

Kofax plc

Half-Yearly Financial Report
for the six months ended
31 December 2008

KOFAX 

Financial Highlights

- **Total revenues up 9%**
- **10% growth in our software business revenues**
- **7% growth in our hardware business revenues**
- **Major benefit from favourable exchange rate movements**
- **Adjusted EBITA of £6.6m vs. £8.1m ***
- **Adjusted EPS of 5.3p vs. 6.5p ****
- **Software and hardware business P&Ls included for the first time**
 - **More conventional overhead categories**
 - **Provides greater transparency**

* "Adjusted" amounts exclude the amortisation of intangible assets, non cash share and option-based compensation charges, financial instrument charges & exceptional charges

** Adjusted EPS includes non cash share and option-based compensation charges

Kofax plc (LSE: KFX) is the 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 its own sales and service organisations, and a global network of more than 1,200 authorised partners in more than 60 countries throughout the Americas, EMEA and Asia Pacific.

For more information, visit www.kofax.com.

For Investor Relations information please visit <http://www.kofax.com/ir>

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Business Review

Operational Overview

One year ago we started to restructure the business and implement new revenue growth strategies to improve the Company's performance over time. We are generally pleased with our progress in implementing these changes to date but are obviously a company in transition, experiencing success in some areas and challenges in others.

Both our software and hardware business revenues benefited from favourable currency movements during this period but were nonetheless lower than expected. Despite the foregoing, we achieved our expected adjusted operating profit and exceeded our expected adjusted operating profit margin on a percentage basis. This was made possible through tight hiring and expense controls, particularly in non revenue generating areas.

In the applications software and services portion of our business we had a slow start in the Americas and EMEA regions but both closed the period with accelerating positive results, producing 24% and 20% revenue growth, respectively, for the first half. In constant currency terms these regions grew by 5% on a combined basis during the period. The Asia Pacific region continued to underperform as new senior sales management worked to rebuild a professional sales organisation and pipeline. We have not to date seen evidence of macroeconomic weakness or increased competition in our applications software and services business in any vertical or geographic markets. This view is supported by recently updated market growth rate projections by both IDC and Harvey Spencer Associates, who currently project slightly over 7% and 12% growth in the capture market during 2009, respectively, and believe that the return on investment offered by capture solutions is sufficiently compelling that the capture market will prove to be more recession-proof than other segments of the enterprise software market.

In our OEM / POS software business we were negatively impacted by inventory management issues at one of our major OEM customers resulting in overstocked digital scanner levels in EMEA. We were surprised by this event, which only became apparent after the period end as OEM customers submitted their quarterly royalty reports. We have since implemented processes to track more leading indicators in order to better forecast this portion of our business. In addition, but to a lesser extent, both our OEM / POS software business and hardware distribution businesses have been negatively impacted by sales execution issues and by generally deteriorating economic conditions in which fewer digital scanners were purchased.

We have now completed upgrading our entire senior software sales and services leadership throughout the world with proven industry veterans. This should allow us to effect improvements in our sales execution and begin producing better results in an accelerating manner.

Reorganisation and Exceptional Charge

Part of our strategy is to continually optimise and improve our business. As a result, we are today announcing a further restructuring to:

1. Reorganise our finance, accounting and logistics functions to reflect efficiencies to be realised as a result of the successful deployment of a standard global financial accounting and order entry system,
2. Reorganise our product development, management and marketing functions to facilitate greater efficiencies and productivity and
3. Effect various other headcount reductions.

These changes should all better position the Company for future growth and profitability. In addition, the standard global financial accounting and order entry system should significantly improve the timeliness and quality of both our internal and external reporting and thereby allow us to better manage the business.

As a consequence of this reorganisation, we will be effecting approximately 50 redundancies and recording an exceptional charge of up to £2.2m in the second half of this financial year. After reinvesting a portion of the anticipated benefits we expect these changes will lead to approximately £1.7m of annual cost savings to be realised in our financial year 2010 and beyond.

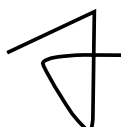
Ordinary Share Matters

During the first half of this financial year the Company bought back an additional 2.9m shares for a total consideration of £4.4m and transferred these into treasury and issued 0.5m shares to satisfy the exercise of employee share options. At the beginning of this financial year Kofax had 89.8m ordinary shares in issue and on 31 December 2008 the Company had 90.3m ordinary shares in issue, of which 5.1m were held in treasury and 3.6m were held in the Company's employee benefit trust.

Outlook

Management and the Board remain confident in our business prospects and strategies, and the Company's balance sheet remains strong with net funds of £31.4m.

It is difficult to predict future changes in market conditions arising from the volatile economic environment and the Company is not immune to those conditions, as evidenced by the first half results. Nonetheless, management and the Board expect the Company's second half results to continue to benefit from current exchange rates as well as improving sales execution. As a result, management and the Board are confident that the Company's full year results will be in line with their current expectations.



Reynolds C. Bish
Chief Executive Officer

Financial Review

As a result of the reorganisation announced a year ago the Company has structured its business along its two major revenue streams: Software and Hardware. This set of results will be the first in which we will be reviewing the performance for each of the distinct businesses separately. Since the separation of the software and the hardware businesses was only effected in the second half of the last financial year we are not in a position to restate the results of the comparable period.

Company Results

The substantial majority of our revenue and operating profits arise from outside the UK in mainly US dollar and Euro denominated transactions. Therefore exchange rate movements substantially benefited the translation of our results into Sterling for the period under review with both the US dollar and Euro appreciating 15% on an average basis against Sterling in the comparable period.

Overall revenue was up 9% to £89.7m compared to £82.4m in the previous period. Revenue on a constant currency basis decreased by 6%. Gross profit was £46.5m, resulting in a gross profit margin of 51.8%. Adjusted operating profit decreased to £6.6m, down 19% compared to the previous period.

Adjusted EPS was 5.3p, down 18% (2007:6.5p).

Software Business Segment

The table below sets out the segment information for our software business.

Whilst some of our new revenue growth strategies have started to produce the desired results, the overall performance of the software business was behind our expectations. Overall software revenue increased by 10% to £50.3m (2007: £45.6m). This increase was driven by favourable exchange rate movements. Revenue on a constant currency basis decreased 5%.

Applications software license revenue increased 14% and was driven by generally strong performance across Europe with the exception of the UK. As a result of substantial changes in the sales organisation in the Americas and Asia Pacific we had a slow start in these regions this financial year. The performance in the Americas improved substantially during the latter half of the six months resulting in increased revenue of 23% and 4% in constant currencies.

However, the progress and momentum experienced during the second half of the period in the Americas and EMEA application software business was not shared in Asia Pacific. The changes in the sales organisation there occurred in the middle of the period under review and will therefore take longer to become effective. In addition, sales into this region suffered from funding delays for several larger government contracts which we still expect to close this financial year.

Software business P&L 6 months to 31 December 2008	6M/FY09 £m	6M/FY08 £m	Change %	Using Constant Currency
Applications Software Licenses	21.4	18.8	14%	(1%)
Applications Software Services	21.9	18.1	20%	4%
Total Applications Software	43.3	36.9	17%	1%
OEM / POS Software	7.0	8.7	(20%)	(33%)
Total Software Business Revenue	50.3	45.6	10%	(5%)
Gross Profit	37.7	-	-	-
Research & Development	8.8	-	-	-
Sales & Marketing	16.1	-	-	-
General & Administrative	9.5	-	-	-
Total Expenses	34.4	-	-	-
Adjusted Operating Profit	3.3	-	-	-

Applications software services continued to grow strongly and benefited from very high renewal rates.

The OEM / POS software business suffered from the inventory management and sales execution issues and deteriorating economic conditions described above. This resulted in reduced OEM / POS royalties from our key partners. Whilst the inventory adjustments should be a one time impact, we believe we will not see a substantial improvement in OEM / POS software revenue during the remainder of this financial year.

Gross profit in the software business was £37.7m, which represents a gross margin of 75%. Total overheads were £34.4m. This resulted in an operating profit of £3.3m or a 6.6% margin on revenue, which should improve as the benefits of the restructurings and new revenue growth strategies are realised.

Hardware Business Segment

Total hardware business revenue increased 7% to £39.4m compared to £36.8m in the prior year. Product revenue increased 6% and service revenue increased 11%. Total revenue in constant currencies decreased 7%.

The performance of the hardware business varied substantially across major markets. Whilst we experienced a healthy market in the UK, our revenue in the southern EMEA region and some of the central EMEA countries decreased. This overall relatively disappointing performance is attributable to sales execution issues and general economic weakness in a variety of markets resulting in customer spending restraints. On a positive note

we believe we have gained market share in a variety of countries with our key suppliers. Due to good inventory management and tight cost control our gross profits remained high at 22% and as a result we achieved an operating profit of £3.3m or an 8.3% margin on revenue.

Taxation

The tax charge of £1.4m equals an effective tax rate of 26%. The tax charge on adjusted pre-tax profits was £1.8m, representing an adjusted effective tax rate of 29%. The difference between the effective tax rate and the adjusted effective tax rate is mainly due to the release of deferred tax provisions on intangible assets.

Earnings per share

Basic earnings per share was 4.7p, up 9%. Adjusted earnings per share decreased 18% to 5.3p. The adjusted earnings per share calculation excludes certain charges, including amortisation of acquired intangible assets, restructuring charges 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 was £2.0m (2007: £5.5m). Operating cash flow during the first six months was negatively impacted by the slow start to the financial year. The strong close to the period should result in strong cash inflows during the early part of the second half of the financial year.

Hardware business P&L 6 months to 31 December 2008	6M/FY09 £m	6M/FY08 £m	Change %	Using Constant Currency
Hardware Products	28.4	26.9	6%	(8%)
Hardware Services	11.0	9.9	11%	(4%)
Total Hardware Business Revenue	39.4	36.8	7%	(7%)
Gross Profit	8.8	-	-	-
Sales & Marketing	3.1	-	-	-
General & Administrative	2.4	-	-	-
Total Expenses	5.5	-	-	-
Adjusted Operating Profit	3.3	-	-	-

Net cash outflows from operations amount to £0.6m compared to a cash inflow of £0.5m in 2007. Kofax spent £3.7m on tangible assets during the first six months to 31 December 2008 compared to only £1.8m in the comparable period largely attributable to the new global accounting and order entry system. In addition, the Company spent £1.7m on the acquisition of OptilInvoice in October 2008. The purchase of tangible assets, the above mentioned payments and cash receipts from interest received result in a total cash outflow from investing activities of £4.0m compared to £2.9m in the comparable period. The cash outflow from financing activities amount to £5.4m, including £4.4m spent on the share buy-back and the final dividend payment relating to the year ended 30 June 2008 of £1.4m. Exchange rate fluctuations resulted in a positive effect of £6.3m and we ended the period with a net funds position of £31.4m compared to £34.9m at the comparable period end.



Stefan Gaiser
Chief Financial Officer

Consolidated Income Statement (IFRS)

in £'000	Note	6 months to 31 December 2008 unaudited	6 months to 31 December 2007 unaudited	Year to 30 June 2008 audited
Revenue	2	89,654	82,358	169,946
Cost of sales		(43,195)	(36,355)	(73,504)
Gross profit		46,459	46,003	96,442
Operating expenses	3	(41,738)	(39,496)	(87,041)
Adjusted operating profit before*		6,574	8,081	16,804
Amortisation of acquired intangible assets		(1,209)	(1,155)	(2,309)
Restructuring costs		-	-	(4,808)
Share-based payment expense		(644)	(419)	(286)
Operating profit		4,721	6,507	9,401
Share of results of associated undertakings		67	110	87
Finance income		758	530	1,130
Finance expense		(256)	(1,057)	(2,987)
Profit before tax		5,290	6,090	7,631
Tax expense	4	(1,371)	(2,307)	(4,235)
Profit after tax		3,919	3,783	3,396
Attributable to				
Equity holders of the parent		3,919	3,743	3,356
Minority interests		-	40	40
		3,919	3,783	3,396
Earnings per ordinary share				
	6			
> basic		4.7p	4.3p	4.0p
> diluted		4.7p	4.3p	3.9p
> adjusted basic		5.3p	6.5p	14.4p
> adjusted diluted		5.2p	6.4p	14.2p

*Adjusted operating profit is a 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 2008 unaudited	6 months to 31 December 2007 unaudited	Year to 30 June 2008 audited
Exchange gains arising on retranslation of foreign operations and net investment hedge	15,280	3,946	7,332
Actuarial (losses)/gains on defined benefit pension plan	(291)	72	(668)
Tax on items taken directly to or transferred from equity	153	(219)	(388)
Net income recognised directly in equity	15,142	3,799	6,276
Profit for the period	3,919	3,783	3,396
Total recognised income and expense	19,061	7,582	9,672
Attributable to			
Equity holders of the parent	19,061	7,542	9,680
Minority interests	-	40	(8)
Total	19,061	7,582	9,672

Consolidated Balance Sheet (IFRS)

In £'000	Note	At 31 December 2008 unaudited	At 31 December 2007 unaudited restated	At 30 June 2008 audited
Non-current assets				
Intangible assets		80,021	69,710	70,237
Property, plant and equipment		6,959	4,281	4,684
Deferred tax assets		3,137	3,491	3,437
Investments		1,523	1,131	1,186
		91,640	78,613	79,544
Current assets				
Inventories		9,654	9,467	9,164
Trade and other receivables		53,339	39,966	40,277
Investments		412	197	227
Assets for current tax		1,312	-	1,689
Cash and cash-equivalents	13	32,871	25,990	36,413
		97,588	75,620	87,770
Total assets		189,228	154,233	167,314
Current liabilities				
Trade and other payables		(36,163)	(25,881)	(31,713)
Deferred income - current		(19,174)	(17,257)	(20,475)
Other financial liabilities		(1,523)	(1,547)	(1,541)
Liabilities for current tax		-	(2,154)	-
Provisions	7	(1,922)	(1,054)	(2,714)
		(58,782)	(47,893)	(56,443)
Non-current liabilities				
Other payables		(1,997)	(2,499)	(1,974)
Deferred income – non current		(10,637)	(6,393)	(6,739)
Deferred tax liabilities		(5,913)	(2,606)	(4,785)
		(18,547)	(11,498)	(13,498)
Total liabilities		(77,329)	(59,391)	(69,941)
Net assets		111,899	94,842	97,373
Capital and reserves				
Called up share capital	9	2,257	2,229	2,245
Share premium account	10	1,934	59,198	1,370
Foreign exchange reserve	10	21,025	2,170	5,338
Merger reserve	10	1,717	1,717	1,717
ESOP shares	10	(7,771)	(535)	(7,518)
Treasury shares	10	(8,443)	(11,220)	(4,068)
Retained earnings	10	101,180	41,283	98,289
Shareholder's equity	11	111,899	94,842	97,373
Minority interests – equity		-	-	-
Total equity		111,899	94,842	97,373

Consolidated Cash Flow Statement (IFRS)

£'000	Note	6 months to 31 December 2008 unaudited	6 months to 31 December 2007 unaudited	Year to 30 June 2008 audited
Cash flows from operating activities				
Operating profit		4,721	6,507	9,401
Depreciation and amortisation		2,386	2,319	4,769
Share-based payment expense		644	419	286
Movement in working capital		(6,437)	(3,496)	4,540
Movement in provision		661	(204)	1,340
Loss/(gain) on disposal of property, plant and equipment		2	(30)	(62)
Cash generated from operations before restructuring		1,977	5,515	20,274
Payments under restructuring		(1,553)	(1,492)	(4,123)
Cash generated from operations		424	4,023	16,151
Income tax paid		(1,062)	(3,545)	(7,162)
Net cash outflow/inflow from operating activities		(638)	478	8,989
Cash flows from investing activities				
Purchase of property, plant and equipment, licences and similar rights		(3,771)	(1,833)	(3,679)
Disposal of property, plant and equipment, licences and similar rights		8	41	198
Acquisition of subsidiaries	8	(1,709)	-	-
Cash flow in respect of prior year acquisitions		-	(839)	(721)
Acquisition of minorities		-	(667)	(624)
Disposal of subsidiaries, net of cash disposed		-	(16)	(18)
Interest received		1,450	418	745
Net cash outflow from investing activities		(4,022)	(2,896)	(4,099)
Cash flows from financing activities				
Issue of share capital		727	494	1,581
(Decrease)/increase in short term borrowings		(277)	3	(174)
Increase in long term borrowings		2	-	-
Share buy back		(4,375)	(11,220)	(11,220)
Dividends paid to shareholders		(1,380)	(1,254)	(1,890)
Dividends paid to minority interests		-	(69)	(79)
Capital element on finance lease payments		(3)	(5)	(3)
Finance expense		(68)	(1,048)	(2,117)
Net cash outflow from financing activities		(5,374)	(13,099)	(13,902)
Net decrease in cash and cash-equivalents in the period		(10,034)	15,517	(9,012)
Cash and cash-equivalents at start of the period		35,117	38,566	38,566
Exchange rate effects		6,275	1,775	5,563
Cash and cash-equivalents at the end of the period		31,358	24,824	35,117
Cash and cash-equivalents consists of:				
Cash and cash-equivalents	13	32,871	25,990	36,413
Overdrafts		(1,513)	(1,166)	(1,296)
		31,358	24,824	35,117

Notes to the Financial Statements

NOTE 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 31 December 2008 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 2008. 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 2008 except for the following new standards, amendments to the standards and interpretations which are mandatory for the financial year ending 30 June 2009 and have been adopted in these condensed consolidated interim statements:

- IFRIC 12, "Service concession arrangement", effective for annual periods beginning on or after 1 January 2008.
- IFRIC 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008.
- 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.
- IFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009, which has been adopted early (note 2).

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 2009 and have not been adopted early:

- Standards amended as part of the Annual Improvements to IFRS 2008, which are effective for annual periods beginning on or after 1 January 2009 (amendment to IFRS 5 is effective 1 July 2009).
- IFRS 1 and IAS 27, "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (amendment), effective for annual periods beginning on or after 1 January 2009.
- IFRS 2, "Vesting Conditions and Cancellations" (amendment), effective for annual periods beginning on or after 1 July 2009.
- IFRS 3, "Business Combinations" (amendment), effective for annual periods beginning on or after 1 July 2009.
- IAS 1, "Presentation of Financial Statements" (revised), effective for annual periods beginning on or after 1 January 2009.
- IAS 23, "Borrowing Costs" (revised), effective for annual periods beginning on or after 1 January 2009.
- IAS 27, "Consolidated and Separate Financial Statements" (amendment), effective for annual periods beginning on or after 1 January 2009.
- IAS 32 and IAS 1, "Puttable Financial Instruments and Obligations arising on Liquidation" (amendment), effective for annual periods beginning on or after 1 January 2009.
- IAS 39, "Financial Instruments recognition and measurement", effective for annual periods beginning on or after 1 January 2009 and "Eligible Hedged Items", (amendment), effective for annual periods beginning on or after 1 July 2009.
- IFRIC 15, "Agreements for the Construction of Real Estate", effective for annual periods beginning on or after 1 January 2009.
- IFRIC 16, "Hedges on a Net Investment in a Foreign Operation", effective for annual periods beginning on or after 1 October 2008.
- IFRIC 17, "Distributions of Non-Cash Assets to Owners", effective for annual periods beginning on or after 1 July 2009.

NOTE 1 BASIS OF PREPARATION (continued)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial information in the period of initial application.

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 2008, 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 5 February 2009.

Comparatives

The comparatives for the half year ended 31 December 2007 have been restated to reflect the prior year adjustments as disclosed in the Annual Report for the year ended 30 June 2008. The net impact of these adjustments has been an increase to net assets as at 31 December 2007 and of £1,106,000. There is no impact to the profit of the group.

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

NOTE 2 OPERATING SEGMENTS

Revenue split in £'000 Revenue	6 months to 31 December 2008 unaudited	6 months to 31 December 2007 unaudited	Year to 30 June 2008 audited
Licences	28,418	27,509	58,252
Services	21,897	18,119	37,627
Hardware	28,412	26,833	52,849
Hardware Maintenance	10,927	9,897	21,218
	89,654	82,358	169,946
Finance revenue	758	530	1,130
Total	90,412	82,888	171,076

Following the restructuring affected in the second half of financial year ended 30 June 2008 Kofax conducts its business along its Software and Hardware revenue streams and not on a geographical basis anymore. Therefore the company changed its reporting segments, according to IFRS 8, from a geographic split to a split per business segment, reflecting the decision-making process and resource allocation.

NOTE 2 OPERATING SEGMENTS (continued)

The two distinct reporting segments are:

- **Software Business:** Capture and exchange software automates business processes and improves business performance by capturing and transforming documents into digital format and delivering them into business applications and archives. The software segment includes software applications sales, including OEM/POS revenue, and related services.
- **Hardware:** Kofax resells scanning and storage products to resellers. This business is only conducted in EMEA. The hardware segment includes revenue from the resale of hardware products and hardware-related maintenance services.

Kofax manages its two segments separately because their current or future sources of income derive from distinct markets and customers which require different manufacturing, distribution and marketing strategies.

Kofax manages its business based on the key measures for resource allocation like revenue generation and adjusted operating profit. Gross profit is no key measure according to IFRS 8, but disclosed for additional information.

Segment assets consist only of inventories. Other balance sheet items do not meet the criteria, according to IFRS 8, for inclusion under one of the two reporting segments.

£'000	Software	Hardware	Total
6 months to 31 December 2008 unaudited			
Revenue external	50,315	39,339	89,654
Revenue inter-segment	-	-	-
Segment revenue	50,315	39,339	89,654
Gross profit	37,738	8,721	46,459
Adjusted operating profit*	3,313	3,261	6,574
Amortisation intangible assets	-	-	(1,209)
Share-based payment expense	-	-	(644)
Share of results of associated undertakings	-	-	67
Finance income	-	-	758
Finance expense	-	-	(256)
Profit before tax	-	-	5,290

*Adjusted operating profit is stated before adding back amortisation of acquired intangibles and the share-based payment expense. It is used by the Group as KPI to help in assessing the underlying trading.

£'000	Software	Hardware	Total
Inventories	2,281	7,373	9,654
All other assets as per balance sheet	-	-	179,574
Total assets	-	-	189,228

£'000	Software	Hardware	Total
6 months to 31 December 2007 unaudited			
Revenue external	45,628	36,730	82,358
Revenue inter-segment	-	-	-
Segment revenue	45,628	36,730	82,358

NOTE 2 OPERATING SEGMENTS (continued)

£'000	Software	Hardware	Total
Inventories	1,641	7,826	9,467
All other assets as per balance sheet	-	-	144,766
Total assets	-	-	154,233

£'000	Software	Hardware	Total
Year to 30 June 2008 audited			
Revenue external	95,879	74,067	169,946
Revenue inter-segment	-	-	-
Segment revenue	95,879	74,067	169,946

£'000	Software	Hardware	Total
Inventories	1,334	7,830	9,164
All other assets as per balance sheet	-	-	158,150
Total assets	-	-	167,314

Kofax is not in the position to generate prior year numbers for segments as requested by IFRS 8. The Group restates segment revenue and inventories for comparative disclosures; other prior year measures under the product reporting structure are not available. Kofax therefore provides comparative information under the geographical structure as reported in the past.

£'000	Americas	EMEA	Asia-Pacific	Elimination	Total
6 months to 31 December 2008 unaudited					
Revenue external	22,544	64,359	2,751	-	89,654
Revenue inter-segment	11,082	141	-	(11,223)	-
Segment revenue	33,626	64,500	2,751	(11,223)	89,654
Gross profit	14,410	30,391	1,658	-	46,459
Adjusted operating profit*	5,894	1,032	(352)	-	6,574
Amortisation intangible assets	-	-	-	-	(1,209)
Restructuring costs	-	-	-	-	-
Share-based payment expense	-	-	-	-	(644)
Share of results of associated undertakings	-	-	-	-	67
Finance income	-	-	-	-	758
Finance expense	-	-	-	-	(256)
Profit before tax	-	-	-	-	5,290
Inventories	1,433	8,109	112	-	9,654
All other assets as per balance sheet	-	-	-	-	179,574
Total assets	-	-	-	-	189,228

* Adjusted operating profit is stated before adding back amortisation of acquired intangibles and the share-based payment expense.

NOTE 2 OPERATING SEGMENTS (continued)

£'000	Americas	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
Amortisation intangible assets	-	-	-	-	(1,155)
Restructuring costs	-	-	-	-	-
Share-based payment expense	-	-	-	-	(419)
Share of results of associated undertakings	-	-	-	-	110
Finance income	-	-	-	-	530
Finance expense	-	-	-	-	(1,057)
Profit before tax	-	-	-	-	6,090
Inventories	1,020	8,309	138	-	9,467
All other assets as per balance sheet	-	-	-	-	144,766
Total assets	-	-	-	-	154,233

* Adjusted operating profit is stated before adding back amortisation of acquired intangibles and the share-based payment expense.

£'000	Americas	EMEA	Asia-Pacific	Elimination	Total
Year to 30 June 2008 audited					
Revenue external	43,303	120,217	6,426	-	169,946
Revenue inter-segment	14,416	1,226	-	(15,642)	-
Segment revenue	57,719	121,443	6,426	(15,642)	169,946
Gross profit	32,797	60,821	2,824	-	96,442
Adjusted operating profit*	11,370	6,653	(1,219)	-	16,804
Amortisation intangible assets	-	-	-	-	(2,309)
Restructuring costs	-	-	-	-	(4,808)
Share-based payment expense	-	-	-	-	(286)
Share of results of associated undertakings	-	-	-	-	87
Finance income	-	-	-	-	1,130
Finance expense	-	-	-	-	(2,987)
Profit before tax	-	-	-	-	7,631
Inventories	1,037	8,044	83	-	9,164
All other assets as per balance sheet	-	-	-	-	158,150
Total assets	-	-	-	-	167,314

* Adjusted operating profit is stated before adding back amortisation of acquired intangibles, restructuring costs and the share-based payment expense.

NOTE 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

£'000 Profit on ordinary activities before taxation is stated after charging:	6 months to 31 December 2008 unaudited	6 months to 31 December 2007 unaudited	Year to 30 June 2008 audited
Total staff costs	27,512	28,529	59,334
Depreciation of property, plant and equipment	1,116	947	1,989
Amortisation of intangible assets	1,395	1,372	2,780
Restructuring charge	-	-	4,808
Loss/(gain) on disposal of property, plant and equipment	2	(30)	(62)
Loss on foreign currency exchange	-	149	-
Auditors' remuneration	518	307	750
Operating lease expense – minimum lease payments	2,286	2,440	5,059
Other operating expenses	8,909	5,782	12,383
Total operating expenses	41,738	39,496	87,041

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:

£'000	6 months to 31 December 2008	6 months to 31 December 2007	Year to 30 June 2008
Total profit before tax	5,290	6,090	7,631
Expected tax expense based on the standard rate in the UK of 28% (2007: 30%)	1,481	1,827	2,137
Tax losses not recognised in current period	(21)	872	1,194
Utilisation of previously unrecognised tax losses	(487)	(234)	(532)
Adjustments for provision in prior periods	(36)	11	226
Expenses not deductible for tax purposes and income not subject to tax	116	46	(118)
Different tax rates applied in overseas jurisdictions	382	(101)	1,309
Tax on share of results of associated undertakings	-	(33)	(24)
Other differences	(64)	(81)	43
Total tax expense on operations	1,371	2,307	4,235

NOTE 5 DIVIDENDS – EQUITY

	6 months to 31 December 2008 per share	6 months to 31 December 2008 £'000
In respect of – ordinary shares of 2.5p		
Final dividend paid for 2008	1.62p	1,380
Total dividend	1.62p	1,380

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

NOTE 5 DIVIDENDS – EQUITY (continued)

	Year to 30 June 2008 per share	Year to 30 June 2008 £'000
In respect of – ordinary shares of 2.5p		
Final dividend paid for 2007	1.41p	1,254
Interim dividend paid for 2008	0.82p	636
Total dividend	2.23p	1,890

NOTE 6 EARNINGS PER SHARE

Basic earnings per share of 4.7p (2007: 4.3p) for the period ended 31 December 2008 have been calculated based on the profit attributable to shareholders of £3,919,000 (2007: £3,743,000) using the weighted average number of ordinary shares in issue totalling 83.3m (2007: 87.1m) during the period.

Adjusted earnings per share of 5.3p (2007: 6.5p) for the period ended 31 December 2008 are based on profit of £4,396,000 (2007: £5,629,000), being adjusted for the expenses as stated below using the weighted average number of ordinary shares in issue totalling 83.3m (2007: 87.1m) during the period. The Board considers that adjusted EPS better reflects the underlying performance of the Group.

Reconciliation of adjusted profit	6 months to 31 December 2008 EPS in pence unaudited	6 months to 31 December 2008 £'000 unaudited	6 months to 31 December 2007 EPS in pence unaudited	6 months to 31 December 2007 £'000 unaudited	Year to 30 June 2008 EPS in pence audited	Year to 30 June 2008 £'000 audited
Profit for the period attributable to the equity holders of the parent	4.7	3,919	4.3	3,743	4.0	3,356
Amortisation of acquired intangible assets	1.5	1,209	1.3	1,155	2.7	2,309
Restructuring costs	-	-	-	-	5.7	4,808
Financial instruments expenses	(0.3)	(225)	1.2	1,085	3.2	2,657
Tax effect of above	(0.6)	(507)	(0.3)	(354)	(1.2)	(1,005)
Adjusted profit for the period attributable to the equity holders of the parent	5.3	4,396	6.5	5,629	14.4	12,125

Reconciliation of adjusted profit before taxation £'000	6 months to 31 December 2008 unaudited	6 months to 31 December 2007 unaudited	Year to 30 June 2008 audited
Profit on ordinary activities before taxation	5,290	6,090	7,631
Amortisation of intangible assets	1,209	1,155	2,309
Restructuring costs	-	-	4,808
Financial instruments expenses	(225)	1,085	2,657
Adjusted profit before tax	6,274	8,330	17,405

NOTE 6 EARNINGS PER SHARE (continued)

Diluted earnings per share of 4.7p (2007: 4.3p) for the period ended 31 December 2008 have been calculated based on the post tax profit attributable to equity holders of the parent of £3,919,000 (2007: £3,743,000) using 84.2m (2007: 88.0m) 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 5.2p (2007: 6.4p) for the period ended 31 December 2008 have been calculated based on profit of £4,396,000 (2007: £5,629,000), being adjusted for the operating expenses as stated above using 84.2m (2007: 88.0m) ordinary shares.

Reconciliation of the denominator for EPS millions of shares	6 months to 31 December 2008	6 months to 31 December 2007	Year to 30 June 2008
Weighted average number of ordinary shares issued	88.4	88.0	88.4
Shares held in treasury or employee trusts but not outstanding	(5.1)	(0.9)	(4.1)
Weighted average number of ordinary shares	83.3	87.1	84.3
Weighted average number of ordinary shares	83.3	87.1	84.3
Dilutive impact of share options	0.9	0.9	1.3
Dilutive impact on LTIPs	-	-	-
Total diluted shares	84.2	88.0	85.6

NOTE 7 PROVISIONS

£'000	Restructuring	Onerous lease	Contingent consideration
At 1 July 2007	(2,190)	(560)	-
Arising during the year	(143)	(27)	-
Utilised	1,654	212	-
At 31 December 2007	(679)	(375)	-
Arising during the year	(2,356)	(313)	-
Reversed against income statement	504	-	-
Utilised	337	168	-
At 30 June 2008	(2,194)	(520)	-
Arising during the year	-	-	(879)
Utilised	1,496	175	-
At 31 December 2008	(698)	(345)	(879)

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. As a result the company incurred restructuring costs mainly comprised of severance payments.

NOTE 8 ACQUISITION

On 6 October 2008 Kofax acquired 100% of the shares of OptilInvoice Digital Technology AB (OptilInvoice), a Scandinavian company that develops electronic invoice processing software technology.

An analysis of the consideration paid, fair value of net assets acquired and goodwill arising in relation to the above acquisition is set out below:

£'000	Carrying value	Adjustments	Fair value
Non-current assets			
Intangible assets (excluding goodwill)	8	545	553
	8	545	553
Total assets	8	545	553
Current liabilities			
Trade and other payables	(2)	-	(2)
	(2)	-	(2)
Non-current liabilities			
Deferred tax liabilities	-	(153)	(153)
	-	(153)	(153)
Total liabilities	(2)	(153)	(155)
Net assets	6	392	398

	£ '000
Consideration paid in cash (including expenses of £139k)	1,709
Provision for future consideration payable	879
Total consideration	2,588
Goodwill arising from acquisition	2,190

The amounts attributed to the assets and liabilities are still provisional. The fair values of the acquired net assets continue to be reviewed regularly and any necessary adjustment to the fair value will be made within one year.

The net outflow of cash arising from acquisition is as follows:

	£ '000
Cash consideration (including expenses of £139k)	1,709
Cash acquired	-
Net outflow of cash relating to the acquisition	1,709

The acquired business contributed a net loss of £55,000 for the period from 6 October to 31 December 2008.

NOTE 9 SHARE CAPITAL

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

	Issued, called up and fully paid number	Issued, called up and fully paid £'000
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
Issued under option scheme	626,828	16
At 30 June 2008	89,785,443	2,245
Issued under option scheme	483,892	12
At 31 December 2008	90,269,335	2,257

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

£'000	Share capital	Share premium account	Foreign exchange reserve	Merger reserve	Treasury Shares	ESOP shares	Retained earnings	Minority interest	Total
Group at 1 July 2007	2,223	58,965	(1,557)	1,717	-	(525)	38,368	156	99,347
Net profit for the period	-	-	-	-	-	-	3,743	40	3,783
Dividends paid to shareholders of the parent company	-	-	-	-	-	-	(1,254)	-	(1,254)
Dividends paid to minorities	-	-	-	-	-	-	-	(79)	(79)
Foreign exchange adjustments on consolidation	-	-	3,946	-	-	-	(65)	(48)	3,833
Actuarial gain	-	-	-	-	-	-	72	-	72
Share buy back	-	-	-	-	(11,220)	-	-	-	(11,220)
Changes in ESOP shares	-	-	-	-	-	(10)	-	-	(10)
New share capital issued	6	233	-	-	-	-	-	-	239
Share-based payment charge	-	-	-	-	-	-	419	-	419
Tax on items taken directly to equity	-	-	(219)	-	-	-	-	-	(219)
Acquisition of minorities	-	-	-	-	-	-	-	(69)	(69)
Group at 31 December 2007	2,229	59,198	2,170	1,717	(11,220)	(535)	41,283	-	98,842
Net profit for the period	-	-	-	-	-	-	(387)	-	(387)
Dividends paid to shareholders of the parent company	-	-	-	-	-	-	(636)	-	(636)
Foreign exchange adjustments on consolidation	-	-	3,456	-	-	(99)	142	-	3,499
Actuarial loss	-	-	-	-	-	-	(740)	-	(740)
Treasury shares transferred to ESOP	-	-	-	-	6,894	(6,894)	-	-	-
New share capital issued	16	799	-	-	-	-	-	-	815
Share-based payment charge	-	-	-	-	-	-	(133)	-	(133)
Changes in ESOP shares	-	-	-	-	-	10	-	-	10
Tax on items taken directly to equity	-	-	(288)	-	-	-	119	-	(169)
Share premium reduction	-	(58,641)	-	-	-	-	58,641	-	-
Treasury shares issued	-	14	-	-	258	-	-	-	272
Group at 30 June 2008	2,245	1,370	5,338	1,717	(4,068)	(7,518)	98,289	-	97,373
Net profit for the period	-	-	-	-	-	-	3,919	-	3,919
Dividends paid to shareholders of the parent company	-	-	-	-	-	-	(1,380)	-	(1,380)
Foreign exchange adjustments on consolidation	-	-	15,533	-	-	(253)	-	-	15,280
Actuarial loss	-	-	-	-	-	-	(291)	-	(291)
Share buy back	-	-	-	-	(4,375)	-	-	-	(4,375)
New share capital issued	12	564	-	-	-	-	-	-	576
Share-based payment charge	-	-	-	-	-	-	644	-	644
Tax on items taken directly to equity	-	-	154	-	-	-	(1)	-	153
Group at 31 December 2008	2,257	1,934	21,025	1,717	(8,443)	(7,771)	101,180	-	111,899

Within the cumulative profit and loss account reserve is £3,819,000 (2007: £4,217,000) 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 31 December 2008 the company held 5,068,374 (2007: 5,930,000).
ESOP shares	Weighted average cost of own shares held by the Group's trusts. As per 31 December 2008, the Group's trusts held 4,506,483 shares in Kofax plc (2007: 858,800 shares).
Retained earnings	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.

NOTE 11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

£'000	6 months to 31 December 2008	6 months to 31 December 2007	Year to 30 June 2008
Shareholders' equity at start of the year	97,373	98,085	99,191
Net profit for the period excluding minority interests	3,919	3,743	3,356
Dividends	(1,380)	(1,254)	(1,890)
Exchange differences arising on retranslation of foreign operations	15,280	3,881	7,380
Actuarial (loss)/gain on defined benefit pension plans	(291)	72	(668)
Net proceeds from issue of share capital	576	239	1,054
Share-based payment expense	644	419	286
Tax on items taken directly to equity	153	(219)	(388)
Changes in ESOP shares	-	(10)	-
Treasury shares acquired	(4,375)	(11,220)	(11,220)
Treasury shares issued	-	-	272
Shareholders' equity at end of the year	111,899	93,736	97,373

NOTE 12 SHARE BUY BACK

Kofax continued its share buy back program and purchased on 7 November 2008 2,913,000 of its ordinary shares of 2.5p each on the London Stock Exchange for a price of 148.75p. Kofax now holds 5,068,374 shares in treasury and has 85,200,961 ordinary shares in issue (excluding treasury shares).

NOTE 13 ANALYSIS OF NET FUNDS

£'000	At		At
	31 December 2008	31 December 2007	30 June 2008
Cash in hand, at bank	32,246	19,828	32,506
Current asset investments	625	6,162	3,907
Total cash and cash equivalents	32,871	25,990	36,413
Overdrafts	(1,513)	(1,166)	(1,296)
Debt due within 1 year	-	(368)	(212)
Debt due after 1 year	(2)	(4)	-
Finance leases	(4)	(16)	(5)
Total debt and finance leases	(1,519)	(1,554)	(1,513)
Net funds	31,352	24,436	34,900

NOTE 14 RELATED PARTY TRANSACTIONS

£'000	6 months to		Year to
	31 December 2008	31 December 2007	30 June 2008
Sales to associated undertakings	1,181	1,318	1,745
Purchases from associated undertakings	387	471	1,217

At 31 December 2008 the associated undertakings owed £114,750 (2007: £177,500) 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 15 CONTINGENT LIABILITIES

There are no material pending or threatened lawsuits against the Group.

NOTE 16 EVENTS AFTER THE BALANCE SHEET DATE

The Company announced a restructuring to rationalise the business, resulting in an exceptional charge of up to £2.2m in the second half of this financial year.

NOTE 17 ANALYSIS OF EXCHANGE RATES USED FOR CONSOLIDATION

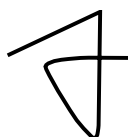
Analysis of exchange rates used for consolidation

	At			At			
	31 December 2008			31 December 2007			At
	Average rate	Closing rate		Average rate	Closing rate	Average rate	Closing rate
US Dollar	1.72	1.45		2.03	2.00	2.00	1.99
Euro	1.23	1.03		1.44	1.36	1.37	1.26
Swiss Franc	1.92	1.53		2.38	2.25	2.23	2.03

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 4.2.7 R 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 Bish
Chief Executive Officer



Stefan Gaiser
Chief Financial Officer

9 February 2009

Company Secretary and Advisers

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