

Interim Results

9 February 2009

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Agenda

- CEO Overview
- CFO's Review of Our Interim Results & Financial Position
- CEO's Review of Our Progress, Strategy & Market
- Our Outlook
- Questions?

Operational Review

- A year ago we started to restructure the business and implement new revenue growth strategies
- Generally pleased with our progress
 - Obviously a company in transition
 - Experiencing success in some areas
 - Challenges in others
- Software and hardware business revenues benefited from favourable currency movements but nonetheless lower than expected
- However, achieved our expected adjusted operating profit and exceeded our expected adjusted operating profit margin
- Made possible through tight hiring and expense controls, particularly in non revenue generating areas

Operational Review

- Applications software and services business
 - Slow start in the Americas and EMEA regions but both closed the period with accelerating positive results, producing 24% and 20% revenue growth, respectively
 - Asia Pacific region continued to underperform as new senior sales management worked to rebuild a professional sales organization and pipeline
 - No evidence of macroeconomic weakness or increased competition
 - Supported by recently updated market growth rate projections and comments by both IDC and Harvey Spencer Associates
- OEM / POS software business
 - Inventory management issues at one of our OEM customers resulted in overstocked digital scanner levels in EMEA
 - Only became apparent after the period end as quarterly royalty reports were received
 - Implemented new processes to track more leading indicators in order to better forecast this business
 - To a lesser extent negatively impacted by sales execution issues and deteriorating economic conditions
- Hardware business
 - Negatively impacted by sales execution issues and deteriorating economic conditions
 - Believe we've nonetheless gained market share

CFO's Review of Our Interim Results & Financial Position

HY09 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

6 Months / FY09 Results

	6M / FY09 £m	6M / FY08 £m	% Change	Using Constant Currency
Software Business	50.3	45.6	10%	(5%)
Hardware Business	39.4	36.8	7%	(7%)
Total Turnover	89.7	82.4	9%	(6%)
Gross Profit	46.5	46.0	1%	-
Research & Development	8.8	-	-	-
Sales & Marketing	19.2	-	-	-
General & Administrative	11.9	-	-	-
Total Expenses	39.9	37.9	5%	-
Adjusted Operating Profit	6.6	8.1	(19%)	(36%)
Margin	7.3%	9.8%	-	-
Adjusted EPS (pence)	5.3p	6.5p	-	-

Software Business P&L

	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 Turnover	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	-	-	-

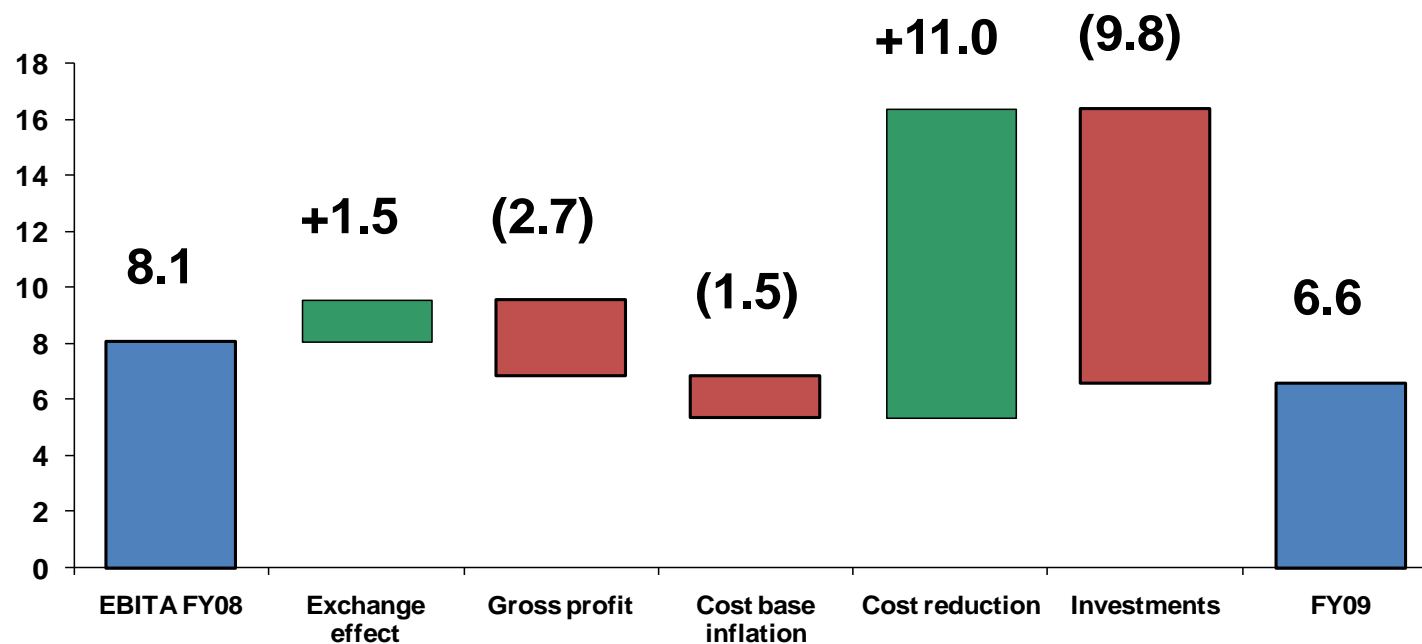
Hardware Business P&L

	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 Turnover	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	-	-	-

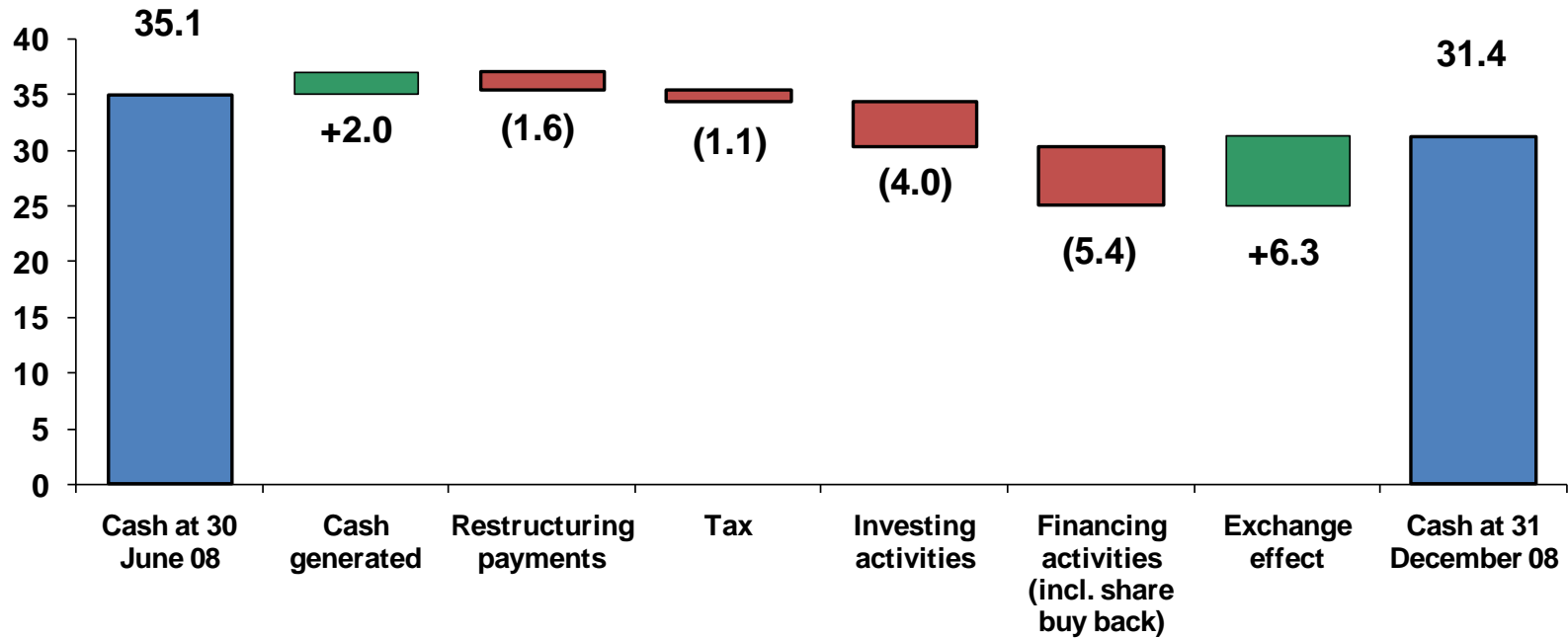
Geographic Turnover

	Americas			EMEA			Asia – Pacific			Total	
	£m	% change	constant currency	£m	% change	constant currency	£m	% change	constant currency	£m	% Change
App'ns SW Licenses	8.5	23%	4%	12.0	21%	6%	0.9	(53%)	(58%)	21.4	14%
App'ns SW Services	8.5	26%	7%	11.9	19%	4%	1.5	5%	(9%)	21.9	20%
Total App'ns Software	17.0	24%	5%	23.9	20%	5%	2.4	(28%)	(37%)	43.3	17%
OEM / POS Software	5.5	(5%)	(21%)	1.3	(50%)	(57%)	0.2	(42%)	(51%)	7.0	(20%)
Software Business	22.5	15%	(3%)	25.2	12%	(2%)	2.6	(29%)	(37%)	50.3	10%
Hardware Products	-	-	-	28.4	7%	(7%)	0.0	(84%)	(87%)	28.4	6%
Hardware Services	-	-	-	10.8	11%	(4%)	0.2	(20%)	(35%)	11.0	11%
Hardware Business	-	-	-	39.2	8%	(6%)	0.2	(63%)	(70%)	39.4	7%
Total Turnover	22.5	15%	(3%)	64.4	9%	(5%)	2.8	(32%)	(41%)	89.7	9%

EBITA Development- £m



Cash Flow Summary - £m



CEO's Review of Our Progress, Strategy & Market

Strategic Initiatives Announced a Year Ago

<i>Initiative</i>	<i>Expected Benefits</i>	<i>Status</i>
Rebranding	<ul style="list-style-type: none"> Leverages a single brand across all business segments and geographies 	<ul style="list-style-type: none"> Completed and well received both internally and externally
Corporate restructuring	<ul style="list-style-type: none"> Allow all functions to execute in a more consistent and cost effective manner Relieve GMs of distracting functions, allowing them to better focus on sales efforts 	<ul style="list-style-type: none"> Completed with all line and staff functions consolidated into vertically aligned, worldwide functions with global managers Executive management team now in place (many positions upgraded with enterprise software industry veterans) New and consistent process, policies and procedures now implemented across the company Planned infrastructure investments in process and on budget / schedule
Sales restructuring	<ul style="list-style-type: none"> Allow sales employees to better focus their selling efforts Create clear lines of authority, responsibility and accountability Improve sales management and increase sales productivity 	<ul style="list-style-type: none"> Completed with three groups better aligned with our products, markets and customers Senior sales and services management team now in place (many positions upgraded with enterprise software industry veterans) New sales compensation plans, demand generation programs, pipeline management and forecasting methods now implemented across the company

Revenue Growth Strategies Announced a Year Ago

Strategy	Status
1. Grow our market share in the “back office” capture markets	<ul style="list-style-type: none">• Introduced new releases of Kofax Capture, Kofax Transformation Modules, Kofax Communication Server and VRS software• Introduced Kofax Express software product• Accelerating positive results in the Americas and EMEA regions this past half year, producing 24% and 20% revenue growth, respectively
2. Establish a top five position in the ad hoc or “front office” capture market	<ul style="list-style-type: none">• Leveraged HP relationship• Achieved several major customer wins• Will be introducing a major new release of DES during this current half year
3. Move to a “hybrid’ go to market model to expand our market reach	<ul style="list-style-type: none">• Direct sales organization now in place• Transitioning and upgrading of resources from channel to direct sales accelerating• Achieved multiple major direct customer wins

Revenue Growth Strategies Announced a Year Ago

Strategy	Status
4. Augment our organic growth with prudent, carefully planned and fully integrated strategic acquisitions	<ul style="list-style-type: none">• Acquired OptilInvoice Digital Technology AB, adding electronic invoice processing capabilities to our suite of applications software products• Continuing to analyse potential A/P workflow targets
5. Maintain our hardware distribution and maintenance business revenues, with a primary focus on increasing its operating income	<ul style="list-style-type: none">• Now producing a separate P&L to better monitor and manage this business• Believe we've gained market share

Restructuring Charge

- Today announced an exceptional charge of up to £2.2m
 - Reorganising our finance, accounting and logistics functions as a result of the successful deployment of a standard global financial accounting and order entry system
 - Reorganising our product development, management and marketing functions to facilitate greater efficiencies and productivity
 - Affecting various other headcount reductions
- Approximately 50 redundancies, of which 20 will be replaced
- Net savings of £1.7m per year in FY10 and beyond

Our Outlook

Updated Capture Market Data

- IDC

- 2007 Capture Market Size: \$980M
- 2009 Capture Market Growth Rate: 7.1%
- 2007 – 2012 CAGR: 8.6%
- “We think it is likely to be more recession proof than many other markets, given the potential return on investment (ROI)... “

- HSA

- 2007: \$1.7B
- 2009 Capture Market Growth Rate: 12%
- 2007 – 2011 CAGR: 12.7%
- “There is a movement toward larger more stable companies, particularly in the higher growth area of transaction capture.”

Source – IDC Report dated December 2008 (software & maintenance) &
HSA Report dated November 2008 (adds professional services)

Outlook

- Confident in our business prospects and strategies
- Balance sheet remains strong with net funds of £31.4m and no debt
- Difficult to predict future changes in market conditions arising from the volatile economic environment
- We are not immune to those conditions
- Expect our second half results to continue to benefit from current exchange rates as well as improving sales execution
- Confident that our full year results will be in line with our current expectations

Questions?

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