

Micro Focus Software UK Ltd

Company registration number 10355616

Annual report and financial statements
for the period ended 30 June 2023



Directors' report and financial statements 2023

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Directors and Company information

Directors

Madhu Ranganathan
Christian Waida
Mark Kenneth Wilkinson
Michael Fernando Acedo

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Registered office

Micro Focus Software UK Ltd
The Lawn
22-30 Old Bath Road
Newbury
Berkshire RG14 1QN

Company registration

10355616

Strategic report

The directors present their strategic report of Micro Focus Software UK Limited ("the Company") for the eight month period ended 30 June 2023.

Principal activities

The Company operates as both a reseller and a service provider entity within Open Text Corporation ("OpenText" or "the ultimate parent undertaking") and its subsidiaries (collectively, "the Group"). The Company's principal activities include, the sale and supply of software-related services, as well as providing management support and other ancillary services within the Group.

The Company is a wholly-owned subsidiary of the OpenText generating sales for the Group primarily in the United Kingdom ("UK") market.

Review of the business

On 25 August 2022, the board of Micro Focus International Limited (hereinafter referred as "Micro Focus") and OpenText entered into an agreement on the terms of a recommended cash acquisition to be made by OpenText, through its wholly-owned subsidiary, OpenText UK Holding Limited, of the entire issued and to be issued share capital of Micro Focus. The transaction was completed after obtaining requisite approvals on 31 January 2023. Consequent to this transaction, the ultimate parent company was changed from Micro Focus to OpenText.

OpenText's financial year ends on 30 June. To align the Company's financial year end with OpenText, the Company has notified the change of accounting period to 30 June and the same has been confirmed on 01 November 2023. The new regular accounting period of the Company will be the fiscal year from 01 July 2023 to 30 June 2024. The accounting period immediately preceding the change of the accounting period to a financial year will thus be shorter than 12 months. This transitional accounting period will be running from 01 November 2022 to 30 June 2023.

Further details on the strategy of the Group can be found in OpenText Annual Report and Accounts for the period ended 30 June 2023.

Key performance indicators

The board's policy is to monitor progress on the individual strategic elements by reference to turnover and profit before tax – whilst the Company forms part of the overall Group where the Directors of the Group are focused on the results of the Group as a whole, the standalone performance of the Company is still monitored by the Company's directors.

For the eight month period ended 30 June 2023 turnover of £76,931,000 (FY 2022: £92,666,000) represents a 17% decline, which is primarily on account of changing the accounting period to 30 June 2023 which is shorter than 12 months. In the current period, £18,171,000 income from Research and development, and Management and other support services has been presented within Turnover, therefore partially offsetting the overall decline on account of changing the accounting period.

Performance during the period, together with historical trend data is set out below:

	2023 (8 Months) £'000	2022 (12 Months) £'000
Turnover	76,931	92,666
Profit before tax	3,345	6,167

Results

The profit for the eight month period ended 30 June 2023 is shown on page 15. The Company has net assets totalling £10,580,000 (2022: £7,645,000).

In the current period, the cost of goods sold declined by £33,709,000 whereas the administrative and selling expense increased by £25,699,000. The profit before tax was broadly consistent with the Company's status as a reseller entity within the Group that returns a positive arm's length profit margin relative to turnover.

Strategic report (continued)

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 OpenText which include those of the Company, have been identified in the following categories – Products, Sales/Go-to-Market models, Competition, Employees and culture, IT systems and information, Business Strategy and change management, Legal and regulatory compliance, Intellectual property, Treasury, Tax, Macro-economic environment, Cyber Security and Internal controls over financial reporting. The Group has policies in place and a business model to help mitigate those risks. These principal risks and the risk management framework are described in the OpenText Annual Report for the year ended 30 June 2023.

The Company being a reseller entity within the Group, it has a limited risk under the distribution model which guarantees fixed profit margin relative to turnover. Additional risks considering operating environment are discussed below.

(a) Credit risk

Financial instruments which potentially expose the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade debtors. 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.

Credit risk exposure related to trade debtors is limited by evaluating and monitoring the financial conditions of customers prior to providing services.

(b) Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and the US Dollar. 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 during the period ended 30 June 2023.

(c) Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. There is interest payable on amounts held by Group companies at 30 June 2023. The Company's cash flow interest rate risk arises from interest payable and receivable on Group company borrowings, held at variable rates, which exposes the Company to cash flow interest rate risk.

Section 172 statement

In accordance with Section 172 of the UK Companies Act 2006, the board has a duty to promote the success of the Company for the benefit of its members as a whole.

In doing so, it must have regard to the matters set out in Section 172(1)(a) to (f) of the UK Companies Act 2006, including the interests of the Company's employees, its business relationships with suppliers and customers, and the impact of its operations on communities and the environment ("s172 matters").

From the perspective of the Company, the Company's s172 matters are integrated with the Group and are not managed separately.

OpenText is an international company that is delivering mission-critical solutions on a global basis and across industries. The directors act in good faith to promote the success of the Company for the benefit of its members.

The Group is committed to "Total Growth", meaning the Group strives towards delivering value through organic initiatives, innovations and acquisitions. The Group believes a total growth strategy will ultimately drive cash flow growth, which will further help fuel innovation, broaden go-to market distribution, and identify and execute strategic acquisitions.

Strategic report (continued)

Section 172 statement (continued)

The Group is well positioned to expand its product portfolio, improve innovation and grow organically, which helps the Group to meet long-term growth targets.

The Group considers the experience and knowledge of its employees to be an essential part of a successful business. Therefore, the Group continuously invests in the education and professional development of their employees.

The Group aspires to establish relationships with its suppliers, customers and all stakeholders that build trust, convey mutual respect and support efforts to create shared value. The Group holds innovation labs, customer advocacy programs, product advisory council and user groups, monthly e-newsletters, and recognition programs. The Group has continual dialogue with suppliers promoting fair agreements and supporting supply chain efficacy.

The Group's customer base consists of global 10,000 companies, enterprise companies, public sector agencies, mid-market companies, small and midsize businesses and direct consumers. Being responsible for critical information infrastructure, it has been the Group's job to ensure its customers' systems and processes can handle the changing reality of today, while continuing to develop solutions to address the problems of tomorrow. The Group's customers enjoy choice and flexibility in their path to digital transformation with solutions that can be run on a combination of public and private clouds, managed services and off-cloud solutions. With a focus on world-class information management technologies and services, the Group continues to innovate and provide customers with the capabilities they need to build resilient businesses and become tomorrow's disruptors.

As a tech industry leader, the Group has both an obligation and an opportunity to take action to mitigate its environmental impact and help its customers do the same. The Group has recently reaffirmed its commitment to the Ten Principles of the United Nations Global Compact, and the Group is continually integrating these principles into its business strategy, culture, and operations. This includes setting goals for improvements to its environmental performance and helping its customers to improve its environmental performance by enabling modern work, digitizing paper-based processes and creating greater visibility into supply chains so that purchasing decisions can be based on ethical and sustainability ratings.

It is the Group's policy to conduct all business in an honest and ethical manner by acting professionally, fairly and with integrity in all their business dealings and relationships. This is emphasised in their policies developed in areas such as ethical trading and financial crime, covering anti-bribery, anti-corruption and anti-tax evasion initiatives.

Future developments

The Company expects its principal activity to continue to be the sale and supply of software related services and support.

The Company continues to invest in the latest technologies to help its customers unlock their competitive advantage through the exploration of its available technologies. By enabling our customers to link their investments in established technology with the latest innovation, the Company will continue to help customers bridge the old and the new enabling them to leverage additional value from their investments in critical IT to infrastructure and business applications.

On 24 November 2023, the board of Open Text Group announced the agreement of definitive terms to sell its Application Modernization and Connectivity ("AMC") to Rocket Software, Inc. and the transaction was closed on May 01, 2024.

Consequent to the above transaction, following internal reorganisations were effected on 01 March 2024.

- a) the Company transferred its AMC assets (comprised of customer contracts and other goodwill, accounts receivable, prepaid expenses and a small amount of property and equipment, offset by accounts payable and deferred revenues assumed) to Micro Focus Limited, in exchange for a consideration of \$13,052,004 i.e., the estimated market value of the business transferred.

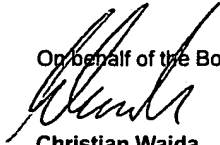
Strategic report (continued)

Future developments (continued)

- b) the Company acquired the Excluded (Non AMC) assets (comprised of customer contracts and other goodwill, accounts receivable, prepaid expenses and a small amount of property and equipment, offset by accounts payable and deferred revenues assumed) from Micro Focus Limited, in exchange for a consideration of £24,112,950 i.e., the estimated market value of the business acquired.

As part of wider Group restructuring program, effective 01 January 2024, Autonomy Systems Limited and Micro Focus Global Limited transferred their trade, assets and liabilities to the Company in exchange for a consideration of \$30,204,825 and £18,858,288 respectively which represents the estimated market value of the businesses transferred.

On behalf of the Board



Christian Waida
Micro Focus Software UK Ltd
Registered number 10355616
Date: 20 June 2024
The Lawn
22-30 Old Bath Road
Newbury
Berkshire RG14 1QN

Directors' report

The directors present their report and audited financial statements of the Company for the eight month period ended 30 June 2023.

Dividends

No dividends were declared during the period ended 30 June 2023 and no final dividend is proposed.

Political and charitable contributions

During the current period and prior year, the Company made no charitable or political donations. The Company's policy is not to make donations to political parties.

Financial risk management

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

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

Further details on financial risk management of the Company can be found in the Strategic Report.

Directors

The directors who served the Company during the period, or have been appointed or resigned prior to signing, are as follows:

Ian Simmons (resigned on 18 January 2023)
Rupert Green (appointed on 30 June 2022, resigned on 31 January 2023)
Madhu Ranganathan (appointed on 31 January 2023)
Christian Waida (appointed on 31 January 2023)
Mark Kenneth Wilkinson (appointed on 31 January 2023)
Michael Fernando Acedo (appointed on 31 January 2023)
Charlotte Redcliffe (appointed on 10 November 2022, resigned on 31 January 2023)

No director had an interest in the shares of the Company. The directors hold interests in the shares of the ultimate parent company OpenText.

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Directors' report (continued)

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements (continued)

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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnities

From 31 January 2023 to the date of approval of the financial statements OpenText maintains a liability insurance for the Company's directors and officers. This is a qualifying third party indemnity provision as per the Companies Act 2006.

Prior to acquisition, the erstwhile ultimate parent undertaking Micro Focus maintained liability insurance for the Company's directors and officers.

Auditor

KPMG LLP have indicated their willingness to continue as the auditor of the Company.

Disclosure of information to the auditor

At the date of approving this report the directors are not aware of any relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. The directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Research and development

The Company was engaged in research and development activities during the period.

Employment policy

Equal opportunities

The Company operates an equal opportunities policy. Full consideration is given to all job applicants irrespective of gender, age, marital status, disability, race, colour, religion, ethnic or national origin or any other conditions not relevant to the performance of the job, who can demonstrate that they have the necessary skills and abilities.

Disabled employees

With regards to the existing employees and those who may become disabled, the Company's policy is to examine ways and means to provide continuing employment under its existing terms and conditions and to provide training and career development, including promotion, wherever appropriate.

Employee involvement

The Company believes it is important that employees are aware of the Company's policy is to examine ways and means to provide continuing employment under its existing terms and conditions and to provide training and career development, including promotion, wherever appropriate.

Going concern

The Company operates as a reseller entity within the Group. The Company meets its day-to-day capital requirements through its intra-group funding arrangements.

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.

Directors' report (continued)

Going concern (continued)

The Company being a trading subsidiary in the Group, the Company has an indirect contribution to the external cash flows of the Group. After making enquiries and considering the assessment included in the Group annual financial statements for the period ended 30 June 2023, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least one year from the date of these financial statements.

There is no intention to dissolve the Company or cease trading. There is reasonable assurance that the Company will be able to meet its obligations as they fall due. As such these financial statements have been prepared on a going concern basis.

Streamlined Energy and Carbon Reporting (SECR)

This report includes data from leased office locations and colocation data centre usage in the UK which contribute to energy consumption and emissions as well as grey fleet vehicle usage and rental vehicle usage. All offices were leased and the heating and cooling system maintenance are the responsibility of the landlord.

The time period the data covers is aligned with the period ended 30 June 2023.

Methodology

The Company's approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. The Company uses the operational control approach to consolidate our global GHG emissions. In line with the guidance on SECR, the Company has included the energy and emissions for leased facilities where the Company is responsible for the energy consumption. The Company used the 2021 UK Government GHG Conversion Factors for Company Reporting. Emissions were calculated primarily using metered data from utilities and landlords. Where primary data was not available, estimates were made based on appropriate proxies such as square footage and energy intensity.

The SECR disclosure presents the carbon footprint of Micro Focus Software UK Limited within the UK across Scope 1, 2 and certain Scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial period.

Summary table of SECR consumption and emissions data

	Year to 30 th Jun 2023*	Year to 31 st Oct 2022
Energy consumption used to calculate emissions (kWh)	535,328	579,793
Emissions from combustion of gas (Scope 1) tCO ₂ e	13	13
Emissions from combustion of fuel for transport purposes (Scope 1) tCO ₂ e	N/A	N/A
Emissions from business travel in rental cars or employee-owned vehicles where Company is responsible for purchasing the fuel (Scope 3) tCO ₂ e	22	41
Emissions from purchased electricity (Scope 2, location-based) tCO ₂ e	77	63
Total gross tCO ₂ e based on above	112	117
Intensity ratio (tCO ₂ e/ft ²)	0.00597	0.01055
Intensity ratio (tCO ₂ e/FTE)	2.71	1.89897

*Disclaimer: The financial year has changed in alignment with OpenText's financial year.

ENERGY EFFICIENCY ACTION SUMMARY

Micro Focus Software UK Limited has no direct impact on the energy efficiency improvement projects since their offices are leased, and all aspects of building control are managed by the Landlords (BMS system).

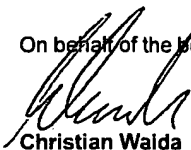
Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR) (continued)

METHODOLOGY NOTES

Reporting Period ended	30 th of June 2023
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Micro Focus Software UK Limited's annual accounts made up to 30 th of June 2023
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
Emissions and Conversion factor source	DEFRA, 2023 for all emissions and conversion factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2023
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Conversion factor source	Federal Register EPA for gasoline (petrol) https://www.ecfr.gov/cgi-bin/text-idx?SID=ae265d7d6f98ec86fcd8640b9793a3f6&mc=true&node=pt40.23.98&rqn=div5#ap40.23.98.138.1 U. S. Energy Information Administration for diesel https://www.eia.gov/totalenergy/data/monthly/pdf/sec12_2.pdf
Other relevant information on calculation	Scope 3 transport emissions data was calculated from expense claims after personal car mileage, fuel, and car rentals. The expense claims were divided between petrol and diesel using VEH1103a. The mileage expense was converted from pounds into mileage using the tax rates per business mile (https://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax) and then converted into kWh and litres using DEFRA 2023 factors. The car rental expenses were converted into litres using the average weekly fuel prices of the reporting period (https://www.gov.uk/government/statistics/weekly-road-fuel-prices).
Information on the Intensity Ratios	Micro Focus Software UK Limited uses the total area of their sites in square feet and the number of full-time employees at the participating sites in the financial year, as these metrics are the best aligned to the nature of our business.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions.

On behalf of the board,



Christian Waida
Director

Micro Focus Software UK Ltd
Date: 20 June 2024
The Lawn
22-30 Old Bath Road
Newbury, Berkshire RG14 1QN

Independent Auditor's Report to the members of Micro Focus Software UK Limited

Opinion

We have audited the financial statements of Micro Focus Software UK Limited ("the Company") for the year ended 30 June 2023 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

Independent Auditor's Report to the members of Micro Focus Software UK Limited (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, and the risk of fraudulent revenue recognition, in particular the risk that for large contracts the additional revenue is allocated to the performance obligations recognised at point in time in order to meet short term revenue targets and annual results and the Company's management may be in a position to make inappropriate accounting. On this audit we do not believe there is a fraud risk related to revenue recognition as there were no large contract executed during the year.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue or cash related accounts which are deemed unusual and entries posted by management after the close primary books for year end.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery and corruption including the UK Bribery Act 2010. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report to the members of Micro Focus Software UK Limited (continued)

Other information

The directors are responsible for the other information, which comprises the strategic report, and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

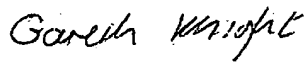
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the members of Micro Focus Software UK Limited (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Gareth Knight (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date: 21 June 2024

Micro Focus Software UK Ltd

Profit and loss account and other comprehensive income for the period ended 30 June 2023

		Period ended	Year ended
	<i>Note</i>	30 June	31 October
		2023	2022
		£000	£000
Turnover	4	76,931	92,666
Cost of sales		(25,781)	(59,490)
Gross profit		51,150	33,176
Administrative expenses		(27,388)	(1,689)
Selling and distribution costs		(21,226)	(30,135)
Operating profit	5	2,536	1,352
Other income	20	-	5,339
Other interest receivable and similar income	7	982	375
Interest payable and similar expenses	8	(173)	(899)
Profit before taxation		3,345	6,167
Tax (expense) / credit for the period / financial year	9	(1,199)	339
Profit for the period / financial year		2,146	6,506
Other comprehensive income			
Other comprehensive income for the period / financial year, net of tax		-	-
Total comprehensive income for the period / financial year		2,146	6,506

All amounts relate to continuing activities.

The notes on pages 18 to 32 are integral part of these financial statements.

Micro Focus Software UK Ltd

Balance sheet at 30 June 2023

		<i>As at 30 June</i>	<i>As at 31 October</i>
	<i>Note</i>	2023	2022
		£000	£000
Fixed assets			
Tangible assets	10	4,657	6,147
		4,657	6,147
Current assets			
Debtors	11	68,533	70,934
Contract related costs	12	6,736	2,953
Cash at bank and in hand		223	367
		75,492	74,254
Creditors: amounts falling due within one year	13	(59,451)	(54,871)
Net current assets		16,041	19,383
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	(9,077)	(16,907)
Provision for other liabilities	14	(1,041)	(978)
		10,580	7,645
Net assets		10,580	7,645
Capital and reserves			
Ordinary shares	18	-	-
Other reserves	18	(65,482)	(65,482)
Share premium	18	44,422	44,422
Capital contribution reserve		5,304	4,515
Profit and loss account		26,336	24,190
Total shareholders' funds		10,580	7,645

The notes on pages 18 to 32 are integral part of these financial statements.

The financial statements on pages 15 to 32 were approved by the board of directors and signed on its behalf by:


Christian Waida

Director

Company registration: 10355616

Date: 20 June 2024

Micro Focus Software UK Ltd

Statement of changes in equity for the period ended 30 June 2023

	Called-up share capital	Other reserve	Share premium	Capital contribution reserve	Retained earnings	Total shareholders' funds
	£000	£000	£000	£000	£000	£000
Balance as at 31 October 2021	-	(65,482)	44,422	2,172	17,684	(1,204)
Profit for the financial year ended 31 October 2022	-	-	-	-	6,506	6,506
Total comprehensive income for the year	-	-	-	-	6,506	6,506
Credit relating to equity-settled share-based payments	-	-	-	2,390	-	2,390
Deferred tax on share-based payments	-	-	-	27	-	27
Deferred tax on IFRS 16	-	-	-	(74)	-	(74)
Balance as at 31 October 2022	-	(65,482)	44,422	4,515	24,190	7,645
Profit for the period ended 30 June 2023	-	-	-	-	2,146	2,146
Total comprehensive income for the period	-	-	-	-	2,146	2,146
Credit relating to equity-settled share-based payments	-	-	-	478	-	478
Deferred tax on share-based payments	-	-	-	335	-	335
Deferred tax on IFRS 16	-	-	-	(24)	-	(24)
Balance as at 30 June 2023	-	(65,482)	44,422	5,304	26,336	10,580

The notes on pages 18 to 32 are integral part of these financial statements.

Notes to the financial statements
For the period ended 30 June 2023

1. Statement of compliance

The financial statements of Micro Focus Software UK Ltd have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention.

The preparation of financial statements in conformity with FRS101 requires the use of certain critical accounting estimates. It also requires management to exercise 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 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101;

- Paragraphs 45 (b) and 46 to 52 IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise price of share options, and how the fair value of goods or services received was determined).
- The following paragraphs of IAS 1;
 - 10 (d) & 111 statement of cash flow and related notes,
 - 16 statement of compliance with all IFRS,
 - 134-136 capital management disclosures,
- IAS 7, 'Statement of cash flows'
- IAS 24, disclosures in respect of transactions with wholly owned subsidiaries;
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors', requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

As the consolidated financial statements of OpenText include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- a) The requirements of IFRS 7 Financial instruments: Disclosures, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- b) Certain disclosures required by IFRS 13 Fair Value Measurement.

The principal accounting policies set out below have, unless otherwise stated, been applied consistently to the period presented in these financial statements.

Turnover and revenue recognition

The Company follows the five-step model and recognises revenue on transfer of control of promised goods or services to customers in an amount that reflects the consideration, which the Company 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.

Notes to the financial statements
For the period ended 30 June 2023

Turnover and revenue recognition (continued)

On an on-going basis, the Company utilises 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 licenses, the Company has not established SSP for licenses. 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 licenses

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 Company recognises 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 recognised 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 Company 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 Company policy is to recognise 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 recognised 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 Company recognises 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 Company evaluates whether the arrangement includes the sale of a software licence. In SaaS arrangements where software licences are sold, licence revenue is generally recognised at a point in time when control of the software is transferred to the customer.

Maintenance revenue is recognised on a straight-line basis over the term of the contract, which in most cases is one year.

For time and material-based professional services contracts, the Company recognises revenue as services are rendered. The Company recognises 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 labour costs incurred to date compared to the total estimated labour 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 programme 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 Company 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 Company accounts for the purchase of the good or service in the same way that it accounts for other purchases from suppliers.

Notes to the financial statements
For the period ended 30 June 2023

Contract-related costs

The Company capitalises the costs of obtaining a customer contract when they are incremental and, if expected to be recovered, they are amortised 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 Company amortises 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 amortisation period is one year or less the costs are expensed when incurred.

Amortisation of the capitalised costs of obtaining customer contracts is classified as sales and marketing expense. Capitalised costs from customer contracts are classified as non-financial assets in our statement of financial position.

Going concern

The Company operates as a reseller entity within the Group. The Company meets its day-to-day capital requirements through its intra-group funding arrangements.

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.

The Company being a trading subsidiary in the Group, the Company has an indirect contribution to the external cash flows of the Group. After making enquiries and considering the assessment included in the Group annual financial statements for the year ended 30 June 2023, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least one year from the date of these financial statements.

There is no intention to dissolve the Company or cease trading. There is reasonable assurance that the Company will be able to meet its obligations as they fall due. As such these financial statements have been prepared on a going concern basis.

Depreciation

Depreciation is calculated to write off the cost of the tangible fixed assets, less their residual value, over their expected useful economic lives using the straight-line basis. The assessed useful lives for the classes of tangible fixed assets recognised are as follows:

Leasehold improvements	period of lease	Buildings	30 years
Computer equipment	3 years	Fixtures, fittings and equipment	5 years
Computer software	3 years		

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Notes to the financial statements

For the period ended 30 June 2023

Lease accounting policy under IFRS 16

As a lessee

When the Company leases an asset a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any lease payments due over the lease term at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Company is 'reasonably certain' to exercise any extension options. The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment described in "Depreciation" section above. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

Lease liabilities are initially measured at the value of the lease payments that are not paid at the commencement date and are usually discounted using the incremental borrowing rates of the Company for the relevant portfolio (the rate implicit in the lease is used if it is readily determinable). Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase) or if the Company's assessment of the lease term changes; any change in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

As a lessor

Where the Company is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise, the lease is an operating lease.

Where the Company is an intermediate lessor, the interest in the head lease and the sub-lease is accounted for separately and the lease classification of a sub-lease is determined by reference to the right-of-use asset arising from the head lease.

Income from operating leases is recognised on a straight-line basis over the lease term. Income from finance leases is recognised in full at lease commencement.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors:

Trade and other debtors are initially recognised at fair value and subsequently measured at amortised cost less provisions for impairment based upon an expected credit loss methodology. The Company 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 recognised in the statement of comprehensive income.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Trade and other creditors:

Trade and other creditors are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes to the financial statements

For the period ended 30 June 2023

Cash and cash equivalents:

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities. Cash and cash equivalents are initially measured at transaction price and subsequently measured at amortised cost.

Foreign currency

(i) Functional and presentational currency

The Company's functional and presentation currency is UK Pound Sterling, denominated by the symbol '£' and unless otherwise stated is presented in £'000s.

(ii) 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at the foreign exchange rates ruling at the dates the fair value was determined.

At the end of each financial period foreign currency monetary items are translated to GBP using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at exchange rates at the end of the financial period of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within administrative expenses.

Employee benefits

The Company provides a range of benefits to employees, including short-term employee benefits such as annual bonus arrangements and paid holiday arrangements and post-employment benefits (in the form of defined contribution pension plans).

(i) Short-term employee benefits

Short-term employee benefits, including wages and salaries, paid holiday arrangements and other similar non-monetary benefits, are recognised as an expense in the financial period in which employees render the related service. The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a present legal or constructive obligation to make payments and a reliable estimate of the obligation can be made.

(ii) Post-employment benefits

Defined contribution plan

The Company operates a defined contribution plan for certain employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further contributions or to make direct benefit payments to employees if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The assets of the plan are held separately from the Company in independently administered funds. The contributions to the defined contribution plan are recognised as an expense when they are due. Amounts not paid are included in accruals in the balance sheet.

Micro Focus Software UK Ltd
Notes to the financial statements
For the period ended 30 June 2023

4 Turnover

The total turnover of the Company has been derived from its principal activity for which a geographical analysis is given below by destination of sale which is not materially different to origin

	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
<i>External revenue</i>		
United Kingdom	52,853	80,531
Rest of Europe	4,684	8,253
Rest of world	1,223	3,882
	58,760	92,666
<i>Related party revenue</i>		
United Kingdom	11,974	-
Rest of Europe	652	-
Rest of world	5,545	-
	18,171	-

Analysis of turnover by product

	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Application Modernization and Connectivity (AMC)	5,813	7,946
Application Delivery Management (ADM)	14,255	21,120
IT Operations Management (ITOM)	20,540	34,434
CyberRes	7,258	12,014
Information Management and Governance (IM&G)	10,894	17,152
Research and development services	3,993	-
Management and other support services	14,178	-
	76,931	92,666

5 Operating profit

	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
This is stated after charging/(crediting):		
Depreciation of property, plant and equipment (note 10)	1,034	2,570
Loss on disposal of tangible fixed assets	100	1
Net foreign currency exchange loss/(gain)	1,572	(6,393)
Audit fees payable to the Company's auditor in respect of the Company	182	106

6 Directors' remuneration and staff costs

(a) Directors' remuneration	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Directors' remuneration	184	457
Amounts receivable under long term incentive plans	-	-

Micro Focus Software UK Ltd
Notes to the financial statements
For the period ended 30 June 2023

6 Directors' remuneration and staff costs (continued)

(a) Directors' remuneration (continued)

	Period ended 30 June 2023	Year ended 31 October 2022
Number of directors accruing benefits under: Defined benefit schemes	-	-
Number of directors who received shares in respect of qualifying services	-	2
Number of directors who exercised share options	-	-

In respect of the highest paid director:

	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Directors' remuneration	101	353
Amounts receivable under long term incentive plans	-	-

The directors of the Company were also directors of other group companies. It is not practicable to apportion these amounts between the directors' services as directors of the Company and their services as directors of other group companies.

(b) Staff costs

	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Wages and salaries	32,611	44,010
Social security costs	3,793	5,531
Restructuring costs	5,473	1,680
Pension costs	1,597	2,426
	<u>43,474</u>	<u>53,647</u>
Cost of employee share schemes	1,683	3,041
	<u>45,157</u>	<u>56,688</u>

The average monthly number of employees during the period was made up as follows:

	2023 Number	2022 Number
Sales and distribution	182	169
Services	166	176
Administration	110	75
	<u>458</u>	<u>420</u>

7 Other interest receivable and similar income

	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Interest on lease receivables	30	75
Intercompany loan interest received	952	300
	<u>982</u>	<u>375</u>

Micro Focus Software UK Ltd
Notes to the financial statements
For the period ended 30 June 2023

8 Interest payable and similar expense	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Intercompany loan interest payable	(53)	(627)
Interest on lease liabilities	(120)	(272)
	<u>(173)</u>	<u>(899)</u>

9 Income tax	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Recognised in the profit and loss account	£000	£000
Current tax:		
Current tax on profits for the period	444	-
Foreign tax suffered	147	20
Foreign tax relief	(7)	-
Total current tax charge	<u>584</u>	<u>20</u>
Deferred tax:		
Current period	518	(328)
Adjustment in respect of prior period	176	30
Effect of changes in tax rates	(79)	(61)
Total deferred tax charge/(credit)	<u>615</u>	<u>(359)</u>
Total tax charge/(credit)	<u>1,199</u>	<u>(339)</u>

Factors affecting total tax charge for the current period

The charge for the period/year can be reconciled to the profit per the income statement as follows:

	Period ended 30 June 2023 £000	Year ended 31 October 2022 £000
Profit before taxation	<u>3,345</u>	<u>6,167</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.26% (2022: 19.00%)	711	1,172
Effects of:		
<i>Expenses not deductible for tax purposes</i>	-	64
Tax rate changes	(79)	(61)
Prior period adjustments	176	30
Income not taxable	-	(1,063)
Effects of overseas tax rate	116	-
Effects of Group relief	(420)	-
Change in basis adjustment	(42)	(56)
Share options	737	(425)
Total tax charge/(credit)	<u>1,199</u>	<u>(339)</u>

Factors affecting current tax and future tax charges

The Finance Bill 2021 included provisions to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023 and this was substantively enacted on 24 May 2021. Therefore, the opening and closing deferred tax balances have been calculated using a blend of the 19% and 25% rates based on when the deferred tax asset will unwind, i.e. 19% if the asset will unwind between 1 November 2021 and 31 March 2023 and 25% if the asset will unwind from 1 April 2023 onwards.

The total tax credit for the year includes a prior period tax adjustment charge of £176,000.

Micro Focus Software UK Ltd
Notes to the financial statements
For the period ended 30 June 2023

10 Tangible fixed assets

	Leasehold improvements	Computer equipment	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost:				
At 1 November 2022	6,079	2,829	2,180	11,088
Additions	89	-	136	225
Disposals	(425)	(230)	(406)	(1,061)
At 30 June 2023	5,743	2,599	1,910	10,252
Depreciation and impairment:				
At 1 November 2022	1,525	2,447	969	4,941
Eliminated on disposal	(425)	(49)	(144)	(618)
Charge for the period	687	129	218	1,034
Impairment	238	-	-	238
At 30 June 2023	2,025	2,527	1,043	5,595
Net book value:				
At 31 October 2022	4,554	382	1,211	6,147
At 30 June 2023	3,718	72	867	4,657

Right-of-use assets

Property, plant and equipment includes right-of-use assets with carrying amounts as follows

	Leasehold improvements	Computer equipment	Fixtures and fittings	Total
	£000	£000	£000	£000
Right-of-use assets				
At 01 November 2022	3,326	211	-	3,537
At 30 June 2023	2,648	-	-	2,648

Micro Focus Software UK Ltd
Notes to the financial statements
For the period ended 30 June 2023

11 Debtors	<i>As at 30 June</i>	<i>As at 31 October</i>
	2023	2022
	£000	£000
Amounts due from group undertakings	51,533	27,218
Trade debtors	12,249	35,253
Deferred tax asset (note 16)	1,056	1,797
Other debtors and accrued income	3,695	6,666
Total due within one year:	68,533	70,934

Included within amounts owed by group undertakings are balances that form part of the parent undertaking's group cash-pooling arrangements. For the period ended 30 June 2023, interest was receivable at an annual interest rate of applicable base rate minus 0.15% on cash-pool deposits (2022: LIBOR minus 0.15%).

As at 30 June 2023, a loss allowance of £117,000 (2022: £943,000) was recognised for trade receivables.

12 Contract related costs	<i>As at 30 June</i>	<i>As at 31 October</i>
	2023	2022
	£000	£000
Current	5,002	1,676
Non-current	1,734	1,277
Total	6,736	2,953

13 Creditors: amounts falling due within one year	<i>As at 30 June</i>	<i>As at 31 October</i>
	2023	2022
	£000	£000
Trade creditors	3,686	4,925
Amounts owed to group undertakings	10,113	735
Taxation and social security	6,410	2,116
Accrued expenses	6,414	10,144
Contract liabilities	29,735	33,459
Other creditors	1,747	2,103
Lease obligations (note 15)	1,346	1,389
	59,451	54,871

The amounts owed to fellow group undertakings are unsecured, have no fixed repayment term and are repayable on demand. Included within amounts owed to group undertakings are balances that form part of the parent undertakings group cash-pooling arrangements.

For the period ended 30 June 2023, interest was payable at an annual interest rate of applicable base rate plus 0.8889% on cash-pool deposits (2022: LIBOR plus 0.8889%).

Trade and other creditors are payable at various dates in the next two months in accordance with the suppliers' usual and customary credit term.

Taxation and social security costs are repayable at various dates over the coming months in accordance with the applicable statutory provisions.

Creditors: amounts falling due after more than one year	<i>As at 30 June</i>	<i>As at 31 October</i>
	2023	2022
	£000	£000
Contract liabilities	6,398	13,354
Lease obligations (note 15)	2,515	3,123
Other creditors	164	430
	9,077	16,907

Contract liabilities as at 30 June 2023 were £36,133,000 (31 October 2022: £46,813,000). 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 recognised as revenue, where performance obligations have been satisfied.

Revenue billed but not recognised in the profit and loss account under the Company's accounting policy for revenue recognition is classified as contract liabilities in the statement of balance sheet to be recognised in future periods. Contract liabilities primarily relates to undelivered maintenance and subscription services on billed contracts.

Micro Focus Software UK Ltd
Notes to the financial statements
For the period ended 30 June 2023

14 Provision for other liabilities

	Dilapidation	Total
	£000	£000
At 1 November 2022	978	978
Additions	63	63
At 30 June 2023	1,041	1,041

15 Leases

Right-of-use assets:

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (note 10):

	Leasehold Improvements	Computer equipment	Total
	£000	£000	£000
Net book values			
Balance at 01 November 2022	3,326	211	3,537
Additions to right-of-use assets	88	-	88
Disposals to right-of-use assets	-	(172)	(172)
Depreciation and impairment charge for the period	(766)	(39)	(805)
Balance at 30 June 2023	2,648	-	2,648

Amount recognised in profit and loss account

The following amounts have been recognised in profit and loss for which the Company is a lessee:

	<i>As at 30 June</i>	<i>As at 31 October</i>
	2023	2022
	£000	£000
Interest expense on lease liabilities	120	272
Depreciation of right-of-use assets	567	2,022
Impairment charge of right-of-use assets	238	-

Lease obligations:

Under IFRS 16 "Leases", the Company recognises the discounted future lease payments over the reasonably certain lease term as a liability along with an associated right-of-use asset.

The movement on the Company lease obligations during the period were as follows:

	<i>As at 30 June</i>	<i>As at 31 October</i>
	2023	2022
	£000	£000
Balance at 1 November	4,512	7,343
Additions	21	2,411
Disposals	-	(2,038)
Payments	(792)	(3,476)
Interest	120	272
Balance at 30 June / 31 October	3,861	4,512

16 Deferred tax asset

The deferred tax included in the balance sheet is as follows:

	<i>As at 30 June</i>	<i>As at 31 October</i>
	2023	2022
	£000	£000
<i>Deferred tax asset</i>		
Opening balance	1,797	1,486
IFRS 16 and 15 deferred tax impact	(24)	(74)
<i>Revised opening balance</i>	1,773	1,412
Adjustment in respect of prior period	(176)	(30)
Deferred tax charge in equity for the period	(102)	27
Deferred tax charge to income statement for the year	(439)	389
Roundings	-	(1)
Deferred tax asset	1,056	1,797

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17 Post-employment benefits

The Company operated a defined contribution pension scheme for which the pension cost charge for the period amounted to £1,597,000 (2022 - £2,426,000). At 30 June 2023 the Company had £376,000 (2022:£372,000) accrued in respect of pension contributions.

18 Share capital

		<i>As at 30 June</i>		<i>As at 31 October</i>	
		2023		2022	
		£	£	£	£
Allotted, called up and fully paid	No.				
Ordinary shares of £1 each	2	2	2	2	2

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount of each share is paid up.

Retained earnings

Retained earnings represents accumulated comprehensive income for the financial period less dividends paid.

Share premium account

The share premium account represents the amount per share paid by subscribers in excess of the nominal amount of £1 per ordinary share.

Other reserves

This reserve arises from the completion of the purchase of the Hewlett-Packard Limited assets on 1 June 2017 and represents the excess of the purchase consideration over the total book value of the assets and liabilities acquired.

Controlling parties

The Company's immediate parent undertaking is Micro Focus Holding Hague BV. At the Balance Sheet date the Company's ultimate parent undertaking and controlling party is Open Text Corporation, a company incorporated in Canada. Copies of the Group financial statements of Open Text Corporation can be obtained from 275 Frank Tompa Drive, Waterloo, Ontario, N2L 0A1, Canada or at www.opentext.com.

19 Contingent liabilities

There are no contingent liabilities at 30 June 2023.

20 Assets held for sale

Net Assets classified as held for sale: Archiving and Risk Management portfolio ("The Digital Safe business")

On 3 November 2021, the Group ("Micro Focus International Plc") (now known as Micro Focus International Limited) announced the agreement of definitive terms to sell its Archiving and Risk Management portfolio (the "Digital Safe business") to Smarsh Inc., for a total cash consideration of \$375,000,000 (subject to customary completion accounts adjustments based on net debt and working capital) which is payable in full on completion of the transaction. On 31 January 2022, the sale was completed.

Consequently, the Company transferred all of its Digital Safe (Dart) business related trade and assets including Dart personnel to Dart UK Newco in exchange for the transfer of a portion of the MHC Note receivable (such portion being equal to the market value of the Dart trade and business transferred, being \$4,471,000).

There are no disposal groups classified as "held for sale" at the year end.

	Year ended 30 June 2023		
	Current	Current	Total
	assets	liabilities	
Reported in:	£000	£000	£000
Digital Safe	-	-	-

	Year ended 31 October 2022		
	Current	Current	Total
	assets	liabilities	
Reported in:	£000	£000	£000
Digital Safe	-	-	-

As the disposal of the Digital Safe business was not a discontinued operation the results for the Digital Safe business are included in the individual lines of the Profit and Loss Account and Other Comprehensive Income for the current and prior period.

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20 Assets held for sale (continued)

At 31 January 2022, when the disposal completed, the net liabilities disposed of were £ 2,006,000. Details of assets disposed of are as follows:

	Disposal Date 31 January 2022 £000
Fixed Assets	
Tangible assets	3,895
Current Assets	
Debtors	1,256
Contract related costs	368
Total assets held for sale	5,519
Current liabilities	
Creditors: amounts falling due within one year	(364)
Non-current liabilities	
Creditors: amounts falling due after more than one year	(5,023)
Provision for other liabilities	(2,138)
Total liabilities held for sale	(7,525)
The profit on disposal was calculated as follows:	£000
Disposal proceeds	
Consideration	3,333
Total disposal proceeds	3,333
Net liabilities disposed	2,006
Profit on disposal	5,339

21 Post balance sheet event

On 24 November 2023, the board of Open Text Group announced the agreement of definitive terms to sell its Application Modernization and Connectivity ("AMC") to Rocket Software, Inc. and the transaction was closed on May 01, 2024.

Total external revenue (for AMC) for the 8 month period is 9.8 % of the total revenue.

Consequent to the above transaction, following internal reorganisations were effected on 01 March 2024.

a) the Company transferred its AMC assets (comprised of customer contracts and other goodwill, accounts receivable, prepaid expenses and a small amount of property and equipment, offset by accounts payable and deferred revenues assumed) to Micro Focus Limited, in exchange for a consideration of \$13,052,004 i.e., the estimated market value of the business transferred.

b) the Company acquired the Excluded (Non AMC) assets (comprised of customer contracts and other goodwill, accounts receivable, prepaid expenses and a small amount of property and equipment, offset by accounts payable and deferred revenues assumed) from Micro Focus Limited, in exchange for a consideration of GBP 24,112,950 i.e., the estimated market value of the business acquired.

Other Acquisitions:

As part of wider Group restructuring program, effective 01 January 2024, Autonomy Systems Limited and Micro Focus Global Limited transferred their trade, assets and liabilities to the Company in exchange for a consideration of \$ 30,204,825 and GBP 18,858,288 respectively which represents the estimated market value of the businesses transferred.