

Registered number: 07788627

**Micro Focus Group Limited**  
**Annual report and financial statements**  
**for the year ended 30 April 2017**

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# **Micro Focus Group Limited**

## **Annual report and financial statements**

**for the year ended 30 April 2017**

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# **Micro Focus Group Limited**

## **Annual report and financial statements**

**for the year ended 30 April 2017**

### **Directors and advisors**

#### **Directors**

Kevin Loosemore  
Mike Phillips

#### **Company registered office**

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

#### **Legal Advisors**

Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

#### **Independent auditors**

PricewaterhouseCoopers LLP  
3 Forbury Place  
23 Forbury Road  
Reading  
Berkshire  
RG1 3JH  
United Kingdom

# Micro Focus Group Limited

## Strategic report for the year ended 30 April 2017

The directors present their strategic report of Micro Focus Group Limited for the year ended 30 April 2017.

### Business review and principal activities

The Company acts as an intermediate holding company within the Micro Focus International plc Group ("the Group"), and the Company acted in this capacity throughout the year.

During the year, the Company received dividends of \$552m (2016: \$4,180m) and paid dividends of \$nil (2016: \$1,485m).

Further details on the strategy of the Group can be found in the Micro Focus International plc's Annual Report for the year ended 30 April 2017.

### Results

The profit for the financial year ended 30 April 2017 is shown on page 10. As at 30 April 2017 there was total equity of \$1,669m (2016: \$1,202m).

### Future Outlook

On 7 September 2016, the Group announced that it had entered into a definitive agreement with Hewlett Packard Enterprise Company ("HPE") on the terms of a transaction (the "Transaction") which provided for the combination of HPE's software business segment ("HPE Software") with the Company by way of a merger (the "Merger") with a wholly owned subsidiary of HPE incorporated to hold the business of HPE Software for the purposes of the Transaction. At the time of announcement HPE Software was valued at \$8.8bn.

The Transaction is expected to complete on 1 September 2017. The shareholders of Micro Focus International plc voted unanimously in favor of the Transaction. They also approved a return of value of \$500m which will be declared immediately before Completion.

The Company will continue to act as an intermediate holding company within the Group.

### Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. The principal risks and uncertainties of Micro Focus International plc, which include those of the Company, have been identified in the following categories - Products, Go To Market models, Competition, Employees, Business Strategy and change management, IT systems and information, Legal and regulatory compliance, Intellectual property, Treasury, Tax and Macro-economic environment. The group has policies in place and a business model to help mitigate those risks.

### Key performance indicators ("KPIs")

Given the Company is an intermediate holding company, the Company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board,

  
Mike Phillips

Director

29 August 2017

Company Registration Number: 07788627

# Micro Focus Group Limited

## Directors' report for the year ended 30 April 2017

The directors present their annual report and the audited financial statements of Micro Focus Group Limited for the year ended 30 April 2017.

### Dividends

Dividend income from other fixed asset investments during the year ended 30 April 2017 was \$552m (2016: \$4,180m).

Dividends paid to satisfy investment transfers during the year ended 30 April 2017 was \$nil (2016: \$1,485m). No final dividend is proposed (2016: \$nil).

### Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year.

### Future outlook

Further details on future developments of the Company can be found in the Strategic Report.

### Financial risk management

The Company's activities expose it to a variety of financial risks that include the effects of changes in credit risk, foreign currency risk and interest rate risk. Risk management is carried out by a central treasury department under policies approved by the board of directors of Micro Focus International plc. The board provides written principles for risk management together with specific policies covering areas such as credit risk, foreign currency risk and interest rate management together with use of derivative financial instruments and non-derivative financial instruments as appropriate, and investment of excess funds.

In accordance with the treasury policy, the Company does not typically hold or issue derivative financial instruments.

#### a) Credit risk

Financial instruments which potentially expose the Company to a concentration of credit risk consist primarily of cash and cash equivalents. Cash equivalents are deposited with high-credit quality financial institutions and risk is further mitigated by limits in amounts that can be deposited with individual financial institutions.

#### b) Interest rate risk

The majority of the Company's costs and operating cash flows arise from internal borrowings to finance the group, as such the Company's results before tax and operating cash flows are directly impacted by changes in market interest rates.

#### c) Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK sterling and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's local currency. There were no hedging transactions in place at 30 April 2017.

# **Micro Focus Group Limited**

## **Directors' report for the year ended 30 April 2017 (continued)**

### **Directors**

The directors of the Company who served during the year and up to the date of signing the financial statements are as follows:

Kevin Loosemore  
Mike Phillips

### **Registered office**

The registered office of the Company is The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Micro Focus Group Limited

## Directors' report for the year ended 30 April 2017 (continued)

### Disclosure of information to auditors

Each of the persons who is a director at the date of the approval of this report confirms that so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

As disclosed in its Annual Report and Accounts, following a competitive audit tendering process Micro Focus International plc (the ultimate parent undertaking) has proposed a resolution to its shareholders to appoint KPMG LLP as its auditors at its next Annual General Meeting on 4 September 2017. Consequently, if the resolution is approved, KPMG LLP will be appointed as auditors of the Company as well.

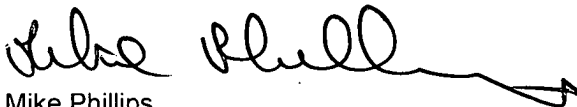
### Directors' indemnities

The ultimate parent undertaking, Micro Focus International plc, maintains liability insurance for the Company's directors and officers. Throughout the period to 30 April 2017 and at the date of approval of the financial statements, Micro Focus International plc has also provided an indemnity for the Company's directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

### Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate as they consider that the Company has adequate resources to continue in operational existence for at least one year from the date of the financial statements.

On behalf of the board,



Mike Phillips  
**Director**  
29 August 2017

Company Registration Number: 07788627

# Micro Focus Group Limited

## Independent auditors' report to the members of Micro Focus Group Limited

### Report on the financial statements

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#### Our opinion

In our opinion, Micro Focus Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 30 April 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### Opinions on other matters prescribed by the Companies Act 2006

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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### Other matters on which we are required to report by exception

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#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



# Micro Focus Group Limited

## Independent auditors' report to the members of Micro Focus Group Limited (continued)

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### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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### Responsibilities for the financial statements and the audit

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#### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Paynter (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
29 August 2017

## Micro Focus Group Limited

### Statement of comprehensive income for the year ended 30 April 2017

	Note	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
Administrative expenses	5	(3,197)	(4,307)
Other operating income	5	-	5,646
<b>Operating (loss)/profit</b>	5	<b>(3,197)</b>	<b>1,339</b>
Income from shares in group undertakings	7	<b>551,784</b>	2,782,898
Interest receivable and similar income	9	<b>28,568</b>	3,066
Interest payable and similar expenses	10	<b>(110,632)</b>	(107,186)
<b>Profit before taxation</b>		<b>466,523</b>	<b>2,680,117</b>
Tax on profit	11	-	-
<b>Profit for the financial year</b>		<b>466,523</b>	<b>2,680,117</b>
<b>Total comprehensive income for the financial year</b>		<b>466,523</b>	<b>2,680,117</b>

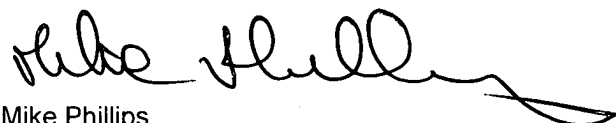
# Micro Focus Group Limited

## Balance sheet as at 30 April 2017

	Note	2017 \$'000	2016 \$'000
<b>Fixed assets</b>			
Investments	12	4,516,251	4,516,251
<b>Current Assets</b>			
Debtors	13	692,022	666,478
Cash at bank and in hand		2,795	223
		<b>694,817</b>	666,701
<b>Creditors: amounts falling due within one year</b>	14	<b>(1,932,222)</b>	(1,761,342)
<b>Net current liabilities</b>		<b>(1,237,405)</b>	(1,094,641)
<b>Total assets less current liabilities</b>		<b>3,278,846</b>	3,421,610
Creditors: amounts falling due after more than one year	15	(1,610,330)	(2,219,617)
<b>Net assets</b>		<b>1,668,516</b>	1,201,993
<b>Capital and reserves</b>			
Called up share capital	16	-	-
Share premium account	16	-	-
Retained earnings	16	1,668,516	1,201,993
<b>Total equity</b>		<b>1,668,516</b>	1,201,993

The notes on pages 13 to 29 form an integral part of these financial statements.

The financial statements on pages 10 to 29 were approved by the board of directors on 29 August 2017 and were signed on their behalf by:



Mike Phillips  
Director

Company Registration Number: 07788627

## Micro Focus Group Limited

### Statement of changes in equity for the year ended 30 April 2017

	Note	Called-up share capital \$'000	Share premium account \$'000	Retained earnings/ (Accumulated losses) \$'000	Total equity \$'000
As at 1 May 2015		-	54,230	(47,483)	6,747
Total comprehensive income for the financial year		-	-	2,680,117	2,680,117
Dividends paid	8	-	-	(1,484,871)	(1,484,871)
Bonus share issues	16	-	2,782,884	(2,782,884)	-
Capital reductions	16	-	(2,837,114)	2,837,114	-
<b>As at 30 April 2016</b>		-	-	<b>1,201,993</b>	<b>1,201,993</b>
<b>As at 1 May 2016</b>		-	-	<b>1,201,993</b>	<b>1,201,993</b>
<b>Total comprehensive income for the financial year</b>		-	-	<b>466,523</b>	<b>466,523</b>
<b>As at 30 April 2017</b>		-	-	<b>1,668,516</b>	<b>1,668,516</b>

# **Micro Focus Group Limited**

## **Notes to the financial statements for the year ended 30 April 2017**

### **1 General information**

Micro Focus Group Limited is a private company limited by shares and incorporated and domiciled in England and Wales. The address of its registered office is The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN. The principal activity of the Company continues to be that of a holding company.

### **2 Statement of compliance**

The Company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

#### **Basis of preparation**

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of the financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate as they consider that the Company has adequate resources to continue in operational existence for at least one year from the date of the financial statements.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions not to disclose:

- reconciliation of the number of shares outstanding at the beginning and end of the year;
- a statement of cash flows;
- certain financial instrument disclosures as allowed by Section 11 of FRS 102 and as disclosed in the consolidated financial statements of the Group; and
- key management personnel compensation in total.
- related party transactions with entities that are wholly owned within the group.

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 3 Summary of significant accounting policies (continued)

#### Consolidated financial statements

The financial statements contain information about Micro Focus Group Limited as an individual company and so do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of the ultimate parent undertaking Micro Focus International plc, a company incorporated in England and Wales.

#### Foreign currency translation

##### (a) Functional currency

The functional currency is US dollars as the directors believe this is the primary economic environment in which the entity operates.

##### (b) Presentational currency

The financial statements are presented in US dollars. The most important foreign currency for the Company is pound sterling. The exchange rate used at 30 April 2017 was \$1.29 = £1 (2016: \$1.46).

##### (c) Transactions and balances

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

#### Taxation

Current taxation is recognised in the statement of comprehensive income based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when on the basis of all available evidence it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### Financial fixed assets

Investments in subsidiaries are held at cost plus any incidental expenses less any accumulated impairment losses. Assets that have an indefinite life are not subject to amortisation and are tested for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment. An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 3 Summary of significant accounting policies (continued)

#### Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### (a) Financial assets

Basic financial instruments, including cash at bank and in hand and amounts owed by group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss, which is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate, is recognised in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire are settled or substantially all the risks and rewards are transferred to another party.

##### b) Financial liabilities

Basic financial liabilities, including trade creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future payments discounted at a market rate of interest. Such liabilities are subsequently carried at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### Related party transactions

The Company is exempt under the terms of FRS 102 paragraph 33.1A from disclosing related party transactions with entities that are wholly owned within the group.

### 4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### a) Critical judgements in applying the Company's accounting policies

There have been no critical judgements made in applying the Company's accounting policies.

##### b) Critical accounting estimates and assumptions

The Company makes an estimate of the recoverable value of investments in subsidiaries. When assessing impairment of investments management consider both internal and external indicators.

## Micro Focus Group Limited

### Notes to the financial statements for the year ended 30 April 2017 (continued)

#### 5 Operating (loss)/profit

	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
Operating (loss)/profit is stated after charging/(crediting)		
Gain on inception of intercompany loans recorded at fair value	-	(5,646)
Foreign exchange gain	(622)	(81)
Professional services	393	325
Management recharges	-	4,062
Exceptional items	3,426	-

Exceptional costs in the year of \$3,426k (2016: nil) mainly relate to the integration of TAG.

The Auditors' remuneration is borne by Micro Focus International plc, for which no recharge was made.

#### 6 Employees and directors

There were no employees during the year (2016: nil). Neither of the directors received any emoluments in respect of their services to the Company.

#### 7 Income from shares in group undertakings

	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
Income from shares in group undertakings	551,784	4,180,344

Income of \$551,783,915 was received from a subsidiary company in the year, (2016: \$4,180,344,950 received from subsidiary companies) of which \$551,783,915 has been taken to the statement of comprehensive income (2016: \$2,782,898,211) and \$nil (2016: \$1,397,445,739) as a reduction in fixed asset investments.

#### 8 Dividends

	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
\$nil (2016: \$296.974m) per £1 ordinary share	-	1,484,871

The directors do not propose a final dividend.



# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 9 Interest receivable and similar income

	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
Interest receivable from another group company	28,568	3,066

### 10 Interest payable and similar charges

	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
Interest payable on intercompany loan	95,595	92,316
Finance costs on bank borrowings	779	1,070
Amortisation of facility costs and original issue discounts	14,258	13,800
	110,632	107,186

### 11 Tax on profit

#### (a) Tax expense included in profit or loss

	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
<b>Current tax:</b>		
UK corporation tax on profit for the year	-	-
Adjustment in respect of prior periods	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
Impact of change in tax rate	-	-
<b>Total deferred tax</b>	-	-
<b>Tax on profit</b>	-	-

## Micro Focus Group Limited

### Notes to the financial statements for the year ended 30 April 2017 (continued)

#### (b) Reconciliation of tax charge

The tax charge for the year is lower (2016: lower) than the effective rate of corporation tax in the UK of 19.92% (2016: 20%). The differences are explained below:

	Year ended 30 April 2017 \$'000	Year ended 30 April 2016 \$'000
<b>Profit before taxation</b>	<b>466,523</b>	2,680,117
Profit before taxation multiplied by the effective rate of corporation tax in the UK of 19.92% (2016: 20.00%)	<b>92,931</b>	536,024
Other permanent differences	<b>(1,190)</b>	-
Worldwide debt cap adjustments	<b>17,545</b>	7,411
Dividend not taxable	<b>(109,915)</b>	(556,579)
Group relief surrendered for nil consideration	<b>629</b>	13,144
<b>Tax charge for the year</b>	<b>-</b>	-

#### (c) Tax rate changes

Reductions in the UK corporation tax rate from 20% to 19% (effective from 01 April 2017) and 18% (effective from 01 April 2020) were substantively enacted on 26 October 2015. A further reduction in the UK corporation tax rate was announced in the 2016 Finance Bill to further reduce the tax rate to 17% (to be effective from 01 April 2020) and was substantively enacted on 06 September 2016.

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 12 Investments

	2017 \$'000	2016 \$'000
At 1 May	4,516,251	3,597,446
Additions	-	6,001,122
Disposals	-	(5,082,317)
<b>At 30 April</b>	<b>4,516,251</b>	<b>4,516,251</b>

During the year ended 30 April 2017 there were no additions or disposals to fixed asset investments.

During the year ended 30 April 2016, the following transactions occurred:

On 30 November 2015, the Company established a new wholly owned subsidiary, Micro Focus Middle East FZ-LLC, a company registered in Dubai. As a result \$13,858 was recorded as an addition to investments in the year.

On 21 March 2016, a subsidiary, Micro Focus Holdings Limited declared a dividend of \$1,484,871,250 payable to Micro Focus Group Limited. This liability was settled by the transfer of its 100% investment in Minerva Finance S.a.r.l. to Micro Focus Group Limited for \$1,484,871,250.

The dividends received have been recognised part as a reduction in investment in Minerva Finance S.a.r.l. (\$496,377,099) and part as income received (\$988,494,151) in line with the substance of the transaction.

On 21 March 2016, Micro Focus Group Limited declared a dividend to its parent, Micro Focus Midco Limited of \$1,484,871,250. This liability was settled by the transfer of Micro Focus Group Limited's investment in Minerva Finance S.a.r.l. to Micro Focus Midco Limited at a book value of \$1,484,871,250.

On 21 March 2016, a subsidiary, Micro Focus Holdings Limited declared a dividend of \$2,695,472,700 payable to Micro Focus Group Limited. This liability was settled by the transfer of its 100% investment in Micro Focus (US) Group Inc. to Micro Focus Group Limited for \$2,695,472,700.

The dividends received have been recognised part as a reduction in investment in Micro Focus (US) Group Inc. (\$901,068,640) and part as income received (\$1,794,404,060) in line with the substance of the transaction.

On 14 January 2016, the Company established a new wholly owned subsidiary, Micro Focus CHC Limited and as a result \$2 was recorded as an addition to investments in the year.

On 21 March 2016, Micro Focus Group Limited sold its investment in Micro Focus Holdings Limited at book value of \$2,200,000,000 to Micro Focus CHC Limited in exchange for an additional share in Micro Focus CHC Limited with an investment value of \$1,537,500,000 and an intercompany loan of \$662,500,000.

On 29 April 2016, Micro Focus Group Limited made a further investment in Micro Focus (US) Group Inc. of \$283,263,976 in exchange for one addition \$1 ordinary share in Micro Focus (US) Group Inc.

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 12 Investments (continued)

At 30 April 2017, the Company held directly or indirectly 100% of the ordinary share capital of the following subsidiary undertakings:

Company name	Country of incorporation	Principal activities
<b>Holding companies:</b>		
Micro Focus CHC Limited (1)	UK	Holding company
Micro Focus MHC Limited (1)	UK	Holding company
Micro Focus Holdings Limited (1)	UK	Holding company
Micro Focus (IP) Limited (1)	UK	Holding company
Micro Focus (US) Holdings Unlimited (1)	UK	Holding company
Micro Focus IP Limited (21)	Cayman Islands	Holding company
Novell Holdings Deutschland GmbH (33)	Germany	Holding company
Micro Focus Finance Ireland Limited (44)	Ireland	Holding company
Micro Focus Group Holdings Unlimited (44)	Ireland	Holding company
Micro Focus International Holdings Limited (44)	Ireland	Holding company
NetIQ Ireland Limited (44)	Ireland	Holding company
Novell Cayman Software Unlimited Company (44)	Ireland	Holding company
Novell Cayman Software International Limited Company (44)	Ireland	Holding company
Novell Ireland Real Estate Unlimited (44)	Ireland	Holding company
SUSE Linux Holdings Limited (44)	Ireland	Holding company
Novell Software International Limited (44)	Ireland	Holding company
Micro Focus Finance S.à.r.l. (56)	Luxembourg	Holding company
Minerva Finance S.à.r.l. (56)	Luxembourg	Holding company
Borland Corporation (2)	USA	Holding company
Micro Focus (US) Group Inc. (2)	USA	Holding company
M A Finance Co LLC (2)	USA	Holding company
The Attachmate Group Inc. (2)	USA	Holding company
Novell Holdings, Inc. (2)	USA	Holding company
Novell International Holdings Inc. (2)	USA	Holding company
Micro Focus (US) International Holdings Inc. (2)	USA	Holding company
<b>Trading companies:</b>		
Attachmate Sales Argentina S.R.L. (6)	Argentina	Sale and support of software
Attachmate Group Australia Pty Limited (8)	Australia	Sale and support of software
Borland Australia Pty Limited (8)	Australia	Sale and support of software
Micro Focus Pty Limited (8)	Australia	Sale and support of software
Attachmate Group Austria GmbH (10)	Austria	Sale and support of software
Borland Entwicklung GmbH (11)	Austria	Development of software
Attachmate Group Belgium BVBA (12)	Belgium	Sale and support of software
Micro Focus NV (13)	Belgium	Sale and support of software
Borland Latin America Ltda (14)	Brazil	Sale and support of software
Micro Focus Programacao de Computadores Ltda (14)	Brazil	Sale and support of software
Novell do Brazil Software Limited (14)	Brazil	Sale and support of software
Micro Focus APM Solutions EOOD (17)	Bulgaria	Development of software
Micro Focus (Canada) Limited (18)	Canada	Development, sale and support of software
Micro Focus Software (Canada) Inc. (20)	Canada	Sale and support of software
Novell Software (Beijing) Ltd (22)	China	Development, sale and support of software
SUSE Linux s.r.o (24)	Czech Republic	Development, sale and support of software
Attachmate Group Denmark A/S (25)	Denmark	Sale and support of software
Micro Focus Middle East FZ-LLC (26)	Dubai	Sale and support of software
Attachmate Group France S.à.r.l. (28)	France	Sale and support of software
Borland France S.à.r.l. (29)	France	Sale and support of software
Micro Focus SAS (29)	France	Sale and support of software
Attachmate Group Germany GmbH (31)	Germany	Sale and support of software

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 12 Investments (continued)

Company name	Country of incorporation	Principal activities
<b>Trading companies (continued):</b>		
Micro Focus GmbH (32)	Germany	Sale and support of software
SUSE Linux GmbH (33)	Germany	Development, sale and support of software
Attachmate Group Hong Kong Limited (37)	Hong Kong	Sale and support of software
NetIQ Asia Ltd (39)	Hong Kong	Sale and support of software
Micro Focus India Private Limited (41)	India	Support of software
Micro Focus Software India Private Limited (formerly Novell Software Development (India) Private Limited) (41)	India	Development, sale and support of software
Relativity Technologies Private Limited (41)	India	Sale and support of software
Attachmate Ireland Limited (43)	Ireland	Sale and support of software
Micro Focus Ireland Limited (44)	Ireland	Development, sale and support of software
Micro Focus Software (Ireland) Limited (45)	Ireland	Development, sale and support of software
NetIQ Europe Limited (43)	Ireland	Sale and support of software
Micro Focus Israel Limited (46)	Israel	Development and support of software
Attachmate Group Italy Srl (49)	Italy	Sale and support of software
Micro Focus Srl (49)	Italy	Sale and support of software
Borland Co. Limited (50)	Japan	Sale and support of software
Micro Focus KK (51)	Japan	Sale and support of software
Novell Japan Ltd (52)	Japan	Sale and support of software
NetIQ KK (53)	Japan	Sale and support of software
Novell Corporation. (Malaysia) Sdn Bhd (57)	Malaysia	Sale and support of software
Attachmate Group Netherlands BV (59)	Netherlands	Sale and support of software
Authasas BV (59)	Netherlands	Sale and support of software
Borland BV (59)	Netherlands	Sale and support of software
Micro Focus NV (59)	Netherlands	Sale and support of software
Novell New Zealand Limited (60)	New Zealand	Sale and support of software
Micro Focus AS (61)	Norway	Sale and support of software
Novell Portugal Informatica Lda (62)	Portugal	Sale and support of software
Attachmate Group Singapore Pte Ltd (63)	Singapore	Sale and support of software
Borland (Singapore) Pte. Ltd (64)	Singapore	Sale and support of software
Micro Focus Pte Limited (65)	Singapore	Sale and support of software
Attachmate Group South Africa (Proprietary) Limited (66)	South Africa	Sale and support of software
Micro Focus South Africa (Pty) Ltd (67)	South Africa	Sale and support of software
Micro Focus Korea Limited (54)	South Korea	Sale and support of software
Novell Korea Co. Ltd (55)	South Korea	Sale and support of software
Attachmate Group Spain SL (68)	Spain	Sale and support of software
Micro Focus S.L.U. (69)	Spain	Sale and support of software
Attachmate Group Sweden AB (71)	Sweden	Sale and support of software
Attachmate Group Schweiz AG (72)	Switzerland	Sale and support of software
Micro Focus AG (73)	Switzerland	Sale and support of software
Novell (Taiwan) Co. Ltd (74)	Taiwan	Sale and support of software
Attachmate Teknoloji Satis ve Pazarlama Ltd Sti. (75)	Turkey	Sale and support of software
Attachmate Sales UK Ltd (1)	UK	Sale and support of software
Micro Focus IP Development Limited (1)	UK	Development and support of software
Micro Focus Limited (1)	UK	Sale and support of software
Novell U.K. Ltd (1)	UK	Sale and support of software
Novell UK Software Limited (1)	UK	Sale and support of software
Micro Focus Software Inc. (formerly Novell Inc.) (2)	USA	Development, sale and support of software
Attachmate Corporation (3)	USA	Development, sale and support of software
Micro Focus (US) Inc. (2)	USA	Development, sale and support of software
NetIQ Corporation (2)	USA	Development, sale and support of software
SUSE LLC (5)	USA	Development, sale and support of software
Borland Software Corporation (2)	USA	Development, sale and support of software

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 12 Investments (continued)

Company name	Country of incorporation	Principal activities
<b>Dormant companies:</b>		
Cambridge Technology Partners do Brasil s.c.Ltda (15)	Brazil	Dormant
NetManage Canada Inc. (18)	Canada	Dormant
Borland Canada, Inc. (18)	Canada	Dormant
Micro Focus International Limited (21)	Cayman Islands	Dormant
NetIQ Software International Ltd (23)	Cyprus	Dormant
NOVL Czech s.r.o (24)	Czech Republic	Dormant
Attachmate Middle East LLC (27)	Egypt	Dormant
Borland GmbH (34)	Germany	Dormant
Attachmate (Hong Kong) Ltd (37)	Hong Kong	Dormant
Borland (H.K) Limited (38)	Hong Kong	Dormant
Attachmate India Private Ltd (40)	India	Dormant
Borland Software India Private Limited (41)	India	Dormant
Cambridge Technology Partners India Private Limited (41)	India	Dormant
Novell India Pvt. Ltd. (42)	India	Dormant
SUSE Linux Ireland Limited (44)	Ireland	Dormant
N.Y. NetManage (Yerushalayim) Ltd (47)	Israel	Dormant
Novell Israel Software Limited (48)	Israel	Dormant
Cambridge Technology Partners (Mexico) S.A. de C.V.	Mexico	Dormant
CTP Mexico Services SA de CV (58)	Mexico	Dormant
Authasas Advanced Authentication BV (59)	Netherlands	Dormant
Borland (Holding) UK Ltd (1)	UK*	Dormant
Borland (UK) Limited (1)	UK*	Dormant
Micro Focus APM Solutions Limited (1)	UK*	Dormant
Micro Focus UK Limited (1)	UK*	Dormant
NetIQ Ltd (1)	UK*	Dormant
Ryan McFarland Ltd (1)	UK*	Dormant
XDB (UK) Limited (1)	UK*	Dormant
Borland Technology Corporation (2)	USA	Dormant
CJDNLD LLC (2)	USA	Dormant
<b>Acquisitions in the year ended 30 April 2017:</b>		
<b>Serena :</b>		
Spartacus Acquisition Holdings Corp. (4)	USA	Holding
Spartacus Acquisition Corp. (4)	USA	Holding
Serena Software Inc. (4)	USA	Holding
Serena Holdings (1)	UK	Holding
Merant Holdings (1)	UK	Holding
Serena Software Pty Limited (9)	Australia	Sale and support of software
Serena Software Benelux BVBA (13)	Belgium	Sale and support of software
Serena Software Do Brasil Ltda (16)	Brazil	Sale and support of software
Serena Software SAS (30)	France	Sale and support of software
Serena Software GmbH (36)	Germany	Sale and support of software
Serena Software Japan KK (50)	Japan	Sale and support of software
Serena Software Pte. Ltd (63)	Singapore	Sale and support of software
Serena Software SA (70)	Spain	Sale and support of software
Serena Software Europe Limited (1)	UK	Sale and support of software
Serena Software Ukraine LLC (76)	Ukraine	Sale and support of software
<b>GWAVA:</b>		
GWAVA Inc. (19)	Canada	Holding
GWAVA Technologies Inc. (4)	USA	Sale and support of software
GWAVA EMEA GmbH (35)	Germany	Sale and support of software

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 12 Investments (continued)

<u>Company name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
<b>New companies incorporated in the year ended 30 April 2017:</b>		
Seattle Holdings Inc. (4)	USA	Holding
Seattle MergerSub Inc. (4)	USA	Holding
Miami Escrow Borrower LLC (2)	USA	Holding
Micro Focus (IP) Holdings Limited (1)	UK	Dormant
Micro Focus (IP) Ireland Limited (44)	Ireland	Dormant

\* The above companies incorporated in the UK are exempt from audit and from preparing Annual Accounts.

These companies, with the exception of Novell Japan Ltd are all 100% owned and operate principally in the country in which they are incorporated.

#### Registered office addresses:

- (1) The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, United Kingdom, RG14 1QN
- (2) The Corporation Trust Company, Corporation Trust Center 1209 Orange St, Wilmington, New Castle, DE19801, U.S.A.
- (3) 505 Union Ave SE STE120, Olympia, WA 98501, U.S.A.
- (4) The Company Corporation, 2711 Centerville Rd, STE 400, Wilmington, New Castle, DE19808, U.S.A.
- (5) CT Corporation, 155 Federal St. Suite 700, Boston, MA02110, U.S.A
- (6) Paraguay 1866, C1121ABB – Bs.As Argentina
- (7) Level 18, 201 Miller Street, North Sydney, NSW, 2060 AS, Australia
- (8) Level 23, Northpoint Tower, 100 Miller Street, North Sydney, NSW 2060, Australia
- (9) C/O Teamwork Accounting Pty Ltd, Sanctuary Lakes Shopping Centre, Shop 28A, 300 Point Cook Road, Point Cook, Vic 3030, Australia
- (10) Parkring 2, 1010, Vienna, Austria
- (11) DonauCentre, Hauptstrasse 4-10, Linz, 4040, Austria
- (12) Bourgetlaan 40, 1130 Brussel 13, Belgium
- (13) EU Parliament, 4<sup>th</sup> Floor, 37 De Meeussquare, Brussels, 1000, Belgium
- (14) Rua Joaquim Floriano, 466-12 Ander, Sao Paulo, CEP 04534-002 Brazil
- (15) Rua Arizona, 1349 10<sup>th</sup> Floor, Sao Paulo, 04567-003, Brazil
- (16) Rua Dom Jose de Barros, 177, 3<sup>rd</sup> Floor, Suite 302, Villa Buarque, Sao Paulo 01038-100 Brazil
- (17) 76A James Burchier Blvd, Lozenetz, Sofia, 1407, Bulgaria
- (18) 199 Bay Street, Suite 4000, Toronto, Ontario, M5L 1A9, Canada
- (19) 100 Alexis Nihon, Suite 500, St Laurent QC, H4M 251, Canada
- (20) 340 King Street East, Suite 200, Toronto, Ontario, M5A 1K8, Canada
- (21) PO Box 309, Ugland House, South Church Street, George Town, South Cayman, KY1-1104, Cayman Islands
- (22) 3603-3606 Off Tow A, No.7, Dongsanhuan, Beijing, 100020, People's Republic of China
- (23) 54 Digeni Akrita, Akrita 2<sup>nd</sup> Floor, Office 201-202, PC 1061, Nicosia, Cyprus
- (24) Krizikova 148/34, Karlín, 186 00 Praha 8, Czech Republic
- (25) Lyngsø Alle 3b, Hørsholm, 2970, Denmark
- (26) Dubai Internet City, DIC Building 2, 3<sup>rd</sup> Floor, Suite 315, Dubai, UAE
- (27) 19 Helmy Elmasry Street, Almaza, Cairo, Egypt
- (28) Tour Franklin, La Defense 8, Cedex, Paris, 92042, France
- (29) Tour Atlantique, La Defense 9, 1 Place de la Pyramide, La Defense, Cedex, Paris 92911, France
- (30) Immeuble Jean Monnet, 11 Place des Vosges, 92400 Courbevoie, La Defense 5, Paris, France
- (31) Amtsgericht, München, Germany
- (32) Fraunhoferstrasse 7, Ismaning, 85737, Germany
- (33) Amtsgericht, Nürnberg, Germany
- (34) Ismaning, Landkries, München, Germany
- (35) Industrietstrasse 15, Ahaus, 48683, Germany
- (36) Nöerdlicher Zubringer 9-11, 40470, Düsseldorf, Germany
- (37) Unit 2002A, 20th Floor, The Centrium, 60 Wyndham, Central Hong Kong, Hong Kong
- (38) Level 54, Hopewell Centre, 183 Queens Road East, Hong Kong, Hong Kong
- (39) 4/F Three Pacific Place, 1 Queen's Road East, Hong Kong
- (40) U&I Corporation Centre, 47 Echelon, Sector 32, Gurgaon Harayana, India
- (41) Laurel, Block D, 65/2, Bagmane Tech Park, C.V. Raman Nagar, Byrasandra Post Bangalore – 560093, India
- (42) Leela Galleria, 1st Floor, Andheri Kurla Road, Andheri (East), Mumbai – 400059, India
- (43) Building 2, 2nd Floor, Parkmore East Business Park, Galway, Ireland
- (44) 70 Sir John Rogerson's Quay, Dublin 2, Ireland
- (45) Corrig Court, Corrig Road, Sandyford Industrial Estate, Sandyford, Dublin 18, Ireland
- (46) Matam Advanced Tech Center, Building 5/1, Haifa, 31 905, Israel

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017 (continued)

### 12 Investments (continued)

#### Registered office addresses (continued):

- (47) Scientific Industries Center, Haifa, 33262, Israel
- (48) 17 Hatidhar St, Raannana, 43665, Israel
- (49) Via Enrico Cialdini 16, Milan, 20161, Italy
- (50) Sumitomo Fudosan Roppongi-dori, Building 9F, 7-18-18 Roppongi, Minato-ku, Tokyo, 106-0032, Japan
- (51) Simitomo-Fudosan Takanawa Park Tower 6F, 30-20-14 Higashi-Gotanda, Shinagawa-ku, Tokyo, 141-0022, Japan
- (52) Akaska Biz Tower 29F, 5-3-1 Akasaka, Minatato-ku, Tokyo, 107-6329, Japan
- (53) 1-1 Ichigayahonmuracho, Shinjuku-ku, Tokyo, Japan
- (54) 41/F Gangnam Finance Center, 737 Yeoksam-dong, Gangnam-gu, Seoul, 135 984, Korea, Republic of South Korea
- (55) 13th Floor, Hanwha Sec. Building, 23-5, Yoido-Dong, Seoul, Republic of South Korea
- (56) 20, rue des Peupliers, 2328, Luxembourg
- (57) Unit 501 Level 5 Uptown 1, 1 Jalan SS2, Selangor Darul Ehsan, Malaysia
- (58) Homero 440-773, col, Palanco, Mexico, D.F. 11560, Mexico
- (59) Raoul Wallenbergplein 23, 2404 ND Alphen a/d Rijn, Netherlands
- (60) Level 27, Lumley Centre, 88 Shortland Street Auckland 1141, New Zealand
- (61) 7th Floor, Dronning Eufemias gate 16, 0191 Oslo, Norway
- (62) Centro Empresarial Torres de Lisboa, Torre G 1\* Andar Sala 111, Rue Tomas da Fonseca, Lisboa, Portugal
- (63) 80 Robinson Road #02-00, 068898, Singapore
- (64) 24 Raffles Place, #15-00 Clifford Centre, 048621, Singapore
- (65) 77 Robinson Road, #13-00 Robinson 77, 068896, Singapore
- (66) Morning View Office Park 255 Rivonia Road, Morningside, South Africa
- (67) 4th Floor Aloe Grove, Houghton Estate Office Park, 2 Osborn Road, Houghton, 2198, South Africa
- (68) C/Jose Echegaray 8, Las Rozas, Madrid 28230, Spain
- (69) Paseo de la Castellana 42, Madrid, 28046, Spain
- (70) Ronda General Mitre 28-30, Barcelona 08017, Spain
- (71) Kronborgsgränd 1, 164 46 Kista, Stockholm, Sweden
- (72) Office Center 1, Flughafenstrasse 90, 8058 Zurich-Flughafen, Switzerland
- (73) Lindenstrasse 26, Zurich, 8008, Switzerland
- (74) Room B 26/F #26 Tun-Hwa S Road Sec, Taipei ROC 106, Taiwan
- (75) Palladium Ofis Binasi, Halk Cad, No.8/A Kat 2, Atasehir 34748, Istanbul, Turkey
- (76) 13 Pimonenko str, building 1, Office 1B/22, Kiev 04050, Ukraine

### 13 Debtors

	2017 \$'000	2016 \$'000
Amounts owed by group undertakings	<b>692,022</b>	666,478

Included within amounts owed by group undertakings, is an intercompany loan balance of \$691,047,309 with Micro Focus CHC Limited (2016: \$665,550,260). This is in relation to the wider group reorganisation where on 21 March 2016 Micro Focus Group Limited sold Micro Focus Holdings Limited to Micro Focus CHC Limited for (i) \$662,500,000 of consideration left outstanding on intercompany account; and (ii) an issue of ordinary shares representing an investment value of \$1,537,500,000. The outstanding intercompany balance carries an arm's length fixed rate of interest of 4.25% per annum and is repayable in full, to include all unpaid accrued interest by March 2021. During the current year ended there was interest accrued of \$28,547,309 (2016: \$3,050,260)

Included within amounts owed by group undertakings, is an intercompany loan balance of \$948,544 with Micro Focus Holdings Limited (2016: \$927,847). This intercompany loan is unsecured, non-instalment and accrues interest at a rate of LIBOR + 1%. During the year, there was interest accrued totalling \$20,697 (2016: \$15,599). The repayment date for this intercompany loan is April 2022.

Also included within amounts owed by group undertakings, are two intercompany loans totalling \$25,697 which are unsecured, interest free and are repayable on demand.



# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017

### 14 Creditors: amounts falling due within one year

	2017 \$'000	2016 \$'000
Bank loans and overdraft	-	2,994
Amounts owed to group undertakings – debt instrument	83,788	287,750
Unamortised prepaid facility arrangement fees and original issue discounts	(12,604)	(12,389)
Net borrowings	71,184	278,355
Trade creditors	335	-
Amounts owed to group undertakings	1,857,734	1,482,039
Accruals and deferred income	2,969	948
	<b>1,932,222</b>	<b>1,761,342</b>

The amounts owed to group undertakings, excluding the debt instrument, includes amounts totalling \$1,652m which is unsecured, interest free and repayable on demand. The remaining \$206m are amounts that are unsecured, non-instalment and accrue interest at a rate of 1 month LIBOR + 1% and fixed rates of 0.39% and 0.48%. They have repayment dates between July 2017 and February 2018.

On 24 November 2014, MA FinanceCo LLC, a wholly owned subsidiary of the Company, drew down \$1,875m of external debt facility which comprise of the debt facilities of a syndicated senior secured tranche B term loan facility of \$1,275m, a syndicated senior secured tranche C term loan facility of \$500m and a senior syndicated revolving credit facility of \$225m. MA FinanceCo LLC then lent the cash received to the Company in return for three intercompany loan notes. The intercompany loan notes mirror the terms of the external debt such that no margin is left in MA FinanceCo LLC. The loan notes between the Company and MA FinanceCo LLC were subsequently listed on the Cayman Islands Stock Exchange. No funds were exchanged from this listing.

The movements on the intercompany loan notes during the year are as follows:

	B2- Floating rate redeemable loan notes 2021 \$'000	Floating rate redeemable loan notes 2021 \$'000	Floating rate redeemable loan notes 2019 \$'000	RCF floating rate redeemable loan notes 2019 \$'000	Total \$'000
At 1 May 2016	-	1,112,250	450,000	225,000	1,787,250
Repayments	-	(9,562)	(37,500)	(325,000)	(372,062)
Draw downs	-	-	-	180,000	180,000
Transfer	1,515,188	(1,102,688)	(412,500)	-	-
At 30 April 2017	<b>1,515,188</b>	<b>-</b>	<b>-</b>	<b>80,000</b>	<b>1,595,188</b>

On 1 August 2016 MA FinanceCo LLC renegotiated its debt facilities and allocated a re-pricing of its senior secured Term Loan B which reduced its ongoing interest payments. The interest rate was reduced from 4.25% to 3.75% and the LIBOR floor was reduced from 1.00% to 0.75%. All other terms of the Credit Facilities remained the same.

# Micro Focus Group Limited

## Notes to the financial statements for the year ended 30 April 2017

### 14 Creditors: amounts falling due within one year (continued)

As a result of this re-pricing, the terms of the intercompany loan notes owed by the Company to MA FinanceCo LLC were amended from 1 August 2016 to 28 April 2017 as follows:

1. Floating rate redeemable loan notes 2021 - with an interest rate of 3.75% (formerly 4.25%) above LIBOR (subject to a LIBOR floor of 0.75% (formerly 1%)).
2. Floating rate redeemable loan notes 2019 - with an interest rate of 3.75% above LIBOR (subject to a LIBOR floor of 0.75%)
3. RCF floating rate redeemable loan notes 2019 - with an interest rate of 3.5% above LIBOR amounts drawn (and 0.5% on amounts undrawn).

#### New Facilities

The Group announced on 21 April 2017 the successful syndication of the new credit facilities (the "New Facilities") on behalf of both MA FinanceCo, LLC, a wholly owned subsidiary of Micro Focus, and Seattle SpinCo, Inc., a wholly owned subsidiary of HPE that will hold HPE Software. Post 30 April 2017, Seattle SpinCo Inc. will be merged with a wholly owned subsidiary of Micro Focus in the HPE Software Transaction.

The New Facilities comprise a \$500m Revolving Credit Facility ("RCF") effective on Completion of the HPE Software Transaction at LIBOR plus 3.50% (subject to a LIBOR floor of 0.00%) placed with a number of financial institutions and \$5,000m of term loans. The new term loans are priced as follows:

#### New facilities drawn as at 30 April 2017:

In relation to the existing senior secured term loans issued by MA FinanceCo, LLC the lenders in the Term Loan C of \$412.5m due November 2019 were offered a cashless roll of their investment into the existing Term Loan B, becoming Term Loan B-2, due November 2021 and this loan was re-priced to LIBOR plus 2.50% (subject to a LIBOR floor of 0.00%) and increased in size from \$1,102.7m to \$1,515.2m, effective from 28 April 2017.

Facilities not drawn down as at 30 April 2017 were as follows:

#### HPE Software facilities:

- The new \$2,600.0m senior secured seven year Term Loan B issued by Seattle SpinCo, Inc. is priced at LIBOR plus 2.75% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%.

#### Micro Focus facilities:

- The new \$385.0m senior secured seven year Term Loan B issued by MA FinanceCo LLC is also priced at LIBOR plus 2.75% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%; and
- The new Euro 470.0m (equivalent to \$500.0m) senior secured seven year Term Loan B issued by MA FinanceCo LLC is priced at EURIBOR plus 3.00% (subject to a EURIBOR floor of 0.00%) with an original issue discount of 0.25%.

As a result of the successful syndication of the new credit facilities by MA FinanceCo LLC, the terms of the intercompany loan notes owed by the Company to MA FinanceCo LLC 28 April 2017 to 30 April 2017 were as follows:

1. B2-Floating rate redeemable loan notes 2021 - with an interest rate of 2.5% above LIBOR (subject to a LIBOR floor of 0.00%).
2. RCF floating rate redeemable loan notes 2019 - with an interest rate of 3.5% above LIBOR on amounts drawn (and 0.5% on amounts undrawn).

## Micro Focus Group Limited

### Notes to the financial statements for the year ended 30 April 2017 (continued)

#### 14 Creditors: amounts falling due within one year (continued)

The above intercompany loan notes are a modification only of the existing loan notes and the unamortized prepaid facility arrangement fees and original issue discounts have not been accelerated as a result. The remaining unamortized prepaid facility arrangement fees and original issue discounts will be recognized over the life of the new intercompany loan notes.

##### Intercompany maturity

The maturity profile of the anticipated future cash flows including interest in relation to the Company's debt instruments on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

	Term Loan B-2 Floating rate redeemable loan notes 2021 \$'000	RCF Floating rate redeemable loan notes 2019 \$'000	Total \$'000
Within one year	60,168	80,000	140,168
In one to two years	71,181	-	71,181
In two to three years	70,769	-	70,769
In three to four years	70,053	-	70,053
In four to five years	1,497,867	-	1,497,867
	1,770,038	80,000	1,850,038
Unamortized prepaid facility arrangement fees and original issue discounts	(29,059)	(4,593)	(33,652)
<b>At 30 April 2017</b>	<b>1,740,979</b>	<b>75,407</b>	<b>1,816,386</b>

	Floating rate redeemable loan notes 2021 \$'000	Floating rate redeemable loan notes 2019 \$'000	RCF Floating rate redeemable loan notes 2019 \$'000	Total \$'000
Within one year	71,702	69,683	233,983	375,368
In one to two years	71,023	67,402	-	138,425
In two to three years	70,344	65,120	-	135,464
In three to four years	69,666	307,444	-	377,110
In four to five years	68,987	-	-	68,987
In more than five years	1,135,434	-	-	1,135,434
	1,487,156	509,649	233,983	2,230,788
Unamortized prepaid facility arrangement fees and original issue discounts	(28,088)	(10,183)	(3,770)	(42,041)
<b>At 30 April 2016</b>	<b>1,459,068</b>	<b>499,466</b>	<b>230,213</b>	<b>2,188,747</b>

## Micro Focus Group Limited

### Notes to the financial statements for the year ended 30 April 2017 (continued)

#### 14 Creditors: amounts falling due within one year (continued)

	Amounts owed to group undertakings – debt instrument	Unamortised prepaid facility arrangement fees and original issue discounts	Total
	2017	2017	2017
	\$'000	\$'000	\$'000
Current liabilities	83,788	(12,604)	71,184
Non-current liabilities	1,511,400	(21,048)	1,490,352
	<b>1,595,188</b>	<b>(33,652)</b>	<b>1,561,536</b>

	Amounts owed to group undertakings – debt instrument	Unamortised prepaid facility arrangement fees and original issue discounts	Total
	2016	2016	2016
	\$'000	\$'000	\$'000
Current liabilities	287,750	(12,389)	275,361
Non-current liabilities	1,499,500	(29,652)	1,469,848
	<b>1,787,250</b>	<b>(42,041)</b>	<b>1,745,209</b>

#### 15 Creditors: amounts falling due after more than one year

	2017	2016
	\$'000	\$'000
Amounts owed to group undertakings – debt instrument	1,511,400	1,499,500
Unamortised prepaid facility arrangement fees and original issue discounts	(21,048)	(29,652)
Net borrowings	<b>1,490,352</b>	1,469,848
Amounts owed to group undertaking	<b>119,978</b>	749,769
	<b>1,610,330</b>	2,219,617

The amounts owed to group undertakings, excluding the debt instrument, falling due after more than one year, are unsecured, non-instalment and accrue interest at a rate of between 0.48% and 2.24%. They have repayment dates between July 2018 and April 2021.

## Micro Focus Group Limited

### Notes to the financial statements for the year ended 30 April 2017 (continued)

#### 16 Share capital and other reserves

	2017 \$'000	2016 \$'000
<b>Share capital allotted and fully paid</b>		
5 (2016: 5) ordinary shares of £1 each	-	-

During the year ended 30 April 2017 there were no share capital transactions.

During the year ended 30 April 2016, the following transactions occurred:

On 21 March 2016, Micro Focus Group Limited issued a fully-paid bonus share of £1 with a value of \$2,649,101,799 to its parent company Micro Focus Midco Limited.

On 21 March 2016, the Company undertook a capital reduction and transferred \$2,703,331,707 to retained reserves.

On 7 April 2016, Micro Focus Group Limited issued a fully-paid bonus share of £1 with a value of \$133,782,544 to its parent company Micro Focus Midco Limited.

On 8 April 2016, the Company undertook a capital reduction and transferred \$133,782,544 to retained reserves.

#### 17 Related party transactions

The Company has taken advantage of the exemption under FRS 102 paragraph 33.1A, from disclosing transactions with other members of the group headed by Micro Focus International plc. There are no other external related parties.

#### 18 Ultimate parent undertaking and controlling party

The immediate parent undertaking and controlling party is Micro Focus Midco Limited, a company incorporated in England and Wales. The ultimate parent undertaking which is the parent undertaking of the smallest and largest group to consolidate these financial statements is Micro Focus International plc, a company incorporated in England and Wales. Copies of the Micro Focus International plc consolidated financial statements may be obtained from the Company Secretary, The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN, or via [www.microfocus.com](http://www.microfocus.com).

#### 19 Post balance sheet event

On 24 May 2017, the interest rate of the intercompany debt instruments owed by the Company to MA Finance Co LLC was amended to 2.5% above LIBOR, plus a margin of 6.96% basis points (subject to LIBOR floor of 0.00%) for the B-2 floating rate redeemable loan notes 2021 and 3.5% above LIBOR on amounts drawn plus a margin of 6.96% basis points (and 0.5% on amounts undrawn plus a margin of 6.96 basis points) for the RCF floating rate redeemable loan notes 2019.