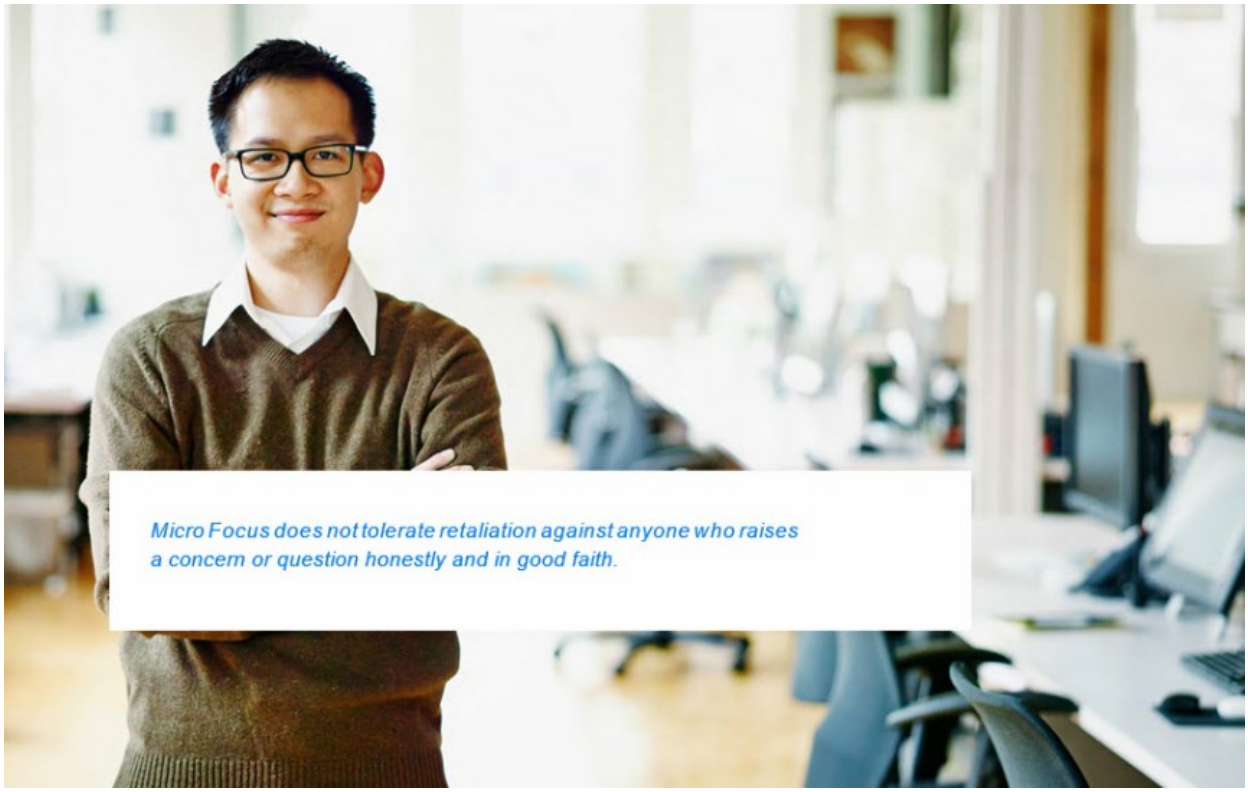
How does this Code of Conduct apply to you?

Using the Micro Focus Code of Conduct

This Code of Conduct is designed to communicate the high standards expected of our business. Further details are held in underlying policies which are referred to throughout this Code of Conduct.

It is a requirement of this Code of Conduct that all rules, controls, policies and procedures issued by the company must be complied with, including in particular the Chart of Approvals.

Violations of this Code of Conduct will not be tolerated and may result in disciplinary action, up to and including termination of employment or contract. Violations may, in appropriate cases, also result in legal action or referral for criminal prosecution.



Who does this apply to?

Companies

This Code of Conduct applies globally to every company within the Micro Focus International plc group of companies (Micro Focus).1

Employees

All directors, officers and employees of Micro Focus at all levels must comply with this Code of Conduct.2,3

Contract Worker

Contract workers and contingent workers are required to observe the same standards and act consistently with this Code of Conduct. The relevant Micro Focus-approved contract terms, codes and policies must be used when engaging contract workers or contingent workers.

Third Parties

Third parties are required to observe the same standards and act consistently with this Code of Conduct when acting on our behalf.

The relevant Micro Focus-approved contract terms, codes and policies must be used when engaging partners or suppliers..

1 References to “Micro Focus”, “we”, “us” and “our” are to Micro Focus companies in general or those employees who work for them.

2 For those countries that require consultation with works councils or other employee representatives, this Code of Conduct is not intended to provide country-specific complete information and in no way reflects that final decisions have been made at a country level. With respect to such countries, final decisions are subject to prior consultation with works councils and other employee representatives, as required, and in compliance with local laws.

3 You are required to comply with this Code of Conduct at all times but this Code of Conduct is not formally part of any employee’s contract of employment and therefore may be amended at any time.

Your responsibilities

This Code of Conduct outlines Micro Focus' requirements with respect to your legal and ethical obligations. Micro Focus expects you to:

- ☑ Apply the highest ethical standards in making business decisions
- ☑ Read and make sure you understand and follow this Code of Conduct, and the risks associated with your role
- ☑ Seek advice when unsure how to respond to a situation Raise concerns about breaches of this Code of Conduct
- ☑ Promote these standards and behaviours amongst your colleagues and, if you are a manager, promote them with your team and act as a role model
- ☑ Expect the highest standards of behaviour from others around you

Unsure about a decision or action?

Consider the following:

- ☑ Is it legal?
- ☑ Am I authorised to do it?
- ☑ Is it consistent with this Code of Conduct and relevant Micro Focus rules, controls, policies and procedures?
- ☑ Is it the right thing to do?
- ☑ How would others perceive this if it became public knowledge?
- ☑ The above considerations are designed to make sure we appropriately consider the soundness and impact of our business decisions.
- ☑ If you are uncomfortable with the answer to any of the above questions, please seek advice (see "How to Raise a Concern" below).

Training

To support this Code of Conduct all employees are required to take part in regular training, including on anti-bribery and corruption matters.

How to raise a concern

Micro Focus does not tolerate retaliation against anyone who raises a concern or question honestly and in good faith

If you have questions or concerns, consider whether you can resolve them by speaking with your manager or, if you would prefer to escalate, by speaking to your manager's manager or relevant head of department. Third parties can raise concerns with their relevant Micro Focus contact or Micro Focus Country Manager.

You may also contact the Legal Team directly to ask questions or report issues on the topics covered by this Code of Conduct using the Internal Contact Point set out below. Use this if you have questions or to report a concern regarding issues such as corruption, fraud, conflicts of interest, harassment, discrimination, misuse of Micro Focus assets, confidential competitor information or other business reputation or ethics issues.

Our Whistleblowing Policy provides guidance on how reports will be managed including anonymous reports.

Internal Contact Point

Email: compliance@microfocus.com

Postal address:
Micro Focus, Attn: Legal Department, The Lawn, 22-30 Old Bath Road, Newbury Berkshire , RG14 1QN United Kingdom

Independent Contact Point

A telephone and webform reporting service is provided by an independent supplier to enable anonymity where permitted and a range of local language translation services:

Website: www.microfocus.ethicspoint.com

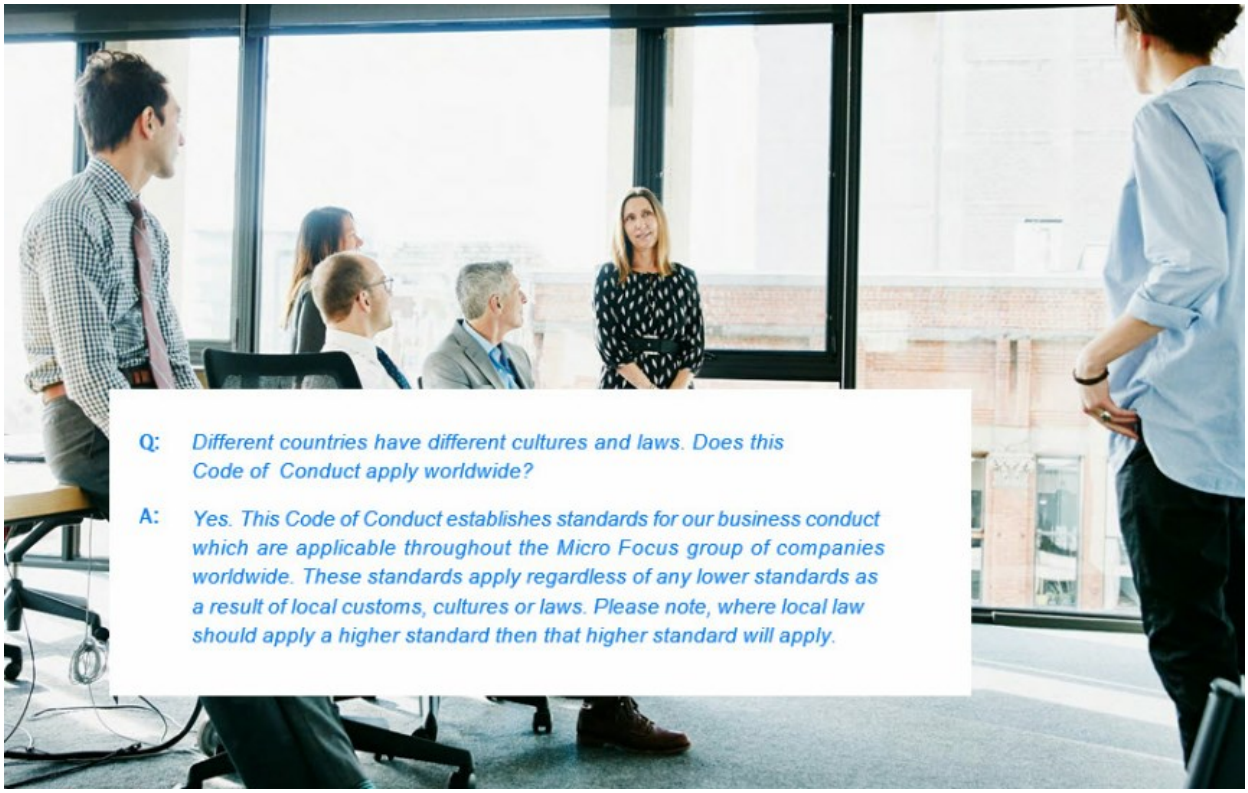


Whistleblowing Policy
Further information on how to raise concerns is available to employees and contract staff

Section C:

Standards for business conduct and key obligations

This section of the Code of Conduct identifi the areas we must all consider and follow (regardless of role, department or function). We are open, honest and ethical in all our dealings We hold ourselves to the highest ethical standards We always obey the law





1

Key Compliance and Ethical Standards

We follow the law and conduct business according to the highest ethical standards

1.1 Anti-Bribery and Corruption

We will not under any circumstance accept or pay bribes (including facilitation payments).

Micro Focus adopts a zero tolerance policy towards bribery. You must not offer, promise, give, request or accept money or anything of value to or from any person, including government officials, political parties, or commercial-sector parties, to improperly obtain or retain business, secure an improper advantage, or otherwise influence them to act improperly. You must not make any facilitation payments either.

Q: What is a facilitation payment?

A: A facilitation or "grease" payment is a payment, generally of low value, made to a government or regulatory official to facilitate or expedite a routine, non-discretionary government or controlled activity that the official is required to perform as a matter of course.

Your Key Obligations

- Do not offer or provide bribes or other improper payments or inducements to win business or to influence a business decision, whether directly or through another party, even if it means losing business
- Do not request or accept a bribe or kickback of any sort
- Report any requests for, or offers of, bribes or kickbacks to your manager
- Do not make facilitation payments and report any requests for facilitation payments
- Ensure that our commissions or fee arrangements cannot be used as bribes on our behalf or otherwise present a bribery risk

Anti-Bribery and Corruption Policy

1.2 Gifts and Hospitality

Gifts or hospitality offered or received which are intended to unduly influence business decisions are not permitted

You may provide or accept gifts, meals, travel, entertainment or other items of value but only when appropriate and in compliance with our relevant policies and procedures.

Your Key Obligations

- Follow the Gifts and Hospitality Policy. Ensure you have the correct approvals and register Gifts and Hospitality where required
- Certain types of Gifts and Hospitality are prohibited. In particular, you cannot give, offer or receive a gift or hospitality:
  - to a public official without appropriate approvals
  - to or from a party engaged in a tender or competitive bidding process with Micro Focus
  - that is illegal or inappropriate
- Gifts, meals, travel and entertainment must be reasonable for the business relationship and intended only to improve Micro Focus' image, better represent products and services or establish cordial relationships



Anti-Bribery and Corruption Policy
Gifts and Hospitality Policy

1.3 Charitable Donations and Political Activities

All contributions on behalf of or relating to Micro Focus (whether directly or indirectly) to political parties, campaigning organisations, individual politicians or political candidates are prohibited unless specifically approved by the Board of Micro Focus.

Political activities (such as political campaigning or political lobbying) should not be undertaken on behalf of or relating to Micro Focus or using Micro Focus facilities, equipment or assets unless specifically approved by the Board of Micro Focus.

Your personal charitable and political activities must be kept separate from your role at Micro Focus.

Your Key Obligations

- Always avoid conflicts of interest with, or reputational damage to, Micro Focus
- Do not pressure others to contribute to or join your preferred charities, groups or political activities
- Make clear when expressing political views that these are your own and not those of Micro Focus

Q: Can I ask for charitable donations from fellow employees?

A: Yes, provided that you make clear that you are asking for the donation in your personal capacity. You should also apply common sense when determining whether the charity in question is appropriate given the nature of Micro Focus' business.

1.4 Anti-Money Laundering and Proceeds of Crime

Micro Focus must not participate in, and must comply with all applicable laws concerning, money laundering

Money laundering means the process of hiding the origin of money obtained through crime (the "proceeds of crime") within lawful business activities and also describes the use of any money to fund terrorism.

Your Key Obligations

- You must not participate in acquiring, using, converting, concealing or possessing the proceeds of crime, help another person to do so or assist terrorist financing in any way
- You should immediately consult with Finance or the Legal Team if you suspect that Micro Focus is, or risks, participating in a transaction which may involve money laundering or terrorist financing
- Always know who we are doing business with by conducting appropriate due diligence
- Be curious and practice professional scepticism, especially with a new partner or supplier



Anti-Fraud Policy
Anti-Bribery and Corruption Policy

1.5 Fraud Prevention

Micro Focus does not tolerate or permit any form of fraud or fraudulent activity

Fraud is an important financial and reputational threat to Micro Focus and it is the responsibility of everyone connected with the business to assist in the prevention and detection of fraud.

All cases of actual and suspected fraud will be investigated thoroughly and promptly, and disciplinary actions and legal proceedings will be taken where appropriate. Micro Focus will seek to recover any losses that arise in all proven cases.

Your Key Obligations

- You should have an understanding of the fraud risks in your business area and regularly consider if processes under your control might be at risk, or might require additional checks
- Be alert to the possibility that unusual events or transactions could be symptoms of fraud and/or corruption
- Instil and encourage an anti-fraud culture within Micro Focus by complying with Micro Focus rules, controls, policies and procedures
- If you suspect fraud, you must report details immediately. See "How to Raise a Concern" in Section A
- Remember, do not attempt to investigate an alleged or suspected fraud other than under the co-ordination of the Legal Team, as this could prejudice further inquiries



Anti-Fraud Policy
Anti-Bribery and Corruption Policy
Gifts and Hospitality Policy

1.6 Tax Evasion

It is a criminal offence to evade paying tax. It is also a criminal offence in many countries to knowingly assist others to evade taxes Micro Focus does not tolerate or permit any tax evasion activity

The term "tax evasion" refers to the illegal evasion of taxes where individuals or organisations dishonestly or fraudulently under-declare their taxes.

We are committed to preventing and detecting all forms of tax evasion activity in relation to our business by any employee, individual or organisation working for or on behalf of Micro Focus, including by our contractors, subcontractors and other third parties.

All cases of actual and suspected tax evasion activity will be investigated thoroughly
and promptly. Disciplinary actions and legal proceedings will be taken where appropriate. Micro Focus will seek to recover any losses that arise in all proven cases.

Your Key Obligations

- You must not participate in tax evasion or intentionally help another person to do so
- Instil and encourage an anti-tax evasion culture within Micro Focus by adopting and enforcing relevant Micro Focus rules, controls, policies and procedures
- Immediately raise concerns if you suspect that Micro Focus is, or risks, participating in any transaction which may involve tax evasion, or if you suspect that that any organisation working for or on behalf of Micro Focus is involved with tax evasion. See "How to Raise a Concern" in Section A
- Be alert to the possibility that unusual events, transactions, payment or invoice arrangements could be symptoms of tax evasion

1.7 Conflicts of Interest

Always make decisions in the best interests of Micro Focus Your personal relationships, external activities, other interests, or those of a third party should not influence or appear to influence decisions made on behalf of Micro Focus.

Avoid situations that may put your interests (or those of a family member, friend or other connected third party) in potential confl with Micro Focus. Actual or even perceived confl of interest can give rise to signifi reputational damage. Discuss any potential confl of interest with your manager. If required, contact the Micro Focus Legal Team for advice.

Your Key Obligations

- Avoid any situation that could be perceived as a potential conflict of interest. This includes conducting business with someone with whom you have a close personal relationship, such as a family member or where engaged in outside employment or other activities
- Avoid any other employment activity, directorships or investments outside of Micro Focus if they present a potential conflict
- Avoid any personal or family financial interest (such as investments or ownership in a Micro Focus customer, business partner or competitor) if such financial interest could improperly influence your judgment in your Micro Focus role
- Avoid receiving personal benefits from others because of your status as a Micro Focus employee. You may not receive any personal profit or advantage other than your compensation from Micro Focus in connection with any transaction involving Micro Focus
- Although Micro Focus encourages volunteering, including your personal involvement in charitable organisations, your charitable and political activities must be kept separate from your role at Micro Focus
- Political activities (such as political campaigning and political lobbying) should not be undertaken on behalf of or relating to Micro Focus or using Micro Focus facilities, equipment or assets unless specifi approved by the Board

Anti-Bribery and Corruption Policy
Gifts and Hospitality Policy

Q What is a conflict of interest?

A A conflict of interest arises in the workplace when you or a third party acting on behalf of Micro Focus have competing interests or loyalties that are, or potentially could, conflict with the interests of Micro Focus.

"If in doubt, withdraw from decision-making in which there may be a conflict of interest until you have discussed further with your manager or the Legal Team."

1.8 International Trade

Micro Focus is subject to, and is committed to complying with, laws that control the export and re-export of its products and technology in every country where it operates

These rules apply because of the nature of the product (for example, cryptographic capabilities) and/or the destination of the product (for example, high-risk countries which are subject to specific restrictions).

Non-compliance can trigger criminal consequences and significant commercial repercussions.

Your Key Obligations

- Immediately cease all activities and notify the Legal and Global Trade Teams if you become aware that a transaction which you are working on involves any sanctioned countries
- Obtain guidance from the Global Trade Team to ensure that all transfers of products, services and technology comply with applicable laws
- Retain all import, export and customs records and controls
- Ensure compliance with immigration and export control laws and obtain proper authorisations (including work permits and visas) in each country when working on behalf of Micro Focus
- Comply with Micro Focus international trade rules, controls, policies and procedures

Global Trade Team intranet page

1.9 Share Dealing and Insider Trading

Using 'inside information' to deal in shares or options is illegal

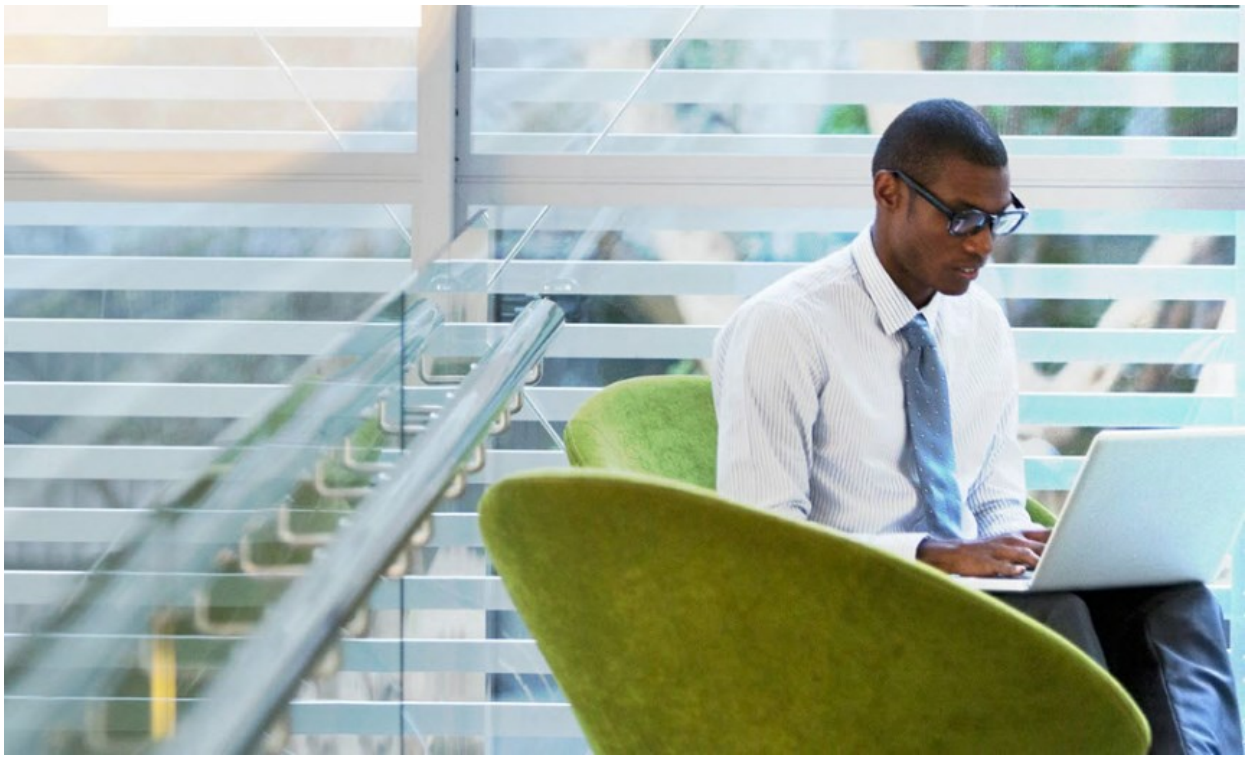
"Inside information" is information that has not been released to the public that a reasonable investor would consider important in deciding whether to buy, sell or hold stock, shares or options ("securities").

Your Key Obligations

- Do not trade in Micro Focus securities while you are aware of inside information about Micro Focus
- Do not pass inside information about Micro Focus to others or make recommendations to others about the purchase or sale of Micro Focus securities while you are aware of the inside information
- Do not trade in the securities of any other company while you are aware of inside information about that company or pass inside information about that company to others or make recommendations to others about the purchase or sale of that company's securities while you are aware of the inside information
- Recognise that exercising employee stock options would be considered a "trade"
- Comply with the Micro Focus Share Dealing Code and any restrictions that may be applicable to you individually or notified to you



Share Dealing Code



2

Records and Sensitive Information

We maintain accurate business records and respect data privacy

2.1 Accurate Business Records

Ensure our business books and records, including contracts, are true, accurate and meet legal record keeping obligations

Your Key Obligations

- Create business records, including contracts, that accurately reflect the truth of the underlying transaction or event
- Comply with financial policies, reporting guidelines and the Chart of Approvals
- Sign documents, including contracts, only if you believe they are accurate and truthful, and if you are authorised to sign in accordance with the Chart of Approvals
- Do not enter into any side letters or side agreements
- Remember that email and other electronic communications may be business records; avoid exaggeration, derogatory language and other expressions that could be taken out of context
- Do not establish any undisclosed or unrecorded Micro Focus fund or asset for any purpose
- Retain, protect and dispose of records in accordance with Micro Focus policies on Retention, Information Security, Privacy and other relevant policies

Micro Focus Accounting Policy
Information Security Policy
Internal Data Protection Policy

2.2 Information Security

Protect the confidentiality, integrity and availability of our data.

Micro Focus faces many risks to its information, operations and reputation, both externally and internally, including malware, cyber criminals, hackers, fraud, data theft, accidental or deliberate damage and loss of intellectual property. All employees are responsible for ensuring that the information collected and used by Micro Focus is protected.

Your Key Obligations

- Be aware of your security responsibilities by taking information security training and observing relevant policies, instructions and guidance
- Ensure information is only stored on mobile devices in accordance with the relevant Micro Focus policies and procedures, including the Information Security Policy and privacy policies
- Protect and encrypt Micro Focus information when held on mobile devices (e.g. via passwords)
- Ensure access permissions for shared platforms (e.g. Sharepoint) are set appropriately. Review regularly to ensure access is limited to those who need to know
- Ensure that Micro Focus information is stored and backed up so as to ensure integrity and availability
- Do not share login details with anyone else—ensure that passwords are strong and in compliance with Micro Focus password standards and are unique for different services
- Workspaces must be secure, including the locking of any device when not in use and ensuring that confidential information cannot be accessed by anyone not authorised. Protect Micro Focus information when working remotely
- Manage and mark information in accordance with the classification of that information (e.g. confidential, internal or public). Personal data, including sensitive personal data, require additional safeguards

- please see section 2.3 Data Privacy

- Report information security incidents promptly
- Do not use unsecured wifi for confidential work
- Log out of general access computers e.g. in airports or cafes



Information Security Policy
Internal Data Protection Policy

2.3 Data Privacy

Protect the personal data we hold about individuals to ensure their privacy Comply with all applicable data protection laws and regulations ("Data Protection Regulations") and Micro Focus policies when doing so

Every employee within Micro Focus must conduct themselves and manage personal data in accordance with Data Protection Regulations.

Your Key Obligations

- Use personal data fairly and lawfully and ensure individuals are aware of how we will use their personal data. Personal data means anything that can identify an individual, including their name, address, email address or even their ISP number
- Only collect it for specific, legitimate purposes and only use it for those purposes
- Only collect the amount of personal data that is adequate, relevant, and not excessive for what is actually needed for the purposes for which it has been collected
- Keep any personal data accurate and up to date
- Keep personal data for only as long as it is needed
- Process personal data only in a manner that ensures appropriate security of that information (including protection against unauthorised or unlawful processing, accidental loss, destruction of or damage to that information, using appropriate technical and organisational measures)

- Do not share personal data with other organisations unless Micro Focus has a lawful basis for doing so and the consent of the individual (if necessary). Do not transfer any personal data to another Micro Focus company or a third party without a written agreement being put in place. Check with the Legal team
- Additional safeguards are required for sensitive personal data (data relating to racial or ethnic origin, political opinions, trade union membership, physical or mental health, sexual life, criminal offences committed or allegedly committed)

Internal Data Protection Policy
Internal Data Protection Policy
Guidance for Human Resources Direct Marketing Policy
Personal Data Sharing and Data Export Policy

2.4 Acceptable Use of Company Equipment and Other Resources

Equipment, systems, services, networks and software and other assets provided by Micro Focus or used in business activities belong to Micro Focus and, as a general rule, are for business use only Personal use of Micro Focus assets must be kept to a minimum

Your Key Obligations

- All equipment issued to you and all systems to which you are given access remain the property of Micro Focus
- Equipment is to be returned to Micro Focus when your employment ends
- Avoid any usage that might lead to loss or damage, including the introduction of viruses or a breach of IT security
- Do not use Micro Focus equipment or systems to violate the law or to access, create, store or send content that others might find offensive
- You must comply with all software copyrights and restrictions for software used on Micro Focus computers
- Making, installing, enquiring, or using unauthorised copies of any computer software is not permitted
- Do not use corporate credit cards for personal use, unless this is specifically permitted by the applicable scheme rules in your country
- Do not allow other people, including friends or family, to use Micro Focus resources

Information Security Policy

2.5 Intellectual Property, Confi Information and Use of Brand's

Micro Focus' intellectual property (IP) and any confidential or sensitive information (confidential information) are valuable assets which we must record and protect. Every employee must ensure that we protect our IP and prevent any unauthorised use or disclosure of IP or confidential information (including where owned by third parties and in our possession or control).

Third party IP and confidential information must be used in accordance with written instructions or permissions (including contracts) given to us by the owners of such IP or information.

The use of the Micro Focus brand or any of the brands which are part of the Micro Focus group are strictly controlled and must only be used in accordance with the Micro Focus branding guidelines on Brand Central.

If you have any questions, please consult the Legal team.

Your Key Obligations

- Only use and disclose Micro Focus, customer, business partner and supplier confidential information for valid business purposes, if authorised to do so, and if the appropriate protections are in place as provided by the Legal team
- Include trademark, patent, copyright and confidentiality notices in texts and software in accordance with the Micro Focus branding guidelines on Brand Central and IP policies as provided by the Legal team
- Properly label confidential information to indicate how it should be handled, distributed, and destroyed
- Only share confidential information outside Micro Focus with authorised parties who have signed a confidentiality agreement or who are bound by confidentiality obligations and who have been advised that the information is confidential
- Only share confidential information inside of Micro Focus with employees who have a need to know and who have been advised that the information is confidential
- Follow Micro Focus procedures for reuse, redeployment and return of all your Micro Focus work equipment to protect confidential information
- Comply with Micro Focus policies for the use of social media, including but not limited to user forums, blogs, social platforms (for example, Facebook, Twitter and others), chat rooms, and bulletin boards
- Never discuss Micro Focus or customer, partner or supplier intellectual property, trade secrets and other confidential information on social media or with any unauthorised or inappropriate parties (be they internal or external)
- Take appropriate security measures to protect confidential information from improper disclosure. Accurate records of receipt of confidential information should be kept especially where specific handling and disposal obligations apply
- Immediately notify the Legal team if you discover any wrongful acquisition, use or disclosure of confidential information or if threatened or imminent
- Only designated company representatives are authorised to make public any news or information about Micro Focus
- Contact the Legal team if you have any questions



Information Security Policy
Brand Guidelines



3

People and the Environment

We respect people and the environment

3.1 Equal Treatment

Ensure equal opportunities are offered to everyone.

Your Key Obligations

- Do not discriminate against any employee or applicant for employment because of gender, colour, race, ethnicity, national origin, religion or belief, age, marital status, sexual orientation, gender identity and expression, disability, pregnancy, military status, protected genetic information, union membership or political affiliation
- Comply with the Micro Focus Equal Opportunities Policy
- Speak up if you are concerned that you or another member of the team have been the victim of discrimination of any kind. See “How to Raise a Concern” in Section A

Equal Opportunities

3.2 Anti-Harassment and Anti-Bullying

Do not harass or bully others Treat all people, inside and outside the company, with respect, dignity and courtesy

Your Key Obligations

- Do not behave in a disrespectful, hostile, violent, intimidating, threatening, bullying or harassing manner
- Do not sexually harass others, including by way of unwelcome sexual advances, requests for sexual favours or the physical or computer image display of sexually-explicit posters, pictures, cartoons or drawings and other verbal or physical conduct of a sexual nature
- Comply with the Micro Focus Anti-Harassment and Anti-Bullying Policy
- Speak up if you believe you have been a witness to, or recipient of, harassing or bullying behaviour. See “How to Raise a Concern” in Section A

Anti-Harassment and Anti-Bullying Policy

3.3 Human Rights and Anti-Slavery

Protect and respect human rights and work with our business partners, and suppliers to do the same

Your Key Obligations

- Ensure that slavery, servitude, child labour, prison or forced labour, human trafficking and physical punishment do not occur in any operation of Micro Focus or our suppliers and other business partners
- Comply with the Micro Focus Anti-Slavery and Human Trafficking Policy
- Respect the right of employees to organise in labour unions and collectively bargain in accordance with local laws and established practices
- Speak up if you are concerned about any possible violation of human rights at Micro Focus. See “How to Raise a Concern” in Section A

Anti-Slavery and Human Trafficking Policy

Speak up if you are concerned about any possible violation of Human Rights at Micro Focus. See “How to Raise a Concern” in section A.

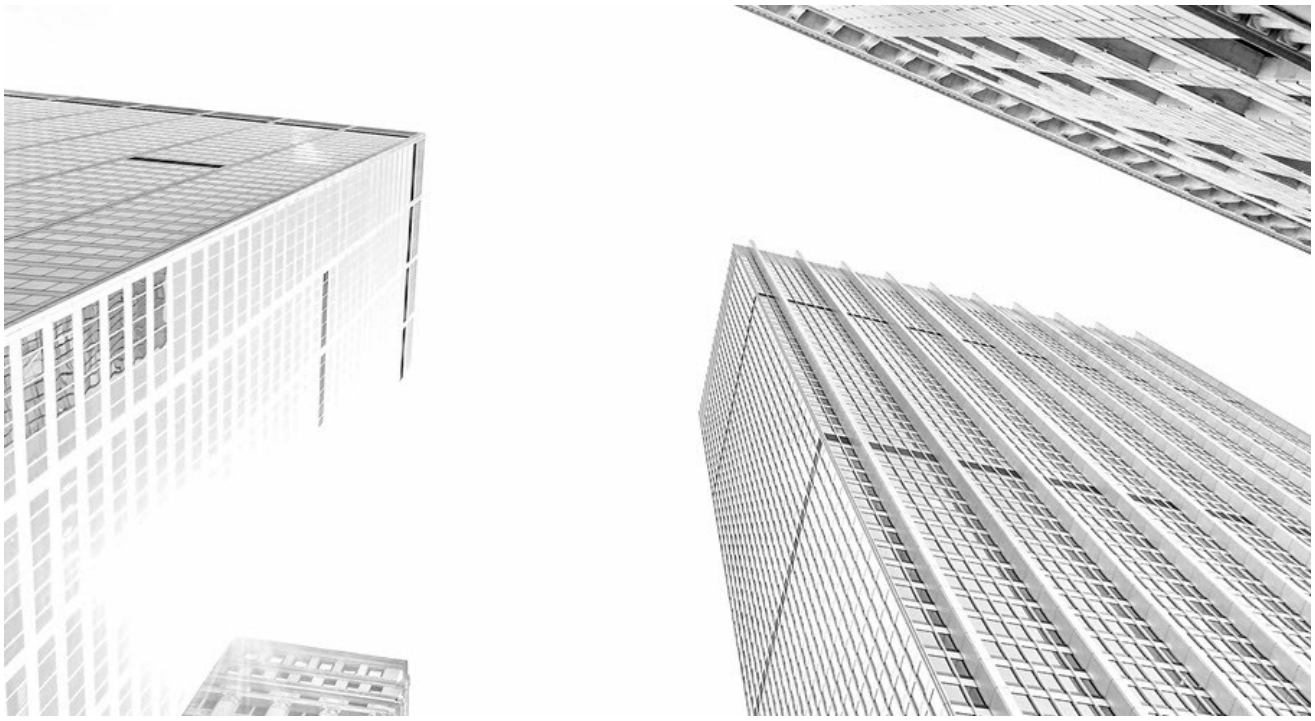
3.4 Environment, Health, Safety and Security

Comply with all laws and Micro Focus policies concerning the environment, health, safety and security

Your Key Obligations

- Comply with the Micro Focus physical security policies and procedures, and ensure others do so in your workplace
- Comply with the Micro Focus Environment, Health and Safety Policy
- Complete all relevant Micro Focus training on health, safety and security when required to do so
- Correct or report any health, safety or security threats immediately to your manager or facilities personnel
- Do not sell, possess or use illegal drugs, or create a safety or business risk through drug use or intoxication while on Micro Focus property or while conducting Micro Focus business
- Raise any concerns or incidents to the Security Services or Operations Team as appropriate

Environmental, Health and Safety Policy
Security Policy



4

Competition and Antitrust

We compete fairly

4.1 Antitrust and Competition Law

Comply with the antitrust and competition laws of all countries which are applicable to our business

Your Key Obligations

- Do not agree with competitors or channel partners to fix prices, limit supply or distribution or divide up customers, suppliers or markets
- Do not discuss or exchange commercially sensitive information with competitors, whether directly or indirectly through another party
- Raise any concerns to the Legal team or use the details for “How to raise a concern” in Section A

4.2 Obtaining and Using Competitor Information Appropriately

Do not request, accept, use or share confidential competitor information inappropriately Do not use inappropriate methods to obtain competitive intelligence

Accepting confidential competitor information creates a risk that we may be accused of misusing it, and also risks preventing us from using ideas we develop on our own.

Your Key Obligations

- Do not use competitor information which you hold under a duty of confidence, for example, relating to former employers
- Do not induce anyone to violate any obligation of confidentiality they may owe, including obligations owed to current and former employers
- Only accept confidential competitor information under a written agreement prepared and approved by Legal that defines and limits our obligations in dealing with it
- Ensure that third parties acting on our behalf comply with equivalent standards



5

Responsible Marketing and Communications

Our marketing and communications must be fair, accurate and truthful

5.1 Responsible Marketing and Communications

Marketing and communication must always be responsible and not misleading

Our services must be fairly, accurately and truthfully represented to our customers

Your Key Obligations

- Represent our products and services fairly, accurately and truthfully
- Do not create misleading impressions in any advertising, marketing or sales materials or presentations
- Protect the Micro Focus brand and marks and use them only with proper authorisation and in accordance with the Micro Focus branding guidelines on Brand Central and IP policies as provided by the Legal team
- Do not make false or illegal claims about competitors or their products and services
- All communications with investors, analysts and the media regarding Micro Focus business must first be approved by the appropriate Micro Focus Communications, Investor Relations and/or Legal Team and in accordance with the Micro Focus Disclosure Policy
- If you can be identified as a Micro Focus employee in any personal communication or social media platform, including user forums, blogs, chat rooms and bulletin boards, you must include the text “Opinions expressed here are my own and do not represent those of Micro Focus or its entities”

Disclosure Policy
Brand Guidelines



6

Business Partners, Suppliers and Other Third Parties

Our relationships with third parties are transparent, ethical and in line with standards expected of all our employees

6.1 Business Partners, Suppliers and Other Third Parties

Our relationships with business partners (including distributors, channel partners, agents, contractors and other intermediaries) and suppliers must be transparent, ethical and in line with standards expected of all our employees

Third parties acting on our behalf often represent the “face” of our brand and their behaviour has a direct impact on the Micro Focus brand and reputation.

Your Key Obligations

- Comply with Micro Focus’ due diligence requirements when appointing a business partner or supplier, and ensure that anti-bribery and corruption clauses are included in their contracts
- Ensure business partners and suppliers meet our quality, delivery, service and are responsible corporate citizens. Suppliers must also meet our pricing standards
- Communicate to business partners and suppliers the high standards we require in the conduct of their business and in relation to their approach to ethics, human rights, management, health, safety and the environment
- Report any concerns that a business partner or supplier is violating our standards
- Escalate within Micro Focus if you become aware of business partners or suppliers who consistently fail to address violations of our standards
- Ensure all business partner and supplier relationships are documented in signed written contracts

Global Procurement Policy



7

Investigations

We take action when aware of misconduct

7.1 Investigations

Micro Focus is committed to ensuring that all internal investigations are conducted in a fair, impartial and thorough manner in compliance with all applicable laws

An investigation is a formal fact-finding exercise to examine allegations of misconduct and other wrongdoing in order to determine whether they have occurred and, if so, to identify the person or persons responsible. Investigations identify areas where we need to improve our business controls and prevent issues from recurring in the future.

Your Key Obligations

- Co-operate fully with all internal investigations and audits
- Tell the whole truth when responding to an investigation or audit
- Never alter or destroy records that are required for any litigation, investigation or audit, whether ongoing or anticipated
- Do not discuss an internal investigation with anyone, inside or outside the company
- Do not retaliate against anyone who raises a concern or question honestly and in good faith

Litigation and Investigations Policy

Exhibit 12.1

Section 302 Certificate

CERTIFICATION

I, Stephen Murdoch, certify that:

1. I have reviewed this annual report on Form 20-F of Micro Focus plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 20, 2020

/s/ Stephen Murdoch

Name: Stephen Murdoch

Title: Chief Executive Officer

Exhibit 12.2

Section 302 Certificate

CERTIFICATION

I, Brian McArthur-Muscroft, certify that:

1. I have reviewed this annual report on Form 20-F of Micro Focus plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 20, 2020

/s/ Brian McArthur-Muscroft

Name: Brian McArthur-Muscroft

Title: Chief Financial Officer

Exhibit 13.1

CERTIFICATION
PURSUANT TO 18 U.S.C.
SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (pursuant 18 U.S.C Section 1350), the undersigned officer of Micro Focus International plc, a public limited company incorporated under English law, does hereby certify that to the best of such officer's knowledge, that:

1. the annual report on Form 20-F for the period ended October 31, 2019 of Micro Focus International plc fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in this annual report fairly presents, in all material respects, the financial condition and results of operations of Micro Focus International plc.

Date: February 20, 2020

/s/ Stephen Murdoch

Name: Stephen Murdoch
Title: Chief Executive Officer

Exhibit 13.2

CERTIFICATION
PURSUANT TO 18 U.S.C.
SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (pursuant 18 U.S.C Section 1350), the undersigned officer of Micro Focus International plc, a public limited company incorporated under English law, does hereby certify that to the best of such officer's knowledge, that:

1. the annual report on Form 20-F for the period ended October 31, 2019 of Micro Focus International plc fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in this annual report fairly presents, in all material respects, the financial condition and results of operations of Micro Focus International plc.

Date: February 20, 2020

/s/ Brian McArthur-Muscroft

Name: Brian McArthur-Muscroft
Title: Chief Financial Officer

Exhibit 15.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Micro Focus International plc:

We consent to the incorporation by reference in the registration statements (No. 333-228207 and No. 333-220291) on Form S-8 of Micro Focus International plc of our reports dated February 20, 2020, with respect to the consolidated statements of financial position of Micro Focus International plc as of October 31, 2019 and 2018, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the twelve month period ended October 31, 2019 and the eighteen month period ended October 31, 2018, and the related notes, and the effectiveness of internal control over financial reporting as of October 31, 2019, which reports appear in the October 31, 2019 annual report on Form 20-F of Micro Focus International plc.

Our report dated February 20, 2020, on the consolidated financial statements, refers to our audit of the adjustments that were applied, and disclosures added, to retrospectively reflect discontinued operations and to retrospectively reflect changes in segment reporting in the 2017 consolidated financial statements, as more fully described in Note 37 and Note 1, respectively, to the consolidated financial statements. However, we were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements other than with respect to such adjustments.

Our report dated February 20, 2020, on the effectiveness of internal control over financial reporting as of October 31, 2019, expresses our opinion that Micro Focus International plc did not maintain effective internal control over financial reporting as of October 31, 2019 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states that the material weakness relates to deficient controls surrounding IT applications in the areas of change management and access controls and that, as a result, automated controls and controls over information produced by the entity could not be relied upon.

Also, our report dated February 20, 2020, on the consolidated financial statements, contains an explanatory paragraph that refers to a change in the method of accounting for revenue from contracts with customers.

/s/ KPMG LLP

London, United Kingdom
February 20, 2020

Exhibit 15.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-220291 and 333-228207) of Micro Focus International plc of our report dated July 17, 2017, except for the first paragraph of the Note to the Consolidated Statements of Cash Flows appearing in the consolidated financial statements included in the Registration Statement on Form F-4 (No. 333-219678) of Micro Focus International plc, as to which the date is August 3, 2017, relating to the financial statements, which appears in this Form 20-F.

/s/PricewaterhouseCoopers LLP
Reading, United Kingdom
February 20, 2020

Exhibit 15.4

Consolidated financial statements and notes (unaudited)

Ex-2	Consolidated statements of comprehensive income (unaudited)
Ex-4	Consolidated statements of financial position (unaudited)
Ex-6	Consolidated statement of changes in equity (unaudited)
Ex-7	Consolidated statements of cash flows (unaudited)
Ex-8	Summary of significant accounting policies (unaudited)
Ex-10	Notes to the consolidated financial statements (unaudited)

Consolidated statements of comprehensive income (unaudited)
for the 12 months ended October 31, 2018 and six months ended October 31, 2017

		12 months ended October 31, 2018			6 months ended October 31, 2017		
	Note	Before exceptional items $m	Exceptional items (Note 4) $m	Total $m	Before exceptional items $m	Exceptional items (Note 4) $m	Total $m
Revenue	**1,2**	**3,684.3**	**-**	**3,684.3**	1,070.1	-	1,070.1
Cost of sales		**(976.4)**	**(62.3)**	**(1,038.7)**	(260.9)	(3.1)	(264.0)
Gross profit		**2,707.9**	**(62.3)**	**2,645.6**	809.2	(3.1)	806.1
Selling and distribution costs		**(1,386.5)**	**(30.6)**	**(1,417.1)**	(338.5)	(8.6)	(347.1)
Research and development expenses		**(539.0)**	**(10.0)**	**(549.0)**	(124.4)	(7.4)	(131.8)
Administrative expenses		**(152.2)**	**(336.8)**	**(489.0)**	(61.5)	(79.4)	(140.9)
Operating profit		**630.2**	**(439.7)**	**190.5**	284.8	(98.5)	186.3
Finance costs	**6**	**(274.9)**	**-**	**(274.9)**	(69.1)	(6.4)	(75.5)
Finance income	**6**	**5.9**	**-**	**5.9**	1.2	0.6	1.8
Net finance costs	**6**	**(269.0)**	**-**	**(269.0)**	(67.9)	(5.8)	(73.7)
(Loss)/Profit before tax		**361.2**	**(439.7)**	**(78.5)**	216.9	(104.3)	112.6
Taxation	**7**	**(72.2)**	**772.7**	**700.5**	(52.9)	25.5	(27.4)
Profit from continuing operations		**289.0**	**333.0**	**622.0**	164.0	(78.8)	85.2
Profit from discontinued operation (attributable to equity shareholders of the company)	**19**	**55.5**	**-**	**55.5**	21.4	-	21.4
Profit for the period		**344.5**	**333.0**	**677.5**	185.4	(78.8)	106.6
Attributable to:							
Equity shareholders of the company		**344.7**	**333.0**	**677.7**	185.1	(78.8)	106.3
Non-controlling interests		**(0.2)**	**-**	**(0.2)**	0.3	-	0.3
Profit for the period		**344.5**	**333.0**	**677.5**	185.4	(78.8)	106.6

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated statements of comprehensive income (unaudited) continued
for the 12 months ended October 31, 2018 and six months ended October 31, 2017

		12 months ended October 31, 2018			6 months ended October 31, 2017		
	Note	Before exceptional items $m	Exceptional items (Note 4) $m	Total $m	Before exceptional items $m	Exceptional items (Note 4) $m	Total $m
Profit for the period		**344.5**	**333.0**	**677.5**	185.4	(78.8)	106.6
Other comprehensive income/(expense):							
Items that will not be reclassified to profit or loss							
Continuing operations:							
Actuarial (loss)/gain on pension schemes liabilities	**27**	**(14.8)**	**-**	**(14.8)**	5.9	-	5.9
Actuarial loss on non-plan pension assets	**27**	**(5.1)**	-	**(5.1)**	(0.2)	-	(0.2)
Deferred tax movement		**4.6**	**-**	**4.6**	(0.8)	-	(0.8)
Discontinued operation:							
Actuarial (loss)/gain on pension schemes liabilities	**27**	**(2.4)**	**-**	**(2.4)**	0.9	-	0.9
Actuarial loss on non-plan pension assets	**27**	**(0.3)**	-	**(0.3)**	(0.2)	-	(0.2)
Deferred tax movement		**0.3**	-	**0.3**	0.2	-	0.2
Items that may be subsequently reclassified to profit or loss							
Cash flow hedge movements	**33**	**84.6**	**-**	**84.6**	1.8	-	1.8
Deferred tax movement on hedges	**33**	**(15.7)**	-	**(15.7)**	(0.7)	-	(0.7)
Currency translation differences – continuing operations		**(32.6)**	**-**	**(32.6)**	3.1	-	3.1
Currency translation differences - discontinued operation		**0.4**	-	**0.4**	0.3	-	0.3
Other comprehensive income for the period		**19.0**	**-**	**19.0**	10.3	-	10.3
Total comprehensive income for the period		**363.5**	**333.0**	**696.5**	195.7	(78.8)	116.9
Attributable to:							
Equity shareholders of the company		**363.7**	**333.0**	**696.7**	195.4	(78.8)	116.6
Non-controlling interests		**(0.2)**	**-**	**(0.2)**	0.3	-	0.3
Total comprehensive income for the period		**363.5**	**333.0**	**696.5**	195.7	(78.8)	116.9
Total comprehensive income attributable to the equity shareholders of the company arises from:							
Continuing operations		**310.0**	**333.0**	**643.0**	173.1	(78.8)	94.3
Discontinued operations		**53.5**	**-**	**53.5**	22.6	-	22.6
		363.5	**333.0**	**696.5**	195.7	(78.8)	116.9
Earnings per share (cents)							
Earnings per share (cents)							
From continuing and discontinued operations				**cents**			cents
- basic	**9**			**155.77**			35.83
- diluted	**9**			**151.33**			34.64
From continuing operations							
- basic	**9**			**143.01**			28.60
- diluted	**9**			**138.94**			27.65
Earnings per share (pence)							
From continuing and discontinued operations				**pence**			pence
- basic	**9**			**115.89**			27.50
- diluted	**9**			**112.59**			26.58
From continuing operations							
- basic	**9**			**106.40**			21.95
- diluted	**9**			**103.37**			21.22

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated statements of financial position (unaudited)
as at October 31, 2018 and October 31, 2017

	Note	October 31, 2018 $m	October 31, 2017 $m
Non-current assets			
Goodwill	**10**	**6,805.0**	7,934.1
Other intangible assets	**11**	**6,629.3**	7,199.6
Property, plant and equipment	**12**	**144.3**	200.3
Investments in associates	**14**	**-**	11.0
Derivative asset	**29**	**86.4**	1.3
Long-term pension assets	**27**	**16.7**	23.6
Other non-current assets	**15**	**38.8**	45.4
		13,720.5	15,415.3
Current assets			
Inventories	**16**	**0.2**	0.5
Trade and other receivables	**17**	**1,272.0**	1,251.5
Current tax receivables	**23**	**24.5**	-
Cash and cash equivalents	**18**	**620.9**	730.4
		1,917.6	1,982.4
Assets classified as held for sale	**19**	**1,142.5**	-
Total current assets		**3,060.1**	1,982.4
Total assets		**16,780.6**	17,397.7
Current liabilities			
Trade and other payables	**20**	**676.9**	934.7
Borrowings	**21**	**3.7**	17.7
Finance leases	**22**	**13.6**	14.5
Provisions	**26**	**57.4**	55.7
Current tax liabilities	**23**	**124.1**	102.7
Deferred income	**24**	**1,134.7**	1,312.6
		2,010.4	2,437.9
Current liabilities classified as held for sale	**19**	**437.7**	-
		2,448.1	2,437.9
Non-current liabilities			
Deferred income	**25**	**178.1**	335.5
Borrowings	**21**	**4,842.2**	4,831.5
Finance leases	**22**	**14.9**	18.4
Retirement benefit obligations	**27**	**110.4**	97.6
Long-term provisions	**26**	**35.4**	26.7
Other non-current liabilities	**28**	**58.0**	67.6
Current tax liabilities	**23**	**131.0**	-
Deferred tax liabilities	**30**	**1,170.5**	1,956.6
		6,540.5	7,333.9
Total liabilities		**8,988.6**	9,771.8
Net assets		**7,792.0**	7,625.9

Consolidated statements of financial position (unaudited) (continued)
as at October 31, 2018 and October 31, 2017

	Note	October 31, 2018 $m	October 31, 2017 $m
Capital and reserves			
Share capital	**31**	**65.8**	65.6
Share premium account	**32**	**41.0**	36.4
Merger reserve	**33**	**3,724.4**	5,780.2
Capital redemption reserve	**33**	**666.3**	666.3
Hedging reserve	**33**	**70.0**	1.1
Retained earnings		**3,275.2**	1,095.3
Foreign currency translation deficit		**(51.7)**	(20.2)
Total equity attributable to owners of the parent		**7,791.0**	7,624.7
Non-controlling interests	**34**	**1.0**	1.2
Total equity		**7,792.0**	7,625.9

The accompanying notes form part of these Consolidated Financial Statements.

Consolidated statement of changes in equity (unaudited)
for the 12 months ended October 31, 2018 and six months ended October 31, 2017

	Note	Share capital $m	Share premium account $m	Retained (deficit)/ earnings $m	Foreign currency translation reserve (deficit) $m	Capital redemption reserves $m	Hedging reserve $m	Merger reserve $m	Total equity attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
Balance as at May 1, 2017		39.7	192.1	902.2	(22.9)	163.4	-	338.1	1,612.6	0.9	1,613.5
Profit for the financial period		-	-	106.3	-	-	-	-	106.3	0.3	106.6
Other comprehensive income/(expense) for the period		-	-	6.5	2.7	-	1.1	-	10.3	-	10.3
Total comprehensive income for the period		-	-	112.8	2.7	-	1.1	-	116.6	0.3	116.9
Transactions with owners:											
Dividends	8	-	-	(133.9)	-	-	-	-	(133.9)	-	(133.9)
Share options:											
Issue of share capital – share options	31,32	-	1.0	-	-	-	-	-	1.0		1.0
Movement in relation to share options		-	-	15.0	-	-	-	-	15.0	-	15.0
Corporation tax on share options		-	-	1.0	-	-	-	-	1.0	-	1.0
Deferred tax on share options		-	-	(1.8)	-	-	-	-	(1.8)	-	(1.8)
Shares issued to acquire the HPE Software business	31	28.8	-	-	-	-	-	6,485.4	6,514.2	-	6,514.2
Share reorganization and buy-back:											
Return of Value – share consolidation	31,33	(2.9)	-	-	-	2.9	-	-	-	-	-
Issue and redemption of B shares	31,33	-	(156.7)	(500.0)	-	500.0	-	(343.3)	(500.0)	-	(500.0)
Reallocation of merger reserve	33	-	-	700.0	-	-	-	(700.0)	-	-	-
Balance as at October 31, 2017		**65.6**	**36.4**	**1,095.3**	**(20.2)**	**666.3**	**1.1**	**5,780.2**	**7,624.7**	**1.2**	**7,625.9**
Profit for the financial period		**-**	**-**	**677.7**	**-**	**-**	**-**	**-**	**677.7**	**(0.2)**	**677.5**
Other comprehensive (expense)/income for the period		**-**	**-**	**(18.4)**	**(31.5)**	**-**	**68.9**	**-**	**19.0**		**19.0**
Total comprehensive income/(expense) for the period		**-**	**-**	**659.3**	**(31.5)**	**-**	**68.9**	**-**	**696.7**	**(0.2)**	**696.5**
Transactions with owners:											
Dividends	**8**	**-**	**-**	**(408.3)**	**-**	**-**	**-**	**-**	**(408.3)**	**-**	**(408.3)**
Share options:											
Issue of share capital – share options	**31,32**	**0.2**	**4.6**	**-**	**-**	**-**	**-**	**-**	**4.8**	**-**	**4.8**
Movement in relation to share option		**-**	**-**	**63.6**	**-**	**-**	**-**	**-**	**63.6**	**-**	**63.6**
Corporation tax on share options		**-**	**-**	**3.1**	**-**	**-**	**-**	**-**	**3.1**	**-**	**3.1**
Deferred tax on share options		**-**	**-**	**(21.9)**	**-**	**-**	**-**	**-**	**(21.9)**	**-**	**(21.9)**
Share reorganization and buy-back:											
Share buy-back	**31**	**-**	**-**	**(171.7)**	**-**	**-**	**-**	**-**	**(171.7)**	**-**	**(171.7)**
Reallocation of merger reserve	**33**	**-**	**-**	**2,055.8**	**-**	**-**	**-**	**(2,055.8)**	**-**	**-**	**-**
Balance as at October 31, 2018		**65.8**	**41.0**	**3,275.2**	**(51.7)**	**666.3**	**70.0**	**3,724.4**	**7,791.0**	**1.0**	**7,792.0**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated statement of cash flows (unaudited)
for the 12 months ended October 31, 2018 and six months ended October 31, 2017

	Note	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Cash flows from operating activities			
Cash generated from operations	**40**	**1,151.6**	272.7
Interest paid		**(219.5)**	(82.3)
Bank loan costs		**(10.8)**	(90.4)
Tax paid		**(79.0)**	(20.5)
Net cash generated from operating activities		**842.3**	79.5
Cash flows (used in) / from investing activities			
Payments for intangible assets	**11**	**(56.5)**	(35.6)
Purchase of property, plant and equipment	**12**	**(30.2)**	(9.9)
Finance leases	**22**	**(0.7)**	-
Interest received		**7.5**	1.7
Payment for acquisition of business	**39**	**(19.3)**	0.1
Net cash acquired with acquisitions	**39**	**0.9**	320.8
Net cash (used in) / from investing activities investing activities		**(98.3)**	277.1
Cash flows (used in) / from financing activities			
Investment in non-controlling interest	**34**	**(0.1)**	-
Proceeds from issue of ordinary share capital	**31**	**4.6**	1.2
Purchase of treasury shares	**31**	**(171.7)**	-
Return of Value paid to shareholders	**33**	**-**	(500.0)
Repayment of working capital in respect of the HPE Software business acquisition		**(225.8)**	-
Repayment of bank borrowings	**21**	**(37.9)**	(215.0)
Proceeds from bank borrowings	**21**	**-**	1,043.8
Dividends paid to owners	**8**	**(408.3)**	(133.9)
Net cash (used in)/from financing activities		**(839.2)**	196.1
Effects of exchange rate changes		**(11.4)**	26.7
Net (decrease)/increase in cash and cash equivalents		**(106.6)**	579.4
Cash and cash equivalents at beginning of period		**730.4**	151.0
		623.8	730.4
Reclassification to current assets classified as held for sale		**(2.9)**	-
Cash and cash equivalents at end of period	**18**	**620.9**	730.4

The accompanying notes form part of these Consolidated Financial Statements.

The principal non-cash transactions in the twelve months ended October 31, 2018 were the issuance of shares as purchase consideration for the HPE Software business acquisition (Note 39) and property, plant and equipment finance lease additions of $12.1 million (Note 22)

Consolidated financial statements and notes (unaudited)
Summary of significant accounting policies
for the 12 months ended October 31, 2018 and six months ended October 31, 2017

General information
Micro Focus International plc (the "Company") is a public limited Company incorporated and domiciled in the UK. The address of its registered office is, The Lawn, 22-30 Old Bath Road, Newbury, RG14 1QN, UK.

The Company changed its financial period-end from April 30, to October 31, and reports eighteen-month financial statements running from May 1, 2017 to October 31, 2018. This Exhibit presents the eighteen-month period split between the six months to October 31, 2017 and the twelve months to October 31, 2018.

Significant Accounting policies

Basis of preparation
The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union (collectively "IFRS"). The statement of financial position as at October 31, 2018 has been derived from the audited consolidated financial statements in Item 18 of Form 20-F.

The significant accounting policies applied are consistent with those on pages F-17 to F-37 of the Group Consolidated financial statements in Item 18 of Form 20-F. As discussed on page F-17, the Company has revised amounts previously reported in the Consolidated Statement of Comprehensive Income to correct the presentation of certain costs incorrectly classified as administrative expenses in the 18 month period ended October 31, 2018. The impact of the revision is to reduce administrative expenses by $159.0m, increase cost of sales by $43.4m, increase selling and distribution expenses by $94.2m, and increase research and development expenses by $21.4m, as compared with previously reported amounts for the twelve-months ended October 31, 2018. The Company also made certain other revisions to previously reported amounts that are immaterial to the financial statements.

Exchange rates

The functional currency of the Group is the United States Dollar ($).

The most important foreign currencies for the Group are Pound Sterling, the Euro, the Canadian Dollar and Israeli Shekel. The exchange rates used are as follows:

	12 months ended October 31, 2018		6 months ended October 31, 2017	
	Average	**Closing**	Average	Closing
£1 = $	**1.34**	**1.27**	1.30	1.33
€1 = $	**1.18**	**1.14**	1.14	1.16
C$ = $	**0.78**	**0.76**	0.78	0.78
ILS = $	**0.26**	**0.28**	0.27	0.27

Critical accounting estimates, assumptions and judgments

In preparing these consolidated financial statements, the Group has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Group regularly reviews these estimates and updates them as required. Actual results could differ from these estimates. Unless otherwise indicated, the Group does not believe that there is significant risk of a material change to the carrying value of assets and liabilities within the next financial year related to the accounting estimates and assumptions described below. The Group considers the following to be a description of the most significant estimates, which require the Group to make subjective and complex judgments and matters that are inherently uncertain.

Critical accounting estimates and assumptions

A Potential impairment of goodwill and other intangible assets
Each period, or whenever there are changes in circumstances indicating that the carrying amounts may not be recoverable, the Group carries out impairment tests of goodwill and other assets which require estimates to be made of the value in use of its CGU's. These value in use calculations are dependent on estimates of future cash flows, long-term growth rates and appropriate discount rates to be applied to future cash flows. Further details on these estimates and sensitivity of the carrying value of goodwill to the discount rate in particular are provided in note 10.

B Provision for bad debt
The bad debt provision has historically been estimated based on the ageing of each debtor and on any changes in the circumstances of the individual receivable. The historic level of the provision has been very low given the high number of recurring customers and credit control policies with less than $2m of debtors written off as uncollectable in the two previous periods prior to April 30, 2017. However, as discussed in the Chief Financial Officer's report the newly implemented IT environment in this period caused a material disruption within the order to cash process for the acquired HPE Software business, particularly impacting invoices raised between November 1, 2017 and April 30, 2018, which has significantly elevated debtor ageing with DSO days increased to 94 at October 31, 2018.

Consolidated financial statements and notes (unaudited)
Summary of significant accounting policies
for the 12 months ended October 31, 2018 and six months ended October 31, 2017

II Critical accounting estimates, assumptions and judgments continued

Critical accounting judgments

B Provision for bad debt continued
The system issue and subsequent cash collection has since been a key focus for the finance team and it has been found that the primary risk of bad debt is not believed to be related to specific customer credit risks or inappropriate billing, but instead to the administrative burden of invoice remediation needed by the Group before invoices can be resent to customers and payment made by the customer. This burden is high due to the volume of invoices impacted that require administrative changes. The related bad debt provision has been increased to $41.9m as a result of these circumstances at period end against total trade receivables of $1,089.6m. The provision is equivalent to the assumption that only the largest 15% of invoices by value aged > 90 days are expected to be collected and this reflects that a high volume of invoices were impacted. Given the number of invoices impacted, it is reasonably foreseeable that the volume of invoices actually collected will be different to 15% and given that a collection rate of 15% is relatively low, it is more foreseeable that there is greater upside than downside. Were only the largest 10% of invoices by value aged > 90 days collected then the provision recognised would need to be increased by $17m. However, if the largest 20% of invoices by value aged > 90 days were collected then the provision would be reduced by $10m and collection of the largest 30% would reduce the provision by $23m.

C Business combinations
When making acquisitions, the Group has to make judgments and best estimates about the fair value allocation of the purchase price. Where acquisitions are significant, appropriate advice is sought from professional advisors before making such allocations, otherwise valuations are done by management using consistent methodology with those used on prior period acquisitions.

Key judgments upon the acquisition of the HPE Software business were required in the assumptions used to underpin the valuation of acquired intangibles, particularly Customer Relationships ($4.48bn) and Technology ($1.81bn).

There was also judgment used in identifying who the accounting acquirer was in the acquisition of the HPE Software business, as the resulting shareholdings were not definitive to identify the entity, which obtains control in the transaction. As such, the Group considered the other factors laid down in IFRS, such as the composition of the governing body of the combined entity, composition of senior management of the combined entity, the entity that issued the equity interest, terms of exchange of equity interests, the entity which initiated the combination, relative size of each entity, the existence of a large minority voting interest in the combined entity and other factors (e.g. location of headquarters of the combined entity and entity name). The conclusion of this assessment is that the Company is the accounting acquirer of the HPE Software business, and the acquisition accounting is set out in the notes to the Consolidated financial statements (note 39).

D Revenue recognition
The key areas of judgment in respect of recognizing revenue are the timing of recognition and how the different elements of bundled contracts are identified, for example between licence and maintenance revenues.

E Exceptional item classification
The Group classifies items as exceptional in line with Accounting policy H of the Group Consolidated financial statements in Item 18 of Form 20-F. The classification of these items as an exceptional is a matter of judgment. This judgment is made by management after evaluating each item deemed to be exceptional against the criteria set out within the defined accounting policy.

F Provision for income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes including structuring activities undertaken by the Group and the application of complex transfer pricing rules. The Group recognizes liabilities for anticipated settlement of tax issues based on judgments of whether additional taxes will be due. Significant issues may take several periods to resolve. In making judgments on the probability and amount of any tax charge, management takes into account:

- Status of the unresolved matter;
- Strength of technical argument and clarity of legislation;
- External advice;
- Resolution process, past experience and precedents set with the particular taxing authority;
- Agreements previously reached in other jurisdictions on comparable issues; and
- Statute of limitations.

The key judgments in the period were related to the internal transfer of certain Group companies and whether this would create an additional tax charge through non-compliance with specific operational and transactional restrictions arising from US tax legislation and their application to the acquisition of the HPE Software business. Based on their assessment the directors have concluded that no tax provisions are required with regards to these matters.

The ultimate tax liability may differ from the amount provided depending on interpretations of tax law, settlement negotiations or changes in legislation. 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.

Financial risk factors
The financial risk factors applied are consistent with those on page F-37 of the Group Consolidated financial statements in Item 18 of Form 20-F.

Notes to the consolidated financial statements (unaudited)
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

1 Segmental reporting
In accordance with IFRS 8, "Operating Segments", the Group has derived the information for its operating segments using the information used by the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance. The Chief Operating Decision Maker ("CODM") is defined as the Executive Committee, which has changed its composition during the period.

For the six months to October 31, 2017, the Executive Committee consisted of the Executive Chairman, Chief Executive Officers of Micro Focus and SUSE, Chief Financial Officer and the Chief Operating Officer.

For the six months to April 30, 2018, the Executive Committee consisted of the Executive Chairman, the Chief Executive Officer, the Chief Executive Officer of SUSE and the Chief Financial Officer.

On July 2, 2018, the Group then announced the proposed sale of SUSE (Note 19), one of the Group's two operating segments, approved by the shareholders on August 21, 2018. As a result, for management reporting purposes, following the agreement to dispose of the SUSE business, which is presented as a discontinued operation, the Group is organized into a single reporting segment comprising the Micro Focus Product Portfolio. Consistent with this the Chief Executive Officer of SUSE, Nils Brauckmann, stepped down from the Board on July 11, 2018 to concentrate on the sale. As such, the CODM from July 11, 2018 consisted of the Executive Chairman, the Chief Executive Officer and the Chief Financial Officer.

For the both periods the Group's segment under IFRS 8 has been:

Micro Focus Product Portfolio – The Micro Focus Product Portfolio segment contains mature infrastructure software products that are managed on a portfolio basis akin to a "fund of funds" investment portfolio. This portfolio is managed with a single product group that makes and maintains the software, whilst the software is sold and supported through a geographic Go-to-Market organization. The products within the existing Micro Focus Product Portfolio are grouped together into four sub-portfolios based on industrial logic and management of the Micro Focus sub-portfolios: Application Modernization & Connectivity, Application Delivery Management, IT Operations Management and Security, Information Management & Governance.

The segmental reporting is consistent with that used in internal management reporting and the profit measure used by the Executive Committee is Adjusted EBITDA.

The internal management reporting that the Executive Committee receives includes a pool of centrally managed costs, which are allocated between Micro Focus and the SUSE business based on identifiable segment specific costs with the remainder allocated based on other criteria including revenue and headcount.

	Note	**12 months ended October 31, 2018 $m**	6 months ended October 31, 2017 $m
Revenue before deferred revenue haircut		3,719.1	1,096.4
Deferred revenue haircut		(34.8)	(26.3)
Segment revenue		3,684.3	1,070.1
Directly managed costs		(2,381.7)	(615.6)
Allocation of centrally managed costs		36.7	15.9
Total segment costs		(2,345.0)	(599.7)
Adjusted Operating Profit		1,339.3	470.4
Exceptional items	**4**	(439.7)	(98.5)
Share based compensation charge	**35**	(47.5)	(16.8)
Amortization of purchased intangibles	**11**	(661.6)	(168.8)
Operating profit		190.5	186.3
Net finance costs	**6**	(269.0)	(73.7)
(Loss)/profit before tax		(78.5)	112.6
Reconciliation to Adjusted EBITDA:			
(Loss)/profit before tax		(78.5)	112.6
Finance costs	**6**	274.9	75.5
Finance income	**6**	(5.9)	(1.8)
Depreciation of property, plant and equipment	**12**	73.6	15.0
Amortization of intangible assets	**11**	720.0	183.1
Exceptional items (reported in Operating profit)	**4**	439.7	98.5
Share-based compensation charge	**35**	47.5	16.8
Product development intangible costs capitalized	**11**	(27.5)	(16.9)
Foreign exchange credit		(30.2)	(7.2)
Adjusted EBITDA		1,413.6	475.6

No measure of total assets and total liabilities for each reportable segment has been reported as such amounts are not regularly provided to the Chief Operating Decision Maker.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

2 Supplementary information

Revenue analysis by geography
The Group is domiciled in the UK. The Group's revenue from external customers by geographical location are detailed below:

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
UK	**232.2**	67.4
USA	**1,766.7**	513.1
Germany	**239.8**	69.7
France	**151.5**	44.0
Japan	**113.0**	32.8
Other	**1,181.1**	343.1
Total	**3,684.3**	1,070.1

Asset analysis by geography
The total of non-current assets other than financial instruments and deferred tax assets as at October 31, 2018 located in the USA is $5,145.8 million (2017: $6,466.2 million), the total in the non-USA is $8,488.3 million (2017: $8,936.8 million). They exclude trade and other receivables, derivative financial instruments and deferred tax.

Analysis of revenue by product
Set out below is an analysis of revenue recognized between the principal product portfolios for the twelve months ended October 31, 2018 and six months ended October 31, 2017.

12 months ended October 31, 2018:

	License $m	**Maintenance $m**	**Subscription $m**	**Consulting $m**	**SaaS $m**	**Total $m**
Micro Focus Product Portfolio (continuing operations):						
Application Modernization & Connectivity	**183.6**	**333.1**	**-**	**12.1**	**-**	**528.8**
Application Delivery Management	**141.3**	**520.3**	**-**	**32.5**	**98.4**	**792.5**
IT Operations Management	**248.9**	**732.8**	**-**	**155.3**	**12.5**	**1,149.5**
Security	**217.6**	**446.0**	**-**	**63.1**	**35.6**	**762.3**
Information Management & Governance	**87.0**	**203.2**	**-**	**24.1**	**171.7**	**486.0**
Subtotal	**878.4**	**2,235.4**	**-**	**287.1**	**318.2**	**3,719.1**
Deferred revenue haircut	**-**	**(28.0)**	**-**	**(1.3)**	**(5.5)**	**(34.8)**
Total Revenue	**878.4**	**2,207.4**	**-**	**285.8**	**312.7**	**3,684.3**

6 months ended October 31, 2017:

	License $m	Maintenance $m	Subscription $m	Consulting $m	SaaS $m	Total $m
Micro Focus Product Portfolio (continuing operations):						
Application Modernization & Connectivity	72.7	164.5	-	5.8	-	243.0
Application Delivery Management	44.2	126.4	-	9.1	15.7	195.4
IT Operations Management	114.2	137.1	-	37.5	2.6	291.4
Security	74.0	134.2	-	18.3	6.0	232.5
Information Management & Governance	30.2	64.0	-	8.5	31.4	134.1
Subtotal	335.3	626.2	-	79.2	55.7	1,096.4
Deferred revenue haircut	(7.6)	(14.7)	-	(0.7)	(3.3)	(26.3)
Total Revenue	327.7	611.5	-	78.5	52.4	1,070.1

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

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

	Note	**12 months ended October 31, 2018 $m**	6 months ended October 31, 2017 $m
Staff costs	35	**1,526.4**	568.6
Depreciation of property, plant and equipment			
– owned assets	12	**58.7**	12.5
– leased assets	12	**14.9**	2.5
Loss on disposal of property, plant and equipment	12	**4.2**	0.5
Amortization of intangibles	11	**720.0**	183.1
Inventories			
– cost of inventories recognized as a debit (included in cost of sales)	16	**0.2**	0.1
Operating lease rentals payable			
– plant and machinery		**6.8**	2.0
– property		**65.8**	19.5
Provision for receivables impairment	17	**(9.6)**	49.6
Foreign exchange gains		**(32.7)**	(4.7)

4 Exceptional items

Reported within Operating profit:	**12 months ended October 31, 2018 $m**	6 months ended October 31, 2017 $m
Integration costs	**259.0**	20.0
Pre-acquisition costs	**-**	43.0
Acquisition costs	**1.3**	25.8
Property related costs	**38.2**	(0.1)
Severance and legal costs	**119.9**	9.8
Divestiture	**21.3**	-
	439.7	98.5
Reported within finance costs:		
Finance costs incurred in escrow period (Note 6)	**-**	6.4
Reported within finance income:		
Finance income earned in escrow period (Note 6)	**-**	(0.6)
	-	5.8
Exceptional costs before tax	**439.7**	104.3
Tax:		
Tax effect of exceptional items	**(80.4)**	(25.5)
Tax exceptional item	**(692.3)**	-
	(772.7)	(25.5)
Exceptional (income)/costs after tax	**(333.0)**	78.8

Integration costs
Integration costs of $259.0 million for the twelve months ended October 31, 2018 (six months to October 31, 2017: $20.0 million) arose mainly from the work being done in integrating Serena, GWAVA and the HPE Software business organization into the Micro Focus Product Portfolio. Other activities include system integration costs.

Pre-acquisition costs
The pre-acquisition costs of $43.0 million for the six months ended October 31, 2017 relate to the evaluation of the acquisition of the HPE Software business, which was announced in October 2016 and was completed on September 1, 2017. The costs relate to due diligence work, legal work on the acquisition agreements, professional advisors on the transaction and pre-integration costs relating to activities in readiness for the HPE Software business acquisition across all functions of the existing Micro Focus business.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

4 Exceptional items continued

Acquisition costs
The acquisition costs of $25.8 million for the six months ended October 31, 2017 include external costs in completing the acquisition of the HPE Software business in September 2017, (including $7.7 million in respect of US excise tax payable on the award of Long-Term Incentives and Additional Share Grants to four senior employees) and costs relating to the acquisition of COBOL-IT SAS. The external costs mostly relate to due diligence work, legal work on the acquisition agreements and professional advisors on the transaction. The $1.3 million acquisition costs in the 12-months ended October 31, 2018 are the final amounts relating to the HPE Software business acquisition.

Property related costs
Property related costs of $38.2 million for the twelve months ended October 31, 2018 (six months to October 31, 2017: $0.1 million credit) relate mainly to the assessment and reassessment of leases on empty or sublet properties held by the Group, in particular in North America, and the cost of site consolidations.

Severance and legal costs
Severance and legal costs of $119.9 million for the twelve months ended October 31, 2018 (six months to October 31, 2017: $9.8 million) relate mostly to termination costs for employees after acquisition relating to the integration of the HPE Software business organization into the Micro Focus Product Portfolio.

Divestiture
Divestiture costs of $21.3 million for the twelve months ended October 31, 2018 (six months to October 31, 2017: $nil) relate mostly to fees paid to professional advisors relating to the SUSE divestiture, due to be completed in the first quarter of 2019 (Note 19).

Finance income and finance costs
Finance costs of $6.4 million and finance income of $0.6 million for the six months ended October 31, 2017 relate to interest (charged and gained) on additional term loan facilities drawn down in relation to the acquisition of the HPE Software business, between the date the facilities were drawn into escrow and the acquisition date.

Tax
The tax effect of exceptional items and a tax exceptional item is a credit to the income statement of $772.7 million for the twelve months ended October 31, 2018 (six months to October 31, 2017: $25.5 million). The exceptional tax credit of $692.3 million (2017: $nil) in the twelve months ended October 31, 2018 relates to the impact of US tax reforms, comprised of a credit of $930.6 million in respect of the re-measurement of deferred tax liabilities and a transition tax charge of $238.3 million payable over eight years.

5 Services provided by the Group's auditor and network of firms
During the twelve months ended October 31, 2018 and six months ended 30 October 2017, the Group obtained the following services from the Group's auditor as detailed below:

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Audit of Company	**8.1**	4.1
Audit of subsidiaries	**1.3**	0.6
Total audit	**9.4**	4.7
Audit related assurance services	**0.4**	0.5
Other assurance services	**0.6**	0.1
	1.0	0.6
Tax compliance services	**0.1**	0.1
Tax advisory services	**0.1**	0.1
Services relating to taxation	**0.2**	0.2
Other non-audit services	**0.1**	-
Total	**10.7**	5.5

The twelve months ended October 31, 2018 and six months ended 30 October 2017 fees represent fees paid to KPMG LLP, as the current auditor.

Audit related assurance services for both periods relate primarily to the additional audit procedures required to be performed on the Micro Focus International plc financial statements that are included in US filings and two interim reviews, that were required for both six-month periods ending October 31, 2017 and April 30, 2018.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

5 Services provided by the Group's auditor and network of firms continued

Other assurance services in the twelve months ended October 31, 2018 relate primarily to the auditor's assurance work in relation to the SUSE divestiture and license verification compliance work.

The remaining non-audit services in the period included a limited amount of tax compliance and tax advice.

6 Finance income and finance costs

	Note	**12 months ended October 31, 2018 $m**	6 months ended October 31, 2017 $m
Finance costs			
Interest on bank borrowings		**217.0**	59.5
Commitment fees		**3.3**	-
Amortization of facility costs and original issue discounts		**46.9**	13.5
Finance costs on bank borrowings		**267.2**	73.0
Net interest expense on retirement obligations	27	**2.3**	0.5
Finance lease expense		**1.5**	1.2
Interest rate swaps: cash flow hedges, transfer from equity		**2.9**	0.5
Other		**1.0**	0.3
Total		**274.9**	75.5

		12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Finance income			
Bank interest		**2.6**	1.0
Interest on non-plan pension assets	27	**0.4**	0.2
Other		**2.9**	0.6
Total		**5.9**	1.8
Net finance cost		**269.0**	73.7
Included within exceptional items	3		
Finance costs incurred in escrow period		**-**	6.4
Finance income earned in escrow period		**-**	(0.6)
		-	5.8

7 Taxation

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Current tax		
Current period	**272.6**	(26.8)
Adjustments to tax in respect of previous periods	**(23.6)**	8.9
	249.0	(17.9)
Deferred tax		
Origination and reversal of timing differences	**(27.9)**	54.3
Adjustments to tax in respect of previous periods	**10.0**	(8.8)
Impact of change in tax rates	**(931.6)**	(0.2)
	(949.5)	45.3
Total	**(700.5)**	27.4

For the twelve months ended October 31, 2018, a deferred tax debit of $21.9 million (six months ended October 31, 2017: $1.8 million) and current tax credit of $3.2 million (six months ended October 31, 2017: $0.9 million credit) has been recognized in equity in relation to share options.
A current tax debit of $15.7 million (six months ended October 31, 2017: $0.7 million) has been recognized in the hedging reserve (Note 33).

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

7 Taxation continued

In addition, a deferred tax debit of $4.9 million (six months ended October 31, 2017: $0.6 million credit) has been recognized in other comprehensive income in relation to defined benefit pension schemes.

The tax charge for the twelve months ended October 31, 2018 is lower than the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%). The differences are explained below:

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
(Loss)/profit before taxation	**(78.5)**	112.6
Tax at UK corporation tax rate 19.0% (2017: 19.0%)	**(14.9)**	21.4
Effects of:		
Tax rates other than the UK standard rate	**8.2**	9.6
Intra-group financing	**(47.9)**	(4.6)
Interest restrictions	**31.8**	-
Innovation tax credit benefits	**(15.9)**	(5.5)
US foreign inclusion income	**38.0**	1.0
US transition tax	**231.2**	7.1
Share options	**9.4**	0.8
Movement in deferred tax not recognized	**6.3**	1.0
Effect of change in tax rates	**(931.7)**	(0.2)
Expenses not deductible and other permanent differences	**(1.3)**	(3.4)
	(686.8)	27.2
Adjustments to tax in respect of previous periods:		
Current tax	**(23.7)**	9.0
Deferred tax	**10.0**	(8.8)
	(13.7)	0.2
Total taxation	**(700.5)**	27.4

Tax rates other than the UK standard rate includes provisions for uncertain tax positions relating to the risk of challenge from tax authorities to the geographic allocation of profits across the Group. The change between the periods reflects the increased size of the group following the HPE Software business acquisition and the impact of the OECD's continuing Base Erosion and Profit Shifting project.

The Group continues to benefit from the UK's Patent Box regime, US R&D tax credits and other innovation-based tax credits offered by certain jurisdictions, the benefit for the twelve months ended October 31, 2018 being $15.9 million (six months ended October 31, 2017: $5.5 million). The Group realized benefits in relation to intra-group financing of $16.1 million for the twelve months ended October 31, 2018 (six months ended October 31, 2017: $4.6. million). The benefits mostly relate to arrangements put in place to facilitate the acquisitions of the HPE Software business, TAG and Serena.

US foreign inclusion income includes non-US amounts deemed repatriated to, and therefore taxable, in the US in the current period.

US tax reforms result in a net credit to the income statement in the period of $700.4 million being a credit of $931.6 million in respect of the re-measurement of deferred tax liabilities due to the reduction of the US federal tax rate from 35% to 21% and a transition tax charge of $231.2 million payable over eight years.

The Group recognized a net overall charge in respect of share options due to deferred tax credits arising on options held at the balance sheet date being lower than the current tax charge as a result of the terms of the options.

The movement in deferred tax assets and liabilities during the period is analyzed in Note 30.

The Group realized a net credit in relation to the true-up of prior period current and deferred tax estimates of $13.7 million for the twelve months ended October 31, 2018 (six months ended October 31, 2017: $0.2 million net debit). Within the current tax true up is a credit of $7.5 million (six months ended October 31, 2017: $3.7 million) in respect of items within the income tax reserve, which are no longer considered probable to arise.

The Group's tax charge is subject to various factors, many of which are outside the control of the Group, including changes in local tax legislation, and specifically US tax reform, the OECD's Base Erosion and Profit Shifting project and the consequences of Brexit. The European Commission has issued preliminary findings and opened a state id investigation into the UK's 'Financing Company Partial Exemption' legislation. Similar to other UK based international companies Micro Focus may be affected by the final outcome of this investigation and is monitoring developments. If the preliminary findings of the European Commission's investigation into the UK legislation are upheld, Micro Focus has calculated that the maximum potential tax liability would be $57.8m. Based on its current assessment Micro Focus believes that no provision is required in respect of this issue.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

8 Dividends

Equity - ordinary	**12 months ended October 31, 2018 $m**	6 months ended October 31, 2017 $m
Final paid 58.33 cents per ordinary share	**-**	133.9
First interim paid 34.60 cents per ordinary share	**156.2**	-
Second interim paid 58.33 cents per ordinary share	**252.1**	-
	408.3	133.9

The directors announced a final dividend of 58.33 cents per share payable on April 5, 2019 to shareholders who are registered at March 1, 2019. This final dividend, amounting to $249.0 million has not been recognized as a liability as at October 31, 2018.

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

Reconciliation of the earnings and weighted average number of shares:

	12 months ended October 31, 2018	6 months ended October 31, 2017
Earnings ($m)		
Profit for the period from continuing operations	**622.2**	84.9
Profit for the period from discontinued operations	**55.5**	21.4
	677.7	106.3
Number of shares (m)		
Weighted average number of shares	**435.1**	296.7
Dilutive effects of shares	**12.7**	10.2
	447.8	306.9
Earnings per share		
Basic earnings per share (cents)		
Continuing operations	**143.01**	28.60
Discontinued operation	**12.76**	7.23
	155.77	35.83
Diluted earnings per share (cents)		
Continuing operations	**138.94**	27.65
Discontinued operation	**12.39**	6.99
	151.33	34.64
Basic earnings per share (pence)		
Continuing operations	**106.40**	21.95
Discontinued operation	**9.49**	5.55
	115.89	27.50
Diluted earnings per share (pence)		
Continuing operations	**103.37**	21.22
Discontinued operations	**9.22**	5.36
	112.59	26.58
Earnings attributable to ordinary shareholders		
From continuing operations	**622.0**	85.2
Excluding non-controlling interests	**0.2**	(0.3)
Profit for the period from continuing operations	**622.2**	84.9
From discontinued operation	**55.5**	21.4
	677.7	106.3
Average exchange rate	**$ 1.34/£1**	$ 1.30/£1

The weighted average number of shares excludes treasury shares. (Note 31).

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

10 Goodwill

	Note	**October 31, 2018 $m**	October 31, 2017 $m
Cost and net book amount			
At November 1/ May 1		**7,934.1**	2,828.6
Acquisitions[1]	39	**(241.6)**	5,105.5
Reclassification to assets held for sale	19	**(887.5)**	-
At October 31		**6,805.0**	7,934.1
A segment-level summary of the goodwill allocation is presented below:			
Micro Focus		**6,805.0**	7,074.5
SUSE		**-**	859.6
		6,805.0	7,934.1

[1]Amounts relating to the HPE Software acquisition recorded in the 12-months ended October 31, 2018 include fair value adjustments recorded in the 12-month measurement period following the acquisition as prescribed by IFRS 3 Business Combinations.

Goodwill acquired through business combinations has been allocated to a cash generating unit ("CGU") for the purpose of impairment testing. It has been determined that the Group has two CGUs being the two product portfolio groups, Micro Focus and SUSE.

The goodwill arising on the acquisition of the HPE Software business of $4,858.3 million (Note 39) and COBOL-IT, SAS ("COBOL-IT") $5.6 million (Note 39) have been allocated to the Micro Focus CGU as this is consistent with the segment reporting that used in internal management reporting.

Of the additions to goodwill, there is no amount expected to be deductible for tax purposes.

Impairment Test
Refer to pages F-48 and F-49 of the Group Consolidated financial statements in Item 18 of Form 20-F for details of impairment testing for the period. No impairment charge resulted from the goodwill tests for impairment in 2018 (2017: no impairment).

11 Other intangible assets

			Purchased intangibles				
	Purchased software $m	**Product Development costs $m**	**Technology $m**	**Trade names $m**	**Customer relationships $m**	**Lease Contracts $m**	**Total $m**
Cost							
At May 1, 2017	24.6	213.8	398.9	239.6	972.4	-	1,849.3
Continuing operations:							
Acquisitions - HPE Software business (Note 39)	72.8	-	1,775.0	188.0	4,222.0	15.0	6,272.8
Additions	18.3	17.0	-	-	-	-	35.3
Additions – external consultants	-	0.5	-	-	-	-	0.5
Exchange adjustments	0.5	(0.1)	-	-	-	-	0.4
At October 31, 2017	116.2	231.2	2,173.9	427.6	5,194.4	15.0	8,158.3
Acquisitions - HPE Software business[1]	**-**	**-**	**34.0**	**(25.0)**	**258.0**	**-**	**267.0**
Acquisitions – COBOL-IT (Note 39)	**-**	**-**	**1.5**	**0.2**	**12.3**	**-**	**14.0**
Acquisitions – Covertix (Note 39)	**2.5**	**-**	**-**	**-**	**-**	**-**	**2.5**
Additions	**28.5**	**27.4**	**-**	**-**	**-**	**-**	**55.9**
Additions – external consultants	**-**	**0.4**	**-**	**-**	**-**	**-**	**0.4**
Exchange adjustments	**(0.9)**	**0.1**	**-**	**-**	**-**	**-**	**(0.8)**
Discontinued operation:							
Reclassification to current assets classified as held for sale (Note 19)	**(5.2)**	**-**	**(50.9)**	**(135.1)**	**(87.5)**	**-**	**(278.7)**
At October 31, 2018	**141.1**	**259.1**	**2,158.5**	**267.7**	**5,377.2**	**15.0**	**8,218.6**

[1]Amounts relating to the HPE Software acquisition recorded in the 12-months ended October 31, 2018 are the fair value adjustments recorded in the 12-month measurement period following the acquisition as prescribed by IFRS 3 Business Combinations.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

11 Other intangible assets continued

				Purchased intangibles			
	Purchased software	Product Development costs	Technology	Trade names	Customer relationships	Lease Contracts	Total
	$m	$m	$m	$m	$m	$m	$m
Accumulated amortization							
At May 1, 2017	21.0	164.7	223.0	38.8	312.5	-	760.0
Continuing operations:							
Amortization charge for the period	2.5	12.4	57.9	6.6	103.3	0.4	183.1
Exchange adjustments	-	0.1	-	-	-	-	0.1
Discontinued operation:							
Amortization charge for the period	0.3	-	5.1	3.5	6.6	-	15.5
At October 31, 2017	23.8	177.2	286.0	48.9	422.4	0.4	958.7
Continuing operations:							
Amortization charge for the period	**28.2**	**29.6**	**222.6**	**20.1**	**416.7**	**2.8**	**720.0**
Exchange adjustments	**(0.9)**	**(0.1)**	**-**	**-**	**-**	**-**	**(1.0)**
Discontinued operation:							
Amortization charge for the period	**0.5**	**-**	**8.3**	**5.6**	**10.3**	**-**	**24.7**
Reclassification to current assets classified as held for sale (Note 19)	**(1.5)**	**-**	**(38.0)**	**(25.7)**	**(47.9)**	**-**	**(113.1)**
At October 31, 2018	**50.1**	**206.7**	**478.9**	**48.9**	**801.5**	**3.2**	**1,589.3**
Net book amount at October 31, 2018	**91.0**	**52.4**	**1,679.6**	**218.8**	**4,575.7**	**11.8**	**6,629.3**
Net book amount at October 31, 2017	92.4	54.0	1,887.9	378.7	4,772.0	14.6	7,199.6

Intangible assets, with the exception of purchased software and internally generated product development costs, relate to identifiable assets purchased as part of the Group's business combinations. Intangible assets are amortized on a straight-line basis over their expected useful economic life - see Group Accounting policy K.

Expenditure totaling $55.9 million (six months to October 31, 2017: $35.3 million) was made in the twelve months ended October 31, 2018, including $27.4 million in respect of development costs and $28.5 million of purchased software. The acquisition of the HPE Software business in the six months ended October 31, 2017 gave rise to an addition of $6,272.8 million to purchased intangibles. The acquisition of COBOL-IT in the twelve months ended October 31, 2018 gave rise to an addition of $14.0 million to purchased intangibles (Note 39).

Of the $17.5 million of additions to product development costs in the six months ended October 31, 2017, $17.0 million relates to internal product development costs and $0.5 million to external consultants' product development costs.

At October 31, 2018, the unamortized lives of technology assets were in the range of two to 10 years, customer relationships in the range of one to 10 years and trade names in the range of 10 to 20 years.

Included in the consolidated statement of comprehensive income for the twelve months ended October 31, 2018 and the six months ended October 31, 2017 was:

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Cost of sales:		
- amortization of product development costs	**29.6**	12.4
- amortization of acquired purchased technology	**222.6**	57.9
Selling and distribution:		
- amortization of acquired purchased trade names, customer relationships and lease contracts	**439.6**	110.3
Administrative expenses:		
- amortization of purchased software	**28.2**	2.5
Total amortization charge for the period	**720.0**	183.1
Research and development:		
- capitalization of product development costs	**27.4**	17.0

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

12 Property, plant and equipment

	Freehold land and buildings $m	Leasehold improvements $m	Computer equipment $m	Fixtures and fittings $m	Total $m
Cost					
At May 1, 2017	**14.3**	**27.3**	**32.6**	**6.0**	**80.2**
Continuing operations:					
Acquisition – HPE Software business (Note 39)	20.0	41.0	80.8	23.8	165.6
Additions	0.2	0.2	6.3	2.7	9.4
Disposals	-	(0.3)	(0.1)	(0.3)	(0.7)
Exchange adjustments	0.3	0.5	0.4	0.1	1.3
Discontinued operation:					
Additions	-	-	0.4	-	0.4
At October 31, 2017	**34.8**	**68.7**	**120.4**	**32.3**	**256.2**
Acquisition – HPE Software business (Note 39)[1]	**(20.0)**	**15.5**	**(1.3)**	**0.3**	**(5.5)**
Acquisition – COBOL-IT (Note 39)	**-**	**-**	**0.1**	**-**	**0.1**
Additions	**(0.2)**	**10.2**	**27.0**	**3.7**	**40.7**
Disposals	**-**	**(7.2)**	**(27.0)**	**(4.3)**	**(38.5)**
Exchange adjustments	**(0.3)**	**(3.9)**	**(8.6)**	**(2.6)**	**(15.4)**
Discontinued operation:					
Additions	**-**	**-**	**1.6**	**-**	**1.6**
Disposals	**-**	**-**	**(0.1)**	**-**	**(0.1)**
Exchange adjustments	**-**	**-**	**0.3**	**-**	**0.3**
Reclassification to current assets classified as held for sale (Note 19)	**-**	**(4.1)**	**(9.1)**	**(0.3)**	**(13.5)**
At October 31, 2018	**14.3**	**79.2**	**103.3**	**29.1**	**225.9**

[1]Amounts relating to the HPE Software acquisition recorded in the 12-months ended October 31, 2018 are the fair value adjustments recorded in the 12-month measurement period following the acquisition as prescribed by IFRS 3 Business Combinations.

Notes to the consolidated financial statements (unaudited) continued

for the twelve months ended October 31, 2018 and six months ended October 31, 2017

12 Property, plant and equipment continued

	Freehold land and buildings $m	Leasehold improvements $m	Computer equipment $m	Fixtures and fittings $m	Total $m
Accumulated depreciation					
At May 1, 2017	**1.8**	**12.7**	**22.1**	**2.7**	**39.3**
Continuing operations:					
Charge for the period	0.3	2.4	10.3	2.0	15.0
Disposals	-	(0.1)	-	(0.2)	(0.3)
Exchange adjustments	-	0.2	0.4	-	0.6
Discontinued operation:					
Charge for the period	-	0.6	0.4	0.3	1.3
At October 31, 2017	**2.1**	**15.8**	**33.2**	**4.8**	**55.9**
Continuing operations:					
Charge for the period	**0.1**	**23.9**	**40.4**	**9.2**	**73.6**
Disposals	**-**	**(3.9)**	**(26.9)**	**(3.5)**	**(34.3)**
Exchange adjustments	**-**	**(1.5)**	**(6.8)**	**(2.9)**	**(11.2)**
Discontinued operation:					
Charge for the period	**-**	**2.1**	**2.2**	**1.0**	**5.3**
Disposals	**-**	**-**	**-**	**-**	**-**
Exchange adjustments	**-**	**-**	**0.1**	**-**	**0.1**
Reclassification to current assets classified as held for sale (Note 19)	**-**	**(2.1)**	**(5.6)**	**(0.1)**	**(7.8)**
At October 31, 2018	**2.2**	**34.3**	**36.6**	**8.5**	**81.6**
Net book amount at October 31, 2018	**12.1**	**44.9**	**66.7**	**20.6**	**144.3**
Net book amount at November 1, 2017	32.7	52.9	87.2	27.5	200.3

Depreciation for the twelve months ended October 31, 2018 of $73.6 million (six months ended October 31, 2017: $15.0 million) is included within administrative expenses and cost of sales in the consolidated statement of comprehensive income. The carrying value of computer equipment held under finance leases and hire purchase contracts as at October 31, 2018 was $25.9 million (October 31, 2017 $19.8 million).

13 Group entities

The details of group entities as at October 31, 2018 can be found on pages F-55 to F-71 of the Group Consolidated financial statements in Item 18 of Form 20-F.

14 Investments in associates

Open Invention Network LLC (“OIN”), a strategic partnership for the Group, licenses its global defensive patent pool in exchange for a pledge of non-aggression, which encourages freedom of action in Linux and the sharing of new ideas and inventions. There are no significant restrictions on the ability of associated undertakings to transfer funds to the parent. There are no contingent liabilities to the Group’s interest in associates.

At October 31, 2018 the Group had a 12.5% interest ($9.6 million) (October 31, 2017: 12.5%, $11.0 million) investment in OIN. There are eight (2017: eight) equal shareholders of OIN, all holding 12.5% (2017: 12.5%) interest, and each shareholder has one board member and one alternative board member. The Group exercises significant influence over OIN’s operation and therefore accounts for its investment in OIN as an associate.

The Investment in Associates is part of discontinued operations, which will be disposed of with the sale of the SUSE business segment and as such has been transferred to assets held for sale (Note 19).

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

14 Investments in associates continued

The Group uses the equity method of accounting for its interest in associates. The following table shows the aggregate movement in the Group's investment in associates:

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
At November 1/ May 1	**11.0**	11.4
Gain on dilution of investment	**-**	-
Share of post-tax loss of associates	**(1.4)**	(0.4)
	9.6	11.0
Reclassification to current assets classified as held for sale (Note 19)	**(9.6)**	-
At October 31	**-**	11.0

Details of the Group's principal associates are provided below.

Company name	**Country of incorporation and principal place of business**	**Proportion held**	**Principal activities**
Open Invention Network LLC	USA	12.5%	Sale and support of software

The accounting year-end date of the associate consolidated within the Group's financial statements is December 31, and we obtain its results on a quarterly basis. The Group records an adjustment within the consolidated financial statements to align the reporting period of the associate and the Group. Following the change in year-end for the Group to October 31, from April 30, we now report based on the September 30, 2018 quarter rather than the March 31, 2017 quarter end. The assets, liabilities, and equity of the Group's associate as at September 30 and the revenue and loss of the Group's associate for the period ended September 30, 2018 with the corresponding adjustment to align the reporting period was as follows:

	September 30, 2018 $m	September 30, 2017 $m
Non-current assets	**38.2**	39.2
Current assets	**41.7**	51.0
Current liabilities	**(0.7)**	(0.7)
Non-current liabilities	**(1.0)**	(0.6)
Net assets	**78.2**	88.9

	12 months ended September 30, 2018 $m	6 months ended September 30, 2017 $m
Revenue	**-**	-
Net loss	**10.6**	3.8

	12 months to October 31, 2018 $m	6 months to October 31, 2017 $m
Loss attributable to the Group for the period ended September 30, 2018	**1.4**	0.4
Adjustment on estimated October 2018 result attributable to the Group	**-**	-
	1.4	0.4

15 Other non-current assets

	October 31, 2018 $m	October 31, 2017 $m
Employee Benefit Deposit	**31.1**	31.1
Long-term rent deposits	**4.1**	4.1
Long Term Prepaid Expenses	**2.9**	8.3
Other	**0.7**	1.9
	38.8	45.4

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

15 Other non-current assets continued

Employee benefit deposits are held in Germany ($15.4 million), Israel ($10.2 million), Italy ($2.7 million) and the Netherlands ($2.8 million). Employers in Germany, Italy and Israel are required by law maintain funds to satisfy certain employee benefit liabilities, including free-time off, compensation for involuntary termination of employment. These investment-based deposits are managed by third parties and the carrying values are marked-to-market based on third party investment reports. In addition, a cash deposit was held in the Netherlands on behalf of certain employees to cover legacy employment subsistence benefits.

16 Inventories

	October 31, 2018	October 31, 2017
	$m	$m
Work in progress	**-**	-
Finished goods	**0.2**	0.5
	0.2	0.5

The Group utilized $0.2 million (six months to October 31, 2017: $0.1 million) of inventories included in cost of sales during the twelve months to October 31, 2018.

17 Trade and other receivables

	October 31, 2018	October 31, 2017
	$m	$m
Trade receivables	**1,089.6**	1,057.2
Less: provision for impairment of trade receivables	**(41.9)**	(51.3)
Trade receivables net	**1,047.7**	1,005.9
Prepayments	**60.0**	51.7
Other receivables	**79.0**	193.1
Accrued income	**85.3**	0.8
	1,272.0	1,251.5

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. The Group considers the credit quality of trade and other receivables on a customer by customer basis. The Group considers that the carrying value of the trade and other receivables that is disclosed below gives a fair presentation of the credit quality of the assets. This is considered to be the case as there is a low risk of default due to the high number of recurring customers and credit control policies. In determining the recoverability of a trade receivable, the Group considers the ageing of each debtor and any change in the circumstances of the individual receivable. Due to this, management believes there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

At October 31, 2018 and October 31, 2017, the carrying amount approximates the fair value of the instrument due to the short-term nature of the instrument. The trade receivables of $1,089.6 million at October 31, 2018 is net of the $21.5 million bad debt provision in the opening balance for the HPE Software business (Note 39).

At October 31, 2018, trade receivables of $249.3 million (October 31, 2017: $239.3 million) were past due but not impaired. These relate to a large number of independent companies for whom there is no recent history of default. The amounts are regarded as recoverable. The average age of these receivables was 107 days in excess of due date (October 31, 2017: 108 days).

As at October 31, 2018, trade receivables of $41.9 million (October 31, 2017: $51.3 million) were either partially or fully impaired. The amount of the provision was $41.9 million (October 31, 2017: $51.3 million). The ageing of these receivables is as follows:

	October 31, 2018	October 31, 2017
	$m	$m
Up to three months	-	-
Three to four months	**3.6**	4.4
Over four months	**38.3**	46.9
	41.9	51.3

Movements in the Group provision for impairment of trade receivables were as follows:

	October 31, 2018	October 31, 2017
	$m	$m
At November 1/ May 1	**51.3**	2.6
Provision for receivables impairment	**(9.6)**	49.7
Receivables written off as uncollectable	**0.2**	(0.9)
Receivables previously provided for but now collected	**-**	(0.1)
Exchange adjustments	**-**	-
At October 31	**41.9**	51.3

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

17 Trade and other receivables continued

The creation and release of provision for impaired receivables have been included in selling and distribution costs in the consolidated statement of comprehensive income. Amounts charged in the allowance account are generally written off when there is no expectation of recovering additional cash. The Group does not hold any collateral as security.

18 Cash and cash equivalents

	October 31, 2018 $m	October 31, 2017 $m
Cash at bank and in hand	**387.1**	453.3
Short-term bank deposits	**236.7**	277.1
	623.8	730.4
Reclassification to current assets classified as held for sale (Note 19)	**(2.9)**	-
Cash and cash equivalents	**620.9**	730.4

At October 31, 2018 and October 31, 2017, the carrying amount approximates to the fair value. The Group's credit risk on cash and cash equivalents is limited as the counterparties are well established banks with high credit ratings. The credit quality of cash and cash equivalents is as follows:

	October 31, 2018 $m	October 31, 2017 $m
S&P/Moody's/Fitch rating:		
AAA	**231.5**	272.3
AA-	**81.0**	95.3
A+	**260.4**	306.4
A	**20.1**	23.6
A-	**3.8**	4.4
BBB+	**4.5**	5.3
BBB	**1.0**	1.2
BBB-	**0.6**	0.7
BB+	**2.1**	2.4
BB	**-**	-
BB-	**15.2**	17.9
B+	**-**	-
CCC+	**0.2**	0.2
C-	**0.3**	0.4
Not Rated	**0.2**	0.3
	620.9	730.4

19 Discontinued operation and assets classified as held for sale

Discontinued operation – SUSE business segment
On July 2, 2018, the Group announced the proposed sale of the SUSE business segment to Blitz 18-679 GmbH (subsequently renamed to Marcel Bidco GmbH), a newly incorporated wholly-owned subsidiary of EQTVIII SCSp which is advised by EQT Partners. The total cash consideration of $2.535 billion is on a cash and debt free basis and subject to normalization of working capital.

On August 21, 2018, Shareholders voted to approve the proposed transaction whereby the Company has agreed to sell its SUSE business segment to Marcel Bidco GmbH, a newly incorporated, wholly-owned subsidiary of EQTVIII SCSp, for a total cash consideration of approximately $2.5 billion, subject to customary closing adjustments. Following this vote, all applicable antitrust, competition, merger control and governmental clearances have been obtained. Completion of the transaction is now only conditional upon completing the carve-out of the SUSE business segment from the rest of the Micro Focus Group (and certain related matters) and it is currently anticipated that this will be satisfied such that the transaction will complete in the first calendar quarter of 2019. As set out in the circular to shareholders in advance of the vote, net sale proceeds after tax, transaction costs and customary closing adjustments are estimated to be $2.1 billion and these funds will be used to make a required debt repayment in accordance with the Credit Agreement. It is intended that the balance will be returned to shareholders ("Return of Value"). A circular to shareholders in respect of the Return of Value will be dispatched in due course.

Due to the proposed sale and subsequent shareholder approval, the SUS business segment has been treated as discontinued in these financial statements.

The SUSE Business, a pioneer in Open Source software, develops, markets and supports an enterprise grade Linux operating system, Open Source software-defined infrastructure and application delivery solutions that give enterprises greater control and flexibility over their IT systems.

Micro Focus believes the disposal consideration represents a highly attractive enterprise valuation for the SUSE business at approximately 7.9x revenue of the SUSE Business for the twelve months ended October 31, 2017. Micro Focus believes EQT provides a strong long-term investor for the SUSE Business and allows Micro Focus to continue to focus upon its longstanding and consistent strategy of delivering value to customers and shareholders through effective management of infrastructure software assets in an increasingly consolidating sector.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

19 Discontinued operation and assets classified as held for sale continued

Discontinued operation – Financial performance

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Revenue	**373.7**	164.5
Operating costs	**(295.7)**	(131.4)
Profit before taxation	**78.0**	33.1
Taxation	**(22.5)**	(11.7)
Profit for the period from discontinued operations	**55.5**	21.4

Discontinued operation – Cash flow

The cash flow statement shows amounts related to the discontinued operation.

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Net cash inflows from operating activities	**98.1**	38.0
Net cash (outflows) from investing activities	**(1.8)**	(0.7)
Net cash flows from financing activities	**-**	-

Assets classified as held for sale

	October 31, 2018		
Reported in:	**Current assets $m**	**Current liabilities $m**	**Total $m**
SUSE	**1,114.5**	**(427.4)**	**687.1**
Atalla	**28.0**	**(10.3)**	**17.7**
	1,142.5	**(437.7)**	**704.8**

The net asset assets held for sale relating to the disposals of SUSE and Atalla are detailed in the tables below. These include non-current assets and non-current liabilities that are shown as current assets and liabilities in the Consolidated statement of financial position.

A. SUSE
The assets and liabilities relating to SUSE have been presented as held for sale following the shareholder approval on August 21, 2018. Costs to sell have been included in trade and other payables.

	Note	**October 31, 2018 $m**
Non-current assets		
Goodwill	**10**	**859.6**
Other Intangible assets	**11**	**165.6**
Property, plant and equipment	**12**	**5.7**
Investment in associates	**14**	**9.6**
Deferred tax assets		**1.6**
Long-term pension assets	**27**	**1.5**
Other non-current assets		**2.2**
		1,045.8
Current assets		
Trade and other receivables		**65.8**
Cash and cash equivalents		**2.9**
		68.7
Total assets held for sale		**1,114.5**

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

19 Discontinued operation and assets classified as held for sale continued

A. SUSE continued

Current liabilities		
Trade and other payables		**(38.0)**
Provisions	**26**	**(0.7)**
Current tax liabilities		**(1.2)**
Deferred income		**(218.3)**
		(258.0)
Non-current liabilities		
Deferred income		**(160.8)**
Retirement benefit obligations	**27**	**(5.5)**
Long-term provisions	**26**	**(2.3)**
Other non-current liabilities		**(0.6)**
		(169.2)
Total liabilities held for sale		**(427.4)**
Net assets held for sale		**687.1**

B. Atalla
On May 18, 2018 the Company entered into an agreement with Utimaco Inc. ("Utimaco"), under which Utimaco would acquire Atalla for $20 million in cash. The deal was subject to regulatory approval by the Committee on Foreign Investment in the United States ("CFIUS"). CFIUS placed the deal into investigation in September and final approval was received October 10, 2018. The deal closed on November 5, 2018 and Utimaco acquired the Atalla HSM product line, the Enterprise Security Manger ("ESKM") product line, and related supporting assets, including applicable patents and other IP.

The assets and liabilities relating to the Atalla business included in the Financial Statements at October 31, 2018 amount to $17.7m.

	October 31, 2018
	$m
Goodwill	**27.9**
Property, plant and equipment	**0.1**
Non-current Assets	**28.0**
Deferred income	**(10.3)**
Current Liabilities	**(10.3)**
Net assets classified as held for sale	**17.7**

20 Trade and other payables – current

	October 31, 2018	October 31, 2017
	$m	$m
Trade payables	**46.1**	89.1
Tax and social security	**46.5**	95.0
Accruals	**584.3**	750.6
	676.9	934.7

At October 31, 2018 and at October 31, 2017, the carrying amount approximates to the fair value. Accruals include employee taxes, integration expenses, vacation and payroll accruals including bonuses and commissions.

21 Borrowings

	October 31, 2018	October 31, 2017
	$m	$m
Bank loan secured	**4,996.9**	5,047.7
Unamortized prepaid facility arrangement fees and original issue discounts	**(151.0)**	(198.5)
	4,845.9	4,849.2

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

21 Borrowings - continued

	October 31, 2018			October 31, 2017		
Reported within:	**Bank loan secured $m**	**Unamortized prepaid facility arrangement fees and original issue discounts $m**	**Total $m**	Bank loan secured $m	Unamortized prepaid facility arrangement fees and original issue discounts $m	Total $m
Current liabilities	**50.3**	**(46.6)**	**3.7**	37.9	(20.2)	17.7
Non-current liabilities	**4,946.6**	**(104.4)**	**4,842.2**	5,009.8	(178.3)	4,831.5
	4,996.9	**(151.0)**	**4,845.9**	5,047.7	(198.5)	4,849.2

The following Facilities were drawn as at October 31, 2018:

- The $1,503.8 million senior secured term loan B-2 issued by MA FinanceCo LLC is priced at LIBOR plus 2.25% (subject to a LIBOR floor of 0.00%);
- The $2,580.5 million senior secured seven-year term loan B issued by Seattle SpinCo. Inc. is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%;
- The $382.1 million senior secured seven-year term loan B-3 issued by MA FinanceCo LLC is priced at LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%; and
- The €466.5 million (equivalent to $530.5 million) senior secured seven-year term loan B issued by MA FinanceCo LLC is priced at EURIBOR plus 2.75% (subject to a EURIBOR floor of 0.00%) with an original issue discount of 0.25%.

The following facilities were undrawn as at October 31, 2018:

- A senior secured revolving credit facility of $500.0 million ("Revolving Facility") with an interest rate of 3.25% above LIBOR on amounts drawn (and 0.375% on amounts undrawn) there under (subject to a LIBOR floor of 0.00%).

The only financial covenant attaching to these facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. At October 31, 2018, $nil of the Revolving Facility was drawn together with $4,996.9 million of Term Loans giving gross debt of $4,996.9 million drawn. As a covenant test is only applicable when the Revolving Facility is drawn down by 35% or more, and $nil of Revolving Facility was drawn at October 31, 2018, no covenant test is applicable.

The movements on the Group loans in the period were as follows:

	Term Loan B-2 $m	**Term Loan B-3 $m**	**Seattle Spinco Term Loan B $m**	**Euro Term Loan B $m**	**Revolving Facility $m**	**Total $m**
At May 1, 2017	1,515.2	-	-	-	80.0	1,595.2
Acquisitions	-	-	2,600.0	-	-	2,600.0
Repayments	-	-	-	-	(215.0)	(215.0)
Draw downs	-	385.0	-	523.8	135.0	1,043.8
Transfer	-	-	-	23.7	-	23.7
At October 31, 2017	**1,515.2**	**385.0**	**2,600.0**	**547.5**	**-**	**5,047.7**
Acquisitions	**-**	**-**	**-**	**-**	**-**	**-**
Repayments	**(11.4)**	**(2.9)**	**(19.5)**	**(4.1)**	**-**	**(37.9)**
Foreign exchange	**-**	**-**	**-**	**(12.9)**	**-**	**(12.9)**
At October 31, 2018	**1,503.8**	**382.1**	**2,580.5**	**530.5**	**-**	**4,996.9**

Borrowings are stated after deducting unamortized prepaid facility fees and original issue discounts. Facility arrangement costs and original issue discounts are amortized between three and six years. The fair value of borrowings equals their carrying amount.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

21 Borrowings - continued

Maturity of borrowings
The maturity profile of the anticipated future cash flows including interest in relation to the Group's borrowings on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

As at October 31, 2018:

	Term Loan B-2 $m	Term Loan B-3 $m	Seattle Spinco Term Loan B $m	Euro Term Loan B $m	Revolving Facility $m	Total $m
Within one year	**84.3**	**22.4**	**151.2**	**20.1**	**1.9**	**279.9**
In one to two years	**83.8**	**22.2**	**150.2**	**20.0**	**1.9**	**278.1**
In two to three years	**82.9**	**22.0**	**148.6**	**19.8**	**1.9**	**275.2**
In three to four years	**1,462.1**	**21.8**	**147.4**	**19.6**	**1.6**	**1,652.5**
In four to five years	**-**	**21.6**	**146.1**	**19.5**	**-**	**187.2**
In more than five years	**-**	**374.2**	**2,526.8**	**512.7**	**-**	**3,413.7**
At October 31, 2018	**1,713.1**	**484.2**	**3,270.3**	**611.7**	**7.3**	**6,086.6**

As at October 31, 2017:

	Term Loan B-2 $m	Term Loan B-3 $m	Seattle Spinco Term Loan B $m	Euro Term Loan B $m	Revolving Facility $m	Total $m
Within one year	68.7	18.4	124.4	20.7	-	232.2
In one to two years	71.9	19.2	129.9	22.0	-	243.0
In two to three years	71.5	19.1	129.2	21.8	-	241.6
In three to four years	70.8	18.9	127.8	21.6	-	239.1
In four to five years	1,461.5	18.8	126.8	21.4	-	1,628.5
In more than five years	-	390.9	2,639.7	547.4	-	3,578.0
At October 31, 2017	1,744.4	485.3	3,277.8	654.9	-	6,162.4

Assets pledged as collateral
An all assets security has been granted in the US and England & Wales by certain members of the Micro Focus Group organized in such jurisdictions, including security over intellectual property rights and shareholdings of such members of the Micro Focus Group.

22 Finance leases

	October 31, 2018 $m	October 31, 2017 $m
Current	**13.6**	14.5
Non-current	**14.9**	18.4
	28.5	32.9

Finance lease liabilities – minimum lease payments:

	October 31, 2018 $m	October 31, 2017 $m
Within one year	**15.1**	15.8
Between one and five years	**16.0**	20.1
	31.1	35.9
Future lease charges	**(2.6)**	(3.0)
	28.5	32.9

The carrying value of computer equipment held under finance leases and hire purchase contracts as at October 31, 2018 was $25.9 million (Note 12).

Finance lease liabilities – present value of minimum lease payments:

	October 31, 2018 $m	October 31, 2017 $m
Within one year	**13.6**	14.5
Between one and two years	**13.3**	18.4
Between three and five years	**1.6**	-
	28.5	32.9

The Group's obligations under finance leases are secured by charges over the related leased assets. The weighted average fixed interest rate on the outstanding commercial loan and finance lease liabilities is 8.5% (October 31, 2017: 8.5%).

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

23 Current tax receivables, current tax liabilities and non-current liabilities

Current tax receivables

	October 31, 2018	October 31, 2017
	$m	$m
Corporation tax	**24.5**	-

The current tax receivable at October 31, 2018 is $24.5 million (2017: $nil). The brought forward current tax receivable balance relates mainly to the US and has been partially refunded, with the balance offset against current period tax liabilities.

Current tax liabilities

	October 31, 2018	October 31, 2017
	$m	$m
Corporation tax	**124.1**	102.7

The current tax creditor at October 31, 2018 is $124.1 million (2017: $102.7 million). The creditor has increased due to current year tax charges exceeding cash tax payments made. Within current tax liabilities is $67.7 million (2017: $58.5 million) in respect of the Group's income tax reserve, the majority of which relate to the risk of challenge from local tax authorities to the transfer pricing arrangements of the Group.

Non-current tax liabilities

	October 31, 2018	October 31, 2017
	$m	$m
Corporation tax	**131.0**	-

The non-current tax creditor is $131.0 million (2017: $nil). The non-current creditor reflects the US transition tax payable more than twelve months after the balance sheet date.

24 Deferred income – current

	October 31, 2018	October 31, 2017
	$m	$m
Deferred income	**1,134.7**	1,312.6

Revenue not recognized in the consolidated statement of comprehensive income under the Group's accounting policy for revenue recognition is classified as deferred income in the consolidated statement of financial position to be recognized in future periods. Deferred income primarily relates to undelivered maintenance and subscription services on billed contracts.

25 Deferred income – non-current

	October 31, 2018	October 31, 2017
	$m	$m
Deferred income	**178.1**	335.5

Revenue not recognized in the consolidated statement of comprehensive income under the Group's accounting policy for revenue recognition is classified as deferred income in the consolidated statement of financial position to be recognized in future periods in excess of one year. Deferred income primarily relates to undelivered maintenance and subscription services on multi-year billed contracts.

26 Provisions

	October 31, 2018	October 31, 2017
	$m	$m
Onerous leases and dilapidations	**35.1**	24.9
Restructuring and integration	**50.7**	53.9
Legal	**7.0**	3.5
Other	**-**	0.1
Total	**92.8**	82.4
Current	**57.4**	55.7
Non-current	**35.4**	26.7
Total	**92.8**	82.4

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

26 Provisions continued

	Onerous Leases and dilapidations $m	**Restructuring and integration $m**	**Legal $m**	**Other $m**	**Total $m**
At November 1, 2017	**24.9**	**53.9**	**3.5**	**0.1**	**82.4**
Continuing operations:					
Acquisitions – HPE Software business (Note 39)[1]	**-**	**-**	**36.5**	**-**	**36.5**
Additional provision in the period	**17.2**	**59.2**	**0.6**	**-**	**77.0**
Released	**(2.9)**	**(3.4)**	**(4.3)**	**-**	**(10.6)**
Utilization of provision	**(3.3)**	**(56.9)**	**(29.2)**	**(0.1)**	**(89.5)**
Exchange adjustments	**(0.8)**	**(2.1)**	**(0.1)**	**-**	**(3.0)**
Discontinued operation:					
Additional provision in the period	**2.8**	**0.2**	**-**	**-**	**3.0**
Reclassification of current assets classified as held for sale (Note 19)	**(2.8)**	**(0.2)**	**-**	**-**	**(3.0)**
At October 31, 2018	**35.1**	**50.7**	**7.0**	**-**	**92.8**
Current	**11.2**	**39.2**	**7.0**	**-**	**57.4**
Non-current	**23.9**	**11.5**	**-**	**-**	**35.4**
Total	**35.1**	**50.7**	**7.0**	**-**	**92.8**

	Onerous leases and dilapidations $m	Restructuring and integration $m	Legal $m	Other $m	Total $m
At May 1, 2017	16.3	12.1	3.2	0.5	32.1
Acquisitions – HPE Software business (Note 39)	11.3	21.4	-	-	32.7
Additional provision in the period	0.5	74.2	0.8	-	75.5
Released	(1.0)	(0.3)	(0.4)	(0.4)	(2.1)
Utilisation of provision	(2.3)	(53.1)	(0.1)	-	(55.5)
Exchange adjustments	0.1	(0.4)	-	-	(0.3)
At October 31, 2017	24.9	53.9	3.5	0.1	82.4
Current	3.3	48.9	3.5	-	55.7
Non-current	21.6	5.0	-	0.1	26.7
Total	24.9	53.9	3.5	0.1	82.4

[1]Amounts relating to the HPE Software acquisition recorded in the 12-months ended October 31, 2018 are the fair value adjustments recorded in the 12-month measurement period following the acquisition as prescribed by IFRS 3 Business Combinations.

Onerous leases and dilapidations provisions
The onerous lease and dilapidations provision relates to leased Group properties and this position is expected to be fully utilized within eight years. The provision was increased by $17.2 million in the twelve months ended October 31, 2018 relating to legal obligations to restore leased properties at the end of the lease period and a reassessment of sites across North America, United Kingdom, Israel and Australia (six months ended October 31, 2017: $11.9 million primarily due to the acquisition of the HPE Software business ($11.3 million)).

Restructuring and integration provisions
Restructuring and integration provisions relate to activities undertaken in readiness for bringing together the Micro Focus and the HPE Software business organizations into one organization across all functions of the existing business and provisions for severance resulting from headcount reductions. The majority of provisions are expected to be fully utilized within twelve months. Restructuring and integration costs are reported within exceptional costs.

Legal provisions
Legal provisions include the directors' best estimate of the likely outflow of economic benefits associated with ongoing legal matters.

Other provisions
Releases of other provisions during the twelve months ended October 31, 2018 relate to future fees no longer considered likely to be incurred.

Notes to the consolidated financial statements (unaudited) continued
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27 Pension commitments

a) Defined contribution
The Group has established a number of pension schemes around the world covering many of its employees. The principal funds are those in the US, UK and Germany. These were funded schemes of the defined contribution type. Outside of these territories, the schemes are also of the defined contribution type, except for France and Japan which are defined benefit schemes, but which has few members and therefore are not significant to the Group.

Pension costs for defined contributions schemes are as follows:

	October 31, 2018 $m	October 31, 2017 $m
Defined contribution schemes (Note 35)	**28.8**	14.4

b) Defined benefit

	October 31, 2018 $m	October 31, 2017 $m
Within non-current assets:		
Long-term pension assets	**16.7**	23.6
Within non-current liabilities:		
Retirement benefit obligations	**(110.4)**	(97.6)

The acquisition and subsequent integration of the software segment of Hewlett Packard Enterprise Company (HPE Software) on September 1, 2017 added 27 defined benefit plans primarily in France, Germany and Switzerland. As of October 31, 2018, there are 30 (October 31, 2017: 37) defined benefit plans in ten countries around the world. Some of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life in the case of retirement, disability and death. The level of benefits provided depends not only on the final salary but also on member's length of service, social security ceiling and other factors. Final pension entitlements are calculated by local actuaries in the applicable country. They also complete calculations for cases of death in service and disability. Other plans include termination or retirement indemnity plans or other types of statutory plans that provide a one-time benefit at termination. Where required by local or statutory requirements, some of the schemes are governed by an independent Board of Trustees that is responsible for the investment strategies with regard to the assets of the funds, however, other schemes are administered locally with the assistance of local pension experts. Not all of our plans are closed for new membership. As a result of the acquisition of the HPE Software business, we participate in multi-employer defined benefit plans in Switzerland and Japan. These plans are accounted for as defined benefit plans.

Long-term pension assets
Long-term pension assets relate to the contractual arrangement under insurance policies held by the Group with guaranteed interest rates that do not meet the definition of a qualifying insurance policy as they have not been pledged to the plan or beneficiaries and are subject to the creditors of the Group. Such arrangements are recorded in the consolidated statement of financial position as long-term pension assets. These contractual arrangements are treated as available-for-sale financial assets since there is not an exact matching of the amount and timing of some or all of the benefits payable under the defined benefit plan. Movement in the fair value of long-term pension assets is included in other comprehensive income. All non-plan assets are held in Germany.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

27 Pension commitments - continued

The movement on the long-term pension asset is as follows:

	October 31, 2018	October 31, 2017
	$m	$m
As at November 1/ May 1	**23.6**	22.0
Reclassification to assets held for sale	**(1.5)**	-
Interest on non-plan assets (Note 6)	**0.4**	0.2
Benefits paid	**(0.1)**	(0.1)
Contributions	**0.3**	0.2
Included within other comprehensive income:		
- Change in fair value	**(5.6)**	(0.5)
- Actuarial gain on non-plan assets	**0.2**	0.1
	(5.4)	(0.4)
Foreign currency exchange (loss)/gain	**(0.6)**	1.7
As at October 31	**16.7**	23.6

Included within other comprehensive income:		
Continuing operations	**(5.1)**	(0.2)
Discontinued operation	**(0.3)**	(0.2)
	(5.4)	(0.4)

The non-plan assets are Level 3 assets under the fair value hierarchy. These assets have been valued by applying a discount rate to the future cash flows and taking into account the fixed interest rate, mortality rates and term of the insurance contract. There have been no transfers between levels for either period presented.

Retirement benefit obligations
The following amounts have been included in the consolidated statement of comprehensive income for defined benefit pension arrangements:

	12 months ended October 31, 2018	6 months ended October 31, 2017
	$m	$m
Current service charge	**10.8**	1.8
Past service credit	**(5.5)**	-
Charge to operating profit (Note 35)	**5.3**	1.8
Current service charge – discontinued operations	**0.2**	0.1
Interest on pension scheme liabilities	**4.3**	0.9
Interest on pension scheme assets	**(2.0)**	(0.4)
Charge to finance costs (Note 6)	**2.3**	0.5
Total charge to income	**7.8**	2.4

Past service credits are the result of headcount reductions under the Group's restructuring and integration activities relating to the acquisition of the HPE Software business (Note 39).

The contributions for the year ended October 31, 2019 are expected to be broadly in line with the twelve months to October 31, 2018. We fund our schemes so that we make at least the minimum contributions required by local government, funding and taxing authorities.

Notes to the consolidated financial statements (unaudited) continued
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27 Pension commitments - continued

The following amounts have been recognized in the statement of other comprehensive income:

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Actuarial return on assets excluding amounts included in interest income	**(0.7)**	1.3
Experience gains and losses arising on scheme liabilities		
Changes in assumptions underlying the present value of scheme liabilities :		
- Demographic	**0.3**	-
- Financial	**(12.2)**	1.1
- Experience	**(2.6)**	4.5
	(14.5)	5.6
Reclassification from defined contribution scheme to defined benefit scheme	**(2.1)**	-
Movement in the period	**(17.3)**	6.9
Continuing operations	**(14.8)**	5.9
Discontinued operation	**(2.5)**	1.0
Total (charge)/gain to other comprehensive income	**(17.3)**	6.9

The key assumptions used for the valuation of the schemes were:

	12 months ended October 31, 2018	6 months ended October 31, 2017
Rate of increase in final pensionable salary	**2.61%**	2.27%
Rate of increase in pension payments	**1.99%**	1.81%
Discount rate	**1.92%**	1.99%
Inflation	**1.89%**	2.00%

The weighted average assumptions used in the valuation of the September 1, 2017 opening balances for the schemes acquired from the HPE Software business were: rate of increase in final pensionable salary of 2.32%, rate of increase in pension payments of 1.75%, discount rate of 1.95% and inflation of 1.61%,

The net present value of the defined benefit obligations of the schemes are sensitive to both the actuarial assumptions used and to market conditions. If the discount rate assumption was 0.5% lower, the obligation would be expected to increase by $26.9 million as at October 31, 2018 (October 31, 2017: $24.9 million) and if it was 0.5% higher, they would be expected to decrease by $23.1 million (October 31, 2017: $19.8 million). If the inflation assumption was 0.25% lower, the obligations would be expected to decrease by $6.0 million as at October 31, 2018 (October 31, 2017: $5.2 million) and if it was 0.25% higher, they would be expected to increase by $6.4 million (October 31, 2017: $5.5 million).

The mortality assumptions for the schemes are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	October 31, 2018	October 31, 2017
Retiring at age 65 at the end of the reporting period:		
Male	**20**	20
Female	**23**	23
Retiring 15 years after the end of the reporting period:		
Male	**22**	22
Female	**25**	25

The net present value of the defined benefit obligations of the schemes are sensitive to the life expectancy assumption. If there was an increase of one year to this assumption the obligation would be expected to increase by $7.9 million (3.6%) as at October 31, 2018 (October 31, 2017: $7.2m, 3.3%).

Notes to the consolidated financial statements (unaudited) continued
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27 Pension commitments continued

The net liability included in the consolidated statement of financial position arising from obligations in respect of defined benefit schemes is as follows:

	October 31, 2018			October 31, 2017
	Germany	**Rest of world**	**Total**	Funded
	$m	**$m**	**$m**	$m
Present value of funded obligations	**173.8**	**47.4**	**221.2**	214.1
Fair value of plan assets	**(82.1)**	**(28.7)**	**(110.8)**	(116.5)
	91.7	**18.7**	**110.4**	97.6

The defined benefit obligation has moved as follows:

	October 31, 2018			October 31, 2017		
Defined Benefit Obligations	**Defined benefit obligations**	**Scheme assets**	**Retirement benefit obligations**	Defined benefit obligations	Scheme assets	Retirement benefit obligations
	$m	**$m**	**$m**	$m	$m	$m
At November 1/ May 1	**214.1**	**(116.5)**	**97.6**	36.5	(5.7)	30.8
HPE Software business acquisition (Note 39)	**-**	**-**	**-**	181.5	(110.0)	71.5
Reclassification to assets held for sale	**(9.1)**	**3.6**	**(5.5)**	-	-	-
Current service cost	**11.0**	**-**	**11.0**	1.9	-	1.9
Past service credit	**(5.5)**	**-**	**(5.5)**	-	-	-
Benefits paid	**(8.6)**	**8.5**	**(0.1)**	(1.0)	0.9	(0.1)
Contributions by plan participants	**0.7**	**(0.5)**	**0.2**	1.8	(1.8)	-
Contribution by employer	**-**	**(3.3)**	**(3.3)**	-	(0.7)	(0.7)
Interest cost/(income) (Note 6)	**4.3**	**(2.0)**	**2.3**	0.9	(0.4)	0.5
Included within other comprehensive income:						
Re-measurements - actuarial losses:						
- Demographic	**(0.3)**	**-**	**(0.3)**	-	-	-
- Financial	**12.2**	**-**	**12.2**	(1.1)	-	(1.1)
- Experience	**2.6**	**-**	**2.6**	(4.5)	-	(4.5)
Actuarial return on assets excluding amounts included in interest income	**-**	**0.7**	**0.7**	-	(1.3)	(1.3)
Reclassification from defined contribution scheme to defined benefit scheme	**5.5**	**(3.4)**	**2.1**	-	-	-
	20.0	**(2.7)**	**17.3**	(5.6)	(1.3)	(6.9)
Foreign currency exchange changes	**(5.7)**	**2.1**	**(3.6)**	(1.9)	2.5	0.6
At October 31	**221.2**	**(110.8)**	**110.4**	214.1	(116.5)	97.6

Past service credits are the result of headcount reductions under the Group's restructuring and integration activities relating to the acquisition of the HPE Software business (Note 39).

None of the plan assets are represented by financial instruments of the Group. None of the plan assets are occupied or used by the Group. The major categories of the plan assets are as follows:

	October 31, 2018			October 31, 2017		
	Quoted	**Unquoted**	**Total**	**Quoted**	**Unquoted**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Equity instruments	**49.9**	**1.6**	**51.5**	43.9	1.4	45.3
Debt instruments	**37.4**	**5.1**	**42.5**	33.0	4.5	37.5
Real estate	**2.0**	**0.1**	**2.1**	1.8	0.1	1.9
Cash and cash equivalents	**-**	**2.3**	**2.3**	-	2.0	2.0
Re-insurance contracts with guaranteed interest rates*	**-**	**5.5**	**5.5**	-	4.8	4.8
Other	**-**	**6.9**	**6.9**	-	6.1	6.1
Total	**89.3**	**21.5**	**110.8**	78.7	18.9	97.6

* The majority of the re-insurance contracts have guaranteed interest rates of 4.0%, with the remaining at 3.25% or 2.75%.

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27 Pension commitments continued

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

– Changes in bond yields – A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the pledged and unpledged re-insurance holdings.

– Inflation – Some of the Group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. There is a cap on the level of inflationary increase on one of the plans which protects the plan against extreme inflation. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning an increase in inflation will also increase the deficit.

– Life expectancy – The majority of the plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan liabilities.

– In the case of the defined benefit plans, the Company ensures that the investment positions are managed within an asset liability matching ("ALM") that has been developed by the Company to achieve long-term investments that are in line with the obligations under the pension schemes. In addition to the plan assets outlined above, the Company had re-insurance assets valued at $16.6 million as at October 31, 2018 (October 31, 2017: $22.1 million). These assets are designated to fund the pension obligation and do not qualify as plan assets as they have not been pledged to the plan and are subject to the creditors of the Company. Within this framework the Company's objective is to match assets to the pension obligations by investing in re-insurances that match the benefit payments as they fall due and in the appropriate currency.

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

These sensitivities have been calculated using the same methodology as used for the main calculations. The weighted average duration of the defined benefit obligation is 22 years.

	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	0.50%	(10.5%)
Price inflation	0.25%	2.9%
Salary growth rate	0.50%	1.9%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 3.6%% as at October 31, 2018 (October 31, 2017: 4.0%). The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous years.

28 Other non-current liabilities

	October 31, 2018 $m	October 31, 2017 $m
Accruals	**58.0**	67.6
	58.0	67.6

29 Financial instruments

The table below sets out the values of financial assets and liabilities.

	Financial October 31, 2018 $m	**Non-financial October 31, 2018 $m**	**Total October 31, 2018 $m**	Financial October 31, 2017 $m	Non-financial October 31, 2017 $m	Total October 31, 2017 $m
Financial assets						
Non-current						
Long-term pension assets	**16.7**	**-**	**16.7**	23.6	-	23.6
Derivative financial instruments – Interest rate swaps (Note 29)	**-**	**86.4**	**86.4**	-	1.3	1.3
Current						
Cash and cash equivalents (Note 18)	**620.9**	**-**	**620.9**	730.4	-	730.4
Trade and other receivables (Note 17)	**1,212.0**	**60.0**	**1,272.0**	1,199.8	51.7	1,251.5
	1,849.6	**146.4**	**1,996.0**	1,953.8	53.0	2,006.8

Notes to the consolidated financial statements (unaudited) continued
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29 Financial instruments continued

	Financial October 31, 2018 $m	**Non-financial October 31, 2018 $m**	**Total October 31, 2018 $m**	Financial October 31, 2017 $m	Non-financial October 31, 2017 $m	Total October 31, 2017 $m
Financial liabilities – financial liabilities at amortized cost						
Non-current						
Borrowings (Note 21)	**4,946.6**	**-**	**4,946.6**	5,009.8	-	5,009.8
Finance leases (Note 22)	**14.9**	-	**14.9**	18.4	-	18.4
Provisions (Note 26)	**35.4**	-	**35.4**	26.6	0.1	26.7
Current						
Borrowings (Note 21)	**50.3**	-	**50.3**	37.9	-	37.9
Finance leases (Note 22)	**13.6**	-	**13.6**	14.5	-	14.5
Trade and other payables (Note 20)	**676.9**	-	**676.9**	934.7	-	934.7
Provisions (Note 26)	**57.4**	-	**57.4**	55.7	-	55.7
	5,795.1	-	**5,795.1**	6,097.6	0.1	6,097.7

Fair value measurement
For trade and other receivables, cash and cash equivalents, trade and other payables, obligations under finance leases and provisions, fair values approximate to book values due to the short maturity periods of these financial instruments. For trade and other receivables, allowances are made within book value for credit risk.

Derivative financial instruments measured at fair value, are classified as level 2 in the fair value measurement hierarchy, as they have been determined using significant inputs based on observable market data. The fair values of interest rate derivatives are derived from forward interest rates based on yield curves observable at the balance sheet date together with the contractual interest rates.

There were no transfers of assets or liabilities between levels of the fair value hierarchy during the period.

Credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at October 31, 2018 was:

	October 31, 2018 $m	October 31, 2017 $m
Trade and other receivables (Note 17)	**1,212.0**	1,199.8
Cash and cash equivalents (Note 18)	**620.9**	730.4
Total	**1,832.9**	1,930.2

Market risk
The Group's treasury function aims to reduce exposures to interest rate, foreign exchange and other financial risks, to ensure liquidity is available as and when required, and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments. The treasury function's policies and procedures are reviewed and monitored by the audit committee and are subject to internal audit review.

Derivative Financial Instruments
Derivatives are only used for economic hedging purposes and not as speculative investments. Four interest rate swaps are in place with a total notional value of $2.25 billion to hedge against the impact of expected rises in interest rates until September 30, 2022. The notional value covers 50.4% of the dollar loan principal outstanding for the Group.

The swap contracts require settlement of net interest receivable or payable on a monthly basis. The fixed interest rate for each swap is 1.949 % and the Group receives a variable rate in line with LIBOR. The Seattle loan is priced at LIBOR (with a floor) plus a current margin of 2.50% with the swaps aimed at addressing the risk of a rising LIBOR element. As such, the total interest cost of the hedged element of the Seattle loan is 4.44%. For the twelve month period to October 31, 2018, net expense for the swaps amounted to $2.9m (six month period to October 31, 2017 $0.5 million).

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments (adjusted for credit risk) to ensure that an economic relationship exists between the hedged item and the hedging instrument. The testing determined that the hedge was highly effective throughout the financial reporting period for which the hedge was designated.

The impact on the consolidated statement of comprehensive income of changes in the fair value of interest rate swaps in the twelve months ended October 31, 2018 is shown in Note 33. Note 33 shows the derivative financial instruments relating to hedging transactions entered into in the year ended October 31, 2018 (other reserves).

Notes to the consolidated financial statements (unaudited) continued
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29 Financial instruments continued

	October 31, 2018 $m	October 31, 2017 $m
Carrying amount	**86.4**	1.3
Notional amount (4 x $562.5 million)	**2,250.0**	2,250.0
Maturity date	**September 30, 2022**	September 30, 2022
Change in fair value of outstanding hedging instruments	**86.4**	1.3
Change in value of hedged item adjusted for credit risk	**84.7**	1.3

Foreign exchange risk
The Group's currency exposures comprise those that give rise to net currency gains and losses to be recognized in the consolidated statement of comprehensive income as well as gains and losses on consolidation which go to reserves. Such exposures reflect the monetary assets and liabilities of the Group that are not denominated in the operating or functional currency of the operating unit involved and the Group's investment in net assets in currencies other than US Dollar.

Note 33 shows the impact on the consolidated statement of comprehensive income of foreign exchange gains in the twelve months ended October 31, 2018 (October 31, 2017: gain).

Sensitivity analysis
The Group's principal exposures in relation to market risks are the changes in the exchange rates between the US dollar and transactions made in other currencies as well as changes in US Dollar LIBOR interest rates. Foreign exchange exposures for all re-measuring balances are tracked and reported to management.

The key drivers are cash, borrowings and inter-company positions with trade receivables and trade payables having less relative aggregate exposure. As at October 31, 2018, the key aggregate exposures involved the Euro, British Pound, Israeli Shekel and Canadian Dollar. The table below illustrates the sensitivity analysis of the group exposures to movements in currency and interest rates.

Key aggregate currency exposures	**Group exposure $m**	**+/-5% $m**	**+/-10% $m**	**+/-1% interest $m**
Euro	**377.3**	**18.9**	**37.7**	
GBP	**25.4**	**1.3**	**2.5**	
ILS	**52.1**	**2.6**	**5.2**	
CAN$	**60.5**	**3.0**	**6.0**	
Borrowings				
Interest rate LIBOR +1%	**n/a**	**n/a**	**n/a**	**50.0**

Capital risk management
The Group's objective when managing its capital structures is to minimize the cost of capital while maintaining adequate capital to protect against volatility in earnings and net asset values. The strategy is designed to maximize shareholder return over the long-term.

The only financial covenant attaching to these new facilities relates to the Revolving Facility, which is subject to an aggregate net leverage covenant only in circumstances where more than 35% of the Revolving Facility is outstanding at a fiscal quarter end. The facility was less than 35% drawn at October 31, 2018 and therefore no covenant test is applicable.

The capital structure of the Group at the consolidated statement of financial position date is as follows:

	October 31, 2018 $m	October 31, 2017 $m
Bank and other borrowings (Note 21)	**4,845.9**	4,849.2
Finance lease obligations (Note 22)	**28.5**	32.9
Less cash and cash equivalents (Note 18)	**(620.9)**	(730.4)
Total net debt	**4,253.5**	4,151.7
Total equity	**7,792.0**	7,625.9
Debt/equity %	**54.6%**	54.4%

Notes to the consolidated financial statements (unaudited) continued
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30 Deferred tax

	Note	October 31, 2018 $m	October 31, 2017 $m
Net Deferred tax liability			
At November 1/ May 1		**(1,956.6)**	(118.5)
(Debited)/credited to Consolidated statement of comprehensive income:		**(56.8)**	39.7
- Continuing operations	**7**	(63.8)	36.2
- Discontinued operations		7.0	3.5
Credited directly to equity in relation to share options		**(21.9)**	(1.8)
Debited to Other comprehensive income in relation to pensions:		**4.9**	(0.6)
- Continuing operations		4.6	(0.8)
- Discontinued operations		0.3	0.2
Acquisition of subsidiaries	**39**	**(80.5)**	(1,876.9)
Acquisition of subsidiaries – HPE Software business		(76.6)	(1,876.9)
Acquisition of subsidiaries – COBOL-IT		(3.9)	-
Foreign exchange adjustment		**10.1**	1.5
Reclassification to current assets held for sale	**19**	**(1.6)**	-
Effect of change in tax rates – charged to Consolidated statement of comprehensive income		**931.9**	-
At October 31		**(1,170.5)**	(1,956.6)

	Tax losses $m	Share based payments $m	Deferred revenue $m	Prepaid royalty $m	Tax credits $m	Intangible fixed assets $m	Other temporary differences $m	Total $m
Deferred tax assets								
At May 1, 2017	56.7	43.7	44.5	-	33.8	5.9	23.6	208.2
Acquisition of subsidiaries (Note 39)	4.5	-	(36.5)	332.0	39.0	-	43.7	382.7
(Charged)/credited to Consolidated statement of comprehensive income	(4.5)	25.7	34.4	(56.6)	(6.1)	(0.3)	4.7	(2.7)
Credited directly to equity	-	(1.8)	-	-	-	-	-	(1.8)
Debited to Other comprehensive income	-	-	-	-	-	-	-	-
Foreign exchange adjustment	-	1.3	-	-	-	-	-	1.3
Effect of change in tax rates – credited to Consolidated statement of comprehensive income	-	-	-	-	-	-	-	-
Subtotal	56.7	68.9	42.4	275.4	66.7	5.6	72.0	587.7
Jurisdictional offsetting								(587.7)
At October 31, 2017[1]								-
At November 1, 2017	**56.7**	**68.9**	**42.4**	**275.4**	**66.7**	**5.6**	**72.0**	**587.7**
(Charged)/credited to Consolidated statement of comprehensive income – continuing operations	**(9.0)**	**(25.6)**	**10.8**	**(144.8)**	**(40.0)**	**(0.5)**	**9.4**	**(199.7)**
Credited directly to equity	**-**	**(21.9)**	**-**	**-**	**-**	**-**	**-**	**(21.9)**
Debited to Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**4.3**	**4.3**
Foreign exchange adjustment	**-**	**(1.6)**	**-**	**-**	**-**	**-**	**-**	**(1.6)**
Reclassification to current assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Effect of change in tax rates – credited to Consolidated statement of comprehensive income	**(21.1)**	**(2.4)**	**66.7**	**(88.7)**	**3.0**	**(2.1)**	**(13.3)**	**(57.9)**
Subtotal	**26.6**	**17.4**	**119.9**	**41.9**	**29.7**	**3.0**	**70.8**	**309.3**
Jurisdictional offsetting								**(309.3)**
At October 31, 2018								**-**

Notes to the consolidated financial statements (unaudited) continued
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30 Deferred tax continued

A deferred tax charge to equity of $21.9 million (2017: $1.8 million) arises during the period in relation to share-based payments.

The deferred tax asset relating to other temporary differences of $70.8 million as at October 31, 2018 (2017: $72.0 million) has increased during the current period primarily due to balances acquired from the HPE Software business and includes temporary differences arising on fixed assets, short-term timing differences and defined benefit pension schemes. Deferred tax assets are recognized in respect of tax losses carried forward to the extent that the realization of the related tax benefit through the utilization of future taxable profits is probable.

The Group did not recognize deferred tax assets in relation to the following gross temporary differences, the expiration of which is determined by the tax law of each jurisdiction:

	Expiration 2019 $m	**2020 $m**	**2021 $m**	**2022 $m**	**2023 $m**	**Thereafter $m**	**No expiry $m**	**Total $m**
At October 31, 2018								
Type of temporary difference:								
Losses	35.2	66.1	99.2	37.5	33.6	2,117.7	95.6	2,484.9
Credits	2.2	4.4	4.0	2.4	1.3	5.2	196.4	215.9
Other	1.9	-	-	-	-	-	47.7	49.6
Total	39.3	70.5	103.2	39.9	34.9	2,122.9	339.7	2,750.4

	Expiration: 2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	Thereafter $m	No expiry $m	Total $m
At October 31, 2017								
Type of temporary difference:								
Losses	74.3	35.2	66.1	99.2	37.5	328.3	67.0	707.6
Credits	9.6	2.2	4.4	4.0	2.4	6.5	88.7	117.8
Other	-	1.9	-	-	-	-	47.7	49.6
Total	83.9	39.3	70.5	103.2	39.9	334.8	203.4	875.0

	Note	**Intangible fixed assets $m**	**Other temporary differences $m**	**Total $m**
Deferred tax liabilities				
At May 1, 2017		(311.7)	(15.0)	(326.7)
Acquisition of subsidiaries -HPE Software business	**39**	(2,247.5)	(12.1)	(2,259.6)
Charged/(credited) to Consolidated statement of comprehensive income – continuing operations		42.6	-	42.6
Charged/(credited) to Other comprehensive income		(0.7)	-	(0.7)
Foreign exchange adjustment		0.1	-	0.1
Subtotal		(2,517.2)	(27.1)	(2,544.3)
Jurisdictional offsetting				587.7
At October 31, 2017[1]				(1,956.6)
At November 1, 2017		**(2,517.2)**	**(27.1)**	**(2,544.3)**
Acquisition of subsidiaries – HPE Software business	**39**	**(76.6)**	**-**	**(76.6)**
Acquisition of subsidiaries – COBOL-IT	**39**	**(3.9)**	**-**	**(3.9)**
Charged/(credited) to Consolidated statement of comprehensive income – continuing operations		**144.2**	**(12.0)**	**132.2**
Charged/(credited) to Consolidated statement of comprehensive income – discontinued operations		**10.5**	**-**	**10.5**
Charged/(credited) to Other comprehensive income		**0.7**		**0.7**
Foreign exchange adjustment		**11.8**	**-**	**11.8**
Effect of change in tax rates – charged to Consolidated statement of comprehensive income		**982.0**	**7.8**	**989.8**
Subtotal		**(1,448.5)**	**(31.3)**	**(1,479.8)**
Jurisdictional offsetting				**309.3**
At October 31, 2018				**(1,170.5)**

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30 Deferred tax continued
During the period, the Group recognized a deferred tax liability of $2.3 billion upon the acquisition of the HPE Software business. Along with historical balances, this was revalued due to US tax reforms to reflect the lower US Federal tax rate. No deferred tax liability was recognized in respect of unremitted earnings of overseas subsidiaries as the Group is in a position to control the timing of the reversal of the temporary differences and no material tax liability is expected to arise upon repatriation of such earnings.

31 Share capital
Ordinary shares at 10 pence each:

	October 31, 2018		October 31, 2017	
	Shares	**$m**	Shares	$m
Issued and fully paid				
At November 1/May 1	**435,237,258**	**65.6**	229,674,479	39.7
Shares issued to satisfy option awards	**1,563,255**	**0.2**	331,418	-
Share reorganization	**-**	**-**	(16,935,536)	(2.9)
Shares issued relating to acquisition of the HPE Software business (Note 39)	**-**	**-**	222,166,897	28.8
At October 31	**436,800,513**	**65.8**	435,237,258	65.6

"B" shares at 168 pence each

	October 31, 2018		October 31, 2017	
	Shares	**$m**	Shares	$m
Issued and fully paid				
At November 1/May 1	**-**	**-**	-	-
Issue of B shares	**-**	**-**	229,799,802	500.0
Redemption of B shares	**-**	**-**	(229,799,802)	(500.0)
At October 31	**-**	**-**	-	-

Share issuances during the twelve months to October 31, 2018
In the twelve months to October 31, 2018, 1,563,255 ordinary shares of 10 pence each (six months to October 31, 2017: 331,418 ordinary shares of 10 pence) were issued by the Company to settle exercised share options. The gross consideration received in the twelve months to October 31, 2018 was $4.6 million (six months to October 31, 2017: $1.2 million). 222,166,897 ordinary shares of 10 pence each were issued by the Company as consideration for the acquisition of the HPE Software business (Note 39).

In relation to the return of value to shareholders (Note 33), on August 31, 2017 229,799,802 "B" shares were issued at 168 pence each, resulting in a total $500.0 million being credited to the "B" share liability account. Subsequently and on the same date, 229,799,802 "B" shares were redeemed at 168 pence each and an amount of $500.0 million was debited from the "B share liability account.

At October 31, 2018 9,858,205 treasury shares were held (October 31, 2017: nil) such that the number of ordinary shares with voting rights was 426,942,308 (October 31, 2017: 435,237,258) and the number of listed shares at October 31, 2018 was 436,800,513 (October 31, 2017: 435,237,258).

Potential issues of shares
Certain employees hold options to subscribe for shares in the Company at prices ranging from nil pence to 1,875.58 pence under the following share option schemes approved by shareholders in 2005 and 2006: The Long-Term Incentive Plan 2005, the Additional Share Grants, the Sharesave Plan 2006 and the Employee Stock Purchase Plan 2006.

The number of shares subject to options at October 31, 2018 was 18,156,060 (October 31, 2017: 17,724,174).

Share buy-back
On August 29, 2018, the company announced the start of a share buy-back program for an initial tranche of up to $200 million which was extended on November 5, 2018 to the total value of $400 million (including the initial tranche). Up to and including February 13, 2019 the company had spent $400 million and purchased 22,455,121 shares at an average price of £13.82 per share. The buy-back program has been extended into a third tranche of up to $110 million to be executed in the period from the February 14, 2019, up until the day before the AGM, which takes place on March 29, 2019 when the current buy-back authority approved by shareholders at the 2017 AGM to make market purchases of up to 65,211,171 ordinary shares will expire.

In addition to purchasing ordinary shares on the London Stock Exchange Citi acquired American Depository Receipts representing ordinary shares ("ADRs") listed on the New York Stock Exchange which it cancelled for the underlying shares and then sold such shares to the Company.

As at October 31, 2018, 9,858,205 ordinary shares have been bought back at a total cost of $171.7m, including expenses of $0.5 million. 8,567,659 ordinary shares were bought on the London Stock Exchange and 1,290,546 ADRs were purchased on the New York Stock Exchange.

Notes to the consolidated financial statements (unaudited) continued
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32 Share premium account

	October 31, 2018 $m	October 31, 2017 $m
At November 1/May 1	**36.4**	192.1
Issue and redemption of B shares (Note 31)	**-**	(156.7)
Movement in relation to share options exercised (Note 35)	**4.6**	1.0
At October 31	**41.0**	36.4

33 Other reserves

	Capital redemption reserve $m	**Merger reserve $m**	**Hedging reserve $m**	**Total $m**
As at May 1, 2017	163.4	338.1	-	501.5
Return of Value- share consolidation [2]	2.9	-	-	2.9
Return of Value- issue and redemption of B shares [2]	500.0	(343.3)	-	156.7
Hedge accounting (Note 29) [3]	-	-	1.8	1.8
Current tax movement on hedging [3]	-	-	(0.7)	(0.7)
Acquisition of the HPE Software business [4]	-	6,485.4	-	6,485.4
Reallocation of merger reserve [1]	-	(700.0)	-	(700.0)
As at October 31, 2017	666.3	5,780.2	1.1	6,447.6
As at November 1, 2017	**666.3**	**5,780.2**	**1.1**	**6,447.6**
Hedge accounting (Note 29) **3**	**-**	**-**	**84.6**	**84.6**
Current tax movement on hedging [3]	-	-	**(15.7)**	**(15.7)**
Reallocation of merger reserve[1]	**-**	**(2,055.8)**	**-**	**(2,055.8)**
As at October 31, 2018	**666.3**	**3,724.4**	**70.0**	**4,460.7**

[1] During the twelve months ended October 31, 2018, the Company transferred $2,055.1 million (six months ended October 31, 2017: $700.0 million) from the merger reserve to retained earnings pursuant to the UK company law.

[2] On August 31, 2017 a Return of Value was made to shareholders amounting to $500.0m. The Return of Value was effected through an issue and redemption of B shares, and resulted in a $500.0 million increase in the capital redemption reserve, a $343.3 million reduction in the merger reserve and a $156.7 million reduction in share premium. The return of value was accompanied by a 0.9263 share consolidation and the share consolidation resulted in the issue of D deferred shares which were subsequently bought back for 1 pence, resulting in a transfer of $2.9 million to the capital redemption reserve.

[3] $68.9 million (2017: $1.1 million) was recognised in the hedging reserve in relation to hedging transactions entered into in the twelve months ended October 31, 2018.

[4] On September 1, 2017 the acquisition of the HPE Software business was completed (Note 39). As a result of this a merger reserve was created of $6,485.4m. The acquisition was structured by way of equity consideration; this transaction fell within the provisions of section 612 of the Companies Act 2006 (merger relief) such that no share premium was recorded in respect of the shares issued. The parent company chose to record its investment in the HPE Software business at fair value and therefore recorded a merger reserve equal to the value of the share premium which would have been recorded had section 612 of the Companies Act 2006 not been applicable (i.e. equal to the difference between the fair value of the HPE Software business and the aggregate nominal value of the shares issued).

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

34 Non-controlling interests

The Group has minority shareholders in one subsidiary, Novel Japan Ltd. On November 20, 2017 a payment of 170,350 JPY ($1,547) was made to Toshiba Client Solutions Co. Ltd to acquire 170,350 ordinary 1 JPY shares held. On December 22, 2017 a further payment of 170,350 JPY ($1,505) was made to Canon Inc. to acquire 170,350 ordinary 1 JPY shares held. These two payments increased the Group's shareholding from 74.7% to 81.05%.

	October 31, 2018 $m	October 31, 2017 $m
At November 1/ May 1	**1.2**	0.9
Share of (loss)/profit after tax	**(0.2)**	0.3
At October 31	**1.0**	1.2

Non-controlling interests relate to the companies detailed below:

Company name	**Country of incorporation and principal place of business**	**October 31, 2018 Proportion held**	October 31, 2017 Proportion held
Novell Japan Ltd	Japan	**81.05%**	74.70%

35 Employees and directors

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Staff costs		
Wages and salaries	**1,325.5**	493.7
Redundancy and termination costs (non-exceptional)	**1.5**	0.6
Social security costs	**115.9**	43.1
Other pension costs	**36.7**	13.7
Cost of employee share schemes	**46.9**	17.4
Total	**1,526.5**	568.5

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Pension costs comprise:		
Defined benefit schemes (Note 27)	**5.3**	1.8
Defined contribution schemes (Note 27)	**28.9**	14.4
Total	**34.2**	16.2

	12 months ended October 31, 2018 Number	6 months ended October 31, 2017 Number
Average monthly number of people (including executive directors) employed by the Group:		
Continuing Operations		
Sales and distribution	**6,960**	3,659
Research and development	**5,108**	2,752
General and administration	**1,587**	958
	13,655	7,369
Discontinued Operations		
Sales and distribution	**540**	465
Research and development	**635**	618
General and administration	**10**	6
	1,185	1,089
Total		
Sales and distribution	**7,500**	4,124
Research and development	**5,743**	3,370
General and administration	**1,597**	964
Total	**14,840**	8,458

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

35 Employees and directors continued

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Key management compensation		
Short-term employee benefits	**15.9**	10.0
Share based payments	**35.2**	9.3
Total	**51.1**	19.3

The key management figures above include the executive management team and directors. There are no post-employment benefits. Directors' remuneration is shown below.

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Directors		
Aggregate emoluments	**9.7**	4.9
Aggregate gains made on the exercise of share options	**51.8**	25.9
Company contributions to money purchase pension scheme	**0.5**	0.2
Total	**62.0**	31.0

Share based payments
The amount charged to the consolidated statement of comprehensive income in respect of continuing operation share based payments was $53.9 million for the twelve months ended October 31, 2018 (six months ended October 31, 2017: $18.3 million). The consolidated statement of comprehensive income has been presented split between continuing and discontinued operations. The table below provides information of the share-based payments on a continuing operations basis. The tables below for each type of share option are presented on a total Group basis only.

	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Share based compensation – IFRS 2 charge	**52.4**	18.5
Employer taxes	**(4.9)**	(1.7)
	47.5	16.8

As at October 31, 2018, accumulated employer taxes of $20.6 million (October 31, 2017: $18.9 million) is included in trade and other payables and $0.5 million (October 31, 2017: $1.0 million) is included in other non-current liabilities.

The Group has various equity-settled share-based compensation plans, details of which are provided on pages F-101 to F-107 of the consolidated financial statements in Item 18 in Form 20-F.

a) Incentive Plan 2005

	12 months ended October 31, 2018		6 months ended October 31, 2017	
	Number of options '000	**Weighted average exercise price pence**	Number of options '000	Weighted average exercise price pence
Outstanding at November 1/ May 1	**6,017**	**22**	4,662	29
Exercised	**(1,043)**	**12**	(240)	16
Forfeited	**(559)**	**3**	(23)	16
Granted	**1,205**	**-**	1,618	1
Outstanding at October 31	**5,620**	**14**	6,017	22
Exercisable at October 31	**2,270**	**51**	1,654	70

The weighted average share price in the period for options on the date of exercise was 1,879 pence for the twelve months ended October 31, 2018 (six months ended October 31, 2017: 2,304 pence).

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

35 Employees and directors continued

Share based payments continued

The amount charged to the consolidated statement of comprehensive income in respect of the scheme was $22.5 million for the twelve months ended October 31, 2018 (six months ended October 31, 2017: $7.7 million). In addition to this $4.6 million (six months ended October 31, 2017: $0.4 million charge) was credited to the consolidated statement of comprehensive income in respect of national insurance on these share options.

	October 31, 2018			October 31, 2017		
Range of exercise prices	**Weighted average exercise price pence**	**Number of options '000**	**Weighted average remaining contractual life years**	Weighted average exercise price pence	Number of options '000	Weighted average remaining contractual life years
£0.10 or less	**1**	**5,127**	**6.7**	3	5,412	7.3
£0.11 – £1.00	**13**	**205**	**4.9**	13	310	5.9
£3.01 - £4.00	**358**	**146**	**0.7**	358	146	1.7
More than £4.00	**402**	**142**	**1.7**	402	149	2.7
	14	**5,620**	**4.0**	22	6,017	7.0

The weighted average fair value of options granted during the 18 months ended October 31, 2018 determined using the Black-Scholes valuation model was £16.75 (six months ended October 31, 2017: £23.28).

The significant inputs into the model for the twelve months ended October 31, 2018 and the six months ended October 31, 2017 were:

	12 months ended October 31, 2018	6 months ended October 31, 2017
Weighted average share price at the grant date	**£16.87**	£23.28
exercise price shown above, expected volatility	**between 28.59% and 48.54%**	between 27.51% and 28.86%
expected dividend yield	**between 2.82% and 7.02%**	between 2.91% and 3.41%
expected option life	**three years**	three years
annual risk-free interest rate	**between 1.0% and 1.6%**	between 1.0% and 1.3%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical daily share prices over the last three years.

b) Additional Share Grants

	12 months ended October 31, 2018		6 months ended October 31, 2017	
	Number of options '000	**Weighted average exercise price pence**	Number of options '000	Weighted average exercise price pence
Outstanding at November 1/ May 1	**11,138**	**-**	3,262	-
Exercised	**(200)**	**-**	-	-
Lapsed	**(2,412)**	**-**	-	-
Cancelled	**(3,276)**	**-**	-	-
Granted	**5,239**	**-**	7,876	-
Outstanding at October 31	**10,489**	**-**	11,138	-
Exercisable at October 31	**3,062**	**-**	3,062	-

Additional Share Grants – The Attachmate Group ("TAG") acquisition
The Remuneration Committee awarded Additional Share Grants ("ASGs") to a number of senior managers and executives, critical to delivering the anticipated results of the acquisition of The Attachmate Group, which completed on November 20, 2014.

ASGs are nil cost options over ordinary shares. The ASGs became exercisable, subject to the satisfaction of the performance condition, on the third anniversary of the date of Completion or November 1, 2017, whichever is earlier (the "vesting date") and will remain exercisable until the tenth anniversary of Completion.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

35 Employees and directors continued

Share based payments continued

b) **Additional Share Grants** continued

The performance condition is that the percentage of ordinary shares subject to the ASG which may be acquired on exercise on or after the vesting date is as follows:

(i) 0% if the Shareholder Return Percentage (as defined below) is 50% or less;
(ii) 100% if the Shareholder Return Percentage is 100% or more; and
(iii) A percentage determined on a straight-line basis between (i) and (ii) above.

The "Shareholder Return Percentage" will be calculated by deducting 819.425 pence per share (the "Reference Price"), being the average of the 20 days before June 3, 2014 (being the date of the heads of agreement relating to the proposed combination of Micro Focus and Attachmate between Micro Focus, Wizard, Golden Gate Capital and Francisco Partners Management LP), from the sum of the "Vesting Price" (calculated as the average closing share price over the period of 20 days ending on the day prior to the vesting date) plus the total of all dividends per share between Completion and the vesting date. This will be divided by the Reference Price, multiplying the resulting figure by 100 to obtain the Shareholder Return Percentage.

The weighted average fair value of options granted was £4.40, after using the Monte-Carlo simulation model. The significant inputs into the model were weighted average share price of £11.24 at the grant date, exercise price shown above, expected volatility of 26.11%, expected dividend yield of 3.2%, an expected option life of three years and an annual risk-free interest rate of 2.08%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical daily share prices over the last three years.

Additional Share Grants – The HPE Software business acquisition
The Remuneration Committee awarded a number of Additional Share Grants ("ASGs") to a number of senior managers and executives, critical to delivering the anticipated results of the acquisition of the HPE Software business, which completed on September 1, 2017.

ASGs are nil cost options over ordinary shares. The ASGs will become exercisable, subject to the satisfaction of the performance condition, on the third anniversary of the announcement date of September 7, 2016 (the "vesting date") and will remain exercisable for a period of 84 months commencing on the Vesting date.

The performance condition is that the percentage of ordinary shares subject to the ASG, which may be acquired on exercise on or after the vesting date is as follows:

(i) 0% if the Shareholder Return Percentage (as defined below) is 50% or less;
(ii) 100% if the Shareholder Return Percentage is 100% or more; and
(iii) A percentage determined on a straight-line basis between (i) and (ii) above.

The "Shareholder Return Percentage" will be calculated by deducting 1817.75 pence per share (the "Reference Price"), being the average of the 20 days before August 1, 2016 (being the date of the heads of agreement relating to the proposed combination of Micro Focus and the HPE Software business), from the sum of the "Vesting Price" (calculated as the average closing share price over the period of 20 days ending on the day prior to the vesting date) plus the total of all dividends per share between the announcement date and the vesting date. This will be divided by the Reference Price, multiplying the resulting figure by 100 to obtain the Shareholder Return Percentage.

On September 20, 2018, the Group announced that, following a review of existing Additional Share Grant ("ASG") awards after the announcement of the forthcoming SUSE sale, ASG awards made to Executive Directors on completion of the HPE Software business acquisition on September 1, 2017 would be cancelled. New ASG awards were granted in order to align with the business plan to deliver value by October 2020 and focus Executive Directors on delivering significant value to shareholders over the three years from completion of the transaction. The Company believes that, in the light of the HPE Software business integration and the wider competitive environment evidenced by recent M&A activity in the software sector, the alignment of the vesting period to September 2020 is essential to provide an effective incentive over the period of the business plan.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

35 Employees and directors continued

Share based payments continued
The current Executive Directors (Kevin Loosemore, Stephen Murdoch and Chris Kennedy) and those who were Executive Directors at the time of the existing award and remain in employment (Nils Brauckmann and Mike Phillips) agreed to surrender their existing ASG awards made on September 1, 2017 which were due to vest on September 7, 2019. In return, the Company has made new ASG awards over ordinary shares in the Company as detailed below, which are due to vest on September 1, 2020 (being three years from the completion of the Transaction).

Director	Number of granted and cancelled nil cost share options over Ordinary Shares '000	Number of replacement nil cost options over Ordinary Shares '000
Kevin Loosemore	**1,100**	**1,100**
Stephen Murdoch	**500**	**947**
Chris Kennedy[1]	**500**	**676**
Mike Phillips	**676**	**676**
Nils Brauckmann	**500**	**500**
	3,276	**3,899**

[1] The share options awarded to Chris Kennedy's replacement HPE Software ASGs will lapse as a result of his resignation and subsequent leaving employment in February 2019. This has been reflected in the share options disclosures.

The Total Shareholder Returns ("TSR") performance thresholds for the new awards are unchanged from the previous awards, save in respect of the period to vesting, and the number of new awards is equal to the number of previous awards which they replace, except for Stephen Murdoch and Chris Kennedy where increases of 447,000 and 176,000 awards respectively have been made to reflect Stephen's promotion to Chief Executive Officer and to align Chris' awards to those granted to his predecessor.

As new ASG's have been granted to replace the original ASG's that have been cancelled, this is treated under IFRS 2 "Share-based payment" as modification of the original ASG grant. Due to the performance conditions attached to them, the fair value for ASG's is determined using the Monte Carlo simulation method. The fair value of the original awards is determined at the modification date (20 Sept 2018) i.e. replacing the original fair values. The incremental fair value of the new awards over the original awards at the date of modification is recognized in addition to the grant date fair value. The original expense continues to be recognized over the original service period, the incremental expense is recognized over the remaining service period for the new awards i.e. to September 1, 2020 rather than September 7, 2019.

The weighted average fair value of options granted during the period determined using the Monte-Carlo simulation model was £4.80.

The significant inputs into the model for the periods were:

	12 months ended October 31, 2018	6 months ended October 31, 2017
Weighted average share price at the grant date	**£18.35**	£18.35
exercise price shown above, expected volatility	**Between 28.00% - 31.00%**	Between 28.00% - 31.00%
expected dividend yield	**Between 3.26% - 5.29%**	Between 3.26% - 5.29%
expected option life	**1.96 years**	1.96 years
annual risk-free interest rate	**Between 0.43% - 0.84%**	Between 0.43% - 0.84%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical daily share prices over the last three years.

The amount charged to the consolidated statement of comprehensive income in respect of the scheme was $38.2 million for the twelve months ended October 31, 2018 (six months ended October 31, 2017: $7.4 million). In addition to this $4.7 million (six months ended October 31, 2017: $2.2 million charge) was credited to the consolidated statement of comprehensive income in respect of national insurance on these share options.

	October 31, 2018			October 31, 2017		
Range of exercise prices	**Weighted average exercise price Pence**	**Number of options '000**	**Weighted average remaining contractual life years**	Weighted average exercise price pence	Number of options '000	Weighted average remaining contractual life life years
£0.00	**-**	**10,489**	**5.5**	-	11,138	6.0
	-	**10,489**	**5.5**	-	11,138	6.0

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

35 Employees and directors continued

Share based payments continued

c) Sharesave and Employee Stock Purchase Plan 2006

In August 2006, the Company introduced the Micro Focus Employee Stock Purchase Plan 2006 and the Micro Focus Sharesave Plan 2006, approved by members on July 25, 2006. The Group operates several plans throughout the world, but the two main plans are the Sharesave Plan ("Sharesave") primarily for UK employees and the Employee Stock Purchase Plan ("ESPP") for employees in the USA and Canada. The Sharesave and ESPP provide for an annual award of options at a discount to the market price and are open to all eligible Group employees. Under these plans employees make monthly savings over a period (Sharesave three years, ESPP two years) linked to the grant of an option with an option price which can be at a discount (Sharesave 20%, ESPP 15%) of the market value of the shares on grant. The option grants are subject to employment conditions and continuous savings.

Further Sharesave and ESPP grants were made during the six months ended October 31, 2017 and the twelve months ended October 31, 2018.

	12 months ended October 31, 2018		6 months ended October 31, 2017	
Sharesave	**Number of options '000**	**Weighted average exercise price pence**	Number of options '000	Weighted average exercise price pence
Outstanding at November 1/May 1	**465**	**1,092**	559	1,039
Exercised	**(215)**	**829**	(79)	690
Forfeited	**(208)**	**1,508**	(15)	1,226
Granted	**454**	**1,293**	-	-
Outstanding at October 31	**496**	**1,185**	465	1,092
Exercisable at October 31	**47**	**1,116**	11	695

Number of options '000	**Date of grant**	**Exercise price per share pence**	**Exercise period**
1	February 10, 2015	838.4	April 1,2018 – September, 30 2018
46	August 7, 2015	1,112.0	October 1, 2018 – March 31, 2019
40	February 9, 2016	1,200.0	April 1, 2019 – September 30, 2019
80	August 12, 2016	1,465.6	October 1, 2019 – February 1, 2020
43	February 23, 2018	1,720.0	April 1, 2021 – September 30, 2021
264	August 3, 2018	1,023.0	October 1, 2021 – March 31, 2022
22	August 3, 2018	1,159.0	October 1, 2021 – April 1, 2022
496			

	12 months ended October 31, 2018		6 months ended October 31, 2017	
ESPP	**Number of Options '000**	**Weighted Average exercise price pence**	**Number of Options '000**	Weighted average exercise price pence
At November 1/ May 1	**89**	**1,702**	124	1,510
Exercised	**(93)**	**1,598**	(17)	1,022
Forfeited	**(13)**	**1,236**	(18)	1,010
Granted	**817**	**1,057**	-	-
Outstanding at October 31	**800**	**1,047**	89	1,702
Exercisable at October 31	**-**	**1,021**	-	-

Number of options '000	**Date of grant**	**Exercise price per share pence**	**Exercise period**
19	October 1, 2016	1,875.6	October 1, 2018 – December 31, 2018
337	March 1, 2018	1,235.6	March 1, 2020 – May 31, 2020
444	July 1, 2018	868.5	July 1, 2020 – September 30, 2020
800			

Notes to the consolidated financial statements (unaudited) continued
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35 Employees and directors continued

Share based payments continued
The amount charged to the consolidated statement of comprehensive income in respect of the Sharesave and ESPP schemes was $2.5 million for the twelve months ended October 31, 2018 (six months ended October 31, 2017: $0.6 million).

The weighted average fair value of options granted in the Sharesave and ESPP schemes during the twelve months ended October 31, 2018 determined using the Black-Scholes valuation model was £6.28 (six months ended October 31, 2017: £nil).

The significant inputs into the model for the 18 months ended October 31, 2018 were:

	12 months ended October 31, 2018	6 months ended October 31, 2017
Weighted average share price at the grant date	**£15.48**	n/a
exercise price shown above, expected volatility	**between 28.82% - 48.60%**	n/a
expected dividend yield	**between 3.86% - 7.02%**	n/a
expected option life	**two or three years**	n/a
annual risk-free interest rate	**between 1.3% - 1.5%**	n/a

36 Operating lease commitments – minimum lease payments

At October 31, 2018 the 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.

	October 31, 2018 $m	October 31, 2017 $m
Future minimum lease payments under non-cancellable operating leases expiring:		
No later than one year	**65.8**	80.6
Later than one year and no later than five years	**139.7**	231.1
Later than five years	**22.5**	39.5
Total	**228.0**	351.2

The 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. The minimum lease payments payable under operating leases recognized as an expense in the twelve months ended October 31, 2018 were $69.2 million (six months ended October 31, 2017: $34.6 million).

37 Contingent liabilities

The Company and several of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

Shareholder litigation
Micro Focus International plc and certain current and former directors and officers are involved in two putative class action lawsuits in which plaintiffs are seeking damages for alleged violations of the Securities Act of 1933 and the Exchange Act of 1934. Plaintiffs allege false and misleading statements or omissions in offering documents issued in connection with the Hewlett Packard Enterprise software business merger and issuance of Micro Focus American Depository Shares ("ADS") as merger consideration, and other purportedly false and misleading statements. No liability has been recognized in either case as these are still very early in proceedings and it is too early to estimate whether there will be any financial impact.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

38 Related party transactions

The Group's related parties are its subsidiary undertakings, key management personnel, joint-venture partners and post-employment benefit plans.

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

Remuneration of key management personnel
The remuneration of key management personnel of the Group (which is defined as members of the executive committee including executive directors) is set out in Note 35. There are no loans between the Group and the key management personnel.

Transactions with other related parties.
The following transactions occurred with other related parties:

Contributions made to pension plans by the Group on behalf of employees are set out in Note 27.
Sales and purchases of goods and services between related parties are not considered material.

39 Business combinations

Summary of acquisitions

				Consideration		
	Carrying value at acquisition $m	Fair value adjustments $m	Goodwill $m	Shares $m	Cash $m	Total $m
Acquisitions in the twelve months ended October 31, 2018:						
COBOL-IT	**(3.0)**	**14.0**	**5.6**	**-**	**16.7**	**16.7**
Acquisitions in the six months ended October 31, 2017:						
HPE Software business	**(2,487.8)**	**4,143.7**	**4,858.3**	**6,514.2**	**-**	**6,514.2**
	(2,490.8)	**4,157.7**	**4,863.9**	**6,514.2**	**16.7**	**6,530.9**

Acquisitions in the twelve months ended October 31, 2018:

1 Acquisition of COBOL-IT, SAS

On December 1, 2017, the Group completed on the acquisition of COBOL-IT, SAS ("COBOL-IT"). COBOL-IT, SAS is in the business of designing, editing and commercialization of software, IT devices and related services; technical support, training, consulting, and more generally any related missions; modification, migration and adaptation of IT systems from a technical environment to another; and advisory in IT system, and in particular strategy, management, commercial development, partnership or strategic alliances in IT sector.

Cash consideration of $16.7 million consists of completion payment of Euro 11.3m, retention amounts of Euro 2.7 million payable at a later date, working capital adjustments and net cash adjustments. The Group has not presented the full IFRS 3 "Business Combinations" disclosures as this acquisition is not material to the Group.

A fair value review was carried out on the assets and liabilities of the acquired business, resulting in the identification of intangible assets. The fair value review was finalized in the 12-month hindsight period following completion, which ended on November 30, 2018. Goodwill of $5.6 million, deferred tax liabilities of $3.9 million and purchased intangibles of $14.0 million (Purchased Technology $1.5m, Customer relationships $12.3 million and Trade names $0.2 million) and cash of $1.0 million were recorded as a result of the COBOL-IT acquisition and no hindsight adjustments were identified.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

2 Acquisition of Covertix

On May 15, 2018, the Group entered into an Asset Purchase Agreement ("the agreement") to acquire certain assets of Covertix, an Israeli company that had entered voluntary liquidation in April 2018. Covertix used their patented solutions to develop and sell security products that offered control and protection of confidential files when shared with both internal and external parties. Prior to entering liquidation Covertix had offices in Israel and the US, with partners in the Netherlands and Singapore.

Under the agreement, the Group paid $2.5 million in cash to acquire certain equipment, patents, license rights under certain agreements, and seven employees all involved in R&D activities. The assets and employees are being purchased by Entco Interactive (Israel) Ltd., while the IP rights are being purchased by EntIT Software LLC. The deal closed on July 26, 2018.

Under IFRS 3, the Covertix Ltd. acquisition is considered to be a business combination, however due to the immaterial amount of the transaction, the assets acquired have been recorded at cost and are being amortized over their useful lives within the ledgers of the acquiring entities. The Company did not create a new subsidiary for Covertix and no goodwill has been recorded.

Acquisitions in the six months ended October 31, 2017:

3 Acquisition of the HPE Software business

On September 1, 2017, the Company completed the acquisition of HPE's software business segment ("HPE Software business") by way of merger with a wholly owned subsidiary of HPE incorporated to hold the business of HPE Software in accordance with the terms of the previously announced Merger agreement ("Completion"). Accordingly, on Admission, American Depositary Shares representing 222,166,897 Consideration Shares were issued to HPE Shareholders, representing 50.1% of the fully diluted share capital of the Company. The fair value of the ordinary shares issued was based on the listed share price of the Company as of August, 31 2017 of $6.5 billion. The costs of acquiring the HPE Software business of $70.1 million are included in exceptional items (note 4) and include costs relating to due diligence work, legal work on the acquisition agreement and professional advisors on the transaction.

There was judgment used in identifying who the accounting acquirer was in the acquisition of the HPE Software business, as the resulting shareholdings were not definitive to identify the entity which obtains control in the Transaction. The Group considered the other factors laid down in IFRS, such as the composition of the governing body of the combined entity, composition of senior management of the combined entity, the entity that issued equity interest, terms of exchange of equity interests, the entity which initiated the combination, relative size of each entity, the existence of a large minority voting interest in the combined entity and other factors (e.g. location of headquarters of the combined entity and, entity name). The conclusion of this assessment is that the Company is the accounting acquirer of the HPE Software business, and the acquisition accounting, as set out below, has been performed on this basis.

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

	Carrying value at acquisition	Fair value Adjustments	Fair value
	$m	$m	$m
Intangible assets (Note 11) [1]	72.8	6,467.0	**6,539.8**
Property, plant and equipment (Note 12)	160.1	-	**160.1**
Other non-current assets	41.9	-	**41.9**
Inventories	0.2	-	**0.2**
Trade and other receivables	721.2	-	**721.2**
Current tax recoverable	0.5	-	**0.5**
Cash and cash equivalents	320.7	-	**320.7**
Trade and other payables	(686.8)	1.6	**(685.2)**
Current tax liabilities	(9.9)	-	**(9.9)**
Borrowings	(2,547.6)	-	**(2,547.6)**
Short-term provisions	(30.2)	-	**(30.2)**
Short-term deferred income (Note 24) [2]	(701.2)	58.0	**(643.2)**
Long-term deferred income (Note 25) [2]	(116.9)	8.7	**(108.2)**
Long-term provisions (Note 26)	(39.0)	-	**(39.0)**
Retirement benefit obligations (Note 27)	(71.5)	-	**(71.5)**
Other non-current liabilities	(52.3)	12.1	**(40.2)**
Deferred tax assets/(liabilities) [3]	450.2	(2,403.7)	**(1,953.5)**
Net (liabilities)/assets	(2,487.8)	4,143.7	**1,655.9**
Goodwill (Note 10)			**4,858.3**
Consideration			**6,514.2**
Consideration satisfied by :			
Shares			**6,514.2**

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

39 Business combinations continued

3 Acquisition of the HPE Software business continued

The Group has used acquisition accounting for the purchase and the goodwill arising on consolidation of $4,858.3 million has been capitalized. The Group made a repayment of working capital in respect of the HPE Software business acquisition of $225.8 million in the period.

Trade and other receivables are net of a provision for impairment of trade receivables of $21.5m.

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

The fair value adjustments relate to:

1 Purchased intangible assets have been valued based on a market participant point of view and the fair value has been based on various characteristics of the product lines and intangible assets of the HPE Software business;

2 Deferred income has been valued taking account of the remaining performance obligations;

3 A deferred tax liability has been established relating to the purchase of intangibles.

The purchased intangible assets acquired as part of the acquisition can be analyzed as follows (Note 11):

	Fair value $m
Technology	1,809.0
Customer relationships	4,480.0
Trade names	163.0
Leases	15.0
	6,467.0

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

As a consequence of the HPE Software business transaction, the Group is subject to potentially significant restrictions relating to tax issues that could limit the Group's ability to undertake certain corporate actions (such as the issuance of Micro Focus shares or Micro Focus ADSs or the undertaking of a merger or consolidation) that otherwise could be advantageous to the Group. The Group is obliged to indemnify HPE for tax liabilities relating to the separation of the HPE Software business from HPE if such liabilities are triggered by actions taken by the Group. The Group has robust procedures in place, including ongoing consultation with its tax advisors, to ensure no such triggering actions are taken.

The impact of the results of the HPE Software business acquisition has not been included in these Financial Statements as it is not practical to do so as it has been integrated into the Micro Focus Product Portfolio segment.

Notes to the consolidated financial statements (unaudited) continued
for the twelve months ended October 31, 2018 and six months ended October 31, 2017

40. Cash Flow Statement

	Note	12 months ended October 31, 2018 $m	6 months ended October 31, 2017 $m
Cash flows from operating activities			
Profit from continuing operations		**622.0**	85.2
Profit from discontinued operation		**55.5**	21.4
Profit for the period		**677.5**	106.6
Adjustments for:			
Net interest	**6**	**269.0**	73.7
Taxation	**7**	**(678.0)**	39.1
Share of results of associates		**1.4**	0.4
Operating profit		**269.9**	219.8
Research and development tax credits		**0.2**	(2.2)
Depreciation	**12**	**78.9**	16.3
Loss on disposal of property, plant and equipment		**4.2**	0.5
Amortization of intangible assets	**11**	**744.6**	198.7
Share-based compensation charge	**35**	**53.9**	18.3
Exchange movements		**(29.9)**	(4.7)
Provisions movements	**26**	**69.4**	73.4
Changes in working capital:			
Inventories		**0.3**	(0.2)
Trade and other receivables		**(177.1)**	(231.7)
Payables and other liabilities		**115.8**	15.5
Provision utilization	**26**	**(89.5)**	(55.5)
Deferred income		**109.9**	21.5
Pension funding in excess of charge to operating profit		**1.0**	3.0
Cash generated from operating activities		**1,151.6**	272.7