



Half-Yearly Financial Report
for the six months ended 31 December 2007

Financial Highlights

- › Achieved 10% - double digit - Y/Y growth in our software business in constant currency terms
- › Higher than expected software services offset lower growth in software licenses
- › GP margin increased Y/Y by 1.3% to 55.9% from 54.6%
- › Adjusted OP increased by 15% (19% in constant currency terms)
- › Adjusted OP margin increased to 9.8% from 9.0%
- › Adjusted EPS increased by 15% (20% in constant currency terms)

Kofax plc (LSE: KFX) is a leading provider of Intelligent Capture & Exchange solutions. For more than 20 years, Kofax has provided award-winning solutions that automate document-driven business processes by managing the transformation and exchange of business-critical information arising in paper, fax and electronic formats in a more accurate, timely and cost-effective manner.

These solutions provide a verifiable return on investment to thousands of customers in financial services, manufacturing, retail, government, healthcare, business process outsourcing and other markets. Kofax delivers these solutions through a global network of more than 1,200 authorised partners, and its own sales and service organisations in the more than 60 countries throughout the Americas, EMEA and Asia Pacific.

For more information, visit www.kofax.com.

For investor relations information, please continue to reference: www.investor.dicomgroup.com until further notice.

Half-Yearly Financial Report

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Business Review

OPERATIONAL OVERVIEW

I am pleased to report that the company achieved 10% year on year growth in our software licenses and services business in constant currency terms. Strong growth in services offset lower than anticipated growth in licenses, which together contributed to gross margin increasing to 55.9% from 54.6%. Adjusted operating profits increased 15% year on year (19% in constant currency terms), and operating margins increased to 9.8% from 9.0%. In addition, adjusted EPS increased by 15% (20% in constant currency terms).

Major customer wins during the period included ING-DiBa, Emirates Airlines, Deutsche Bank, Prudential and China Merchant Bank.

A further endorsement of our products came in the form of a remarketing agreement with HP for our Intelligent Capture & Exchange solutions, including our Document Exchange Server software, which will be integrated with HP imaging and printing products to provide a more complete solution for customers.

We are also pleased to note that DICOM has received a number of industry awards, including:

“Technology Partner of the Year 2007” by Open Text Corporation, a global leader in ECM, Editor’s Choice Award from Document Manager Magazine and Software Magazine’s

Software 500 ranking of the world’s largest software and service providers.

REORGANISATION

Since my arrival as CEO, I have conducted a thorough review of the strategy, structure and branding of the company. Following this review it is clear that certain additional measures are now needed to accelerate progress with DICOM’s stated strategy of focusing on the software license and services portion of its business.

As a result of my review, DICOM’s organisational structure has been reorganised to better align and focus its resources. In the past, most line and staff functions were decentralised and widely distributed throughout the world, with both regional and country managers acting as general managers and being responsible for all of these functions and for revenue generation. With this reorganisation, all line and staff responsibilities have now been consolidated into vertically aligned, worldwide functions under global managers reporting to me. The essential purpose of this change is to enable us to execute in a more consistent and cost effective manner and to focus management efforts more clearly on revenue generation activities.

In addition, DICOM’s sales function has been reorganised to better align and focus our resources. In the past, the sales function was decentralised and widely distributed throughout the world, with regional and country managers being responsible for selling all of the company’s products. With this reorganisation, the sales function has now been separated into three groups better aligned with DICOM’s products, markets and customers, namely: (1) applications software, (2) OEM software, and (3) our European hardware distribution business. We are confident that

this will allow sales employees to better focus their selling efforts, create clearer lines of authority, responsibility and accountability as well as improve sales management and increase sales productivity. To support this change, we will be appointing an Executive Vice President of Worldwide Field Operations to manage the sales function and all other customer facing activities on a global basis.

PROPOSED CHANGE OF NAME

As a further consequence of my strategic review, the Board is proposing to change the name of the company to "Kofax plc". There has been confusion both internally and externally over the various brands used by the company in the past, many of which have arisen through acquisition. Among all DICOM brands and products, Kofax clearly emerges as the brand with the highest awareness among stakeholders on a worldwide basis, having been recognised as the leading capture software for the past twenty years. Furthermore, the respected products and innovations that have emerged from Kofax most closely define the direction in which the company is now heading.

Assuming the necessary resolution is passed by shareholders on 18 February 2008, it is anticipated that the change of name, and trading under the new ticker 'KFX', will take effect from 8.00am on 19 February 2008. The ISIN number for the Company's shares will remain unchanged.

BOARD CHANGES

On 5 November 2007 I succeeded Rob Klatell as Chief Executive Officer and a member of the Board of Directors of DICOM. Along with the rest of the Board, I would like to thank Rob for his efforts on behalf of the Company.

As a result of the reorganisation described above, Urs Niederberger, previously DICOM's Chief Operating Officer, has now resigned from the Board of Directors. The Board would like to extend its thanks to Urs for his efforts on behalf of the company over the past ten years and wish him well in his future endeavours.

EXCEPTIONAL CHARGE

As a consequence of the restructuring and rebranding proposal described above, DICOM has now made approximately 50 redundancies, closed certain facilities and will record an exceptional charge of £3.5 to £3.8 million in the second half of this financial year. It is expected that these changes will lead to significant cost savings over time, which will allow the Board to increase its investment in initiatives that will drive growth in our software business, including the hiring of key personnel, improving our corporate infrastructure and supporting the rebranding process.

REVENUE GROWTH STRATEGIES

With a view to delivering long term shareholder value, I have identified and we will be executing on four key revenue growth strategies, namely: (1) increasing market share in our current markets, (2) establishing a leading position in the front office capture market, (3) extending our market reach with a new hybrid go-to-market model and (4) augmenting our organic growth with very carefully selected and planned strategic acquisitions in order to gain competitive advantage.

Our first revenue growth strategy is to increase market share by taking advantage of documented growth opportunities in our existing markets and thereby grow our revenues with or exceed those market growth rates. We will seek to maintain and extend our market leader position in batch capture by better leveraging our existing channel partners and installed base of end users and expanding our global network of channel partners. In addition, we will aim to improve our newly secured top five position in the transaction capture market by further leveraging our channel partners and better selling these solutions into our installed base of end users.

Secondly, we will aim to establish a top five position in the front office or ad hoc capture market using our Document Exchange Server software and related new software product offerings.

These solutions are designed to facilitate the capture and processing of documents where they originate as opposed to centralized, back office environments, and thereby make our customers more competitive in addition to enabling significant cost savings. This allows us to enter a new segment of the market with a different and more important value proposition, which we believe is more strategic to both our end user customers and channel partners and will allow us to further leverage these assets.

Thirdly, we intend to move to a hybrid go-to-market model to expand our market reach. This will continue to utilise and expand our existing channels of resellers, VARs and system integrators, but also extend our sales efforts to include significantly more direct engagements with larger end user customers at the enterprise level of the market. Direct engagements


in these opportunities will allow us to better meet customer needs and strengthen our competitive position while allowing us to still honour the contributions of our channel partners when appropriate.

OUTLOOK

I and the Board are confident that we will be able to continue to achieve 10% revenue growth in constant currency terms in our software business this fiscal year, with a higher than expected contribution from software services continuing to offset lower growth in software licenses. More importantly, despite an uncertain economic environment at the present time, we remain enthused about DICOM's market opportunities and continue to target double digit revenue growth in our software business in future years.

EXTRAORDINARY GENERAL MEETING

The Company will be convening an extraordinary general meeting to address the technical issues concerning reserves as described in the Financial Review, notice for which will be dispatched to all shareholders shortly.



Reynolds C. Bish
Chief Executive Officer

Financial Review

SOFTWARE BUSINESS TURNOVER

The table below provides a summary of our software licence turnover by capture market segment and product line. Batch Capture and Transaction Capture turnover both grew by 8% in constant currency terms. Overall Applications Software turnover was negatively impacted by a continuing decline in Communica-

tions software, which decreased 17%. Our OEM turnover continued to grow substantially but such growth was offset by an expected continuing decline in image processing software sales, resulting in only 2% overall growth in constant currency terms. Total license sales growth is reported at 4% in constant currency terms. Software services continued to grow strongly, up 18% in constant currency terms. Growth in total Software Business is reported at 10% in constant currency terms.

Software business breakdown 6 months to 31 December 2007

	FY08	FY08 constant currency	FY07	Change constant currency
	£m	£m	£m	%
Applications Software				
Batch Capture	12.7	13.0	11.9	8%
Transactional Capture	4.1	4.2	3.9	8%
Communications	2.5	2.5	3.0	(17%)
Total Applications Software	19.3	19.7	18.8	4%
OEM	8.2	8.6	8.4	2%
Software Licenses	27.5	28.3	27.2	4%
Software Services	18.1	18.4	15.5	18%
Total Software Business	45.6	46.7	42.7	10%

REVENUE BY GEOGRAPHIC SEGMENTS

The information set out in the table below provides the breakdown of sales per geographic segment. Revenue in the Americas decreased by 3%, mainly driven by a decrease in license sales of 9%. Reported revenue in the Americas has been negatively impacted by the weakened USD which is down 7% compared to the previous year period. Revenue in constant currency terms is up 4% in the Americas. EMEA enjoyed a very strong performance in

license sales with growth of 16%. Software services grew at 13%. With the Hardware distribution business essentially flat, overall growth comes down to 7%.

Due to strong license sales growth in Asia-Pacific in the last financial year we are able to report a substantial increase in software services of 114%. The hardware business in Asia has been discontinued other than as a short term accommodation for some customers and hence is reporting a substantial decrease. Nevertheless overall revenue growth in Asia amounts to 18% with a noticeable increase in our software business of 29%.

Geographic turnover 6 months to 31 December 2007	Americas		Asia-Pacific		EMEA		Total	
	£m	% change	£m	% change	£m	% change	£m	% change
Software Licences	13.3	(9%)	2.1	0%	12.1	16%	27.5	1%
Software Services	6.7	10%	1.5	114%	9.6	13%	17.8	17%
Hardware	–	–	0.3	(40%)	26.6	2%	26.9	0%
Hardware Services	–	–	0.1	0%	10.1	9%	10.2	9%
Total	20.0	(3%)	4.0	18%	58.4	7%	82.4	5%
Total 31 December 2006	20.7		3.5		54.4		78.5	

TAXATION

The tax charge of DICOM is reported at £2.3m which equates to an effective tax rate of 38% of pre-tax profits. The charge on the adjusted EPS is reported at £2.7m which represents an adjusted effective tax rate of 30% on adjusted pre-tax profits. The difference between the effective tax and the adjusted effective tax rate is mainly due to a release of deferred tax provisions on intangible assets.

EARNINGS PER SHARE

Basic Earnings per share are reported at 4.3p, a decline of 7%. Adjusted Earnings per share increased 15% to 6.9p from 6.0p in the comparable period. The Adjusted Earnings per share calculation excludes certain charges, including amortisation of intangible assets, share based payments, restructuring charges, goodwill reductions arising from the utilisation of previously unrecognised tax losses and fair value adjustments on financial instruments. Please see the Notes to the Financial Statements concerning further information about the basis upon which these calculations were made.

CASH FLOW

Operating cash flow before restructuring payments are reported at £5.5m (2006: £4.9m). Net cash inflow from operations amounts to £0.5m, down from £3.0m which is solely due to higher tax payments and restructuring payments. The Group has spent £1.8m for tangible assets in the first six months to December

2007 compared to £1.9 in the comparable period. In addition, the Group spent £0.8m on earn-out agreements for past acquisitions and £0.7m for acquisition of minorities. The purchases of tangible assets and the above mentioned payments result in a total cash outflow from investing activities of £2.9m compared to £4.6m. The cash outflow from financing activities amount to £13.1m after having spent £11.2m on the share buy-back and the final dividend payment relating to the year ending 30 June 2007 of £1.3m (technical issues concerning these payments are described below). The Group therefore ended the period with a net funds position of £24.4m compared to £38.2m.

SHARE BUY BACK

The Company announced its intention to buy back Company's issued share capital at the time of its Preliminary Results in August 2007. As per 18 February 2008 this programme has resulted in trades being entered into by the Company in respect of 6.7% of the Company's issued share capital.

A technical issue has arisen in respect of the Company's ability to finally settle those trades. The Company's individual and consolidated accounts have always been prepared, reported upon and laid before shareholders in accordance with the Companies Act and there have always been sufficient reserves within the Group for the Group to have implemented the share buy back programme. Unfortunately, those reserves have not yet been transmitted to the Company as technically required by the applicable legislation.

As a result, the Group is required to complete the transmission of the reserves to the Company before the buy back trades can finally be settled as a technical matter. The Board has been advised that this defect is remediable and anticipates that the Group's reserves position and therefore the final settlement of these trades will be regularised shortly. The Company will be

writing to the relevant shareholders shortly in respect of the resolution of this technical problem.

In the interests of providing as full information as possible to the Company's shareholders, notes have been included in the financial statements to illustrate the Group's financial position as subject to these technical difficulties in implementing the buy back programme as they prevailed at and to 31 December 2007. The position illustrated in those notes will be redundant once the Group's reserves position has been regularised and the relevant trades finally settled.

FINAL DIVIDEND

At the annual general meeting on 13 November 2007, the Company declared a final dividend of 1.41p per ordinary share, the amount of which was paid on 14 December 2007 to all shareholders on the Register on 16 November 2007. The final dividend was approved by shareholders in accordance with the Company's articles of association and there were sufficient reserves within the Group for the Company to have paid that dividend in accordance with the Companies Act. Unfortunately,

that dividend is similarly affected by the problem of the Group's reserves not yet having been transmitted to the Company as required by the applicable legislation.

The Company has been advised that it may have theoretical claims against past and present shareholders in respect of the recovery of the amount of that dividend as a result of this technical issue.

It is not the intention of the Board ever to pursue these claims. In the interests solely of finally remedying the position and releasing the theoretical claims arising as a result of this technical difficulty, the Company will be convening a further extraordinary general meeting shortly.

Equally in the interests of providing as full information as possible to the Company's shareholders, notes have been included in the financial statements to illustrate the Group's financial position as subject to these technical difficulties in the payment of the final dividend as they prevailed at and to 31 December 2007. The position illustrated in those notes will similarly become redundant should shareholders approve the resolutions to be proposed at the extraordinary general meeting described above.

INTERIM DIVIDEND

Conditionally upon receipt from Group companies of dividends sufficient to create the necessary distributable reserves, the Board has resolved to pay an interim dividend of 0.82p per ordinary share (2006: 0.71p). This represents an increase of 15% over the previous period. Subject to the resolution of the technical difficulties concerning the Group's reserves described above, which the Board anticipates will be regularised shortly, the dividend will be paid on 9 May 2008 to shareholders on the register as of 11 April 2008.



Stefan Gaiser
Chief Financial Officer

Consolidated Income Statement (IFRS)

in £'000	Note	6 months to 31 December 2007 unaudited	6 month to 31 December 2006 unaudited restated	Year to 30 June 2007 audited
Revenue	2	82,358	78,518	160,243
Cost of sales		(36,355)	(35,651)	(69,873)
Gross profit		46,003	42,867	90,370
		(39,496)	(37,617)	(81, 553)
Operating expenses				
Adjusted operating profit before*		8,081	7,048	15,543
Amortisation of acquired intangible assets		(1,155)	(1,155)	(2,309)
Reduction in goodwill arising on the utilisation of previously unrecognised tax losses		-	-	(104)
Restructuring costs		-	-	(3,200)
Share-based payment		(419)	(643)	(1,113)
Operating profit		6,507	5,250	8,817
Share of results of associated undertakings		110	55	57
Finance income		530	771	1,361
Finance expense		(1,057)	(60)	(118)
Profit before tax		6,090	6,016	10,117
Tax expense	4	(2,307)	(1,920)	(2,098)
Profit for the period		3,783	4,096	8,019
Attributable to				
Equity holders of the parent		3,743	4,031	7,945
Minority interests		40	65	74
		3,783	4,096	8,019
Earnings per ordinary share	6			
> basic		4.3p	4.6p	9.1p
> diluted		4.3p	4.4p	8.8p
> adjusted		6.9p	6.0p	15.1p

* Adjusted operating profit is KPI used by the group to help in assessing the underlying trading results of the Group.

Consolidated Statement of Recognised Income and Expense

in £'000	6 months to 31 December 2007 unaudited	6 month to 31 December 2006 unaudited restated	Year to 30 June 2007 audited
Exchange differences arising on retranslation of foreign operations and net investment hedge	3,946	(1,792)	(2,648)
Tax on items taken directly to or transferred from equity	(219)	-	995
Actuarial gain on defined benefit pension plan	72	-	162
Net (expense)/income recognised directly in equity	-	-	(1,491)
Profit for the period	3,783	4,096	8,019
Total recognised income and expense	7,582	2,304	6,528
Attributable to			
Equity holders of the parent	7,542	2,239	6,454
Minority interests	40	65	74
Total	7,582	2,304	6,528

Consolidated Balance Sheet (IFRS)

in £'000	Note	At 31 December 2007 unaudited	At 31 December 2006 unaudited restated	At 30 June 2007 audited
Non-current assets				
Intangible assets		69,710	67,996	68,043
Tangible assets		4,281	4,045	3,652
Deferred tax assets		2,385	2,009	2,294
Investments		1,131	1,067	940
		77,507	75,117	74,929
Current assets				
Inventories		9,467	8,364	7,328
Trade and other receivables		39,966	35,935	36,843
Investments		197	169	178
Cash and cash-equivalents	13	25,990	29,089	39,210
		75,620	73,557	83,559
Total assets		153,127	148,674	158,488
Current liabilities				
Trade and other payables		(43,138)	(39,977)	(42,803)
Other financial liabilities		(1,547)	(777)	(1,078)
Liabilities for current tax		(2,154)	(3,835)	(2,796)
Provisions		(1,054)	–	(2,750)
		(47,893)	(44,589)	(49,427)
Non-current liabilities				
Other payables		(8,562)	(6,585)	(7,946)
Financial liabilities		(7)	(224)	(11)
Employee benefits		(323)	(557)	(330)
Deferred tax liabilities		(2,606)	(3,567)	(2,533)
		(11,498)	(10,933)	(10,820)
Total liabilities		(59,391)	(55,522)	(60,247)
Net assets		93,736	93,152	98,241
Capital and reserves				
Called up share capital	9	2,229	2,202	2,223
Share premium account	10	59,198	57,940	58,965
Foreign exchange reserve	10	2,170	(1,591)	(1,557)
Merger reserve	10	1,717	1,717	1,717
ESOP shares	10	(535)	(526)	(525)
Treasury shares	10	(11,220)	–	–
Profit and loss account	10	40,177	33,209	37,262
Shareholder's equity	11	93,736	92,951	98,085
Minority interests – equity		–	201	156
Total equity		93,736	93,152	98,241

Consolidated Cash Flow Statement (IFRS)

in £'000	Note	6 months to 31 December 2007 unaudited	6 months to 31 December 2006 unaudited restated	Year to 30 June 2007 audited
Cash flows from operating activities				
Operating profit		6,507	5,250	8,817
Depreciation and amortisation		2,319	2,399	4,737
Share-based payment expense		419	643	1,113
Reduction in goodwill arising on the utilisation of previously unrecognised tax losses		–	–	104
Movement in working capital		(3,496)	(4,682)	(753)
Movement in provisions		(204)	(540)	2,210
Other non-cash movements		(30)	1,786	(57)
Cash generated from operations before restructuring		5,515	4,856	16,171
Payment under restructuring charge		(1,492)	–	–
Cash generated from operations		4,023	4,856	16,171
Income tax paid		(3,545)	(1,811)	(3,258)
Net cash inflow from operating		478	2,991	12,913
Cash flows from investing activities				
Purchase of tangible assets, licences and similar rights		(1,833)	(1,040)	(1,917)
Disposal of tangible assets, licences and similar rights		41	82	154
Acquisition of subsidiaries, net of cash acquired		(839)	(1,570)	(1,079)
Acquisition of minorities		(667)	–	(1,683)
Disposal of subsidiaries, net of cash disposed		(16)	(2,628)	(1,464)
Sale of non-current investments		–	–	89
Movement in long term loans to non-current investments		–	–	12
Interest received		418	528	1,222
Net cash outflow from investing activities		(2,896)	(4,628)	(4,666)
Cash flows from financing activities				
Issue of share capital		494	1,491	2,529
Increase/(decrease) in short term borrowings		3	(81)	(126)
Decrease in long term borrowings		–	–	(20)
Dividends paid to shareholders	5	(1,254)	(1,083)	(1,712)
Share buy back	12	(11,220)	–	–
Dividends paid to minority interests		(69)	–	–
Capital element on finance lease payments		(5)	(7)	(6)
Finance cost paid		(1,048)	(55)	(104)
Net cash outflow/(inflow) from financing activities		(13,099)	265	561
Net decrease/(increase) in cash and cash-equivalents in the period		(15,517)	(1,318)	8,808
Cash and cash-equivalents at start of the period		38,566	30,991	30,991
Exchange rate effects		1,775	(962)	(1,233)
Cash and cash-equivalents at the end of the period		24,824	28,711	38,566
Cash and cash-equivalents consists of:				
Cash and cash-equivalents	13	25,990	29,089	39,210
Overdrafts		(1,166)	(378)	(644)
		24,824	28,711	38,566

Notes to the Financial Statements

NOTE 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2007 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2007. The accounting policies adopted in these condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 30 June 2007 except for the following new standards, amendments to the standards and interpretations which are mandatory for the financial year ending 30 June 2008 and have been adopted in these condensed consolidated interim statements. The adoption of these standards and interpretations has had no material impact on these condensed interim statements:

- › IFRIC 10, "Interims and impairment", effective for annual periods beginning on or after 1 November 2006.
- › IFRS 7, "Financial instruments; Disclosures", effective for annual periods beginning on or after 1 January 2007. IAS1, "Amendments to capital disclosures", effective for annual periods beginning on or after 1 January 2007. As this interim report contains only condensed financial statements, and as there are no material financial instruments related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.
- › IFRS 4, "Insurance contracts", revised implementation guidance, effective when an entity adopts IFRS 7.
- › IFRIC 11, IFRS 2, "Group and treasury share transactions", effective for annual periods beginning on or after 1 March 2007.

The following new standards, amendments to standards and interpretations have been issued and are subject to EU endorsement. They are not effective for the financial year ending 30 June 2008 and have not been adopted early:

- › IFRIC 12, "Service concession arrangement", effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the Group.
- › IFRIC 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. Management do not expect this interpretation to be relevant for the Group.
- › IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the Group.
- › IFRS 8, "Operating segments", effective for annual periods beginning on or after 1 January 2009. Management will review the impact of this standard on adoption, taking into account the management and organisation structure at that time.
- › IAS 23, "Borrowing Costs" (revised), effective for annual periods beginning on or after 1 January 2009. Management do not expect this revision to be relevant for the Group.

The interim financial information is also subject to notes that have been included to illustrate aspects of the Group's financial position to and as at 31 December 2007 solely reflecting the technical position of the Group as a result of the difficulties in respect of the Group's share buy back programme and the Company's final dividend for the year ended 30 June 2007 arising from the Group's distributable reserves not having been transmitted to the Company for the purposes of those distributions to shareholders.

NOTE 1 BASIS OF PREPARATION (CONTINUED)

The financial information contained in this interim statement does not amount to statutory financial statements within the meaning of section 240 Companies Act 1985. The financial statements for the year ended 30 June 2007, from which information has been extracted, were prepared under IFRS and have been delivered to the Registrar of Companies. The report of the auditors was unqualified in accordance with section 235 of the Companies Act 1985 and did not contain a statement under section 237 (2) or (3) Companies Act 1985. The interim financial statements were approved by the Board of Directors on 14 February 2008.

Comparatives

The comparatives for the half year ended 31 December 2006 have been restated to reflect the prior year adjustments as disclosed in the Annual Report for the year ended 30 June 2007. The net impact of these adjustments has been a decrease to net assets as at 31 December 2006 and net assets as at 1 July 2006 of £363,000. There is no impact to the profit of the group.

In addition the presentation of certain prior year figures have been adjusted, so disclosure is on a consistent basis with the current year figures.

NOTE 2 SEGMENT INFORMATION

Revenue split in £'000	6 months to 31 December 2007 unaudited	6 months to 31 December 2006 unaudited	Year to 30 June 2007 audited
Revenue			
Licences	27,510	27,161	55,518
Services	18,119	15,505	32,097
Hardware	26,833	26,708	53,328
Hardware Maintenance	9,897	9,144	19,300
	82,358	78,518	160,243
Finance revenue	572	771	1,361
Total	82,930	79,289	161,604

Primary reporting

The Group's operations are managed and reviewed across three distinct geographical regions. The sales and services of the Group are managed within each geographic region for both operational and internal management reporting purposes. Although each geographical region operates separately, however the nature of operations is similar.

NOTE 2 SEGMENT INFORMATION (CONTINUED)

in £'000	America	EMEA	Asia-Pacific	Elimination	Total
6 months to 31 December					
2007 unaudited					
Revenue external	20,013	58,322	4,023	–	82,358
Revenue inter-segment	6,942	523	–	(7,465)	–
Segment revenue	26,955	58,845	4,023	(7,465)	82,358
Gross profit	15,400	28,781	1,822	–	46,003
Adjusted operating profit*	4,936	3,408	(263)	–	8,081
Operating profit (segment result)	4,879	1,961	(333)	–	6,507
Share of results of associated undertakings	–	110	–	–	110
Finance income	–	–	–	–	530
Finance expense	–	–	–	–	(1,057)
Profit before tax	–	–	–	–	6,090
Taxation	–	–	–	–	(2,307)
Profit after tax	–	–	–	–	3,783
Balance Sheet					
Segment assets	81,121	105,515	6,317	(67,298)	125,655
Equity accounted investments	–	1,131	–	–	1,131
Unallocated assets	–	–	–	–	26,341
Total assets**	–	–	–	–	153,127
Segment liabilities	(11,979)	(38,879)	(3,440)	(1,401)	(55,699)
Unallocated liabilities	–	–	–	–	(3,692)
Total liabilities**	–	–	–	–	(59,391)

* Adjusted operating profit is stated before adding back amortisation of acquired intangibles, reduction in goodwill arising on the utilisation of previously unrecognised tax losses carried forward, restructuring costs and the share-based payment expense.

Unallocated assets and liabilities comprise net funds and tax related items.

** These items within this note are predicated upon the technical regularisation of the Company's share buy back programme which is intended to be concluded by: (i) the due transmission of certain of the Group's reserves to the Company; and (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme. To illustrate the Group's financial position subject to this technical regularisation, the following presentation would apply:

NOTE 2 SEGMENT INFORMATION (CONTINUED)

in £'000	America	EMEA	Asia-Pacific	Elimination	Total
6 months to 31 December					
2007 unaudited					
Balance sheet					
Segment assets	81,121	114,906	6,317	(67,298)	135,046
Equity accounted investments	–	1,131	–	–	1,131
Unallocated assets	–	–	–	–	26,341
Total assets	–	–	–	–	162,518
Segment liabilities	(11,979)	(40,133)	(3,440)	(1,401)	(56,953)
Unallocated liabilities	–	–	–	–	(3,692)
Total liabilities	–	–	–	–	(60,645)

in £'000	America	EMEA	Asia-Pacific	Elimination	Total
6 months to 31 December					
2007 unaudited					
Revenue external	20,654	54,405	3,459	–	78,518
Revenue inter-segment	7,365	604	–	(7,969)	–
Segment revenue	28,019	55,009	3,459	(7,969)	78,518
Gross profit	14,060	28,313	494	–	42,867
Adjusted operating profit*	3,682	4,000	(634)	–	7,048
Operating profit (segment result)	3,522	2,368	(640)	–	5,250
Share of results of associated undertakings	–	55	–	–	55
Finance income	–	–	–	–	771
Finance expense	–	–	–	–	(60)
Profit before tax	–	–	–	–	6,016
Taxation	–	–	–	–	(1,920)
Profit after tax	–	–	–	–	4,096
Balance Sheet					
Segment assets	68,676	103,877	4,359	(58,598)	118,314
Equity accounted investments	–	1,067	–	–	1,067
Unallocated assets	–	–	–	–	29,293
Total assets	–	–	–	–	148,674
Segment liabilities	(9,315)	(39,430)	(2,146)	–	(50,891)
Unallocated liabilities	–	–	–	–	(4,631)
Total liabilities	–	–	–	–	(55,522)

* Adjusted operating profit is stated before adding back amortisation of acquired intangibles, reduction in goodwill arising on the utilisation of previously unrecognised tax losses carried forward, restructuring costs and the share-based payment expense.

Unallocated assets and liabilities comprise net funds and tax related items.

NOTE 2 SEGMENT INFORMATION (CONTINUED)

in £'000	America	EMEA	Asia-Pacific	Elimination	Total
Year to 30 June 2007 audited					
Revenue external	42,178	111,035	7,030	–	160,243
Revenue inter-segment	16,591	3,451	–	(20,042)	–
Segment revenue	58,769	114,486	7,030	(20,042)	160,243
Gross profit	29,603	59,307	1,460	–	90,370
Adjusted operating profit	7,453	8,849	(759)	–	15,543
Operating profit (segment result)	6,518	4,380	(2,081)	–	8,817
Share of results of associated undertakings	–	57	–	–	57
Finance income	–	–	–	–	1,361
Finance expense	–	–	–	–	(118)
Profit before tax	–	–	–	–	10,117
Taxation	–	–	–	–	(2,098)
Profit after tax	–	–	–	–	8,019
Balance Sheet					
Segment assets	70,357	99,809	4,727	(57,433)	117,460
Equity accounted investments	–	940	–	–	940
Unallocated assets	–	–	–	–	40,088
Total assets	–	–	–	–	158,488
Segment liabilities	(10,871)	(39,565)	(2,715)	(3,309)	(56,460)
Unallocated liabilities	–	–	–	–	(3,787)
Total liabilities	–	–	–	–	(60,247)

* Adjusted operating profit is stated before adding back amortisation of acquired intangibles, reduction in goodwill arising on the utilisation of previously unrecognised tax losses carried forward, restructuring costs and the share-based payment expense.

Unallocated assets and liabilities comprise net funds and tax related items.

NOTE 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

in £'000	6 months to 31 December 2007 unaudited	6 months to 31 December 2006 unaudited restated	Year to 30 June 2007 audited
Profit on ordinary activities before taxation is stated after charging:			
Total staff costs	28,529	27,516	56,155
Depreciation of tangible fixed assets	947	1,011	1,981
Amortisation of intangible assets	1,372	1,334	2,756
Goodwill adjustment - recognition of deferred tax asset from prior year business acquisition	–	–	104
Restructuring charge	–	–	3,200
Gain on disposal of tangible fixed assets	(30)	(23)	(56)
Foreign currency exchange gain/(loss)	149	(93)	(175)
Auditors' remuneration	307	227	696
Operating lease expense	2,440	2,435	4,555
Other operating expenses	5,782	5,210	12,337
Total operating expenses	39,496	37,617	81,553

Costs in the above table associated to research and development were £6.5m (2006: £5.4m).

NOTE 4 TAX EXPENSE

The reasons for the difference between the actual tax charge and the rate of corporation tax in the UK applied are as follows:

in £'000	6 months to 31 December 2007	6 months to 31 December 2006	Year to 30 June 2007
Total profit before tax	6,090	6,016	10,117
Expected tax expense based on the standard rate in the UK of 30%	1,827	1,805	3,035
Tax losses not recognised in current period and different tax rates applied in overseas jurisdiction	872	423	934
Utilisation of previously unrecognised tax losses	(234)	(254)	(1,055)
Adjustments for provision in prior periods	11	62	54
Expenses not deductible for tax purposes and income not subject to tax	46	134	(564)
Changes in tax rate	(101)	–	–
Tax on share of results of associated undertakings	(33)	(17)	(17)
Other differences	(81)	(233)	(289)
Total tax expense on operations	2,307	1,920	2,098

NOTE 5 DIVIDENDS – EQUITY

	6 months to 31 December 2007 per share	6 months to 31 December 2007 in £'000
In respect of – ordinary shares of 2.5p		
Final dividend paid for 2007	1.41p	1,254*
Total dividend	1.41p	1,254*

*This note is prepared on the basis of the regularisation of the final dividend paid for 2007 which is intended to be concluded by: (i) the due transmission of certain of the Group's reserves to the Company; (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme; and (iii) approval by shareholders at a forthcoming extraordinary general meeting of the Company. To illustrate the Group's financial position subject to this technical regularisation, the following presentation would apply:

	6 months to 31 December 2007 per share	6 months to 31 December 2007 in £'000
In respect of – ordinary shares of 2.5p		
Final dividend paid for 2007	–	–
Total dividend	–	–

	Year to 30 June 2007 per share	Year to 30 June 2007 in £'000
In respect of – ordinary shares of 2.5p		
Final dividend paid for 2006	1.23p	1,083
Interim dividend paid for 2007	0.71p	629
Total dividend	1.94p	1,712

NOTE 5 DIVIDENDS – EQUITY (CONTINUED)

	6 months to 31 December 2006 per share	6 months to 31 December 2006 in £'000
In respect of – ordinary shares of 2.5p		
Final dividend paid for 2006	1.23p	1,083
Total dividend	1.23p	1,083

NOTE 6 EARNINGS PER SHARE

Basic earnings per share of 4.3p (2006: 4.6p) for the year to 31 December 2007 have been calculated based on the profit attributable to shareholders of £3,743,000 (2006: £4,031,000) using the weighted average number of ordinary shares in issue totalling 87.1m* (2006: 87.4m) during the period.

Adjusted earnings per share of 6.9p (2006: 6.0p) for the year to 31 December 2007 are based on profit of £6,048,000 (2006: £5,239,000), being adjusted for the expenses as stated below using the weighted average number of ordinary shares in issue totalling 87.1m* (2006: 87.4m) during the period. The Board considers that adjusted EPS better reflects the underlying performance of the Group.

Reconciliation of adjusted profit £'000	6 months to 31 December 2007 unaudited	6 months to 31 December 2006 unaudited	Year to 30 June 2007 audited
Profit for the period attributable to the equity holders of the parent	3,743	4,031	7,945
Reduction in goodwill arising on the utilisation of previously unrecognised tax losses	–	–	104
Amortisation of acquired intangible assets	1,155	1,155	2,309
Restructuring costs	–	–	3,200
Share-based payment expense	419	643	1,113
Fair value adjustments on financial instruments	1,085	(236)	(112)
Tax effect of above	(354)	(354)	(1,350)
Adjusted profit for the period attributable to the equity holders of the parent	6,048	5,239	13,209

Reconciliation of adjusted pre tax profit £'000	6 months to 31 December 2007 unaudited	6 months to 31 December 2006 unaudited	Year to 30 June 2007 audited
Profit on ordinary activities before taxation	6,090	6,016	10,117
Reduction in goodwill arising on the utilisation of previously unrecognised tax losses	–	–	104
Amortisation of intangible assets	1,155	1,155	2,309
Restructuring costs	–	–	3,200
Share-based payment	419	643	1,113
Fair value adjustments on financial instruments	1,085	(236)	(112)
Adjusted profit before tax	8,749	7,578	16,731

NOTE 6 EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share of 4.3p (2006: 4.4p) for the year to 31 December 2007 have been calculated based on the post tax profit attributable to equity holders of the parent of £3,743,000 (2006: £4,031,000) using 88.0m* (2006: 90.6m) ordinary shares, the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential ordinary shares.

Adjusted, diluted earnings per share of 6.9p (2006: 5.8p) for the year to 31 December 2007 have been calculated based on profit of £6,048,000 (2006: £5,239,000), being adjusted for the operating expenses as stated above using 88.0m* (2006: 90.6m) ordinary shares.

*These calculations of the number of ordinary shares are prepared on the basis of the technical regularisation of the Group's share buy back programme which is intended to be concluded by: (i) the due transmission of certain of the Group's reserves to the Company; and (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme.

The Group's position for the year to 31 December 2007 subject to this regularisation would be predicated upon a weighted average number of ordinary shares in issue totalling 88.8m, giving a basic earnings per share of 4.2p and an adjusted earnings per share of 6.8p; and a diluted earnings per share of 4.2p and adjusted diluted earnings per share of 6.7p.

NOTE 7 PROVISIONS

in £'000	Group
At 1 July 2006	(540)
Arising during the year	–
Utilised	540
At 31 December 2006	–
Arising during the year	(2,660)
Utilised	450
At 30 June 2007	(2,750)
Arising during the year	(170)
Utilised	1,866
At 31 December 2007	(1,054)

Last financial year the Company has started to implement a restructuring plan, which involved the reorganisation of the business and the manner in which the business is conducted.

NOTE 8 ACQUISITION OF MINORITIES

At the end of December 2007 the Group bought the minority shares of DICOM Informationstechnologie GmbH Austria for consideration of £667,000 this gave a rise of goodwill of £547,000, taking ownership of 100%.

NOTE 9 SHARE CAPITAL

The share capital of the Group and Company is as follows:

	Authorised number	Authorised in £'000	Issued, called up and fully paid number	Issued, called up and fully paid £'000
At 30 June 2006	132,000,000	3,300	87,161,136	2,179
Issued under option scheme	–	–	917,507	23
At 31 December 2006	–	–	88,078,643	2,202
Issued under option scheme	–	–	837,723	21
At 30 June 2007	–	–	88,916,366	2,223
Issued under option scheme	–	–	242,249	6
At 31 December 2007	–	–	89,158,615	2,229

All shares rank pari passu with the exception of shares held as treasury shares and by the ESOP of which the rights attached are currently not exercisable.

NOTE 10 RESERVES

in £'000	Share premium account	Foreign exchange reserve	Merger reserve	Treasury shares	ESOP shares	Profit and loss account	Total
Group at 1 July 2006	56,685	209	1,717	–	(502)	29,618	87,727
Net profit for the period attributable to the equity holders of the parent	–	–	–	–	–	4,031	4,031
Dividends paid to shareholders of the parent company	–	–	–	–	–	(1,083)	(1,083)
Foreign exchange adjustments on consolidation	–	(1,800)	–	–	(24)	–	(1,824)
Actuarial gain	–	–	–	–	–	–	–
Changes in ESOP shares	–	–	–	–	–	–	–
New share capital issued	1,255	–	–	–	–	–	1,255
Share-based payment charge	–	–	–	–	–	643	643
Tax on items taken directly to equity	–	–	–	–	–	–	–
Group at 31 December 2006	57,940	(1,591)	1,717	–	(526)	33,209	90,749
Net profit for the period attributable to the equity holders of the parent	–	–	–	–	–	3,914	3,914
Dividends paid to shareholders of the parent company	–	–	–	–	–	(629)	(629)

NOTE 10 RESERVES (CONTINUED)

in £'000	Share premium account	Foreign exchange reserve	Merger reserve	Treasury shares	ESOP shares	Profit and loss account	Total
Foreign exchange adjustments on consolidation	–	34	–	–	1	–	35
Actuarial gain	–	–	–	–	–	162	162
Changes in ESOP shares	–	–	–	–	–	–	–
New share capital issued	1,025	–	–	–	–	–	1,025
Share-based payment charge	–	–	–	–	–	470	470
Tax on items taken directly to equity	–	–	–	–	–	136	136
Group at 30 June 2007	58,965	(1,557)	1,717	–	(525)	37,262	95,862
Net profit for the period attributable to the equity holders of the parent	–	–	–	–	–	3,743	3,743
Dividends paid to shareholders of the parent company	–	–	–	–	–	(1,254) *	(1,254)*
Foreign exchange adjustments on consolidation	–	3,946	–	–	–	(65)	3,881
Actuarial gain	–	–	–	–	–	72	72
Changes in Treasury shares	–	–	–	(11,220) **	–	–	(11,220)**
Changes in ESOP shares	–	–	–	–	(10)	–	(10)
New share capital issued	233	–	–	–	–	–	233
Share-based payment charge	–	–	–	–	–	419	419
Tax on items taken directly to equity	–	(219)	–	–	–	–	(219)
Group at 31 December 2007	59,198	2,170	1,717	(11,220)	(535)	40,177	91,507

Within the cumulative profit and loss account reserve is £4,217,000 (2006: £2,909,000) relating to the share options granted to subsidiary employees.

NOTE 10 RESERVES (CONTINUED)

The following describes the nature and purpose of each kind of reserve:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value
Foreign exchange reserve	Gain/(loss) arising on retranslating the net assets of foreign operations into sterling
Merger reserve	Reserve arising on acquisitions prior to the transition to IFRS for which merger accounting was applied
Treasury shares	Weighted average cost of own shares held by the parent company. As per December the company held 5,930,000** (2006: no shares)
ESOP shares	Weighted average cost of own shares held by the ESOP trust. As per December, the ESOP held 858,800 shares in DICOM Group plc (2006: 858,800 shares)
Profit and loss account	Cumulative net gains and losses recognised in the Consolidated Income Statement and in the statement of recognised income and expenses, excluding those items recognised in other reserves

* These items within this note are predicated upon the technical regularisation of the Company's final dividend paid for 2007 which is intended to be concluded by: (i) the due transmission of certain of the Group's reserves to the Company; (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme; and (iii) approval by shareholders at a forthcoming extraordinary general meeting of the Company. To illustrate the Group's financial position subject to this technical regularisation, the following presentation would apply:

** These items within this note are predicated upon the technical regularisation of the Company's share buy back programme which is intended to be concluded by: (i) the due transmission of certain of the Group's reserves to the Company; and (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme. To illustrate the Group's financial position subject to this technical regularisation, the following presentation would apply:

in £'000	Share premium account	Foreign exchange reserve	Merger reserve	Treasury shares	ESOP shares	Profit and loss account	Total
Group at 30 June 2007	58,965	(1,557)	1,717	–	(525)	37,262	95,862
Net profit for the period attributable to the equity holders of the parent	–	–	–	–	–	3,743	3,743
Dividends paid to shareholders of the parent company	–	–	–	–	–	(1,254)	(1,254)
Foreign exchange adjustments on consolidation	–	3,946	–	–	–	(65)	3,881
Actuarial gain	–	–	–	–	–	72	72
Changes in Treasury shares	–	–	–	(3,083)	–	–	(3,083)
Changes in ESOP shares	–	–	–	–	(10)	–	(10)
New share capital issued	233	–	–	–	–	–	233
Share-based payment charge	–	–	–	–	–	419	419
Tax on items taken directly to equity	–	(219)	–	–	–	–	(219)
Group at 31 December 2007	59,198	2,170	1,717	(3,083)	(535)	40,177	99,644

NOTE 11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

in £'000	6 months to 31 December 2007	6 months to 31 December 2006 restated	Year to 30 June 2007
Shareholders' equity at start of the year	98,085	89,906	89,906
Net profit for the period excluding minority interests	3,743	4,031	7,945
Dividends	(1,254) *	(1,083)	(1,712)
Exchange differences arising on retranslation of foreign operations	3,881	(1,824)	(1,789)
Actuarial gain on defined benefit pension plans	72	–	162
Net proceeds from issue of share capital	239	1,278	2,324
Share-based payment expense	419	643	1,113
Tax on items taken directly to equity	(219)	–	136
Changes in ESOP shares	(10)	–	–
Changes in Treasury shares	(11,220) **	–	–
Shareholders' equity at end of the year	93,736	92,951	98,085

* This item within this note is predicated upon the technical regularisation of final dividend paid for 2007 which is intended to be concluded by: (i) the due transmission of certain of the Group's reserves to the Company; (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme; and (iii) approval by shareholders at a forthcoming extraordinary general meeting of the Company. To illustrate the Group's financial position subject to this technical regularisation, the table below sets forth the amended position:

** This item within this note is predicated upon the technical regularisation of the Company's share buy back programme which is intended to be concluded by: (i) the due transmission of the Group's reserves to the Company; and (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme. To illustrate the Group's financial position subject to this technical regularisation, the following presentation would apply:

in £'000	6 months to 31 December 2007	6 months to 31 December 2006 restated	Year to 30 June 2007
Shareholders' equity at start of the year	98,085	89,906	89,906
Net profit for the period excluding minority interests	3,743	4,031	7,945
Dividends	(1,254)	(1,083)	(1,712)
Exchange differences arising on retranslation of foreign operations	3,881	(1,824)	(1,789)
Actuarial gain on defined benefit pension plans	72	–	162
Net proceeds from issue of share capital	239	1,278	2,324
Share-based payment expense	419	643	1,113
Tax on items taken directly to equity	(219)	–	136
Changes in ESOP shares	(10)	–	–
Changes in Treasury shares	(3,083)	–	–
Shareholders' equity at end of the year	101,873	92,951	98,085

NOTE 12 SHARE BUY BACK

On 28 August 2007 the Board announced its intention to initiate a buy back of its current issued share capital under the authority given to it at the last Annual General Meeting. In the meantime the Board has contracted to purchase 5,930,000 of its ordinary shares of 2.5p each on the London Stock Exchange between 30 August 2007 and 4 December 2007 for a weighted average price of 1.89p (between 1.68p and 2.04p). The Company intends to hold the purchased shares as treasury stock.

The completion of the settlement of those purchases is subject to technical difficulties concerning the transmission of the Group's reserves to the Company. The technical regularisation of the Company's share buy back programme is intended to be concluded shortly by: (i) the due transmission of certain of the Group's reserves to the Company; and (ii) arrangements to be entered into with certain of the Group's shareholders who were subject to the Company's share buy back programme.

Following completion of the settlement of the purchase of these shares subject to the regularisation described above, the Company will hold 6.7% of its ordinary shares in treasury and will have 83,222,615 ordinary shares in issue (excluding treasury shares).

NOTE 13 ANALYSIS OF NET FUNDS

in £'000	At 31 December 2007	At 31 December 2006 restated	At 30 June 2007
Cash in hand, at bank	19,828	18,404	25,425
Current asset investments	6,162	10,685	13,785
Total cash and cash equivalents	25,990	29,089	39,210
Overdrafts	(1,166)	(378)	(644)
Debt due within 1 year	(368)	(396)	(343)
Debt due after 1 year	(4)	(23)	(3)
Finance leases	(16)	(47)	(24)
Total debt and finance leases	(1,554)	(844)	(1,014)
Net funds	24,436	28,245	38,196

NOTE 14 RELATED PARTY TRANSACTIONS

in £'000	6 months to 31 December 2007	6 months to 31 December 2006	Year to 30 June 2007
Sales to associated undertakings	1,318	1,194	1,645
Purchases from associated undertakings	471	441	197

At 31 December 2007 the associated undertakings owed £177,500 (2006: £240,000) to the Group. The transactions set out above took place with Alos GmbH, Cologne, Germany. Sales to and purchases from associates are made at normal market prices.

NOTE 14 RELATED PARTY TRANSACTIONS (CONTINUED)

Total compensation paid to key management personnel

in £'000	31 December 2007	31 December 2006	30 June 2007
Short-term employee benefit	405	424	1,118
Post-employment pension benefits	35	33	68
Share-based payments	98	55	147
Total compensation paid to key management personnel	538	512	1,333

Directors' interests

The beneficial interest of the current Directors and their families in the issued share capital of the Group are in total number of shares as follows:

31 December 2006	1,598,212
30 June 2007	796,856
31 December 2007	879,756

Directors' interests in share option

Directors' hold 2,312,000 share options as per 31 December 2007, 700,000 options were granted during the six months. No share options lapsed during the year. The exercise periods end between 2010 to 2018 with exercise prices between 73p to 247p.

NOTE 15 CONTINGENT LIABILITIES

In June 2006 the Group was informed that a patent infringement complaint was formally filed against one of its subsidiaries by a company which holds a patent on a certain technology. To this date the Group has not received any demand that the Group take a licence or cease any allegedly infringing activities. The Group has obtained the service of outside counsel for purposes of mounting a defence against and resolving the action brought by that patent holder. Currently the ultimate exposure in the litigation remains unknown. The Directors note that in the event of an unfavourable judgement the related costs would not be expected to be material to the Group's future operating results.

As a technical matter, the Group had: (i) a contingent liability to its shareholders in respect of the distribution constituted by the final dividend for the financial year to 30 June 2007 paid to its shareholders on 14 December 2007 in light of the fact of its not having been paid consistently with technical requirements under the Companies Act; and (ii) a contingent liability to certain shareholders in respect of the shares represented by certain buy backs effected during the period to 31 December 2007, in light of their not being capable of being settled for the same reasons.

These contingent liabilities were subject to an opposite balance of contingent liability to the Company of those persons as a result of their having received sums from the Company in contravention of those technical requirements.

These theoretical liabilities are intended to be subject to elimination by: (i) the due transmission of certain of the Group's reserves to the Company; (ii) arrangements to be entered into with certain of the Company's shareholders who were subject to the Company's share buy back programme; and (iii) approval by the Company's shareholders at a forthcoming extraordinary general meeting of the Company.

NOTE 16 EVENTS AFTER THE BALANCE SHEET DATE

On 25 January the Group announced a reorganisation of the operational structure. As part of the reorganisation, Urs Niederberger, Chief Operating Officer and Executive Director, stood down from the Board of Directors with immediate effect and will leave the company as of 15 February 2008.

To strengthen the brand of the company, the Board proposes to change the name of the company to "Kofax plc" at the Extraordinary General Meeting on 18 February 2008.

Due to these changes, the Group will make approximately 50 redundancies, close certain facilities and record an exceptional charge of £3.5m to £3.8m in the second half of the financial year 2008.

Furthermore the Board appointed Bradford Weller as General Counsel and Company Secretary, replacing Stefan Gaiser with immediate effect who remains Chief Financial Officer and Executive Director of the Group.

NOTE 17 ANALYSIS OF EXCHANGE RATES USED FOR CONSOLIDATION

Analysis of exchange rates used for consolidation

	At 31 December 2007		At 31 December 2006		At 30 June 2007	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar	2.03	2.00	1.90	1.96	1.93	2.00
Euro	1.44	1.36	1.48	1.49	1.48	1.48
Swiss Franc	2.38	2.25	2.34	2.39	2.38	2.45

In order to determine constant currency growth rates, the 2008 half year results in constant currency have been translated using the 2007 half year average exchange rates as disclosed in the table above. These have been compared to the prior 31 December 2006 results to determine the constant currency growth rates.

Responsibility Statement of the Directors in respect of the Interim Financial Statements

We confirm that to the best of our knowledge:

- > The condensed set of financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU;
- > The interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8.R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and any changes in the related party transactions described in the last annual report that could do so.



Reynolds C. Bish
Chief Executive Officer



Stefan Gaiser
Chief Financial Officer

18 February 2008

Company Secretary and Advisers

COMPANY SECRETARY

Bradford Weller

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Finance Adviser

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until further notice

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