

Longsand Limited

Company registration number 04598955

Report and Financial Statements

31 October 2020

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Directors Report and Financial Statements 2020

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Company Information

Directors

S Murdoch

R Rodgers

Auditor

KPMG LLP

15 Canada Square

Canary Wharf

London

E14 5GL

Registered Office

The Lawn

22-30 Old Bath Road

Newbury

Berkshire RG14 1QN

Company Registration

04598955

Strategic report

The directors present their strategic report on the Company for the year ended 31 October 2020.

Review of the business

The Company's principal activity is the development of the Autonomy intellectual property and licensing the related software rights predominantly to Autonomy Systems Limited ("ASL"). The Company funds research and development performed on owned intellectual property and collects royalties earned on the underlying trade.

The loss for the year after taxation amounted to \$3,771,000 (year ended 31 October 2019 – loss of \$19,956,000). The loss includes amortisation of intellectual property rights totalling \$20,682,000 (31 October 2019 – \$22,562,000).

The Company paid no dividend during the year (year ended 31 October 2019 – \$ Nil).

The Company has several key performance measures used internally to monitor performance and to assist investment decisions. The key performance indicators are:

- Revenue;
- Research and development expenditure;
- Earnings before interest, taxes, depreciation, impairment, amortisation ("EBITDA"); and
- Net assets.

Performance and financial position in the current and prior year is summarized as follows:

	Year ended 31 October 2020 \$000	Year ended 31 October 2019 \$000
Revenue	104,191	100,032
Research and development expenditure	51,740	61,619
EBITDA	16,793	4,502
Net assets	33,653	37,424

Revenue has increased as a result of fluctuations in the applicable revenues of fellow subsidiaries within the group from which the Company received royalties.

The total amount charged to the profit and loss account for research and development expenditure during the year has decreased to \$51,740,000 (year ended 31 October 2019 – \$61,619,000). The Company funds the development of new software products and continues to invest in further product developments.

The Company recorded EBITDA of \$16,793,000 (31 October 2019 – earnings of \$4,502,000). EBITDA has increased primarily due to the significant decrease in research and development expenditure recorded in the year due to decreased funding in development of new software products.

At the balance sheet date, the Company had net assets of \$33,653,000 (31 October 2019 – \$37,424,000). The reduction is primarily attributable to amortisation of intellectual property rights totalling \$20,682,000.

Strategic report (continued)

Financial risk management

The Company's activities expose it to a number of financial risks including credit risk, foreign exchange risk and liquidity risk.

Foreign exchange risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as the ultimate parent company manages foreign exchange risk primarily at a group level rather than the subsidiary level.

Credit risk

The Company's principal financial assets are bank balances and cash, intercompany receivables and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on intercompany receivables is not deemed significant as the Company's exposure is with fellow group members which have significant financial reserves.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses funds from related group undertakings which have sufficient cash balances for this purpose.

Principal risks and uncertainties

The Company is exposed to business risks, principally being fluctuations in the revenues and operating results of subsidiary undertakings within the group, adversely impacting the carrying value of the Company's intellectual property rights (see note 11).

The key risks to which the above business is exposed are summarised as follows:

- Our business depends on our core technology, currently marketed under the brand IDOL Server, and our strategy has been, and for the foreseeable future will continue to be, to concentrate our efforts on developing and marketing software based on our proprietary technology. Technology which significantly competes with the Company's technology, or material legal claims against our technology, would present a material risk to the Company;
- Expenditures increasing without a commensurate increase in revenues, and rapid changes in market conditions, could result in poor operating results;
- The average selling prices of our products could decrease rapidly, which may negatively impact revenues and gross margins;
- Errors or defects in our products could negatively affect our revenues and the market acceptance of our products and increase our costs;

The risks associated with Brexit remain due to there being no clarity on the long-term trading relationship with the EU. The Group's cross-functional Brexit Working Group (BWG) continued meeting throughout the year and following analysis of the EU-UK Trade and Cooperation Agreement agreed on 30 December 2020, the Group's mitigations and preparatory activity continued, preparing the Group for the transition. The areas reviewed for possible impacts included people, tax, transfer pricing, commercial contracts (buy and sell), privacy and data protection, intellectual property and regulatory matters. The BWG is phasing workstreams back into Group functions that will continue to work through changes. We recognise that it is early in the implementation of new rules and regulations and the position will continue to be monitored for any new or emerging risk areas.

Strategic report (continued)

COVID-19 Risk

The Company, like all businesses, is navigating through a period of disruption, as it has responded to the practical and macroeconomic impacts of COVID-19. COVID-19 still presents fast moving, and in some areas unpredictable, direct and indirect risks to the Company's businesses. The Company may be subject to inherent risks arising from the continuation of the on-going COVID-19 pandemic. Further deterioration of the macro environment could result in more conservatism and longer decision-making cycles within the Company's customer base.

Adverse economic conditions arising as a result of the continuation of the COVID-19 pandemic could affect sales performance and business operations.

Key controls and mitigating factors

The Company continues to closely monitor how matters develop and is taking prudent steps to mitigate any potential impacts to the health and safety of employees, customers, partners, suppliers and other stakeholders, and to the successful operation of the business. The Company acted quickly at the commencement of the COVID-19 pandemic, reviewing the existing business continuity plan ("BCP") structures and enhancing governance, through the establishment of a COVID-19 Steering Committee, to provide a strategic platform to identify and address the emerging risks of COVID-19 across the organisation. The status of key COVID-19 operational risks is monitored in real time through reporting provided daily to the COVID-19 Operational Response Team on indicators such as rates of infection, illness and facility occupancy levels.

The directors of the Company regularly review the overall performance of the Autonomy business as a proxy for monitoring the financial performance of Longsand Limited and Autonomy Systems Limited.

Future developments

The Company expects its principal activity to continue to be the funding of development of intellectual property and licensing the related software rights to Autonomy Systems Limited. The underlying business profits are forecast to grow which supports the recoverability of the material intellectual property rights held by the Company.

On behalf of the Board

Richard Paul Rodgers
Director



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

Registered No. 04598955

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 October 2020.

Strategic report

In accordance with Section 414C(11) of the Companies Act 2006, the following information has been included in the Company's strategic report which would otherwise be required by Schedule 7 of the "Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008" to be contained in the directors' report:

The financial risk management objectives and policies of the company and exposure of the company to risk in relation to the use of financial instruments; and

Future developments of the company and activities of the company in the field of research and development.

Directors

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

I Fraser (appointed 15 October 2018; Resigned 8 April 2020)

S Murdoch

R Rodgers

The current Articles of Association of the Company provide for third party indemnification of directors, which is in place for the current directors and was in place during financial year ended 31 October 2020. A copy of the Company's Articles of Association is available for inspection at the Company's office and from Companies House.

Going concern

The Company operates as an intellectual property owner entity in the Micro Focus Group. The company meets its day-to-day capital requirements through its bank facilities and 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 these financial statements.

The Company being an intellectual property owner in the Micro Focus Group has not seen any indicators of impairment of its intellectual property rights. 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 31 October 2020, 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.

In assessing going concern the Group has estimated the financial impact of severe but plausible scenarios, which take into account the Group's principal risks, impacting both revenue and adjusted EBITDA, including a greater than forecast level of exceptional expenditure to complete the Group's IT implementation being incurred. The impact of COVID-19 on Group's cash flow in the current year has been limited however the severe but plausible scenarios reflect a wider macro-economic impact from COVID-19 continuing for the entire 12 month going concern assessment period to July 2022. This stress testing confirmed that existing projected cash flows and cash management activities provided the Group, and therefore the Company through its ownership of cash flows within the Group, with adequate headroom over the going concern assessment period.

Directors' report (continued)

Going concern (continued)

There is no intention to dissolve the company or cease trading. Despite recording a loss for the financial year, the company has net assets of \$33,653,000 at the balance sheet date. 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. Further, the company expects to make profits in future periods as the intangible asset is fully amortised as at 31 October 2020.

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.

On behalf of the Board

Richard Paul Rodgers
Director
The Lawn
22-30 Old Bath Road
Newbury
Berkshire RG14 1QN



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

The directors are responsible for preparing the Strategic report, 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102):

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; 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. They 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.

Independent auditor's report

to the members of Longsand Limited

Opinion

We have audited the financial statements of Longsand Limited ("the company") for the year ended 31 October 2020 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 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in UK and Republic of Ireland'; 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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:

Independent auditor's report

to the members of Longsand Limited

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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.

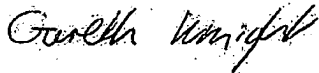
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report

to the members of Longsand Limited

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: 22 July 2021

Longsand Limited
Statement of comprehensive income
For the year ended 31 October 2020

	<i>Note</i>	<i>Year ended 31 October</i>	
		<i>2020</i>	<i>2019</i>
		<i>\$000</i>	<i>\$000</i>
Turnover	5	104,191	100,032
Administrative expenses		(108,080)	(118,092)
Operating loss	6	(3,889)	(18,060)
Interest receivable and similar income	8	45	179
Interest payable and similar expenses	9	(89)	(119)
Net interest (expense) / income		(44)	60
Loss before taxation		(3,933)	(18,000)
Tax credit / (expense) for the year	10	162	(1,956)
Loss for the financial year		(3,771)	(19,956)

All amounts relate to continuing activities.

The notes on pages 15 to 23 are an integral part of these financial statements

Longsand Limited

Balance sheet at 31 October 2020

		<i>As at 31 October</i>	
	<i>Note</i>	<i>2020</i> \$000	<i>2019</i> \$000
Fixed assets			
Intangible assets	11	-	20,682
		-	20,682
Current assets			
Debtors	12	95,247	66,850
Cash at bank and in hand		138	137
		95,385	66,987
Creditors: amounts falling due within one year	13	(61,732)	(50,207)
Net current assets		33,653	16,780
Total assets less current liabilities		33,653	37,462
Provisions for liabilities	10	-	(38)
Net assets		33,653	37,424
Capital and reserves			
Called-up share capital	14	2	2
Retained earnings		33,651	37,422
Total equity		33,653	37,424

The notes on pages 15 to 23 are an integral part of these financial statements

The financial statements on pages 12 to 23 were approved by the board of directors and signed on its behalf by:

Richard Paul Rodgers
Director



Company registration: 04598955

Date: 19th July 2021

Longsand Limited

Statement of changes in equity for the year ended 31 October 2020

	Called-up share capital \$000	Retained earnings \$000	Total shareholders' funds \$000
Balance as at 1 November 2018	2	57,378	57,380
Loss for the financial period ended 31 October 2019	-	(19,956)	(19,956)
Total comprehensive expense for the period ended 31 October 2019	-	(19,956)	(19,956)
Balance as at 31 October 2019	2	37,422	37,424
Loss for the financial period ended 31 October 2020	-	(3,771)	(3,771)
Total comprehensive expense for the period ended 31 October 2020	-	(3,771)	(3,771)
Balance as at 31 October 2020	2	33,651	33,653

The notes on pages 15 to 23 are an integral part of these financial statements

Notes to the financial statements

For the year ended 31 October 2020

1. General information

Longsand Limited is a private company limited by shares and is incorporated and domiciled in England. The registered office is The Lawn, 22-30 Old Bath Road, Newbury, Berkshire, RG14 1QN.

2. Statement of compliance

The Company's 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 the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant account policies

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

a) *Basis of preparation*

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss.

b) *Going concern*

The Company operates as an intellectual property owner entity in the Micro Focus Group. The company meets its day-to-day capital requirements through its bank facilities and 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 these financial statements.

The Company being an intellectual property owner in the Micro Focus Group has not seen any indicators of impairment of its intellectual property rights. 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 31 October 2020, 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.

In assessing going concern the Group has estimated the financial impact of severe but plausible scenarios, which take into account the Group's principal risks, impacting both revenue and adjusted EBITDA, including a greater than forecast level of exceptional expenditure to complete the Group's IT implementation being incurred. The impact of COVID-19 on Group's cash flow in the current year has been limited however the severe but plausible scenarios reflect a wider macro-economic impact from COVID-19 continuing for the entire 12 month going concern assessment period to July 2022. This stress testing confirmed that existing projected cash flows and cash management activities provided the Group, and therefore the Company through its ownership of cash flows within the Group, with adequate headroom over the going concern assessment period.

There is no intention to dissolve the company or cease trading. Despite recording a loss for the financial year, the company has net assets of \$33,653,000 at the balance sheet date. 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. Further, the company expects to make profits in future periods as the intangible asset is fully amortised as at 31 October 2020.

Notes to the financial statements

For the year ended 31 October 2020

Summary of significant account policies (continued)

c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. On the basis that the company is a qualifying entity and its ultimate parent company, Micro Focus International plc, includes the company's cash flows and related notes in its own consolidated financial statements, the company has taken advantage of the following exemptions:

- The requirement to prepare a statement of cash flows FRS 102 para 1.12(b);
- Certain financial instrument disclosures FRS 102 para 11.39 – 11.48A, 12.26 – 12.29;
- The non disclosure of key management personnel compensation in total. FRS 102 para 33.7; and
- Related party disclosures FRS102 para 33.1A

d) Foreign currency

The company's functional and presentation currency is the United States Dollar ('USD').

Foreign currency transactions are translated into functional currency using the spot rates at the dates of the transactions.

At each period end foreign currency monetary items are translated 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

In evaluating the functional currency of the Company, management consider the primary activity of the company to be research and development activities and generation of royalties, all of which are denominated in USD.

e) Turnover

Turnover represents royalty and sub-licensing income for use of the Company's intellectual property and is recognised net of trade discounts, VAT and other sales-related taxes. Turnover is recognised on an accruals basis in accordance with the substance of the relevant agreement.

f) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted. Current tax is the income tax payable or receivable on the taxable profit or loss for the year or prior years, using tax rates enacted or substantively enacted at the balance sheet date.

Wherever possible the company utilises group relief benefits as available. As a group policy the company does not cash settle for any group relief benefits availed.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the

Notes to the financial statements

For the year ended 31 October 2020

Summary of significant account policies (continued)

inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of the deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

g) Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

h) Intangible fixed assets

Intangible assets acquired separately from a business are capitalised at cost. Subsequent to initial recognition, intangible asset are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed from impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The useful economic life of intangible assets are as follows:

Intellectual property rights – 9 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

i) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised valuation. Therefore any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Notes to the financial statements

For the year ended 31 October 2020

Summary of significant account policies (continued)

j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

k) Financial instruments

The company has chosen to adopt Sections 11 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised in the Company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

(1) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, 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 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 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. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(2) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(l) Share capital

Ordinary shares are classified as equity.

Notes to the financial statements

For the year ended 31 October 2020

Summary of significant account policies (continued)

(m) Distributions to equity holders

Dividends to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

(n) Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

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. There are no critical accounting estimates and judgement in the period which requires disclosure.

Longsand Limited
Notes to the financial statements
At 31 October 2020

5 Turnover

All turnover relates to one business segment, being the royalty and sub-license income for use of the Company's intellectual property through intercompany transfer pricing agreements.

All turnover relates to the United Kingdom geographical segment.

6 Operating loss

This is stated after (charging)/crediting:

Year ended 31 October

	2020	2019
	\$000	\$000
Net foreign currency exchange profit / (loss)	221	(3)
Research and development costs written off	(51,740)	(61,619)
Amortisation of intangible assets (Note 11)	(20,682)	(22,562)
Fees payable to the company's auditor for the audit of the financial statements	(32)	(36)

7 Employees and directors

(a) Employees

The company had no employees in the current or preceding financial year.

(b) Directors

The services provided by S Murdoch and R Rodgers as Directors of the Company do not occupy a significant amount of their time and are considered to be incidental, consequently no disclosure has been made in respect of emoluments for these directors. These directors are also directors of other Companies within the Micro Focus International group and provide services to entities throughout the whole group. Directors' emoluments for these directors have been borne by fellow group undertakings.

8 Interest receivable and similar income

Year ended 31 October

	2020	2019
	\$000	\$000
Interest receivable on intercompany balances	45	179
Total interest receivable and similar income	45	179

9 Interest payable and similar expenses

Year ended 31 October

	2020	2019
	\$000	\$000
Interest payable on intercompany balances	(89)	(119)
Total interest payable and similar expenses	(89)	(119)

10 Income tax

(a) Recognised in the profit and loss account

Year ended 31 October

	2020	2019
	\$000	\$000
Current tax:		
Current tax on profits for the year	-	-
Adjustment in respect of prior period	-	2,066
Total current tax	-	2,066

Longsand Limited
Notes to the financial statements
At 31 October 2020

10 Income tax (continued)

Deferred tax:

Current year

Origination and reversal of timing differences

(166) (123)

Effect of changes in tax rates

4 13

Total deferred tax

(162) (110)

Tax for the year

(162) 1,956

(b) Reconciliation of tax charge

The charge for the year can be reconciled to the loss per the income statement as follows:

Year ended 31 October

2020 2019

\$000 \$000

Loss before taxation

(3,933) (18,000)

Tax on Loss at standard UK tax rate of 19% (2019-19%)

(747) (3,420)

Effects of:

Expenses not deductible for tax purposes

3,765 4,116

Effects of group relief

(3,184) (819)

Tax rate changes

4 13

Adjustment from previous period

- 2,066

Current tax (credit) / charge for the period

(162) 1,956

(c) Deferred taxation

The recognised deferred tax asset is \$124,000 (2019-\$38,000, Deferred tax liability). This comprises:

Year ended 31 October

2020 2019

\$000 \$000

Difference between accumulated amortisation and capital allowances

(124) 38

At 1 November 2019

\$000

38

Adjustments in respect of prior periods

-

Deferred tax credit in profit and loss account for the year

(162)

At 31 October 2020

(124)

Factors that may affect future tax charges:

On 11 March 2021, Finance Bill 2021 was published which includes provision for the main rate of Corporation Tax to increase to 25% from 1 April 2023. As the rate change will be enacted after the balance sheet date, it is a non-adjusting post balance sheet event.

The tax charge for the previous period includes a prior period adjustment of a debit of \$2,066,000.

Longsand Limited
Notes to the financial statements
At 31 October 2020

11 Intangible assets

	Intellectual property rights \$000
Cost:	
At 1 November 2018 and at 31 October 2019	<u>323,555</u>
Accumulated amortisation:	
At 1 November 2018	280,311
Amortisation for the year	<u>22,562</u>
At 31 October 2019	<u>302,873</u>
Net book value:	
At 31 October 2019	<u><u>20,682</u></u>
Cost:	
At 1 November 2019 and at 31 October 2020	<u>323,555</u>
Accumulated amortisation:	
At 1 November 2019	302,873
Amortisation for the year	<u>20,682</u>
At 31 October 2020	<u>323,555</u>
Net book value:	
At 31 October 2020	<u><u>-</u></u>

The intellectual property rights are being amortised over a period of 9 years which is the projected economic life of the asset.

Longsand Limited
Notes to the financial statements
At 31 October 2020

12 Debtors

	2020	2019
	\$000	\$000
<i>Amounts due within one year:</i>		
Amounts due from group undertakings	87,166	66,830
Deferred tax asset (Note 10)	124	-
Other receivables	-	20
Total trade and other receivables due within one year:	<u>87,290</u>	<u>66,850</u>
<i>Amounts due after more than one year:</i>		
Loan to parent undertaking	7,957	-
Total trade and other receivables due after one year:	<u>7,957</u>	<u>-</u>
Total trade and other receivables	<u>95,247</u>	<u>66,850</u>

Included within amounts owed by group undertakings are balances that form part of the parent undertaking's group cash-pooling arrangements, if any. For the year ended 31 October 2020 and 31 October 2019, interest was receivable at an annual interest rate of LIBOR minus 0.15% on cash-pool deposits.

On 5 October 2020 the company formalised a loan agreement with another group undertaking, Seattle Spinco Inc. The loan is repayable on or before 6 October 2025 and bears an interest rate of 4.601%.

13 Creditors: amounts falling due within one year

	2020	2019
	\$000	\$000
Amounts owed to group undertakings	61,686	50,160
Accruals and deferred income	46	47
	<u>61,732</u>	<u>50,207</u>

The amounts owed to fellow group undertakings are unsecured and 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 year ended 31 October 2020, interest on cash-pool loans was accrued at an annual interest rate of LIBOR plus 0.092%.

14 Share capital

	2020	2019
	No. \$000	No. \$000
Allotted, called up and fully paid		
Ordinary shares of \$1.6 (GBP £1) each	1,001 <u>2</u>	1,001 <u>2</u>

The Company paid no dividend during the year to its immediate parent company (year ended 31 October 2019 – Nil).

15 Controlling parties

The Company's immediate parent undertaking is Autonomy Systems Limited. The Company's ultimate parent undertaking and controlling party at the balance sheet date is Micro Focus International plc, a corporation registered in the United Kingdom.

Since 1 September 2017 the ultimate parent is Micro Focus International plc of the largest and smallest group for which the group financial statements are drawn up at the balance sheet date. Copies of the group financial statements of Micro Focus International plc can be obtained from The Lawn, 22-30 Old Bath Road, Newbury, RG14 1QN, UK.

Companies House
Crown Way
Cardiff
CF14 3UZ

27 July 2021

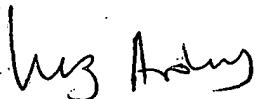
Dear Sirs

Micro Focus Integration Limited - 11283120

Please find enclosed Annual report and financial statements for the year ended 31 October 2020.

I should be grateful if you would kindly acknowledge receipt by stamping the enclosed copy of this letter and returning in the self-addressed envelope.

Yours faithfully

A handwritten signature in black ink, appearing to read "Liz Arding".

Liz Arding

Entity Management Associate

Encs.