

SERENA SOFTWARE INC  
Form S-4/A  
April 05, 2004  
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As filed with the Securities and Exchange Commission on April 5, 2004

Registration No. 333-113405

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**PRE-EFFECTIVE AMENDMENT NO. 2**

TO

**FORM S-4**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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**SERENA SOFTWARE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**7372**  
(Primary Standard Industrial  
Classification Code Number)

**94-2669809**  
(I.R.S. Employer  
Identification Number)

2755 Campus Drive, 3rd Floor

San Mateo, California 94403-2538

(650) 522-6600

(Address, including ZIP code, and telephone number, including area code, of registrant's principal executive offices)

**Mark Woodward**

**President and Chief Executive Officer**

**SERENA Software, Inc.**

**2755 Campus Drive, 3rd Floor**

**San Mateo, California 94403-2538**

**(650) 522-6600**

(Name, address, including ZIP code, and telephone number, including area code, of agent for service)

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*Copies to:*

**Kenneth R. Lamb**

**Stewart L. McDowell**

**Gibson, Dunn & Crutcher LLP**

**One Montgomery Street**

**San Francisco, CA 94104-4505**

**(415) 393-8200**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective and upon consummation of the transactions described in the enclosed prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. " \_\_\_\_\_"

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_"

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. " \_\_\_\_\_"

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the United States Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information contained in this document may change. We may not complete the exchange offer and issue these securities until the registration statement filed with the United States Securities and Exchange Commission is effective. This document is not an offer to sell securities, and it is not soliciting an offer to buy securities, in any jurisdiction where the offer or sale is not permitted.**

**This document is important and requires your immediate attention. If you are in any doubt about the offer or what action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000 or another appropriately authorised independent financial advisor.**

If you have sold or otherwise transferred your Merant securities, please send this document and the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was made, for delivery to the purchaser or transferee. We are not making the offer directly or indirectly in or into Canada, Australia or Japan. You should not forward or transmit these documents in or into Canada, Australia or Japan.

OFFER DOCUMENT DATED 18 MARCH 2004

**RECOMMENDED CASH AND SHARE OFFER**

**BY**

**SERENA SOFTWARE, INC.**

**(AND BY**

**LEHMAN BROTHERS**

**ON ITS BEHALF**

**OUTSIDE THE UNITED STATES)**

**FOR**

**THE ENTIRE ISSUED AND TO BE ISSUED SHARE CAPITAL OF**

**MERANT PLC**

SERENA Software, Inc., referred to as we or SERENA, (and Lehman Brothers on behalf of SERENA outside the United States) is offering to acquire, on the conditions and the further terms set out in this document and in the accompanying acceptance form or letter of transmittal, all of the issued and to be issued and unconditionally allotted ordinary shares of Merant plc, referred to as Merant shares, and Merant American Depositary Shares, referred to as Merant ADSs, represented by American Depositary Receipts, referred to as Merant ADRs, on the following basis:

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for every 1 Merant share	136.5 pence in cash and 0.04966 share of SERENA common stock, US\$0.001 par value per share
for every 1 Merant ADS (each Merant ADS representing 5 Merant shares)	682.5 pence in cash and 0.2483 share of SERENA common stock, US\$0.001 par value per share

If you accept this offer, you may request to vary the proportion of shares of SERENA common stock, par value \$0.001 per share, referred to as SERENA shares, and cash you will receive pursuant to a mix and match election, including by electing to receive only cash or only new SERENA shares. However, your mix and match election will only be satisfied to the extent that other Merant securityholders make opposite elections.

The offer is based on a valuation of 195 pence for each Merant share. On this basis, the offer values the entire issued share capital of Merant at approximately £206 million (US\$380 million). Our offer to pay for and exchange SERENA shares for Merant shares and Merant ADSs is subject to the conditions set forth in Appendix 1 of this document.

SERENA shares are traded on the Nasdaq National Market, referred to as Nasdaq, under the symbol `SRNA`. Merant shares are listed on the Official List and traded on the London Stock Exchange under the symbol `MRN` and on Nasdaq in the form of Merant ADSs under the symbol `MRNT`.

**A LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF MERANT BEGINS ON PAGE 30 OF THIS DOCUMENT.**

**We Are Not Asking You For A Proxy and You Are Requested Not to Send Us a Proxy.**

**The initial offer period will expire at 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, unless we specify a later closing date.**

At the conclusion of the initial offer period, if all the conditions have been satisfied, fulfilled and/or, to the extent permitted, waived, we will extend the offer for a subsequent offer period of at least 14 calendar days. Merant securityholders will have withdrawal rights during the initial offer period, including any extension thereof, but not during the subsequent offer period, except in limited circumstances.

**To accept the offer, you must complete the appropriate acceptance procedures by no later than 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004. The procedures for acceptance of the offer are described beginning on page I-21 of Appendix 1 and in the accompanying acceptance form or letter of transmittal.**

**In connection with the offer, you should consider the matters discussed under Risk Factors beginning on page 21 of this document.**

**Neither the SEC nor any securities commission of any state of the United States has approved or disapproved of the securities offered by or on behalf of SERENA or determined if this offer document is truthful or complete. Any representation to the contrary is a criminal offence.**

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**REFERENCES TO ADDITIONAL INFORMATION**

This document incorporates important business and financial information about SERENA and Merant from other documents that are not included in or delivered with this document. This information is available to you without charge upon your written or oral request. You may read and copy any reports, statements or information that the companies file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1 (800) 732-0330 for further information on the public reference room. The SEC filings of SERENA and Merant are also available to the public from commercial document retrieval services and at the internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). See the section entitled "Where You Can Find Additional Information." In addition, Merant files annual reports with the Registrar of Companies at Companies House in England and Wales. This information is available through the Companies House website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) upon payment of a minimal fee.

You may also request copies of these documents from us, without charge, excluding all exhibits, unless we have specifically incorporated by reference an exhibit in this document. Merant securityholders may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from our Information Agent at the address set forth below. You can also contact our Information Agent for answers to your questions regarding the offer. In order to receive timely delivery of the documents, you must make your request no later than 8 April 2004.

**D.F. KING & CO., INC.**

*North America*

48 Wall Street

New York, NY 10005

Toll Free: 1 (800) 859-8509

Banks and Brokers: 1 (212) 269-5550

*Europe*

No. 2 London Wall Buildings  
London Wall, London EC2M 5PP  
Toll Free, UK: 0 800 917 8414  
Call Collect: +44 20 7920 9700

SERENA is a registered trademark and the SERENA logo, StarTool and SAFE are trademarks of SERENA. Merant is a registered trademark of Merant. All other products and service names used are trademarks or registered trademarks of their respective owners.

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**IMPORTANT INFORMATION**

**DEFINITIONS**

Some words and terms used in this document are defined in Appendix 8 to this document.

**APPLICABLE DISCLOSURE REQUIREMENTS**

We are making an exchange offer for securities of an English company. Because the offer is subject to English and US securities laws, regulations and disclosure requirements, US and UK investors should be aware that this document consists of a combination of both US and UK format and style. In particular, although material information is summarised in the section entitled Summary of the Material Terms of the offer and the letter from Lehman Brothers contained in this document, the Appendices to this document contain material information concerning the offer which is required by US or UK securities law and may be of interest to you.

**FORWARD-LOOKING STATEMENTS**

This document and other documents to which we refer you contain forward-looking statements concerning non-historical facts or matters that are subject to risks and uncertainties. These forward-looking statements may be preceded by, followed by or include the words believes, expects, anticipates, intends, plans, projections, estimates, may, will, should, could or similar expressions. These forward-looking statements are based on our expectations or beliefs concerning future events, many of which are outside of our control. Many possible events or factors could affect the actual financial results and performance of SERENA and Merant before the completion of the transaction and of the combined company after the completion of the transaction, and these factors or events could cause those results or performance to differ significantly from those expressed in our forward-looking statements, including but not limited to:

the possibility that the offer may not be completed;

difficulties we may encounter when integrating the SERENA and Merant businesses, along with other recent acquisitions, if the offer is successful;

the percentage of licence revenue typically closed at the end of each quarter making estimation of operating results prior to the end of the quarter extremely uncertain;

weak economic conditions worldwide which may continue to adversely affect the overall demand for software and services, which have resulted in and could continue to result in decreased revenues or lower revenue growth rates;

our reliance on our mainframe products for revenue;

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changes in revenue mix and seasonality;

our ability to deliver our products on the distributed systems platform;

dependence on revenues from our installed base;

continued demand for additional mainframe Million Instructions Per Second, or MIPS, capacity;

expansion of our international organisations; and

our ability to manage our growth.

The safe harbour protection afforded by the US Private Securities Litigation Reform Act of 1995 does not apply to forward-looking statements made in connection with exchange offers.

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### **FINANCIAL INFORMATION**

The extracts from the consolidated financial statements of, and other information about, SERENA appearing in this document are presented in US dollars (US\$) and have been prepared in accordance with accounting principles generally accepted in the United States of America, referred to as US GAAP. The extracts from the consolidated financial statements of, and other information about, Merant appearing in this document are presented in both US dollars (US\$) and pounds sterling (£) or pence (p) and have been prepared in accordance with accounting practices and principles generally accepted in the United Kingdom, referred to as UK GAAP, except that the Merant revenues have been recognised in accordance with both UK and US GAAP. The headers and captions to the Merant financial information will indicate the basis of accounting and the utilised currency. US GAAP and UK GAAP differ in some significant respects. Financial information relating to SERENA is contained in Appendix 2 and is incorporated by reference in this document. Financial information relating to Merant is contained in Appendix 3 and is incorporated by reference in this document. A reconciliation between UK GAAP and US GAAP in respect of certain information set forth in this document is contained in documents of the Merant group incorporated by reference in this document. Certain unaudited pro forma financial information relating to the combined company is contained in Appendix 4. The unaudited pro forma financial information relating to the combined SERENA group has been prepared in accordance with US GAAP.

### **ABSENCE OF APPRAISAL RIGHTS**

Merant securityholders generally do not have appraisal rights under English law. See the section entitled *Appraisal Rights* in Appendix 6 of this document.

### **RULE 8 NOTICES**

Rule 8.3 of The City Code on Takeovers and Mergers, referred to as the City Code, requires public disclosure of dealings during the initial offer period by persons who own or control or pursuant to an agreement or understanding (whether formal or informal) own or control, or who would as a result of any transaction own or control, 1 per cent. or more of any class of relevant securities of Merant and/or SERENA. Relevant securities include Merant securities, SERENA shares, and instruments convertible into either Merant securities or SERENA shares. In the case of the offer, this requirement will apply until the end of the initial offer period.

### **ADVISORS**

Lehman Brothers Europe Limited, referred to as Lehman Brothers, which is regulated in the United Kingdom by The Financial Services Authority, is acting for SERENA and no one else in connection with the offer and will not be responsible to anyone other than SERENA for providing the protections afforded to customers of Lehman Brothers nor for giving advice in relation to the offer. SERENA is making the offer in the United States on its own behalf.

UBS is acting as financial advisor to Merant in connection with the offer and no one else and will not be responsible to anyone other than Merant for providing the protections afforded to clients of UBS nor for providing advice in relation to the offer.

**SALES RESTRICTIONS IN CERTAIN COUNTRIES**

We are not making the offer directly or indirectly in or into Canada, Australia or Japan. You should not forward or transmit these documents in or into Canada, Australia or Japan.

**NO INTERNET SITE IS PART OF THIS DOCUMENT**

Each of SERENA and Merant maintains an internet site. The SERENA internet site is at *www.serena.com*. The Merant internet site is at *www.merant.com*. Information contained in or otherwise accessible through these internet sites is not part of this document. All references in this document to these internet sites are inactive textual references to these sites and are for your information only.

**Table of Contents****QUESTIONS AND ANSWERS AND SUMMARY OF THE MATERIAL TERMS OF THE OFFER**

*This question and answer section highlights selected information from this document but does not contain all of the information that may be important to you. To better understand our offer to holders of Merant shares and Merant ADSs, you should read this entire document carefully, as well as those additional documents to which we refer you. You may obtain the information incorporated by reference into this document by following the instructions in the section captioned "Where You Can Find Additional Information." In particular, you should read the Appendices attached to this document. References in this document to SERENA, we, us and our are references to SERENA and its consolidated subsidiaries, unless the context otherwise requires. References to Merant securityholders are references to holders of Merant shares or Merant ADSs. References to Merant shareholders are references to holders of Merant shares. Terms used in the Appendices to this document are defined in Appendix 8 to this document.*

**WHO IS OFFERING TO BUY MY MERANT SHARES AND MERANT ADSs?**

SERENA is an industry leader in Enterprise Change Management, or ECM, solutions focused on the mainframe platform. For over twenty years we have focused exclusively on providing solutions that help companies automate change to the applications that run their businesses. Today our products are in use at over 3,600 customer sites including 46 of the Fortune 50. We believe our SERENA Application Framework for Enterprises (SAFE) is the next step in ECM, providing cross-platform, cross-process and cross-organisational support across application life cycle processes. With headquarters in San Mateo, California, we serve customers worldwide through local offices and an international network of distributors.

We are listed on Nasdaq under the symbol SRNA. We have a current market capitalisation of approximately US\$755 million based on the closing price of SERENA shares on 15 March 2004, the latest practicable date prior to the posting of this document. In the years ended 31 January 2004 and 2003, we reported the following results (in millions of US Dollars, except per share data):

	Year ended	Year ended
	<u>31 January 2004</u>	<u>31 January 2003</u>
Revenues	105.6	95.8
Profit before tax	33.7	37.3
Charge for tax	12.3	14.1
Net profit after tax	21.4	23.2
Earnings per share	0.53	0.57

In the quarters ended 31 January 2004 and 2003, we reported the following results (in millions of US Dollars, except per share data):

	Quarter ended	Quarter ended
	<u>31 January 2004</u>	<u>31 January 2003</u>
Revenues	29.6	26.1
Profit before tax	9.3	10.8
Charge for tax	3.4	4.0

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Net profit after tax	6.0	6.8
Earnings per share	0.15	0.17

As at 31 January 2004, we had total cash and cash equivalents of US\$377 million.

We were incorporated in California in 1980 and reincorporated in Delaware in 1998. The address of our principal executive offices is 2755 Campus Drive, 3rd Floor, San Mateo, California 94403-2538 and our telephone number is 1 (650) 522-6600.

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### **WHY ARE YOU MAKING THIS OFFER?**

The acquisition of Merant by SERENA will create the second largest provider of ECM software solutions, serving the complex change management needs of at least 46 of the Fortune 50 largest companies worldwide, with a resulting combined installed base of over 15,000 customers. We believe this installed base will provide the combined company with distribution leverage to cross sell products, expand into new geographies, create new opportunities in channel development and generate a profitable and steady maintenance revenue stream.

The combination brings together two leaders in ECM with the complementary strengths of SERENA on mainframe platforms and Merant on distributed systems platforms and similar visions for future market share expansion.

The boards of directors of SERENA and Merant believe the combination should deliver significant strategic benefits and provide opportunities to reduce expenses and that the combined company would:

create the leading ECM vendor with integrated software solutions running on all major operating systems, from the mainframe to UNIX, LINUX and NT distributed systems environments all the way to the worldwide web;

combine SERENA's market leading mainframe Software Configuration Management, or SCM, product with Merant's market leading enterprise distributed SCM product;

deepen and strengthen the customer base by combining SERENA's more than 3,600 customers with Merant's more than 15,000 customer accounts;

accelerate SERENA's ability to offer customers its vision of application life cycle management solutions branded as SERENA's Application Framework for Enterprises (SAFE), thereby accessing larger markets and enabling the combined company to compete more effectively; and

offer significant potential cost savings in the areas of overlap such as dual exchange listing, dual public company compliance obligations and dual administrative infrastructures as well as a number of other duplicative areas and initiatives.

Both SERENA and Merant have been pursuing similar strategies and strategic investments to enable the application of change management technology beyond SCM to broader applications within information technology.

### **WHAT ARE THE SECURITIES SOUGHT IN THE OFFER?**

We are seeking to acquire all of the issued and to be issued Merant shares and Merant ADSs. See paragraph 2 of the letter from Lehman Brothers contained in this document.



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Merant is a leading provider of software and services for managing code, content and other business-critical assets. Merant designs, develops and markets software products and services for ECM, SCM and web content management, under the Merant brand (formerly the PVCS® brand). Merant solutions help companies improve their ability to manage change of software applications, code and web content. In the year ended 30 April 2003, Merant generated approximately 50 per cent. of its revenue from maintenance fees, approximately 38 per cent. from the sale of licences and the remainder of its revenue from consulting and training. Merant has approximately 535 employees worldwide.

Merant shares are listed on the Official List and publicly traded on the London Stock Exchange under the symbol MRN , and (in ADS form) on Nasdaq under the symbol MRNT . Merant has a current market capitalisation of approximately £201 million based on the closing price of Merant shares on 15 March 2004, the latest practicable date prior to the posting of this document.



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At 195 pence for each Merant share, the offer represented a premium of approximately:

25 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer; and

34 per cent. to the average daily middle market closing price of 145.8 pence per Merant share for the three months ended 2 March 2004.

On 2 March 2004, the last dealing day before we announced the offer, the middle market closing price of Merant shares reported on the London Stock Exchange was 155.5 pence per share and the last sale price of Merant ADSs reported on Nasdaq was US\$14.79 per Merant ADS. Between 2 March 2003 and 2 March 2004, the price of Merant shares ranged between 118.50 pence and 183.50 pence per share and the price of Merant

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ADSs ranged from US\$9.07 and US\$15.35 per Merant ADS. We advise you to obtain a recent quotation for Merant shares and Merant ADSs in deciding whether to accept the offer. See paragraph 3 of Appendix 5 of this document.

On 15 March 2004 (the latest practicable date prior to the posting of this document), at the then prevailing noon buying rate of US\$1.7993: £1.00 and a SERENA share price of \$19.68, the offer values each Merant share at 190.8 pence, representing a premium of approximately 23 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer.

Merant securityholders should bear in mind that fluctuations in the dollar to pound sterling exchange rate from time to time will affect the pound sterling value of any investment in SERENA shares and any dividend income from that investment (payable in US dollars and subject to US withholding tax). Merant securityholders should also bear in mind that the value of the SERENA shares payable in the offer may fluctuate both before and after any consummation of the offer.

A comparison of the rights of holders of SERENA shares and those of holders of Merant shares is contained in Appendix 6 of this document.

## **MAY I ELECT TO RECEIVE A GREATER PROPORTION OF CASH OR A GREATER PROPORTION OF SERENA SHARES THAN THE STANDARD ENTITLEMENT DESCRIBED ABOVE?**

Merant securityholders who validly accept the offer will be able to request under the mix and match election to vary the proportions in which they receive SERENA shares and cash in respect of their Merant securities.

The maximum number of new SERENA shares to be issued under the offer and the maximum amount of cash to be paid under the offer will not be varied as a result of the mix and match election. Accordingly, a Merant securityholder's mix and match election will be satisfied only to the extent that other Merant securityholders make opposite elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. To the extent that elections can be satisfied, electing Merant securityholders will receive new SERENA shares instead of cash, and vice versa.

Accordingly, Merant securityholders who make mix and match elections will not know the exact number of new SERENA shares or the amount of cash they will receive until settlement of the consideration under the offer, although an announcement of the approximate extent to which mix and match elections will be satisfied will be made two days after the mix and match election ceases to be open for acceptance.

All adjustments to the amount of cash or SERENA shares received by any Merant securityholder in the mix and match election will be calculated based on a value per Merant share of 195 pence and a value per SERENA share of £11.78. The value of a SERENA share for these purposes is based on an exchange rate of US\$1.8488 : £1.00, which is calculated as the average of the US dollar/pound sterling noon buying rate for the five trading days ended 3 March 2004 and price per SERENA share of US\$21.78, which is calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the 20 US trading days ended 1 March 2004.

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Although the offer will remain open for a subsequent offer period of at least 14 calendar days after the date on which the offer becomes or is declared unconditional in all respects, the mix and match election will remain open until, but not beyond, 3.00 pm (London time), 10.00 am (New York City time) on the date falling five calendar days after the offer becomes or is declared unconditional in all respects. Mix and match elections must be made at the same time as the acceptances of the offer to which they relate, on the relevant acceptance form. Merant securityholders who do not make a mix and match election or who do not accept the offer until after the fifth calendar day after the offer becomes or is declared unconditional in all respects will receive the basic entitlement of 136.5 pence in cash and 0.04966 of a new SERENA share for every Merant share held (directly or through Merant ADSs).

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A mix and match election made by a Merant securityholder may not be changed after the time that it is first made on the relevant acceptance form. However, acceptances, including the associated mix and match election, may be withdrawn in accordance with the procedures set forth in this document. See paragraphs 4 and 14 of the letter from Lehman Brothers and paragraphs 4 and 5 of Part B of Appendix 1 of this document.

The mix and match election will be conditional upon the offer becoming or being declared unconditional in all respects.

### **CAN I CHOOSE THE CURRENCY FOR THE CASH I RECEIVE?**

If you accept the offer for Merant shares, you will receive the cash portion of your consideration in pounds sterling, unless you specifically elect to receive it in US dollars.

If you accept the offer for Merant ADSs, you will receive the cash portion of your consideration for your Merant ADSs in US dollars, unless you specifically elect to receive it in pounds sterling.

If you elect or are deemed to have elected to receive the cash portion of your consideration in US dollars, the cash amount payable in pounds sterling to which you would otherwise be entitled pursuant to the terms of the offer will be converted, subject to conversion expenses, from pounds sterling to US dollars at the exchange rate obtainable on the spot market in London on the date the cash consideration is made available by SERENA to the relevant paying agent for delivery in respect of your Merant securities. The actual amount of US dollars received will depend on the exchange rate prevailing on the day on which funds are made available to the relevant payment agent by SERENA. See paragraph 13 of Part B of Appendix 1 of this document.

### **DOES THE MERANT BOARD OF DIRECTORS SUPPORT THE OFFER?**

The board of directors of Merant, referred to as the Merant directors, which has been so advised by UBS, considers the terms of the offer fair from a financial point of view. In providing advice to the Merant board, UBS has taken account of the Merant board's commercial assessments. Accordingly, the Merant directors unanimously recommend that Merant securityholders accept the offer. Merant securityholders are directed to Appendix 9, which contains important information concerning the assumptions in, limitations of and qualifications to UBS' advice to the Merant board.

Each member of the board of directors of Merant has irrevocably undertaken to accept the offer in respect of their own beneficial holdings, comprising 381,389 Merant shares in aggregate (representing approximately 0.36 per cent. of Merant's existing issued share capital). One Merant director, Gerald Perkel, has also irrevocably undertaken to accept the offer in respect of all Merant shares he receives as a result of the exercise of options during the period while the offer is open for acceptance, representing up to 1,500,000 Merant shares. No other Merant director holds any options over Merant shares. See the letter from the Chairman of Merant in this document.

### **DO ANY OTHER SHAREHOLDERS SUPPORT THE OFFER?**

We have received an additional irrevocable undertaking to accept the offer from Merant Trustees Limited, the trustees for Merant's employee benefit trusts, representing approximately 7.0 per cent. of Merant's existing issued share capital. We have also received confirmations of intent to accept the offer, representing in aggregate approximately 27.3 per cent. of Merant's existing issued share capital. See paragraph 5 of the letter from Lehman Brothers. The Merant securityholders from whom we have received undertakings and confirmations of intent (including a confirmation of intent from Schroder Investment Management Limited), hold an aggregate of 34.61 per cent. of the issued share capital of Merant as at 15 March 2004.

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### **DO YOU HAVE THE FINANCIAL RESOURCES TO MAKE PAYMENT?**

We will fund the cash component of the offer from our existing cash resources. The offer is not conditional upon any financing arrangements other than the effectiveness of the registration statement filed by SERENA with respect to the SERENA shares to be issued in the offer. See paragraph 9 of the letter from Lehman Brothers and paragraph 7 of Appendix 5 of this document.

### **IS YOUR FINANCIAL CONDITION RELEVANT TO MY DECISION TO ACCEPT THE OFFER?**

Yes. If you accept the offer, part of your consideration will be in the form of SERENA shares, and you should consider our financial condition and results of operations before you decide to become one of our stockholders through the offer.

You should also review the information set forth in the section entitled "Risk Factors" beginning on page 21 and Appendix 2 and the documents incorporated by reference in this document which contain detailed business, financial and other information about us.

### **HOW LONG DO I HAVE TO ACCEPT THE OFFER?**

You will have until 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, to accept the offer, unless the offer is extended. However, if you are a Merant ADS holder and you cannot deliver everything that is required in order to make a valid tender of Merant ADSs by that time, you may gain some time by following the procedures for guaranteed delivery, which are described later in this document. See paragraphs 10, 11 and 12 of Part B of Appendix 1 of this document.

### **WHAT IS THE DIFFERENCE BETWEEN THE INITIAL OFFER PERIOD AND THE SUBSEQUENT OFFER PERIOD?**

The initial offer period is the time during which withdrawal rights apply. The initial offer period is the period from the date of this document until the time and date (not being before 3.00 pm (London time), 10.00 am (New York City time) on 15 April 2004) on which all the conditions are satisfied, fulfilled or, to the extent permitted, waived or, if earlier, the time and date on which the offer lapses. SERENA may declare the offer wholly unconditional at any time after 3.00 pm (London time), 10.00 am (New York City time) on 15 April 2004 (or such later time as the offer is required to be extended pursuant to the City Code or US law).

The subsequent offer period will start as soon as the initial offer period terminates as a result of the offer being declared or becoming wholly unconditional. The subsequent offer period must remain open for at least 14 calendar days but we may extend it beyond that time until a further specified date or until further notice. During the subsequent offer period no withdrawal rights apply, except in limited circumstances. See paragraph 4 of Part B of Appendix 1 of this document.

### **CAN THE OFFER BE EXTENDED AND UNDER WHAT CIRCUMSTANCES?**



Yes. If all of the conditions to the offer have not been either satisfied, fulfilled or, to the extent permitted, waived by SERENA by 3.00 pm (London time), 10.00 am (New York City time), on 15 April 2004, SERENA may choose, but shall not be obliged to, extend the initial offer period. We may also be required to extend the initial offer period under applicable UK and US securities laws and regulations if there is a material change in the offer or this offer document. Once all the conditions have been either satisfied, fulfilled or, to the extent permitted, waived by SERENA, the offer will remain open for a subsequent offer period of at least 14 calendar days. See paragraph 1 of Part B of Appendix 1 of this document.

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### **HOW WILL I BE NOTIFIED IF THE OFFER IS EXTENDED?**

If we extend the offer, we will make a public announcement of the extension, not later than 8.00 am (London time), and 8.00 am (New York City time), on the next business day after the day on which the offer was scheduled to expire. See paragraph 3 of Part B of Appendix 1.

We will also announce by 8.00 am (London time), and 8.00 am (New York City time), on the day following the end of the initial offer period that there will be a subsequent offer period. The subsequent offer period will remain open for at least 14 calendar days but we may extend it beyond that time until a further specified date or until further notice.

### **WHAT ARE THE MOST SIGNIFICANT CONDITIONS TO THE OFFER?**

We are not obliged to purchase any Merant shares and/or Merant ADSs unless we have received valid acceptances (which have not been properly withdrawn) in respect of at least 90 per cent. of the Merant shares (including Merant shares represented by Merant ADSs) to which the offer relates, referred to as the Acceptance Condition. We may reduce this percentage, but not below 50 per cent. At least five US business days prior to any reduction, we will announce that we may do this through a press release and/or a newspaper advertisement of general circulation in the US and the UK.

We are not obliged to purchase any Merant shares and/or Merant ADSs unless the new SERENA shares to be issued pursuant to the offer have been authorised for listing on Nasdaq and the registration statement that we have filed with the SEC has been declared effective.

We are not obliged to purchase any Merant shares and/or Merant ADSs if, among other things, the offer has been referred to the United Kingdom Competition Commission by the Secretary of State for Trade and Industry or the applicable waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, referred to as the HSR Act, has not expired or been waived.

Subject to the consent of the UK Panel on Takeovers and Mergers, referred to as the Panel, we are not obliged to purchase any Merant shares and/or Merant ADSs if, among other things, certain adverse events material in the context of Merant and its affiliates, taken as a whole, material in the context of SERENA and its subsidiaries, taken as a whole, and/or material in the context of the offer, have occurred.

See Part A and Part B of Appendix 1 of this document.

### **CAN THE OFFER BE TERMINATED OR AMENDED?**

Subject to applicable UK law, the SEC's rules and regulations and the conditions of our offer, which, among other things, limit our ability to amend or terminate our offer, we also reserve the right, at any time or from time to time:

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to extend, for any reason, the period of time during which our offer is open;

to terminate the offer upon the failure of any of the conditions of our offer to be satisfied, in which case all acceptances received prior to the date of termination will cease to be effective; and

to waive any condition or otherwise amend our offer in any respect.

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### **HOW DO I ACCEPT THE OFFER?**

To accept the offer, you must deliver a completed form of acceptance in the case of Merant shares, or a completed letter of transmittal in the case of Merant ADSs, to the UK Receiving Agent or the US Depository, respectively, by not later than the time the offer expires. If your Merant shares are held in uncertificated form (that is, you do not have a share certificate because your Merant shares are held in CREST), you should read carefully paragraph 10 of Part B of Appendix 1 to this document, which sets out the acceptance procedures for holders of Merant shares in uncertificated form. If your Merant ADSs are held in street name in the US, they can be tendered by your nominee through the applicable book entry transfer system. In the case of Merant ADSs, if you cannot get any document or instrument that is required to be delivered by the expiration of the offer, you may gain some time by following the procedures for guaranteed delivery. Receipt of a notice of guaranteed delivery will not be treated as a valid acceptance for the purpose of satisfying the Acceptance Condition. See paragraphs 10, 11 and 12 of Part B of Appendix 1 of this document.

### **UNTIL WHAT TIME CAN I WITHDRAW MY ACCEPTANCE?**

A Merant securityholder who accepts the offer will be entitled to withdraw the acceptance at any time until the end of the initial offer period. Thereafter, withdrawals will not be possible except in very limited circumstances (for example, if we have failed to make certain announcements required by the City Code or if we withdraw an announcement that the offer will not be increased or further extended after a particular date). See paragraph 14 of the letter from Lehman Brothers and paragraph 4 of Part B of Appendix 1 of this document.

### **HOW DO I WITHDRAW MY ACCEPTANCE?**

In order to withdraw Merant shares or Merant ADSs once you have accepted the offer, you must deliver a written notice of withdrawal with the required information to the UK Receiving Agent or the US Depository, respectively, while you still have the right to withdraw the Merant shares or Merant ADSs. See paragraph 4 of Part B of Appendix 1 of this document.

### **WHEN WILL I BE PAID FOR MY MERANT SECURITIES IF I ACCEPT THE OFFER?**

The settlement with respect to the offer will be consistent with UK practice, which differs from US domestic tender offer procedures in certain material respects, particularly with regard to the date of payment. Subject to either the satisfaction, fulfillment or, to the extent permitted, waiver of all the conditions to the offer, settlement of consideration to accepting Merant securityholders will be effected within 14 calendar days after the end of the initial offer period (i.e., the date on which the offer is declared or becomes wholly unconditional), in the case of acceptances received complete in all respects by the end of the initial offer period. In the case of acceptances received complete in all respects during the subsequent offer period (i.e., after the date on which the offer is declared or becomes wholly unconditional) while the offer remains open for acceptance, settlement of consideration will be made within 14 calendar days after such receipt. See paragraph 15 of the letter from Lehman Brothers.

### **WILL THE OFFER BE FOLLOWED BY A COMPULSORY ACQUISITION?**

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Yes. If all of the conditions to the offer are either satisfied, fulfilled or, to the extent permitted, waived and we have acquired 90 per cent. in nominal value of Merant shares (including Merant shares represented by Merant ADSs) to which the offer relates then we will be entitled to and intend to acquire all remaining Merant shares and Merant ADSs pursuant to the Companies Act 1985 of England and Wales, as amended, referred to as the Companies Act, and Merant securityholders may require SERENA to purchase such holder's Merant securities in accordance with the procedures and time limits set forth in the Companies Act. Holders of Merant shares and Merant ADSs subject to the compulsory acquisition would receive the same consideration as those holders of Merant shares and Merant ADSs who accept the offer. If you do not accept the offer at all, and are subject to the

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compulsory acquisition provisions, there will be a limited reintroduction of the mix and match election among the Merant securityholders subject to the compulsory acquisition. This means that Merant securityholders subject to the compulsory acquisition will be able to request to vary the proportions in which they receive SERENA shares and cash in respect of their Merant securities, but that request will be satisfied only to the extent that other Merant securityholders that are also subject to the compulsory acquisition make opposite elections. To the extent that elections made during the compulsory acquisition cannot be satisfied, they will be scaled down on a pro rata basis. See paragraph 11 of Appendix 5 and Appendix 7 of this document.

### **IF I DECIDE NOT TO ACCEPT, HOW WILL THE OFFER AFFECT MY SECURITIES?**

If we are able to, we will acquire all Merant shares and Merant ADSs for which we have not received acceptances pursuant to the compulsory acquisition provisions of the Companies Act and you will become one of our stockholders even if you have not accepted the offer and you will receive the same consideration per Merant share or Merant ADS as those Merant securityholders who have accepted the offer. If the offer becomes wholly unconditional, but we are not able to acquire your Merant securities under the compulsory acquisition procedures, you will remain a Merant securityholder and will, therefore, become a minority stockholder in a subsidiary of SERENA. If the offer is not completed for any reason, your status as a Merant securityholder will not be affected.

We also intend to apply, or request that Merant apply, to Nasdaq, the London Stock Exchange and the UK Listing Authority to have the Merant ADSs and Merant shares delisted, terminate the deposit agreement through which the Merant ADS programme is operated and seek to have the registration of the Merant ADSs and Merant shares under the Securities Exchange Act of 1934, as amended, or the Exchange Act, terminated. Termination of registration under the Exchange Act would substantially reduce the information required to be furnished to holders of the Merant ADSs and Merant shares and would make certain other provisions of the Exchange Act inapplicable to Merant. Such delistings and cancellation would significantly reduce the liquidity and marketability of any Merant shares in respect of which the offer has not been accepted. See paragraph 13 of Appendix 5 of this document.

### **WILL I HAVE APPRAISAL RIGHTS IN CONNECTION WITH THE OFFER?**

Merant securityholders generally do not have appraisal rights under English law. See the section entitled *Appraisal Rights* in Appendix 6 of this document.

### **WILL I HAVE TO PAY ANY FEES OR COMMISSIONS?**

If you are the record owner of your Merant shares and/or Merant ADSs and you accept the offer, you will not have to pay brokerage fees or similar expenses. If you own your Merant shares and/or Merant ADSs through a broker or other nominee, and your broker accepts the offer on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply.

### **WILL I RECEIVE CASH INSTEAD OF FRACTIONAL SERENA SHARES?**

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We will not issue fractions of SERENA shares in exchange for Merant shares and Merant ADSs. To the extent that Merant securityholders are entitled to fractional shares, those fractional entitlements will be aggregated and sold in the market and the net proceeds of sale distributed pro rata to the holders of Merant shares and Merant ADSs entitled to them. In the case of holders of Merant ADSs, such payment will be made in US dollars, and in the case of holders of Merant shares, such payment will be made in pounds sterling, the applicable proceeds having been converted from US dollars at a prevailing exchange rate selected by SERENA at the relevant time. Individual entitlements to amounts of less than £2.50 (US \$4.50 based on a noon buying rate of US\$1.7993 : £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this document) will not be paid to Merant securityholders, but will be retained for the benefit of the combined company.

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**WILL I BE TAXED ON THE SERENA SHARES AND CASH THAT I RECEIVE?**

The following paragraphs, which are intended as a general guide only and are based on current legislation and United Kingdom Inland Revenue practice (which may change) summarise the United Kingdom tax implications of acceptance of the offer for Merant securityholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Merant shares as investments.

Liability to United Kingdom taxation in respect of chargeable gains will depend upon the individual circumstances of the Merant securityholder and on the form of the consideration received. To the extent that a Merant securityholder receives cash under the basic terms of the offer, this will constitute a disposal of Merant shares for the purposes of United Kingdom taxation of chargeable gains. Such a disposal may, depending upon the individual circumstances of the Merant securityholder, give rise to a liability to United Kingdom tax on chargeable gains.

A Merant securityholder will not be treated as disposing of such securityholder's Merant shares for the purposes of United Kingdom taxation of chargeable gains to the extent that, as a result of acceptance of the offer, the securityholder exchanges those shares for new SERENA shares. Instead the new SERENA shares will be treated as the same asset as the Merant shares acquired when the Merant shares were acquired. The base cost of the new SERENA shares will depend upon the proportion of SERENA shares received as compared to the proportion of cash received under the offer, but in all cases will be a proportion of the relevant shareholder's base cost for the Merant shares. Merant securityholders should note that an application for clearance has been successfully obtained from the Board of Inland Revenue under section 138 Taxation of Chargeable Gains Act 1992.

A subsequent disposal of all or any of the SERENA shares may, depending on individual circumstances, give rise to a liability to United Kingdom tax on chargeable gains.

Merant securityholders who acquire or acquired their Merant shares by exercising rights under Merant share schemes are reminded that special tax provisions may apply to them on the exercise of options or on any disposal of Merant shares acquired under a Merant share scheme, including provisions imposing a charge to United Kingdom income tax.

**Any Merant securityholder or participant in a Merant share scheme who is in any doubt about such securityholder's tax position should consult such securityholder's professional advisor immediately.**

For US federal income tax purposes, a US holder generally will recognise gain or loss upon the receipt of SERENA shares and cash in exchange for such holder's Merant shares or Merant ADSs pursuant to the offer in an amount equal to the difference between: (a) the sum of (i) the fair market value of such SERENA shares received, (ii) in the case of a US holder who elects to receive the cash consideration payable pursuant to the offer in the form of US dollars, the US dollar amount, and (iii) in the case of a US holder who elects to receive the cash consideration payable pursuant to the offer in the form of pounds sterling, the US dollar value on the date of receipt of the pounds sterling received, determined based on a spot rate on the date the payment is received (it is unclear whether the date of receipt for this purpose is the date that cash is made available by SERENA to the relevant payment agent or the date that cash is received by a US holder), and (b) the US holder's adjusted tax basis in the Merant shares or Merant ADSs, as the case may be.

A non-US holder generally will not recognise any gain or loss for US federal income tax purposes upon the receipt of cash and SERENA shares pursuant to the offer unless the non-US holder has certain connections to the US.



Further information regarding the application of both US and UK tax laws to Merant securityholders who accept the offer is set out in paragraphs 14 and 15 of Appendix 5 of this document.

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**WHAT WILL HAPPEN TO MY MERANT SHARE OPTIONS IF THE OFFER IS COMPLETED?**

The offer will extend, subject to the terms and conditions set forth in this document and acceptance form(s), to all Merant shares unconditionally allotted or issued fully paid (or credited as fully paid) upon exercise of options under the Merant share schemes while the offer remains open for acceptance (or until such earlier date as SERENA may, subject to the provisions of the City Code, determine). Further details of the proposals to be made to the holders of options under the Merant share schemes are set out in paragraph 11 of the letter from Lehman Brothers.

**IF I CHOOSE TO ACCEPT THE OFFER, HOW WILL MY RIGHTS AS A SERENA STOCKHOLDER DIFFER FROM MY RIGHTS AS A MERANT SECURITYHOLDER?**

An explanation of the material differences between the rights of Merant securityholders and SERENA stockholders is contained in Appendix 6 of this document.

**HOW WILL THIS TRANSACTION BE TREATED FOR ACCOUNTING PURPOSES?**

SERENA expects that the transaction will be accounted for using the purchase method of accounting for business combinations. Under the purchase method, the consummation of the offer will be treated as an acquisition of Merant by SERENA, and SERENA will allocate the total purchase price among the assets acquired and liabilities assumed based on their estimated fair values at the closing of the transaction.

**WHERE CAN I FIND MORE INFORMATION ABOUT SERENA AND MERANT?**

You can find more information about SERENA and Merant from various sources described in the section of this document entitled "Where You Can Find Additional Information."

**DO I NEED TO SUBMIT A PROXY?**

No. A vote of the Merant securityholders to approve the transaction is not required. **We are not asking you for a proxy and we request that you not send us a proxy.**

**WHO CAN ANSWER QUESTIONS I MIGHT HAVE ABOUT THE OFFER?**

If you have any questions about the offer, you should contact the Information Agent, D. F. King & Co., Inc. in the UK on 0800 917 8414 (toll free) or +44 20 7920 9700 (call collect) and in the US on 1 (800) 859-8509 (Toll-Free). If you have any questions about procedures for

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acceptance of the offer in the UK, you should contact the UK Receiving Agent, Capita IRG Plc, on 0870 162 3100 or if calling from outside the UK on +44 20 8639 2157.

**Table of Contents****SERENA****SELECTED HISTORICAL FINANCIAL INFORMATION**

The following selected financial information for the five fiscal years ended 31 January 2003, which is presented in accordance with US GAAP, has been derived from our audited annual consolidated financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto in Appendix 2 and incorporated herein by reference. The following selected interim financial information for the nine month periods ended 31 October 2003 and 2002 has been derived from our unaudited interim consolidated financial statements, and should be read in conjunction with the unaudited interim financial statements and notes therein in Appendix 2 and incorporated herein by reference. The unaudited interim financial information presented below for the nine month periods ended 31 October 2003 and 2002 reflects all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our results of operations and financial position.

**SERENA SOFTWARE, INC. (1)**

(in thousands of US Dollars, except per share amounts)

	Nine Months Ended		Year Ended 31 January				
	31 October		2003	2002	2001	2000	1999
	2003	2002	2003	2002	2001	2000	1999
<b>Historical Consolidated Statement of Income Data:</b>							
Total revenue	\$ 75,936	\$ 69,677	\$ 95,775	\$ 98,641	\$ 103,609	\$ 75,406	\$ 48,316
Operating income (2) (3)	21,835	22,837	32,524	25,403	35,354	21,913	12,556
Net income (2) (3)	15,384	16,411	23,154	18,509	24,254	14,644	7,330
Net income per share:							
Basic (2) (3) (4)	\$ 0.38	\$ 0.41	\$ 0.57	\$ 0.46	\$ 0.63	\$ 0.40	\$ 0.29
Diluted (2) (3) (4)	\$ 0.38	\$ 0.40	\$ 0.57	\$ 0.46	\$ 0.60	\$ 0.38	\$ 0.27
Weighted average shares used in per share calculations:							
Basic (4)	40,032	40,292	40,367	39,768	38,522	36,751	25,396
Diluted (4)	40,706	40,772	40,854	40,760	40,729	38,819	27,032
<b>Historical Consolidated Balance Sheet Data:</b>							
Cash, cash equivalents and short-term investments	\$ 123,689	\$ 126,529	\$ 143,074	\$ 132,594	\$ 112,658	\$ 101,144	\$ 21,469
Working capital	106,233	113,179	124,151	117,378	105,011	89,631	16,505
Total assets	250,005	250,108	264,523	231,070	203,818	149,059	59,678
Total liabilities	47,833	46,785	51,561	46,294	46,673	34,535	21,573
Total stockholders equity	202,172	203,323	212,962	184,776	157,145	114,524	38,105

(1) The selected historical financial data for all periods presented include the effects of the acquisitions of Optima Software, Inc. from 25 September 1998, Diamond Optimum Systems, Inc. from 14 June 1999, High Power Software, Inc. from 1 May 2000, UltiMIS Corporation from 18 September 2000 and TeamShare, Inc. from 5 June 2003; all of which were accounted for under the purchase method of accounting. The selected historical financial data for all periods presented also include the effects of the StarTool asset purchase from 18 August 2000.

(2)

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For the year ended 31 January 2002, we incurred restructuring costs totaling approximately \$2.5 million pre-tax, all of which were included in operating income. See Note 4(b) to SERENA's Consolidated Financial Statements contained in its Annual Report on Form 10-K for the fiscal year ended 31 January 2002.

- (3) For the years ended 31 January 2001 and 2000, we recorded acquired in-process research and development totaling approximately \$3.0 million and \$1.0 million, respectively, all of which were included in operating income. See Note 10 to SERENA's Consolidated Financial Statements contained in its Annual Report on Form 10-K for the fiscal year ended 31 January 2001.
- (4) All share and per share amounts have been adjusted to reflect the three-for-two stock split in the form of a stock dividend of SERENA's common stock effected 21 March 2000.

**Table of Contents****MERANT SELECTED HISTORICAL FINANCIAL INFORMATION**

The following selected financial information for the five fiscal years ended 30 April 2003, which is presented in accordance with US GAAP and in thousands of pounds sterling, has been derived from Merant's audited annual financial statements and should be read in conjunction with the audited annual financial statements and notes thereto included in Appendix 3. The following interim selected financial information for the six month periods ended 31 October 2003 and 2002, which is presented in accordance with US GAAP and in thousands of pounds sterling, has been derived from Merant's unaudited interim financial statements and should be read in conjunction with the unaudited interim financial statements and notes thereto included in Appendix 3. The unaudited interim financial information presented below for the six months periods ended 31 October 2003 and 2002 reflects all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our results of operations and financial position.

**MERANT PLC**

(in thousands of pounds sterling, except per share amounts)

	Six Months Ended		Year Ended 30 April				
	31 October		2003	2002	2001	2000	1999
	2003	2002	2003	2002	2001	2000	1999
<b>Historical Consolidated Statement of Income Data:</b>							
Revenue continuing operations	36,764	38,701	78,592	87,068	95,075	80,470	70,035
Operating income (loss)	1,324	(2,012)	2,565	(13,784)	(5,518)	(4,168)	(20,066)
Operating income (loss) from continuing operations	1,324	(2,012)	2,565	(15,185)	(2,960)	(16,445)	(15,049)
Net income (loss) for the period	1,709	(1,511)	1,123	(18,680)	(18,427)	(1,497)	(17,538)
Net income (loss) per share: basic and diluted	0.02p	(0.01)p	1.1p	(14.9)p	(13.7)p	(1.1)p	(12.6)p
Net income (loss) per share from continuing operations	0.02p	(0.01)p	0.5p	(22.9)p	(3.4)p	(9.7)p	(10.8)p
Weighted average number of shares used in computing earnings per share:							
Basic	97,992	103,129	100,739	125,263	134,305	142,163	139,588
Diluted	101,249	103,129	100,739	125,263	134,305	142,163	139,588
<b>Historical Consolidated Balance Sheet Data:</b>							
Cash and cash equivalents	39,226	48,904	45,538	71,620	61,200	79,543	75,394
Total assets	65,590	79,168	74,470	108,053	175,018	209,386	200,484
Shareholders' equity	24,544	24,028	25,131	39,483	72,440	102,977	95,136
Total number of shares in issue	105,269	103,261	103,936	115,027	134,963	149,389	143,673
Share capital	2,105	2,102	2,078	2,300	2,699	2,988	2,873
<b>Historical Consolidated Financial Condition Data:</b>							
Working capital	16,827	21,070	20,226	38,619	19,454	51,867	53,486

**Table of Contents****MERANT SELECTED HISTORICAL FINANCIAL INFORMATION**

The following selected financial information for the five fiscal years ended 30 April 2003, which is presented in accordance with UK GAAP and in thousands of pounds sterling, has been derived from Merant's audited annual consolidated financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in Appendix 3. The following unaudited interim selected financial information for the six month periods ended 31 October 2003 and 2002, which is presented in accordance with UK GAAP and in thousands of pounds sterling, has been derived from Merant's unaudited interim financial statements and should be read in conjunction with the unaudited interim financial statements and notes thereto included in Appendix 3. The unaudited interim financial information presented below for the six months periods ended 31 October 2003 and 2002 reflects all normal and recurring adjustments which, in the opinion of management, are necessary for a fair presentation of our results of operations and financial position.

**MERANT PLC**

(in thousands of pounds sterling, except per share amounts)

	Six Months Ended		Year Ended 30 April				
	31 October		2003	2002	2001	2000	1999
	2003	2002					
<b>Historical Consolidated Statement of Income Data:</b>							
Turnover	36,764	38,701	78,592	118,275	215,433	227,283	186,104
Operating profit (loss)	319	(11,330)	(10,692)	(45,398)	(39,762)	(38,132)	(8,511)
Operating profit (loss) from continuing operations	319	(11,330)	(10,692)	(41,953)	(28,798)	(41,456)	(16,036)
Profit (loss) for the period	704	(13,204)	(12,498)	(62,026)	(50,914)	(35,461)	(18,710)
Profit (loss) per share: basic and diluted	0.7p	(12.8)p	(12.4)p	(49.6)p	(37.9)p	(24.9)p	(15.8)p
Weighted average number of shares used in computing earnings per share:							
Basic	97,992	103,129	100,739	125,092	134,305	142,163	114,709
Diluted	101,249	103,129	100,739	125,092	134,305	142,163	114,709
<b>Historical Consolidated Balance Sheet Data:</b>							
Cash and bank deposits	39,226	48,904	45,538	71,620	61,200	79,543	75,394
Total assets	75,088	87,126	82,655	127,785	231,044	304,893	322,457
Total shareholders funds	34,042	31,986	33,316	59,215	128,466	198,484	217,109
Total number of shares in issue	105,269	103,261	103,936	115,027	134,963	149,389	143,673
Share capital	2,105	2,102	2,078	2,300	2,699	2,988	2,873
<b>Historical Consolidated Financial Condition Data:</b>							
Working capital	16,827	21,070	20,226	38,619	19,454	51,867	53,486

**Table of Contents****EXCHANGE RATE INFORMATION**

The financial statements of Merant are prepared in pounds sterling. The following table sets forth, for the periods indicated, information concerning the exchange rate as reported in *The Financial Times*, expressed in US dollars per pound sterling. The average rate is calculated by using the closing rates in *The Financial Times* on the last day during a monthly period, and on the last day of each month during an annual period. This is different than the source of the exchange rate used in calculating the value of the transaction. The transaction was valued using the exchange rate derived from the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York.

	<u>HIGH</u>	<u>LOW</u>	<u>END</u>	<u>AVERAGE RATE</u>
NINE MONTHS ENDED 31 OCTOBER 2003	1.70	1.58	1.70	1.62
	<u>HIGH</u>	<u>LOW</u>	<u>END</u>	<u>AVERAGE RATE</u>
YEAR ENDED 30 APRIL				
2003	1.65	1.46	1.60	1.56
2002	1.48	1.41	1.46	1.44
2001	1.52	1.42	1.44	1.47
2000	1.64	1.58	1.58	1.61
1999	1.70	1.60	1.61	1.65

As at 15 March 2004, the latest practicable dealing date prior to the posting of this document, the exchange rate as reported in *The Financial Times* for pounds sterling was \$1.7950. No representation is made that the amounts of sterling presented in this document have been, could have been or could be converted into US dollars at the rates indicated above.







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**ILLUSTRATIVE COMPARATIVE PER SHARE DATA**

The following table presents historical net income and book value for SERENA and Merant individually. The table also presents unaudited pro forma per share data for SERENA and Merant. The unaudited pro forma earnings and book value per share data give effect to the business combination as if it occurred on 31 October 2003 for balance sheet purposes and 1 February 2002 for income statement purposes and are based on the Unaudited Pro Forma Condensed Combined Financial Information included in Appendix 4 to this document.

The historical stockholders' equity per SERENA share is computed by dividing stockholders' equity by the weighted average number of SERENA shares outstanding at the end of the period. The pro forma combined stockholders' equity per SERENA share is computed by dividing pro forma stockholders' equity by the pro forma weighted average number of SERENA shares outstanding at the end of the period. Neither SERENA nor Merant has declared or paid cash dividends on its common stock.

Historical book value per share for Merant is computed by dividing total stockholders' equity on a US GAAP basis by the weighted average number of shares of Merant common stock outstanding at the end of each period. The equivalent pro forma information was obtained by multiplying the pro forma earnings per common share and pro forma stockholders' equity per common share by the exchange ratio of 0.04966, so that the per share amounts are equated to the respective values for one share of Merant.

The unaudited pro forma data are based on the terms of the business combination in which SERENA will offer cash and new SERENA shares for the Merant shares. The information in the table below should be read in conjunction with the respective audited and unaudited consolidated financial statements of SERENA and Merant, including the notes thereto and the Unaudited Pro Forma Condensed Combined Financial Information included in Appendix 4 to this document.

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	NINE MONTHS ENDED 31 OCTOBER 2003	YEAR ENDED 31 JANUARY 2003
<b>SERENA HISTORICAL</b>		
Earnings per common share:		
Basic	\$ 0.38	\$ 0.57
Diluted	\$ 0.38	\$ 0.57
Stockholders' equity per common share:		
Basic	\$ 5.05	\$ 5.28
Diluted	\$ 4.97	\$ 5.21
<b>MERANT HISTORICAL</b>		
Earnings per common share:		
Basic	\$ 0.05	\$ (0.15)
Diluted	\$ 0.05	\$ (0.15)
Stockholders' equity per common share:		
Basic	\$ 0.42	\$ 0.50
Diluted	\$ 0.41	\$ 0.50
<b>SERENA PRO FORMA COMBINED COMPANY</b>		
Earnings per common share:		
Basic	\$ 0.06	\$ (0.58)
Diluted	\$ 0.06	\$ (0.58)
Stockholders' equity per common share:		
Basic	\$ 6.77	
Diluted	\$ 6.68	
<b>MERANT PRO FORMA EQUIVALENT PER SHARE INFORMATION</b>		
Earnings per common share:		
Basic	\$ 0.00	\$ (0.03)
Diluted	\$ 0.00	\$ (0.03)
Stockholders' equity per common share:		
Basic	\$ 0.34	
Diluted	\$ 0.33	

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**RISK FACTORS**

*By accepting the offer, holders of Merant shares and Merant ADSs will be choosing to invest in SERENA shares. In considering whether to accept the offer, you should consider carefully the following factors, and the other risks and information contained in the documents incorporated by reference, especially the risks described in SERENA's Quarterly Report on Form 10-Q for the period ended 31 October 2003 and the risks described in Merant's Annual Report on Form 20-F for the year ended 30 April 2003. See Where You Can Find Additional Information for where you can find the additional risk factors and other information incorporated by reference in this document.*

As used below, we or us refers to SERENA or, after the consummation of our offer as described in this document, SERENA and Merant, as the context requires.

**RISKS RELATING TO OUR PROPOSED OFFER**

*Market fluctuations may reduce the market value of the consideration we are offering to you because the exchange ratio contemplated by our offer is fixed.*

The consideration in our offer consists in part of a specified number of SERENA shares, or a fraction of a SERENA share, subject to the mix and match election procedures, rather than a number of SERENA shares, or a fraction of a SERENA share, with a specified value. The value of a SERENA share for these purposes is based on an exchange rate of US\$1.8488 : £1.00, which is calculated as the average of the US dollar /pound sterling noon buying rate for the five trading days ended 3 March 2004 and price per SERENA share of US\$21.78, which is calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the 20 US trading days ended 1 March 2004. Any fluctuation in the market price of SERENA shares or the pound sterling/dollar exchange rate between now and the closing of our offer will change the value of the SERENA shares that you will receive. Therefore, the value of the SERENA shares that you will receive could be higher or lower than the price on which the determination was based. In addition, SERENA may not trade on a comparable basis to its historical trading performance prior to the consummation of our offer. For information regarding the range of trading prices of SERENA shares on Nasdaq, please refer to Appendix 5.

*If you elect the mix and match feature, you may not receive all consideration in the form you have requested.*

Our offer contains a mix and match election feature, whereby Merant securityholders who validly accept the offer may request to receive either more SERENA shares or more cash than the standard entitlement. However, elections by Merant securityholders will be satisfied only to the extent that off-setting elections have been made by other Merant securityholders in our offer. In other words, in order for a Merant securityholder to receive a higher proportion of cash, other Merant securityholders will have to elect to receive a higher proportion of SERENA shares, and vice versa. To the extent that elections cannot be satisfied as a result of a lack of such off-setting elections, entitlements to SERENA shares and cash in excess of the standard entitlement will be reduced on a pro rata basis. Once the share allocations have been determined, the cash element of the consideration will be reduced or increased (as the case may be) for each holder of Merant shares or Merant ADSs who has been allocated an increased or reduced number of SERENA shares. All calculations will be made by reference to the number of acceptances and elections as at the fifth calendar day after the offer is declared or becomes wholly unconditional and, for the purposes of these calculations, the assumed value per Merant share will be 195 pence and the assumed value per SERENA share shall be £11.78. We describe our procedures for election and proration in Part B of Appendix 1.

*This transaction may adversely affect the liquidity and value of non-tendered Merant shares and Merant ADSs.*

In the event that not all of the Merant shares and Merant ADSs are acquired pursuant to the offer, the number of securityholders and the number of Merant shares and Merant ADSs held by individual holders will be

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greatly reduced. As a result, the closing of our offer would adversely affect the liquidity and may adversely affect the market value of the remaining Merant shares and Merant ADSs held by the public. Subject to London Stock Exchange and Nasdaq delisting rules, we may delist the Merant shares on the London Stock Exchange and delist the Merant ADSs on Nasdaq. As a result of the delisting, Merant shares and Merant ADSs not acquired pursuant to our offer may become illiquid and may be of reduced value.

*If SERENA encounters difficulties integrating the business operations of SERENA and Merant, it could adversely affect the business of the combined company.*

We intend, to the extent possible, to integrate our operations with those of Merant. Our goal in integrating these operations is to increase earnings and achieve cost savings by taking advantage of the significant anticipated synergies of consolidation and enhanced growth opportunities. We anticipate incurring severance payments and other employee related costs, costs for lease terminations, meetings, trainings, rebranding, integration of information technology systems, and other costs in connection with the integration of SERENA and Merant. We cannot be sure that we will not encounter substantial difficulties integrating our operations with Merant's operations, resulting in a delay or the failure to achieve the anticipated synergies and, therefore, the expected increases in earnings and cost savings. The difficulties of combining the operations of the two companies include, among other things:

possible inconsistencies in standards, controls, procedures and policies, business cultures and compensation structures between SERENA and Merant;

coordinating and consolidating ongoing and future research and development efforts;

consolidating corporate and administrative infrastructure, particularly in light of Merant's complex corporate structure;

integrating and managing the technologies and products of the two companies, including consolidating and integrating computer information systems;

consolidating sales and marketing operations;

retaining existing customers and attracting new customers;

retaining strategic partners and attracting new strategic partners;

retaining key employees;

retaining and integrating distributors and key sales representatives;

identifying and eliminating redundant and underperforming operations and assets;

using capital assets efficiently to develop the business of the combined company;

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minimising the diversion of management's attention from ongoing business concerns;

coordinating geographically separate organisations;

possible tax costs or inefficiencies associated with integrating the operations of the combined company;

possible modification of operating control standards in order to comply with the Sarbanes-Oxley Act of 2002 and the rules and regulations promulgated thereunder; and

retaining and attracting new employees to support existing and new products and new technology development.

For these reasons, we may fail to complete successfully the necessary integration of SERENA and Merant, or to realise any of the anticipated benefits of the integration of the two companies. Actual cost savings and synergies may be lower than we currently expect and may take a longer time to achieve than we currently anticipate.



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*Whether or not the offer is completed, the announcement of the offer may cause disruptions, including potential loss of customers, suppliers and other business partners, in the business of SERENA or Merant, which could have material adverse effects on each company's or the combined company's business and operations.*

Whether or not the offer is completed, SERENA's and Merant's customers, suppliers, distributors, licensors and other business partners, in response to the announcement of the offer, may adversely change or terminate their relationships with either company or the combined company, which could have a material adverse effect on the business of the company concerned. Certain of SERENA's or Merant's current or potential customers may cancel or defer orders for each company's products. In addition, customers of both companies may expect re-negotiated pricing as a result of the offer or the announcement of the offer. The announcement of the offer may also adversely affect the companies' ability to attract new customers.

Some of the contracts with suppliers, distributors, system integrators, customers, licensors, facility owners and other business partners require SERENA or Merant to obtain consent from these other parties in connection with the offer. If their consent cannot be obtained on favourable terms, the combined company may incur higher costs related to replacing suppliers, may suffer a loss of potential future revenue and may lose rights to facilities or intellectual property that are material to the business of the combined company.

*Charges to earnings resulting from the acquisition, including the application of the purchase method of accounting, and restructuring and integration costs may materially adversely affect the market value of SERENA shares following the acquisition.*

In accordance with US GAAP, the combined company will account for the acquisition using the purchase method of accounting. The combined company will allocate the total estimated purchase price to Merant's net tangible assets, amortisable intangible assets, and in-process research and development based on their fair values as at the date of completion of the acquisition, and record the excess of the purchase price over those fair values as goodwill. The combined company's financial results, including earnings per share, could be adversely affected by a number of financial adjustments required by US GAAP including the following:

The portion of the existing deferred revenues on Merant's balance sheet at the closing of the acquisition which represents maintenance revenue will be adjusted, based on estimated cost to deliver plus an appropriate gross margin.

The portion of the estimated purchase price allocated to in-process research and development will be expensed by the combined company in the quarter in which the acquisition is completed.

The combined company will incur additional amortisation expense over the estimated useful lives of certain of the intangible assets acquired in connection with the acquisition during such estimated useful lives.

To the extent the value of goodwill or intangible assets with indefinite lives becomes impaired, the combined company may be required to incur material charges relating to the impairment of those assets.

We expect to incur costs associated with combining the operations of the two companies, including advisors' fees and other costs related to the offer and the acquisition. These costs may be substantial and may include those related to the severance and stock option acceleration provisions of Merant's employee benefit plans, which could be triggered by the acquisition. We also face potential costs related to employee redeployment or relocation, employee retention which could include salary increases, bonuses or option grants, reorganisation or closure of facilities, relocation and disposal of excess equipment, termination of contracts with third parties that provide redundant or conflicting services and other

integration costs. We have not yet determined the amount of these costs. We expect to account for these costs as purchase related adjustments when the acquisition is completed, which will decrease our net income and impact cash balances for the periods in which those adjustments are made. Each of these charges would negatively impact earnings, which could have a material adverse effect on the price of SERENA shares.

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***Upon your receipt of SERENA shares in our offer, you will become a stockholder in a Delaware corporation, which will change certain shareholder rights and privileges you hold as a shareholder of an English company.***

SERENA is governed by the laws of the US, the State of Delaware and by its restated certificate of incorporation, as amended, and by-laws. The Delaware General Corporation Law, referred to as the DGCL, extends to stockholders certain rights and privileges that may not exist under UK law and, conversely, does not extend certain rights and privileges that you may have as a shareholder of a company governed by UK law. The directors of a Delaware corporation may elect to adopt certain provisions that have the effect of discouraging a third party from acquiring control of SERENA. Such provisions could limit the price that some investors might be willing to pay in the future for SERENA shares. These Delaware provisions may also have the effect of discouraging or preventing certain types of transactions involving an actual or a threatened change in control of SERENA, including unsolicited takeover attempts, even though such a transaction may offer SERENA stockholders the opportunity to sell their SERENA shares at a price above the prevailing market price. For a detailed discussion of the rights of SERENA stockholders versus the rights of holders of Merant shares or Merant ADSs, see our discussion in the section captioned "Description of SERENA shares and changes in the rights of Merant securityholders" in Appendix 6 of this document.

***The market price of SERENA shares may decline as a result of our offer.***

The market price of SERENA shares may decline as a result of our offer if:

the integration of Merant's business is unsuccessful;

we do not achieve the expected benefits of our acquisition of Merant as rapidly or to the extent anticipated by financial analysts or investors; or

the effect of our acquisition of Merant on our financial results is not consistent with the expectations of financial analysts or investors.

We estimate that the number of SERENA shares that will be issued on full acceptance of our offer will not be more than 5.9 million, representing approximately 13.3 per cent. of the issued and outstanding SERENA shares, as increased as a result of the offer, calculated as at 15 March 2004. The increase in the number of SERENA shares issued may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, SERENA shares.

***Full integration of our operations with Merant's operations may not be achieved if we cannot effect the compulsory acquisition of all of the issued and outstanding Merant shares, including shares represented by Merant ADSs, which could adversely affect our ability to realise some or all of the anticipated benefits of the acquisition.***

Our offer is subject to a condition that, before the end of our offer period, valid acceptances have been received and not properly withdrawn in respect of at least 90 per cent. of the Merant shares, including shares represented by Merant ADSs, to which the offer relates. To effect the compulsory acquisition of all of the Merant shares to which the offer relates, including shares represented by Merant ADSs to which the offer relates, under UK law, we are required to have acquired at least 90 per cent. of all of the shares of Merant, including shares represented by Merant ADSs. It is possible that, at the end of our offer period, we will not hold a sufficient number of Merant shares, including shares represented by Merant ADSs, to effect a compulsory acquisition of the remaining outstanding Merant shares, including shares represented by Merant ADSs. This could prevent or delay us from realising some or all of the anticipated benefits from the integration of our operations with

Merant's operations.

*We expect our offer to trigger certain change of control payments in the employment agreements of certain members of Merant's senior management, which will increase our expenses for the transaction.*

The employment agreements of certain members of Merant's senior management contain change of control clauses providing for compensation to be paid in the event the employment agreements of these employees are

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terminated following the consummation of our offer should their respective positions with Merant be materially changed. If successful, our offer would effect such a change of control, thereby giving rise to potential change of control payments.

*Antitrust and competition authorities in various jurisdictions may attempt to delay or prevent our acquisition of voting and control rights or may require divestitures, which could adversely affect our ability to consummate the offer.*

Under the HSR Act, the transaction may not be consummated unless certain filings have been submitted to the Federal Trade Commission, referred to as the FTC, and the Antitrust Division of the Department of Justice, referred to as the Antitrust Division, and certain waiting period requirements have been satisfied. In addition, the transaction may be subject to review by competition authorities in jurisdictions in which it is not subject to mandatory notification requirements. SERENA and Merant have made these required filings. In addition, completion of the offer is subject to various foreign antitrust laws, though we do not expect to need to make filings except under the HSR Act. We cannot be sure that antitrust enforcers in jurisdictions that have the authority to review the transaction will allow the transaction to proceed without first seeking additional information pursuant to a Request for Additional Information and Documentary Material, referred to as a second request, or similar process or that approvals for the transaction will be obtained at all or without materially adverse restrictions or conditions that would have an adverse effect on the combined company. In addition, it is a condition to the consummation of our offer that we are not required to sell or divest any of our assets or business and that we are not prohibited from owning any portion of the Merant business or assets, to an extent that is material to Merant and its affiliates, taken as a whole, or SERENA and its subsidiaries, taken as a whole.

The FTC and the Antitrust Division frequently scrutinise the legality under the antitrust laws of transactions like the offer. At any time before or after the completion of the offer, the FTC or the Antitrust Division could take any action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the offer or completion of the compulsory acquisition or seeking the divestiture of substantial assets of SERENA or Merant. There can be no assurance that we will receive a favourable result if such a challenge is made. State attorneys general may also bring legal action under the antitrust laws, and private parties may bring such actions under certain circumstances.

*The cash portion of the consideration to be paid in our offer to Merant securityholders who accept the offer is based on a fixed amount of pounds sterling and, therefore, SERENA is subject to currency fluctuations through the payment date.*

Because SERENA will pay all holders of Merant shares in pounds sterling, SERENA must buy pounds sterling with US dollars at the prevailing exchange rate on the payment date. As a result, the actual amount of US dollars required to buy a sufficient amount of pounds sterling to pay the cash portion of the consideration to such holders will depend upon the exchange rate prevailing on the business day on which the funds are made available by SERENA to the UK Receiving Agent. Additionally, because the cash portion of the consideration payable in the offer is a fixed amount of pounds sterling, the actual amount of US dollars that SERENA will pay with respect to the cash portion of the consideration will depend upon the exchange rate prevailing on the business day on which the funds are made available by SERENA to the US Depository. Therefore, SERENA is subject to the risk of fluctuations in the dollar/pound sterling exchange rate.

*Holders of Merant shares who elect to receive cash consideration in US dollars and holders of Merant ADSs who do not elect to receive cash consideration in pounds sterling will be subject to exchange rate risk.*

If holders of Merant shares elect to receive cash consideration in US dollars, or holders of Merant ADSs do not elect to receive cash consideration in pounds sterling, the cash amount payable in pounds sterling to which such person would otherwise be entitled pursuant to the terms of the offer will be converted, subject to conversion expenses, from pounds sterling to US dollars at the exchange rate obtainable on the spot market in



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London at approximately noon (London time) on the date the cash consideration is made available by SERENA to the relevant paying agent for delivery in respect of the applicable Merant securities. The actual amount of US dollars received by any Merant securityholder that receives cash consideration in US dollars will depend on the exchange rate prevailing on the day on which funds are made available to the relevant payment agent by SERENA, so such Merant securityholders will be subject to the risk that exchange rate fluctuations could change the amount of US dollars they receive.

***Merant executive officers and directors have interests other than as Merant securityholders that may influence them to support the offer.***

In considering the recommendation of the Merant directors to accept the offer and tender your Merant shares, you should recognise that Merant directors and officers have interests in the offer that differ from, or are in addition to, their interests as Merant securityholders. These interests include:

current and future employment arrangements;

severance benefits if their employment is terminated after the acquisition;

for the following directors, officers or employees of Merant, full acceleration of their stock options as a result of the acquisition: Gerald Perkel, Scott Hildebrant, Stephen King, Diane Williams, Robert Blaskowsky, Stephen Going, Robert Dunne, Brian Unruh and William Rees Withers; and

the fact that one Merant director, Gerald Perkel, will become a director of SERENA upon completion of the acquisition.

See paragraph 8 of Appendix 5.

***Failure to complete the offer could be costly to Merant and its securityholders.***

If the offer is not completed for any reason, Merant could suffer a number of consequences that may adversely affect its business, results of operations and stock price, including the following:

the market price of Merant shares may decline, assuming that current market prices reflect a market assumption that the offer will be completed;

the benefits expected from becoming a part of a combined company with SERENA will not be realised;

activities relating to the offer and related uncertainties may divert management's attention from the day-to-day business and cause disruptions among employees and to relationships with customers and business partners, thus detracting from Merant's ability to grow revenue and minimise costs and possibly leading to a loss of revenue and market position that may not be regained if the transaction does not occur;

difficulty continuing Merant's present level of operations, requiring it to scale back the present level of business and consider reductions in force;

disruption of its employee, customer and business partner base; and

an inability to take advantage of alternative business opportunities or effectively respond to competitive pressures.

In addition, under certain circumstances, Merant has agreed to pay us a fee of approximately £2.06 million (US\$3.71 million based on the noon buying rate of US\$1.7993: £1.00 as at 15 March 2004, the latest practicable date prior to the posting of this document). See paragraph 6 of Part B of Appendix 1.



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*The acquisition may be completed even though material adverse changes may result from the announcement of the offer, industry-wide changes and other causes, which could adversely affect SERENA's business and financial condition.*

Pursuant to the terms of the offer, we may refuse to complete the offer if there is a material adverse change affecting Merant before the closing. However, we will need to obtain the consent of the Panel to invoke certain of our conditions to closing the transaction. The Panel could refuse to permit us to invoke a condition to closing if it feels that SERENA knew or should have known such material adverse change might exist and/or that the change is not material in the context of Merant and its affiliates, taken as a whole, SERENA and its subsidiaries, taken as a whole and/or the offer.

If material adverse changes occur but we must still complete the offer, our stock price may suffer or our business or financial condition may be harmed. This in turn may reduce the value of the consideration paid to Merant securityholders in the offer.

*The price of SERENA shares may be affected by factors different from those affecting the price of Merant shares and Merant ADSs.*

When the acquisition is completed, Merant securityholders will become holders of SERENA shares. SERENA's business differs from that of Merant, and SERENA's results of operations, as well as the price of SERENA shares may be affected by factors different from those affecting Merant's results of operations and the price of Merant shares and Merant ADSs.

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**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Merant files annual and current reports with the SEC and pursuant to the Companies Act. You may read and copy any reports, statements or other information that we and Merant file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1 (800) 732-0330 for further information regarding the public reference room. SERENA's and Merant's public filings also are available to the public from commercial document retrieval services and at the internet website maintained by the SEC at <http://www.sec.gov>.

We have filed a registration statement on Form S-4 to register with the SEC the offering and sale of SERENA shares to be issued to Merant securityholders pursuant to our offer. This document is a part of that registration statement. Upon commencement of the offer, we will file with the SEC a statement on Schedule TO pursuant to Rule 14d-3 under the Exchange Act to furnish certain information about the offer and Merant will file with the SEC a Solicitation/Recommendation Schedule 14D-9 regarding the offer.

As allowed by SEC rules, this document does not contain all of the information that you can find in the registration statement or the exhibits to the registration statement. The SEC allows us to incorporate information into this document by reference, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information contained directly in this document. This document incorporates by reference the documents set forth below that SERENA and Merant have previously filed with the SEC. These documents contain important information about SERENA and Merant and their financial condition.

<b>SERENA Filings (File No. 000-25285):</b>	<b>Period</b>
Annual Report on Form 10-K	Year ended 31 January 2003, as filed on 29 April 2003
Quarterly Reports on Form 10-Q	Quarter ended 30 April 2003, as filed on 13 June 2003; Quarter ended 31 July 2003, as filed on 12 September 2003; and Quarter ended 31 October 2003, as filed on 8 December 2003
Current Reports on Form 8-K	Filed on 20 May 2003; 22 May 2003; 5 August 2003; 21 August 2003; 21 November 2003; 8 December 2003; 10 December 2003; and 20 February 2004
Definitive Proxy Statement on Schedule 14A for 2003 Annual Meeting of Stockholders	Filed on 19 May 2003
Registration Statement on Form 8-A	Filed on 22 January 1999
<b>Merant Filings (File No. 000-19696):</b>	<b>Period</b>
Annual Report on Form 20-F	Year ended 30 April 2003, as filed on 27 October 2003

All additional documents that SERENA or Merant may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this document and prior to the earliest of the date of the completion of the offer or the earlier termination of the offer, shall also be deemed to be incorporated by reference. These include, but are not limited to, periodic reports, such as annual reports on Form 10-K or 20-F, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as proxy statements; provided, however, that we are not incorporating any information furnished under either Item 9 or Item 12 of any current report on Form 8-K.

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We have supplied all information contained or incorporated by reference in this document relating to us and Merant has supplied all such information relating to Merant.

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You can obtain any of the documents we are incorporating by reference through us, the SEC or the SEC's Internet website as described above. Documents incorporated by reference are available from us without charge, excluding all exhibits unless we have specifically incorporated by reference an exhibit in this document. You may obtain documents incorporated by reference in this document by requesting them in writing or by telephone from us at the following address:

**D.F. KING & CO., INC.**

*North America*  
48 Wall Street

New York, NY 10005

Toll Free: 1 (800) 859-8509

Banks and Brokers: 1 (212) 269-5550

*Europe*

No. 2 London Wall Buildings

London Wall, London EC2M 5PP

Toll Free, UK: 0800 917 8414

Call Collect: +44 20 7920 9700

If you request any incorporated documents from us, we will mail them to you by first-class mail, or other equally prompt means, within one business day of receipt of your request.

You should rely only on the information contained or incorporated by reference in this document to decide whether to accept the offer. We have not authorised anyone to provide you with information that is different from what is contained in this document. You should not assume that the information contained in this document is accurate as at any date other than the date on the front of this document unless the information specifically indicates that another date applies, and neither the mailing of this document to the Merant securityholders nor the issuance of SERENA shares pursuant to the offer shall create any implication to the contrary.

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**LETTER OF RECOMMENDATION FROM THE CHAIRMAN OF**

**MERANT plc**

(incorporated in England and Wales with registered number 1709998)

Abbey View

Everard Close

St. Albans, Herts, AL12PS

United Kingdom

18 March 2004

To all holders of Merant plc securities and, for information only, to participants in the Merant share schemes

**SERENA SOFTWARE, INC.**

**RECOMMENDED CASH AND SHARE OFFER FOR**

**THE ENTIRE ISSUED AND TO BE**

**ISSUED SHARE CAPITAL OF**

**MERANT PLC**

Dear Securityholder,

**1. INTRODUCTION**

On 3 March 2004, we announced that your board and the board of SERENA had reached agreement on the terms of a recommended cash and share offer for the entire issued and to be issued share capital of Merant. I am writing to explain the background to the transaction and the reasons why the Merant board of directors unanimously recommends that Merant securityholders accept the offer.

Further details of the offer are set out in the letter from Lehman Brothers and in Appendix 1 of this document.

## 2. TERMS OF THE OFFER

The offer, which is subject to the conditions and further terms set out in the letter from Lehman Brothers, Appendix 1 and the accompanying form of acceptance or letter of transmittal is made on the following basis:

<b>for every 1 Merant share</b>	<b>136.5 pence in cash and 0.04966 of a new SERENA share</b>
<b>for every 1 Merant ADS (each Merant ADS representing 5 Merant shares)</b>	<b>682.5 pence in cash and 0.2483 of a new SERENA share</b>

The offer is based on a valuation of 195 pence for each Merant share. On this basis, the offer values the entire issued share capital of Merant at approximately £206 million (US\$380 million). This is based on an exchange rate of US\$1.8488 : £1.00, calculated at the average of the US dollar / pound sterling noon buying rate for the five trading days ended 3 March 2004 and the price per SERENA share of US\$21.78, calculated as the average of the closing prices of one SERENA share as reported on Nasdaq for the twenty United States trading days ended 1 March 2004. As at 31 January 2004 Merant had net cash and equivalents of £38.8 million (US\$70.7 million based on an exchange rate of US\$1.8202 : £1.00).

SERENA is offering a mix and match election under which Merant securityholders who validly accept the offer may request to vary the proportions in which they receive SERENA shares and cash in respect of their Merant shares and Merant ADSs. A shareholder who successfully elects all cash would receive 195 pence in cash for every 1 Merant share. A shareholder who successfully elects to receive all SERENA shares would receive 0.16553 of a new SERENA share for every 1 Merant share.

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At 195 pence for each Merant share, the offer represented a premium of approximately:

25 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer; and

34 per cent. to the average daily middle market closing price of 145.8 pence per Merant share for the three months ended 2 March 2004.

On 15 March 2004 (the latest practicable date prior to the posting of this document), at the then prevailing noon buying rate of US\$1.7993: £1.00 and a SERENA share price of \$19.68, the offer values each Merant share at 190.8 pence, representing a premium of approximately 23 per cent. to the middle market closing price of 155.5 pence per Merant share on 2 March 2004, the last dealing day prior to the announcement of the offer.

### **3. BACKGROUND TO AND REASONS FOR RECOMMENDING ACCEPTANCE OF THE OFFER**

The acquisition of Merant by SERENA will create the second largest provider of ECM software solutions, serving the complex change management needs of at least 46 of the Fortune 50 largest companies worldwide, with a resulting combined installed base of over 15,000 customers. SERENA believes this installed base will provide the combined company with distribution leverage to cross sell products, expand into new geographies, create new opportunities in channel development and generate a profitable and steady maintenance revenue stream.

The combination brings together two leaders in ECM with the complementary strengths of SERENA on mainframe platforms and Merant on distributed systems and similar visions for future market share expansion.

The boards of directors of SERENA and Merant believe the combination should deliver significant strategic benefits and provide opportunities to reduce expenses and that the combined company would:

create the leading ECM vendor with integrated software solutions running on all major operating systems, from the mainframe to UNIX, LINUX and NT distributed systems environments all the way to the worldwide web;

combine SERENA's market leading mainframe SCM product, with Merant's market leading enterprise distributed SCM product;

deepen and strengthen the customer base by combining SERENA's more than 3,600 customers with Merant's more than 15,000 customer accounts;

accelerate SERENA's ability to offer customers its vision of application life cycle management solutions branded as SERENA's Application Framework for Enterprises (SAFE), thereby accessing larger markets and enabling the combined company to compete more effectively; and

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offer significant potential cost savings in the areas of overlap such as dual exchange listing, dual public company compliance obligations and dual administrative infrastructures as well as a number of other duplicative areas and initiatives.

Both SERENA and Merant have been pursuing similar strategies and strategic investments to enable the application of change management technology beyond SCM to broader applications within information technology.

#### **4. MANAGEMENT AND EMPLOYEES**

SERENA recognises the importance to Merant's business of the skills and experience of Merant's management team and employees.

SERENA has given assurances to the Merant board that the existing employment rights, including pension rights, of the management and employees of Merant will be fully honoured.



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Gerald Perkel, president and chief executive officer of Merant, has agreed to join the board of SERENA as a director subject to the offer becoming or being declared unconditional in all respects.

### **5. CURRENT TRADING**

On 3 March 2004, Merant announced its financial results for the third quarter of fiscal 2004. The statement on the business outlook is set out in Appendix 3.

### **6. TAXATION**

Your attention is drawn to paragraphs 16 and 17 of the letter from Lehman Brothers headed *United Kingdom Taxation* and *United States Federal Taxation*. This information is included as guidance only and you should consult an independent professional advisor in light of your particular circumstances.

### **7. MERANT SHARE SCHEMES**

The offer will extend, subject to the terms and conditions set forth in this document and acceptance form(s), to all Merant shares unconditionally allotted or issued fully paid (or credited as fully paid) upon exercise of options under the Merant share schemes while the offer remains open for acceptance (or until such earlier date as SERENA may, subject to the provisions of the City Code, determine). Further details of the proposals to be made to the holders of options under the Merant share schemes are set out in paragraph 11 of the letter from Lehman Brothers.

### **8. IRREVOCABLE UNDERTAKINGS AND CONFIRMATIONS OF INTENT TO ACCEPT THE OFFER**

SERENA has received irrevocable undertakings to accept the offer representing approximately 7.4 per cent. of Merant's existing issued share capital. SERENA has also received confirmations of intent to accept the offer, representing in aggregate approximately 27.3 per cent. of Merant's existing issued share capital. The Merant securityholders from whom SERENA has received undertakings and confirmations of intent (including a confirmation of intent from Schroder Investment Management Limited), hold an aggregate of 34.61 per cent. of the issued share capital of Merant as at 15 March 2004.

Merant directors have irrevocably undertaken to accept the offer in respect of their own beneficial holdings, comprising 381,389 Merant shares in aggregate (representing approximately 0.36 per cent. of Merant's existing issued share capital). Merant Trustees Limited has irrevocably undertaken to accept the offer in respect of its beneficial holdings, comprising 7,415,488 Merant shares (representing approximately 7.0 per cent. of Merant's existing issued share capital).

One Merant director, Gerald Perkel, has also irrevocably undertaken to accept the offer in respect of all Merant shares he receives as a result of the exercise of options during the period whilst the offer is open for acceptance, representing up to 1,500,000 Merant shares. No other Merant

director holds any options over Merant shares.

The undertakings provided by the Merant directors cease to be binding only if the offer lapses or is withdrawn. The undertaking provided by Merant Trustees Limited ceases to be binding in the same circumstances as those provided by the Merant directors but in addition will lapse if a higher offer is made by a third party (i) which is recommended by Merant and SERENA has not increased its offer within 7 days; or (ii) which is declared unconditional in all respects.

The confirmations of intent are non-legally binding statements of current intention.