Making the First Mile™
of Business Smarter

Annual Report & Accounts 2014

Kofax at a Glance

Kofax® is a leading provider of smart process applications for the business critical First Mile™ of customer interactions. These begin with an organization's systems of engagement, which generate real time, information intensive communications from customers, and provide an essential connection to their systems of record, which are typically large scale, rigid enterprise applications and repositories not easily adapted to more contemporary technology. Success in the First Mile can dramatically improve an organization's customer experience and greatly reduce operating costs, thus driving increased competitiveness, growth and profitability. Kofax software and solutions provide a rapid return on investment to more than 20,000 customers in financial services, insurance, government, healthcare, business process outsourcing and other markets. Kofax delivers these through its own sales and service organization, and a global network of more than 800 authorized partners in more than 75 countries throughout the Americas, EMEA and Asia Pacific.

Global Presence as of June 30, 2014

Americas

Argentina
Brazil
Canada
Colombia
Mexico
USA

Europe, Middle East & Africa (EMEA)

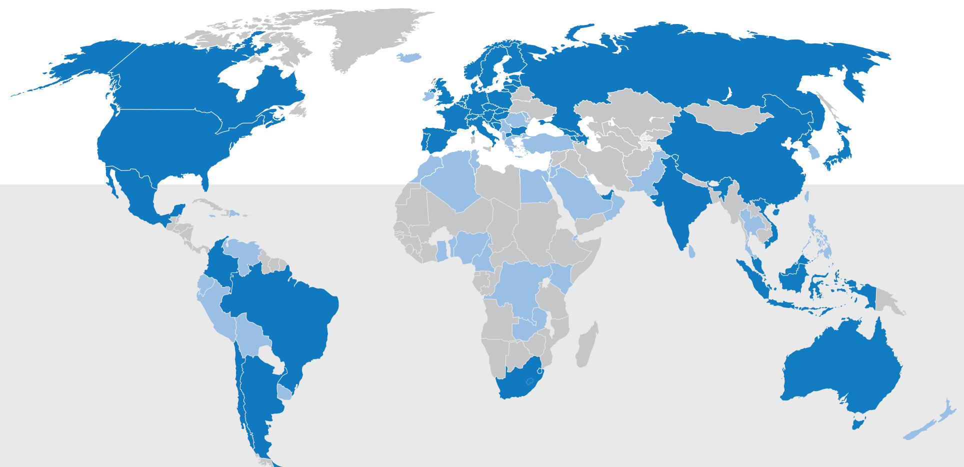
Austria
Belgium
Denmark
France
Germany
Italy
Netherlands
Northern Ireland
Portugal
Russia
South Africa
Spain
Sweden
Switzerland
Turkey
United Arab Emirates
United Kingdom

Asia Pacific

Australia
China
Hong Kong
India
Indonesia
Japan
Malaysia
Singapore
Vietnam

Sales & Services Offices

Represented by Resellers



Company Timeline

1985 – 2005

1985 – Founded as Dicom AG in Switzerland as a Samsung distributor

Expanded into the VAD of imaging hardware & maintenance services via 15 acquisitions in EMEA

1996 – Went public on AIM & then the LSE

1999 – Acquired Kofax in Irvine, CA to expand into the capture software business, which it then grows via 4 acquisitions

2006

Factors combined to result in stagnant revenue growth, a loss of market share & missed expectations

2007

March 2007 – Greg Lock joined as Chairman

November 2007 – Reynolds C. Bish joined as CEO

2008

October 2008 – Acquired OptiInvoice

Company began implementing new strategic initiatives

2009

September 2009 – Acquired 170 Systems

Company moves to US $ reporting

Annual Report & Accounts 2014 Content

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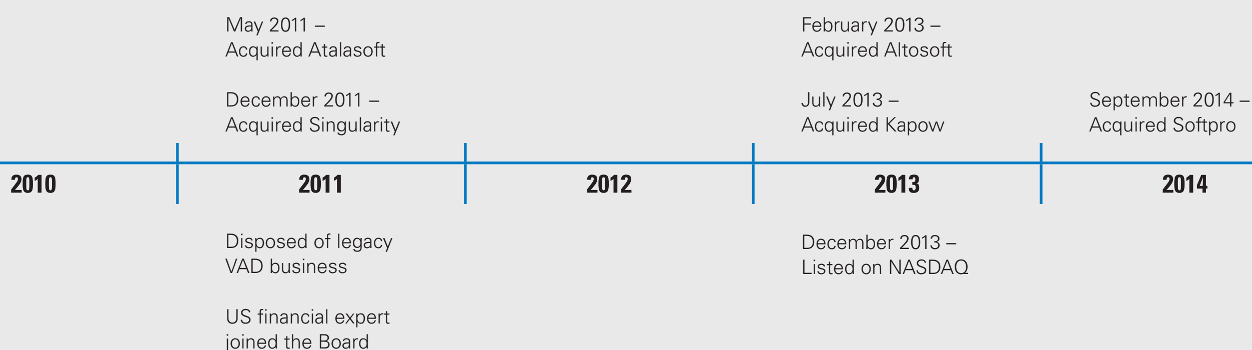
1,381 employees in 32 countries

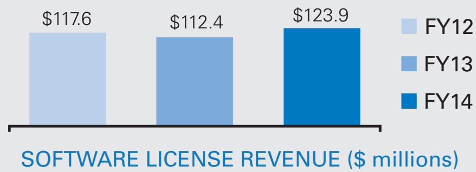
Over 800 resellers in more than 75 countries

Financial Highlights

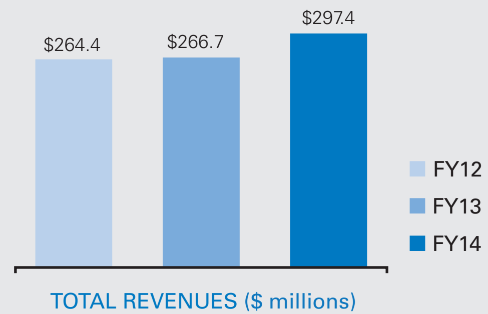
Please see pages 11 through 13 for a reconciliation of non-IFRS to IFRS measures.

(millions)	2014	2013	% Change
Adjusted software license revenue	$123.9	$112.4	10.2%
Adjusted total revenue	$297.4	$266.7	11.5%
Adjusted EBITDA	$42.1	$46.7	-1.0%
Adjusted EBITDA margin	14.2%	17.5%	-3.3%





SOFTWARE LICENSE REVENUE ($ millions)



TOTAL REVENUES ($ millions)

Chairman's Statement

Greg Lock

Kofax made a great deal of progress during the fiscal year ended June 30, 2014, which I summarize briefly below, but we stumbled in the last month. We failed to close a small number of orders which amounted to some $6.0 million of software licence revenue, and we therefore missed the guidance we had given for the year. You will want to know whether this was a forecasting issue, weakness in our proposition to customers or our market opportunity. Our analysis gives us comfort that it was a forecasting and sales execution issue. We are disappointed that this occurred but our view of the other progress achieved and our confidence in the business has been reinforced by the fact that some $3.0 million of the slipped orders closed within weeks of the fiscal year end. We expect the others to do so in the first and second quarters of fiscal year 2015. At slightly less than $300.0 million in total revenues we are still a relatively small company and, if we execute well, a larger revenue base will make us less vulnerable to such events. So how are we positioned to grow?

During fiscal year 2014 we consolidated our offerings to establish Kofax as the leader in enabling the "first mile" of our customers' business, giving them competitive advantage and a rapid return on their investment in our portfolio. Establishing of Kofax TotalAgility 7 for the development and deployment of smart process applications, together with the acquisition of Kapow for powerful data integration capabilities, underpins our value proposition. We now have leading capture, process management, business intelligence and analytics, data integration and mobile offerings all aimed at this crucial "first mile" and the strength of this portfolio lies in our ability to connect customers' systems of engagement with their systems of record.

To capitalize rapidly on this opportunity we completed the development of our second "vertical" smart process application in Kofax Mortgage Agility, which is designed to radically transform and simplify the mortgage application process for both lenders and applicants. We will continue to focus on building other vertical solutions as well as ensuring that enterprises have choice in deploying them on premise or over a private or public cloud as a hosted solution.

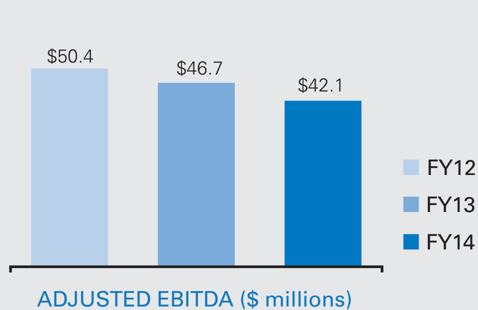
During the past five years, we have reshaped Kofax significantly, With the disposal of our hardware business and five software acquisitions, we have built an enterprise software platform that we are pleased with.

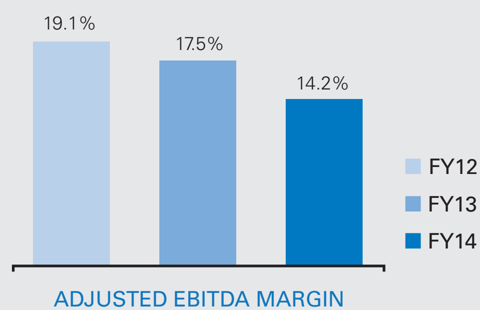
We are optimistic about our future based on the foregoing and our acquisition of Softpro executed on September 1, 2014. We have added significant sales resources to grasp more of the opportunity afforded us by the changing business landscape, which has helped define our strategy.

Bruce Powell, a Non Executive Director of the Company since 1996 who has consistently provided invaluable advice and counsel to the Company, has notified the Board of his intention to not stand for re-election at this year's Annual General Meeting. We sincerely thank him for his dedication, service and contributions to our success during his tenure.

Finally, a few words of thanks and recognition of his contribution to Jamie Arnold, who will leave us during the next year with a stronger and more capable finance and accounting function than when he arrived at Kofax over four years ago. We wish Jamie well and thank him, as we thank all our employees, customers and partners for their loyalty, passion and contributions.

Greg Lock
Chairman of the Board
September 1, 2014





Chief Executive Officer's Review

Reynolds C. Bish

Financial Performance

All amounts or percentages in this review are with reference to Kofax's Non-IFRS financial results unless otherwise noted. For a definition of the Non-IFRS financial measures and reconciliation to IFRS financial measures, please refer to the Chief Financial Officer's Review that follows.

In the fiscal year ended June 30, 2014 software license revenue increased 10.2%, maintenance services 10.0%, professional services 22.0% and total revenues 11.5%.

During the first three quarters of the fiscal year we delivered year over year software license revenue growth in both core capture and mobile and new or acquired products, continuing the momentum started during the second half of fiscal year 2013 and achieving five consecutive quarters of such growth. We were therefore disappointed with our fourth quarter results, which reflected an unexpected shortfall in core capture software license revenue in the United States and Europe. This was primarily attributable to three seven figure software license sales totaling approximately $6.0 million slipping into future quarters during the last few days of the quarter.

We believe this slippage occurred due to a continuing reliance on seven figure software license sales that are impossible to control and more difficult to forecast, coupled with insufficient six figure sales to mitigate this risk – despite all of our efforts to address these dynamics. This has always been a risk during the fourth quarter of each fiscal year, which has historically been more dependent upon and produced a greater number of such seven figure software license sales.

We've already closed over $3.0 million of these slipped sales and believe we will close the remainder during the first and second quarters of fiscal year 2015. As a result, we do not believe this slippage was attributable to what would be more fundamental issues, such as core capture market degradation, our go to market model, macro economic or competitive challenges or a failure to realize the expected ramping of the new quota bearing sales reps we've added over the last year. We therefore believe this slippage was an anomaly, with us experiencing some of the execution risk downside that remains in our business, particularly in the fourth quarter of the fiscal year – as opposed to the beginning of unpredictable and volatile quarterly results.

Throughout the year we continued – as expected – to experience significantly different software license revenue performance in our core capture versus mobile and new or acquired products. At the end of the third quarter software license revenues in core capture had grown by 4.1% - in the mid single digits as expected. However, the unexpected shortfall during the fourth quarter led to core capture software license revenue declining by 5.4% for the full fiscal year. Mobile and new or acquired products software license revenue grew 106.5%, and accounted for 26.1% of total software license revenue – up from only 13.9% in the prior year.

Maintenance services revenue grew year over year – as expected – and is now being driven primarily by new software license sales as opposed to the benefits historically realized as we brought maintenance services pricing, processes, policies and procedures up to "best practice" levels.

Professional services grew – also as expected – but at a higher rate than we would normally realize as a result of the acquisition of Kapow on July 31, 2013 as described below and the addition of its professional services revenue.

We experienced a 9.8% year over year decline in Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and an adjusted EBITDA margin of 14.2% for the fiscal year. This was the result of our explicit decision to continue investing more in both our product research and development efforts and further strengthening and growing our sales organization in all areas of our business to drive faster software license revenue growth.

We ended the fiscal year with cash of $89.6 million. This was after paying $39.2 million to Kapow shareholders for the acquisition of that business and $6.6 million in deferred consideration to shareholders of businesses acquired in prior fiscal years. Our $40.0 million line of credit with Bank of America Merrill Lynch remains in place to further enhance our financial position. As a result, our balance sheet remains strong and we have the resources needed to fund our organic growth while executing our acquisition strategy

Operating Highlights

During the fiscal year we successfully added 2,894 new customers (Prior Year or PY: 2,641). We also closed 165 software license sales greater than $100,000 (PY: 115), 11 greater than $500,000 (PY: 10) and 6 greater than $1.0 million (PY: 6). These once again included one of the largest in the history of Kofax for $4.1 million of software licenses to a national government agency in the United States for a large scale, nationwide capture project.

We also grew the number of quota bearing sales reps by approximately 35% on a year over year basis – from approximately 100 to 135 – in order to put the revenue generation capacity in place to drive future software license revenue growth. During fiscal year 2015 we'll continue growing the number of quota bearing sales reps but at a more moderate and sustainable rate of approximately 15%.

Our investments in research and development have allowed us to successfully launch a number of new software products and releases during the fiscal year, including:

- Kofax TotalAgility™ 7, the Company's flagship smart process application development and deployment platform as an on premise perpetual license
- Kofax TotalAgility Cloud, which delivers the platform via Microsoft Azure as a hosted SaaS subscription offering
- Kofax Mobile Capture™ Platform, which dramatically transforms how organizations can extend capture capabilities to mobile devices, along with three customizable smart app frameworks for Mobile Bill Pay, Mobile Check Deposit and Gift Card Balance Inquiries based on the Kofax Mobile Capture Platform
- Kofax AP Agility™, the Company's accounts payable automation solution for any third party ERP or accounting software package and includes tight integration with Microsoft Dynamics AX as an on premise perpetual license
- Kofax AP Agility Cloud, which delivers the Kofax AP Agility solution via Microsoft Azure as a hosted SaaS subscription offering
- Kofax TotalAgility Mailroom Automation™, a smart process application that more effectively manages an organization's in bound communications into their systems of record for archive purposes and further processing
- Kofax TotalAgility Customer Onboarding™, a smart process application that enables an organization to process new account opening and other applications in a more cost effective and responsive manner
- Altosoft Insight™ 5.0, a new release of the Company's analytics and visualization software, which delivers a new distributed in-memory architecture, continuous simulation and governed data discovery
- Kapow Enterprise™ 9.3, a new release of the Company's data integration software, which features a redesigned interface that simplifies the user experience and encompasses the entire information supply chain from data acquisition to enrichment, persistence, exploration and distribution

We also completed the development of Kofax Mortgage Agility™ on schedule, an exciting new smart process application designed to radically transform and simplify the mortgage application process for both applicants and lenders. Mortgage Agility combines a robust set of multichannel capture, process management, mobile, analytics and data integration capabilities on a single platform to provide a less frustrating and more convenient customer experience for applicants, and helps lenders close more quality loans faster and at a lower cost.

Our investments in research and development have resulted in the issuance of five additional patents to protect Kofax's intellectual property:

- U.S. Patent 8,677,249 issued in March 2014, which covers technology for providing a structured and unstructured document inspection and manipulation user interface, including those captured via mobile devices
- U.S. Patents 8,693,043 and 8,719,197 issued in April and May 2014, respectively, which cover technologies for automatic document separation and classification via machine learning
- U.S. Patent 8,749,839 issued in June 2014, which extends Kofax's VirtualReScan™ image perfection technology to images captured via mobile devices
- Patent 5,426,286 from the Japanese Patent Office issued in January 2014, which covers technology for determining document validity, including those captured via mobile devices

We acquired Kapow Technologies Holdings, Inc., a leading provider of data integration software, on July 31, 2013. Kapow's products greatly simplify our ability to integrate smart process applications with an organization's systems of engagement and systems of record, allowing us to speed our time to market with new solutions and customers' return on investments (ROIs). Such integrations are needed for content import and export purposes as well as data validation during a business process. We successfully integrated Kapow during the fiscal year and its bookings for the fiscal year exceeded our expectations, although the mix of perpetual and term software license sales was more heavily weighted toward the latter than we had expected. This caused a substantial portion of those bookings to

be deferred for revenue recognition in fiscal year 2015 and beyond.

During the fiscal year we were also pleased to continue receiving widespread recognition for the Company, and our market position and products, including:

- Kofax TotalAgility 7 won a "Product of the Year" award from Document Manager Magazine
- Kofax TotalAgility 7 was recognized as a "Strong Performer" in the Forrester Wave™ for Dynamic Case Management
- The Company and Kofax TotalAgility 7 were positively recognized in Gartner reports entitled "Critical Capabilities for Case Management Frameworks" and 'Gartner MarketScope for Business Process Management Platform as a Service (PaaS)"
- Kofax Mobile Capture Platform won Mortgage Technology Magazine's "2013 Harnessing Mobile Award"
- Kofax Mobile Capture Platform was named to HousingWire Magazine's inaugural HW TECH100™ list and chosen as the "Elegant Implementation" category winner
- Kofax Mobile Capture Platform was voted 'Best of Show' by attendees at the FinovateAsia 2013 event in Singapore
- Kapow Enterprise was recognized as a "Trend Setting Product of 2013" by KMWorld Magazine
- Kapow Enterprise was named a "Trendsetting Product of 2014" by Database Trends and Applications Magazine
- Kapow Enterprise was named to Analyst One's "Top Technologies List for 2013"
- Kapow Enterprise was named 'Best in Show' by attendees at the bpmNEXT 2014 Conference
- The Global Equity Organization awarded its "2014 Award for the Most Creative Solution" to Kofax for the Company's plan administration program

And, lastly, on December 5, 2013 we successfully established our dual listing on NASDAQ. This has since then resulted in a significant increase in the Company's share price, over a ten fold increase in the average daily share trading volume – principally on NASDAQ – and the majority of Kofax's shares of common stock now being held by U.S. shareholders.

Subsequent Events

On September 1, 2014 we acquired Softpro GmbH, a leading provider of signature verification, fraud prevention and electronic signature software and services. Softpro's products are synergistic with our smart process applications software and solutions for the business critical First Mile™ of customer interactions, particularly in the processing of new account opening and other applications in a more cost effective and responsive manner. Its products are offered for both on premise and cloud deployments. We'll invest to grow its sales organization in order to drive its software license revenue growth while also leveraging its products in our smart process applications software and solutions business.

We acquired all of Softpro's stock for total consideration of $34.7 million in cash. Of this amount, $31.2 million was paid as part of the closing of the transaction on September 1, 2014. An additional $1.1 million will be paid 90 days after closing, $1.2 million will be paid one year from closing and $1.2 million will be paid two years from closing, with said amounts being subject to certain indemnification terms and conditions. We expect to complete our integration of the company by the end of calendar year 2014.

We previously announced a voluntary change in the basis of preparation of the Company's financial statements from IFRS to GAAP effective as of July 1, 2014, the beginning of our fiscal year 2015. For reference purposes, we've published audited GAAP financial statements for the fiscal years ending June 30, 2013 and June 30, 2014, and we've published unaudited GAAP quarterly financial statements, certain Non-GAAP financial measures and supplemental reconciliations to GAAP for those Non-GAAP measures for the fiscal years ended June 30, 2013 and 2014.

Today we announced our intention to seek shareholder approval to delist from the London Stock Exchange. This decision was made by the Board after careful consideration and recognizing that more than 78.0% of Kofax's shares of common stock were held by U.S. shareholders, Board members and affiliated parties as of July 31, 2014 and that the majority of the total daily share trading volume routinely occurs on NASDAQ. We plan to hold an Extraordinary General Meeting on February 9, 2015 in order for shareholders to vote on this proposal and, subject to approval, thereafter delist on or before March 31, 2015. The Board chose to announce this decision now in order to provide sufficient time for U.K. shareholders unable to hold shares not listed on the London Stock Exchange to liquidate their holdings in an orderly manner.

Today we also announced that Jamie Arnold, Kofax's Chief Financial Officer and an Executive Director, has given notice of his intention to resign for personal reasons from those positions when his successor is appointed by the Board and to resign as an employee on or before September 30, 2015 – over one year from today. Jamie has successfully accomplished a great deal of very challenging work during his tenure with Kofax and we'll all be sorry to see him leave. We'll initiate a search for his replacement and believe this will be successfully accomplished within a period of time needed to ensure a smooth transition of his responsibilities.

Corporate Mission & Strategy

Our mission is to deliver superior value to our stakeholders – customers, partners, employees, suppliers and shareholders – by extending our position as a leading provider of smart process applications software and solutions for the business critical First Mile of customer interactions. Our smart process applications provide an essential connection between an organization's systems of engagement with customers, which generate real time, information intensive communications, and their systems of record, which are typically large scale enterprise applications and repositories used to manage information and internal operations. They combine our market leading capture, process management, analytics, data integration and mobile capabilities to radically transform and simplify these interactions, and result in an optimized customer experience and greatly reduced operating costs, thus driving increased competitiveness, growth and profitability. As a result

of these benefits, many of our users realize a return on investment (ROI) within 12 to 18 months.

We intend to accomplish this mission by pursuing these key strategies:

1. Broadening our smart process applications offerings and markets,
2. Further penetrating our large installed base of over 20,000 end user customers,
3. Expanding and optimizing our hybrid go-to-market model that supports both direct sales to end users and indirect sales through resellers and OEM partners and
4. Continuing to pursue strategic acquisitions.

While doing so we will also make on-going investments in research and development in order to maintain, improve and add to our smart process application software and solution offerings, while over time prudently reallocating those expenditures to better focus on the more rapidly growing areas of our business. This, combined with our acquisition strategy, will continually expand our vision to encompass additional growth opportunities.

We made a great deal of progress in many of these areas during this last fiscal year and have further solidified a foundation for more aggressively pursuing our mission and strategies during the current and future fiscal years.

Dividend Matters

The Board regularly reviews our strategy, balance sheet and future opportunities, and considers the Company's dividend policy. After careful consideration of these factors throughout fiscal year 2014 and through today, the Board maintained and currently intends to maintain its policy of not paying dividends in order to invest in better growing our business. As a result, no dividends were declared or paid during fiscal year 2014.

Board and Management Changes

The Board of Directors appointed James A. Urry as a Non-Executive Director and member of the Nominating Committee effective February 3, 2014. Mr. Urry brings extensive financial expertise and experience across a wide range of companies, products and markets to the Board. His appointment to the Board brings the total number of Non-Executive and Executive Directors to ten.

Bruce Powell, a Non Executive Director of the Company since 1996, has notified the Board of his intention to not stand for re-election at this year's Annual General Meeting. Coincident with the Annual General Meeting, his decision will bring the total number of Non-Executive and Executive Directors to nine.

We were pleased to welcome Grant Johnson as our new Chief Marketing Officer in October 2013. Grant is responsible for all corporate communications, field marketing, product marketing and related activities. He is a seasoned software industry executive with more than 20 years of relevant experience across a wide range of companies, products and markets, including content management, capture, process management and customer relationship management, and products offered under both on premise perpetual license and hosted SaaS subscription offering models. As a result, Grant has been a valuable addition to our executive management team and will be instrumental in driving our future marketing strategies.

Martyn Christian, who was our previous Chief Marketing Officer, resigned in July 2013 and is no longer a member of our executive management team.

As noted and discussed above, subsequent to the end of fiscal year 2014 Jamie Arnold, our Chief Financial Officer and an Executive Director, gave notice of his intention to resign for personal reasons from those positions when his successor is appointed by the Board and to resign as an employee on or before September 30, 2015, over one year from today.

There were no other changes in the Company's Board or executive management team during or subsequent to the end of fiscal year 2014.

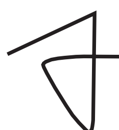
Forward Looking Guidance

We remain confident in our business strategy, are prudently optimistic about our future and reconfirm the long-term financial model previously communicated, which is based on organic software license revenue growth in the mid teens, total revenue growth of 10% to 12% and an adjusted EBITDA margin of 20% or greater in fiscal year 2017. Our guidance for fiscal year 2015, including the anticipated results of Softpro GmbH, is as follows:

Millions or Percentages	GAAP	Non-GAAP
Software License Revenue	$145.0 to $151.0	$147.0 to $153.0
Total Revenues	$339.0 to $347.0	$343.0 to $351.0
Adjusted EBITDA	$51.0 to $55.0	$54.0 to $58.0
Effective Tax Rate	35.0% to 37.0%	33.0% to 35.0%

Thank You

Our performance is the direct result of the dedication and hard work of our valued employees, indirect channel partners and suppliers, and the continued support of our customers and shareholders. I would like to once again use this opportunity to sincerely thank all of these stakeholders for their on-going contributions to our success.



Reynolds C. Bish
Chief Executive Officer
September 1, 2014

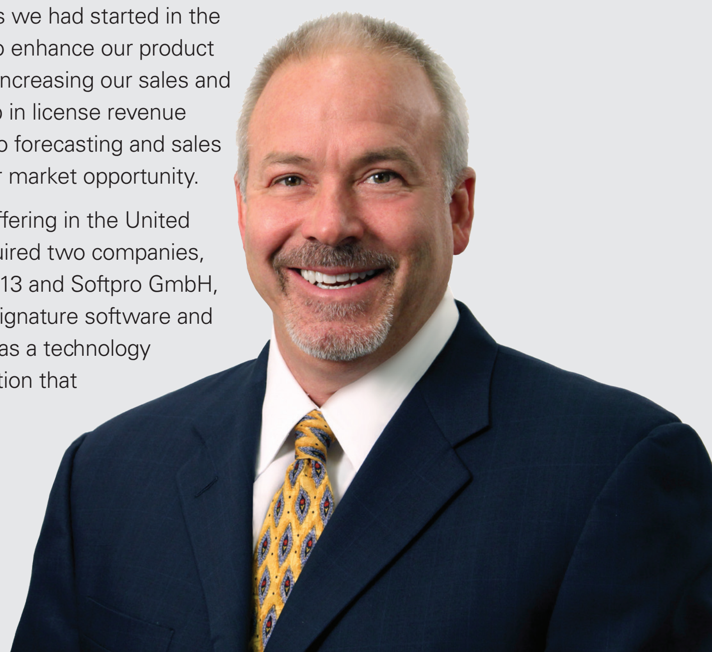
Chief Financial Officer's Review

James Arnold, Jr.

During fiscal year 2014, we continued to pursue the operational investments we had started in the second half of fiscal year 2013 which included spending ahead of revenue to enhance our product offerings with a focus on Kofax Total Agility and related solutions as well as increasing our sales and marketing capacity. While the fourth quarter was disappointing, with the slip in license revenue leading to lower than expected earnings, we believe those results are due to forecasting and sales execution issues and not a weakness in our proposition to customers or our market opportunity.

In addition to the operational investments, we completed our initial public offering in the United States in December 2013 which strengthens our financial position, and acquired two companies, Kapow Technologies Holdings, Inc. for data integration, at the end of July 2013 and Softpro GmbH, a leading provider of signature verification, fraud prevention and electronic signature software and services, subsequent to fiscal 2014, which further strengthens our position as a technology leader in the markets we serve. We exit fiscal year 2014 with a solid foundation that can support growth resulting from our strategic plans and objectives.

The following comments are in reference to our IFRS financial statements for the fiscal year ended June 30, 2014.



Revenue

Total revenue increased $23.4 million, or 8.8% in the fiscal year ended June 30, 2014 compared to the fiscal year ended June 30, 2013 reflecting growth across all geographies.

The following tables present revenue by financial statement line, as well as in total for each of our geographic regions:

Software licenses revenue increased $5.6 million, or 5.0% in the fiscal year ended June 30, 2014, due to a 69.4% increase in our mobile and new or acquired products software license revenue, which was assisted by revenues from our acquisitions of Altosoft and Kapow, offset by a 5.4% decline in core capture revenues.

The decline in core capture was due to sales execution issues in the fourth quarter delaying three seven figure transactions through the pipeline to timely closure. License revenue increased $5.0 million in the Americas and $1.9 million in Asia Pacific offset by a $1.3 million decrease in EMEA.

Maintenance services revenue increased $11.4 million, or 9.4%, in the fiscal year ended June 30, 2014 due to an increase of $6.0 million in the Americas and $5.8 million in EMEA, offset by a $0.4 million decrease in Asia Pacific. Our maintenance services revenue increased due primarily to continued high maintenance contract renewal rates as well as the expansion of our installed base from new license transactions.

($ in thousands, except percentages)	For the Year Ended June 30,		Change	% of Total Revenue	
	2014	2013	%	2014	2013
Software license	$117,791	$112,228	5.0%	40.7%	42.2%
Maintenance services	133,194	121,751	9.4%	46.0%	45.7%
Professional services	38,725	32,339	19.7%	13.3%	12.1%
Total revenue	**$289,710**	**$266,318**	**8.8%**	**100.0%**	**100.0%**
Americas	$160,412	$141,872	13.1%	55.4%	53.3%
EMEA	108,186	104,906	3.1%	37.3%	39.4%
Asia Pacific	21,112	19,540	8.0%	7.3%	7.3%
Total revenue	**$289,710**	**$266,318**	**8.8%**	**100.0%**	**100.0%**

Professional services revenue increased $6.4 million, or 19.7%, in the fiscal year ended June 30, 2014 due to an increase of $7.4 million in the Americas and $0.2 million in Asia Pacific offset by a $1.2 million decrease in EMEA. The increase in professional services revenue is primarily due to incremental professional services arising from our acquisition of Kapow as well as several large capture projects in the Americas.

Costs and Expenses

Cost of Software Licenses

Cost of software licenses primarily consists of royalties to third-party software developers as well as personnel costs related to the distribution of our software licenses and associated costs such as facilities and overhead charges. The following table reflects cost of software license revenue, in dollars and as a percentage of software license revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Cost of software license	$9,877	$10,688	$(811)	(7.6)%
% of software license revenue	8.4%	9.5%		

Cost of software licenses decreased by $0.8 million, or 7.6%, in the fiscal year ended June 30, 2014, which is primarily related to a change in product mix resulting in lower royalty expense. Royalty costs vary by product and accordingly, the cost of software licenses as a percentage of the software license revenue can fluctuate based on the mix of software licenses sold.

Cost of Maintenance Services

Cost of maintenance services primarily consists of personnel costs for our staff who respond to customer inquiries as well as associated costs such as facilities and related overhead charges.

The following table shows cost of maintenance services, in dollars and as a percentage of maintenance services revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Cost of maintenance service	$20,241	$18,194	$2,047	11.3%
% of maintenance service revenue	15.2%	14.9%		

Cost of maintenance services increased $2.0 million, or 11.3%, in the fiscal year ended June 30, 2014 as we invested to ensure we maintain high service levels, increasing our technical support organization to service a larger installed base and as a result of our acquisitions of Altosoft and Kapow.

Cost of Professional Services

Cost of professional services primarily consists of personnel costs for our staff of consultants and trainers, other associated costs such as facilities and related overhead charges, travel related expenses and the cost of contractors, whom we engage from time to time to assist us in delivering professional services. The following table shows cost of professional services, in dollars and as a percentage of professional services revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Cost of professional services	$32,625	$ 28,343	$4,282	15.1%
% of professional service revenue	84.2%	87.6%		

Cost of professional services increased $4.3 million, or 15.1%, in the fiscal year ended June 30, 2014 due to increase in compensation costs largely associated with our acquisitions of Altosoft and Kapow. Our gross margin on professional services increased from 12.4% in the twelve months ended June 30, 2013 to 15.8% in the twelve months ended June 30, 2014 as we were able to better manage and deploy our resources.

Research and Development

Research and development expenses consist primarily of personnel costs incurred in connection with the design, development, testing and documentation of our software products as well as associated costs such as facilities and related overhead charges. Research and development expenses are expensed as incurred.

The following table shows research and development expense, in dollars and as a percentage of total revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Research and development	$40,428	$34,686	$5,742	16.6%
% of total revenue	14.0%	13.0%		

Research and development expenses increased $5.7 million, or 16.6%, in the fiscal year ended June 30, 2014 due to an increase in compensation costs largely associated with our acquisitions of Altosoft and Kapow, and associated with incremental personnel to develop Kofax Total Agility and related solutions offset by a decrease in costs for core capture products, which we have continued moving offshore where we have found talented resources at lower labor costs.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel costs related to our sales and marketing staff, travel costs, costs for trade shows, advertising and other lead generating activities, as well as associated costs such as facilities and overhead charges.

The following table shows sales and marketing expense, in dollars and as a percentage of total revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Sales and marketing expense	$122,925	$98,209	$24,716	25.2%
% of total revenue	42.4%	36.9%		

Sales and marketing expenses increased $24.7 million, or 25.2%, in the fiscal year ended June 30, 2014 due to an increase in compensation costs largely associated with our acquisitions of Altosoft and Kapow and our increased investment in growing the sales organization. In fiscal year 2014, we continued the sales enhancement program started in the second half of fiscal year 2013, which has resulted in quota carrying sales staff increasing by approximately 35% in fiscal year 2014 as well as implementing changes to continue improving our sales and marketing execution.

General and Administrative

General and administrative expenses consist primarily of personnel costs for our executive, finance, human resource and legal functions, as well as associated costs such as facilities and overhead charges. Also included in general and administrative expenses are costs associated with legal, accounting, tax and advisory fees.

The following table shows general and administrative expense, in dollars and as a percentage of total revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
General and administrative expense	$39,382	$37,286	$2,096	5.6%
% of total revenue	13.6%	14.0%		

General and administrative expenses increased $2.1 million, or 5.6%, in the fiscal year ended June 30, 2014 due to increased legal, accounting and tax fees, related to the changes in the Company's regulatory and reporting requirements during 2013 and incrased share-based payment expense, primarily driven by the increase in value of awards resulting for recent increases in our share price.

Amortization of Acquired Intangible Assets

We amortize acquired intangible assets using the straight-line method over the estimated useful life of the respective asset. Our intangible assets include acquired contractual and customer relationships, technology and trade names, each based on their fair values ascribed in accounting for the initial business acquisition.

The following table shows expense related to the amortization of acquired intangible assets, in dollars and as a percentage of total revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Amortization of acquired intangible assets	$8,933	$6,707	$2,225	33.2%
% of total revenue	3.1%	2.5%		

Amortization of acquired intangible assets increased $2.2 million, or 33.2%, in the twelve months ended June 30, 2014, due to $2.7 million of additional amortization of acquired intangible assets arising from our acquisitions of Altosoft and Kapow which was offset by a decrease in amortization expense of previously acquired intangible assets which were fully amortized as of June 30, 2014.

Acquisition-related Costs

Acquisition-related costs include those costs related to business and other acquisitions and consist of (i) costs directly attributable to our acquisition strategy, including the evaluation, consummation and integration of our acquisitions and (ii) transition compensation costs.

The following table shows acquisition-related costs, in dollars and as a percentage of total revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Acquisition related costs	$857	$4,682	$(3,825)	(81.7)%
% of total revenue	0.3%	1.8%		

Acquisition-related costs decreased $3.8 million, or 81.7%, to $0.9 million in the fiscal year ended June 30, 2014 due to a $6.9 million decrease in the fair value of contingent consideration and retention related to our acquisition of Singularity, offset by $1.5 million increase in the fair value of the contingent consideration related to the acquisition of Altosoft. The remaining offsetting acquisition related costs were associated with direct acquisition costs from the July 31, 2013 acquisition of Kapow.

Other Operating Expenses, net

Other operating expenses, net consists of all income or expense that is not directly attributable to one of our other operating revenue or expense lines. The following table shows other operating expenses, net, in dollars and as a percentage of total revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Other operating expenses, net	$4,172	$2,395	$1,777	74.2%
% of total revenue	1.4%	0.9%		

Other operating expenses, net increased $1.8 million, or 74.2% to $4.2 million in the fiscal year ended June 30, 2014 primarily due to professional fees incurred for attorneys, accountants and other advisors associated with the work needed for us to complete a NASDAQ listing of our common shares and to support the July 1, 2014 change in the basis of preparation of our financial statements from IFRS to U.S. GAAP.

Finance Income (Expense), net

Finance income (expense), net consists primarily of foreign exchange gains or losses related to our intercompany receivables and payables, to fair value adjustments relating to forward contracts or other financial instruments and to a lesser extent to interest income (expense). The following table shows finance income (expense), net, in dollars and as a percentage of total revenue:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Finance income (expense), net	$6,511	$(6,929)	$13,440	194.0%
% of total revenue	2.2%	(2.6)%		

Finance income (expense) net, fluctuated $13.4 million in the fiscal year ended June 30, 2014 and represents a swing from an expense to income primarily due to a switch to unrealized foreign exchange gains related to revaluing non-functional currency denominated intercompany positions. The movement was largely due to the strengthening of the Euro and British pound against the U.S. dollar. Many of the intercompany positions have been settled during fiscal year 2014 thus reducing, in part, our future exposure to large swings in gains and losses.

Income Tax Expense

The following table shows income tax expense, in dollars and as a percentage of income before tax:

	For the Year Ended June 30,		Change	
($ in thousands, except percentages)	2014	2013	$	%
Income tax expense	$5,402	$8,198	$(2,796)	(34.1)%
Income before tax	$16,781	$18,199		
Effective tax rate	32.2%	45.0%		

Income tax expense decreased by $2.8 million, or 34.1%, to $5.4 million during the fiscal year ended June 30, 2014. The decrease in income tax expense and effective tax rate was primarily the result of incremental increases to the utilization of previously unrecognized tax losses, release of uncertain tax positions on expiry of statute of limitations, the effect of expenses that are not deductible for tax purposes and decrease in pre-tax net income.

Liquidity and Capital Resources

Historically, we have financed our business primarily through our cash on hand as well as cash flows from operations. We had $89.6 million of cash and cash equivalents at June 30, 2014, compared to $93.4 million at June 30, 2013. The majority of our cash is held in U.S. dollars, Euros and to a lesser extent, British Pounds. We have no outstanding debt as of June 30, 2014.

The following table sets forth the summary of our cash flows:

	For the Year Ended June 30,		Change
($ in thousands)	2014	2013	$
Cash generated from (used in)			
Operating activities	$34,557	$30,523	$4,034
Investing activities	(48,995)	(19,075)	(29,920)
Financing activities	9,417	1,120	8,297
Effect of exchange rate fluctuations	1,239	(274)	1,513
Net increase (decrease)	**$(3,782)**	**$12,294**	**$(16,076)**

Operating Activities

Net cash generated from operating activities was $34.6 million in fiscal 2014, compared to $30.5 million in fiscal 2013, an increase of $4.0 million. This increase was attributable primarily to increased cash inflows from the collection of account receivables during the year.

Investing Activities

Net cash used in investing activities was $49.0 million in fiscal 2014, compared to $19.1 million in fiscal 2013, representing an increase of $29.9 million. The primary use of cash in both years was associated with our acquisitions. We paid $39.2 million in fiscal 2014 associated with the acquisition of Kapow and $11.7 million in fiscal 2013, related to the acquisition of Altosoft, representing an incremental increase related to acquisitions of $27.5 million. Additionally, during 2014 we paid $1.0 million of contingent consideration and $1.3 million of deferred consideration, during 2014 related to the acquisition of Altosoft in 2013, as well as additional purchases of computer equipment to support increases in headcount.

Financing Activities

Net cash generated from financing activities was $9.4 million in fiscal year 2014, compared to $1.1 million in fiscal year 2013, representing an increase of $8.3 million primarily due to $12.4 million in net proceeds from the NASDAQ listing, offset by an incremental decreases of $2.6 million from purchases of employee benefit trust shares, net of proceeds from stock option exercises.

Exchange Rate Effects

We operate in many countries around the world, and maintain cash balances in locations outside of the United States, in currencies other than the U.S. dollar. In 2014 cash and cash equivalents increased by $1.2 million, primarily resulting from changes in foreign exchange rates, while in 2013 cash and cash equivalents decreased by $0.3 million. Our cash and cash equivalents will continue to fluctuate in the future, as foreign currency exchange rates vary.

Treasury Management

On October 14, 2013, the Company extended the term of its $40.0 million revolving line of credit with Bank of America Merrill Lynch to June 30, 2016. Subject to certain conditions, borrowings under the credit facility can be denominated in U.S. dollars, Euros and certain other currencies and can be made in the U.S. and certain other countries. The credit facility is available for general corporate purposes, including acquisitions, is secured by certain assets of the Company and can be increased by an additional $10.0 million. As of June 30, 2014 $39.5 million was available, as $0.5 million has been used to guarantee letters of credit in certain operating facilities and payroll services.

The Company has significant overseas subsidiaries, which operate principally in their local currencies. Where appropriate, intra-company borrowings are arranged in functional currencies of the borrower to centralize the foreign exchange impact and provide a natural hedge against exchange rate movement risks.

The Company hedges certain foreign currency cash and cash flows relating to transactions in accordance with policies set by the Board of Directors. Assessment of the credit risk profile of the Company's key customers and resellers is centralized for increased focus.

Reconciliation of Non-IFRS Measures

Management uses financial measures, both IFRS and non-IFRS, in analyzing and assessing the overall performance of the business and for making operational decisions. We have provided and believe that the non-IFRS financial measures and supplemental reconciliation to IFRS financial measures are useful to investors and other users of our financial statements because the non-IFRS financial measures may be used as additional tools to compare business performance across peer companies, periods and financial markets.

While we use non-IFRS measures as a tool to enhance our understanding of certain aspects of our financial performance, we do not believe that these non-IFRS measures are a substitute for, or are superior to, the information provided by IFRS results. As such, the presentation of non-IFRS measures is not intended to be considered in isolation or as a substitute for any measure prepared in accordance with IFRS. The primary limitations associated with the use of non-IFRS measures as compared to IFRS results are that non-IFRS measures may not be comparable to similarly titled measures used by other companies in our industry and that non-IFRS measures may exclude financial information that some investors may consider important in evaluating our performance. We compensate for these limitations by providing disclosure of the differences between non-IFRS measures and IFRS results, including providing a reconciliation of each non-IFRS measure to IFRS results, in order to enable investors to perform their own analysis of our operating results.

Adjusted Revenues - We define Non-IFRS revenue as revenue, as reported under IFRS, increased to include revenue that is associated with our historic acquisitions that has been excluded from reported results for a given period due to the effects of purchase accounting. In accordance with IFRS purchase accounting, an acquired company's deferred revenue at the date of acquisition is subject to a fair value adjustment which reduces the deferred amount and revenues recognized subsequent to an acquisition. We include Non-IFRS revenue to allow for more complete comparisons to the financial results of our historical operations, forward-looking guidance and the financial results of peer companies. We believe these adjustments are useful to management and investors as a measure of the ongoing performance of the business. Additionally, although acquisition related revenue adjustments are non-recurring, we may incur similar adjustments in connection with any future acquisitions as these adjustments give a proforma view of our revenue.

The tables below provide a reconciliation of IFRS revenues to Non-IFRS revenues related to all of our historic acquisitions:

	For the Year Ended June 30,					
	2014			2013		
($ in thousands)	Revenues (as reported under IFRS)	Acquisition Fair Value Adjustment	Non-IFRS Revenues	Revenues (as reported under IFRS)	Acquisition Fair Value Adjustment	Non-IFRS Revenues
Software licenses	$117,791	$6,069	$123,860	$112,228	$156	$112,384
Maintenance services	133,194	911	134,105	121,751	205	121,956
Professional services	38,725	714	39,439	32,339	–	32,339
Total revenues	**$289,710**	**$7,694**	**$297,404**	**$266,318**	**$361**	**$266,679**

Adjusted software license revenue increased $11.5 million, or 10.2% in 2014 as a result of mobile and new or acquired products software license revenue grew 106.5%. Acquisition fair value adjustments increased $7.3 million as the result of the subsequent recognition of fair value adjustments to deferred income acquired in the acquisition of Kapow in July 2013.

Non-IFRS Income from Operations - We define Non-IFRS income from operations as income from operations, as reported under IFRS, excluding the effect of acquisition fair value adjustment to revenue, share-based payment expense, depreciation expense, amortization of acquired intangible assets, acquisition-related costs, restructuring costs and other operating expense, net. Share-based payment expense, depreciation expense and amortization of acquired intangible assets in our Non-IFRS income from operations reconciliation represent non-cash charges, which are not considered by management in evaluating our operating performance. Acquisition-related costs consist of: (i) costs directly attributable to our acquisition strategy and the evaluation, consummation and integration of our acquisitions (composed substantially of professional services fees including legal, accounting and other consultants), and (ii) transition compensation costs (composed substantially of contingent payments for shares that are treated as compensation expense and retention payments that are anticipated to become payable to employees, as well as severance payments to employees whose positions were made redundant). These acquisition-related costs are not considered to be related to the organic operations of the acquired businesses and are generally not relevant to assessing or estimating the long-term performance of the acquired assets. Other operating expense, net represents items that are not necessarily related to our recurring operations and which therefore are not, under IFRS, included in other expense lines. Accordingly, we exclude those amounts when assessing Non-IFRS income from operations.

We also assess Non-IFRS income from operations as a percentage of total Non-IFRS revenues and by doing so we are able to evaluate our relative performance of our revenue growth compared to the expense growth for those items included in Non-IFRS income from operations. This measure allows management and our Board of Directors to compare our performance against that of other companies in our industry that may be of different sizes.

The following table provides a reconciliation of IFRS income from operations to Non-IFRS income from operations and presents Non-IFRS income from operations as a percentage of total revenues.

($ in thousands)	For the Year Ended June 30, 2014	2013
Income from operations	$10,270	$25,128
Acquisition fair value adjustment to revenue	7,694	361
Share-based payment expense	4,867	1,393
Depreciation and amortization expense	5,323	6,009
Amortization of acquired intangible assets	8,933	6,707
Acquisition-related costs	857	4,682
Other operating expenses, net	4,172	2,395
Adjusted income from operations	**$42,116**	**$46,675**
Adjusted income from operations as a percentage of revenue	14.2%	17.5%

At times when we are communicating with our shareholders, analysts and other parties, we refer to adjusted income from operations as a percentage of revenues as EBITDA margin.

Adjusted Cash Flows from Operations - We define "adjusted cash flows from operations" as cash flows from operations as reported under IFRS, adjusted for income taxes paid or received and payments under restructurings. Income tax payments are included in this reconciliation as the timing of cash payments and receipts can vary significantly from year-to-year based on a number of factors, including the influence of acquisitions on our consolidated tax attributes. Payments for restructurings relate to a specific activity that is not part of ongoing operations.

The table below provides a reconciliation of IFRS cash flows from operations to adjusted cash flows from operations:

($ in thousands)	For the Year Ended June 30, 2014	2013
Cash flows from operations	$34,557	$30,523
Income tax paid	13,165	10,749
Payments under restructuring	637	863
Adjusted cash flows from operations	$48,359	$42,135

Adjusted cash flow from operations increased $6.2 million to $48.4 million in the fiscal year ended June 30, 2014, attributable primarily to increased cash inflows from collection of account receivables during the year.

Adjusted diluted earnings per share - Adjusted diluted earnings per share is calculated using IFRS net income/(loss) excluding the effect of Acquisition fair value adjustment to revenue, Share-based compensation expense, Amortization of intangible assets, Acquisition-related costs, Net interest, Other income and expense, and the related tax effect, divided by fully diluted shares outstanding. Therefore, we include this non-IFRS measure in order to provide a more complete comparison of our earnings per share from one period to another.

The tables below provide a reconciliation of our Adjusted diluted earnings per share, and our associated Non-IFRS income (loss), after tax:

	For the Year Ended June 30, 2014		2013	
	Per Diluted Share	$'000	Per Diluted Share	$'000
Diluted earnings per share and net income	**0.12**	**$11,379**	**0.11**	**$10,001**
Acquisition fair value adjustment to revenue	0.08	7,694	0.00	361
Share-based payment expense	0.05	4,867	0.01	1,393
Amortization of intangible assets	0.10	8,933	0.08	6,707
Acquisition-related costs	0.01	857	0.06	4,682
Net finance and other income and expense	(0.03)	(2,339)	0.11	9,324
Tax effect of above	(0.07)	(6,936)	(0.05)	(4,300)
Adjusted diluted earnings per share	**0.26**		**0.32**	

Supplemental Information

The following supplemental information is used to reconcile IFRS Income from operations to Adjusted Income from operations:

Share based payment expense recognized by functional line in the Consolidated Income Statements is as follows:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Cost of maintenance services	$79	$14
Cost of professional services	92	28
Research and development	884	274
Selling and marketing	2,607	579
General and administrative	1,205	498
Total share-based payment expense	$4,867	$1,393

Depreciation and amortization expense recognized by functional line in the Consolidated Income Statements is as follows:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Cost of software licenses	$32	$65
Cost of maintenance services	484	576
Cost of professional services	786	1,048
Research and development	1,639	1,676
Selling and marketing	1,651	1,745
General and administrative	731	899
Total depreciation and amortization expense	$5,323	$6,009

James Arnold, Jr.
Chief Financial Officer
September 1, 2014

Company Overview

We are a leading provider of smart process applications software and related maintenance and professional services for the business critical First Mile™ of interactions between businesses, government agencies and other entities (collectively, organizations) and their customers, citizens, vendors, employees and other parties (collectively, constituents). Our software enables organizations to design, deploy, and operate comprehensive systems that create an essential link between their systems of engagement, which generate real time, information-intensive communications from constituents, and their systems of record, which are typically large scale enterprise applications and repositories used to manage their internal operations. Our software is designed to streamline critical information processing, which we believe allows our users to be more responsive to their constituents, and is intended to enable our customers to provide better service, gain competitive advantage and grow their organizations while reducing their costs and improving their regulatory compliance. We operate on a global basis, and as of June 30, 2014, we had 1,381 employees located in 32 countries. We utilize a hybrid go-to-market model that delivers our software and services through both our direct sales and service employees and an indirect channel of more than 850 authorized resellers, original equipment manufacturers and distributors located in more than 75 countries as of June 30, 2014. We have more than 20,000 active installations of our software with users in financial services, insurance, government, healthcare, supply chain (manufacturing, distribution, retail and logistics), business process outsourcing and other vertical markets, including 80 of the Fortune Global 100 companies.

We began operations in Switzerland in 1985 as a distributor of digital imaging hardware and maintenance services under the name Dicom AG. We listed our ordinary (i.e. common) shares on AIM (the London Stock Exchange's market for smaller companies) in 1996 and subsequently transferred to the main market of the London Stock Exchange in 1997. Since then we have maintained a Premium Listing, which requires meeting the UK's highest standards of regulation and corporate governance. We subsequently expanded into the distribution of related software products and services and eventually became an independent software vendor through the acquisition of a number of software businesses beginning in 1999.

During the fiscal year ended June 30, 2008, as a result of a strategic review by the Board of Directors and our executive management team, we began the implementation of a broad array of strategic initiatives in order to focus our resources on the software portion of our business, as well as the transition to a more performance-oriented culture. These included:

- leveraging the name of our most successful software product by renaming the Company Kofax plc, and relocating our operating headquarters to Irvine, California;
- recruiting a new executive management team with software business experience;
- transitioning from a purely indirect channel sales model to a hybrid go-to-market model by restructuring our sales organization and adding direct sales and service employees;
- making significant capital expenditures to upgrade our information and telecommunications technology and systems infrastructure;
- acquiring OptiInvoice Digital Technology AB, 170 Systems, Inc., Atalasoft, Inc., Singularity Limited, Altosoft Corporation, and Kapow Technologies Holding, Inc.—all software businesses—to enhance our competitive position, increase our addressable market and broaden our market reach; and
- disposing of our hardware distribution business.

On December 5, 2013 we completed our initial public offering in the United States on the NASDAQ Global Select Market. Concurrent with the initial public offering in the U.S., we put in place a new parent company, Kofax Limited, a Bermuda-incorporated company that is tax resident in the UK. We maintained our premium listing on the London Stock Exchange and our shares are now traded on both the London Stock Exchange's main market and NASDAQ.

Our annual total revenue grew from $170.0 million for the fiscal year ended June 30, 2009, to $289.7 million for the fiscal year ended June 30, 2014, representing a compound annual growth rate (CAGR) of 11.3%. During this same period, our income from operations grew from $3.4 million to $10.3 million, representing a CAGR of 24.8%, and our income from operations as a percentage of total revenue increased from 2.0% to 3.6%. On a non-IFRS basis, our adjusted revenue grew from $170.0 million to $297.4 million a CAGR of 11.8%, adjusted income from operations grew from $18.0 million to $42.1 million, representing a CAGR of 18.6%, and our adjusted income from operations as a percentage of total revenue grew from 10.6% to 14.2%. For a reconciliation of IFRS income from operations to non-IFRS adjusted income from operations, see "Summary Historical Consolidated Financial Data—Non-IFRS Measures."

The Challenge

The business challenge arising in First MileTM interactions is that their flow is often controlled by inflexible systems of record, which can make them labor intensive, slow and prone to errors and can adversely affect a constituents' perception of the business. Systems of record are generally large scale, expensive and typically rigid enterprise applications and repositories (ERP, CRM, ECM, records management and other systems) that organizations use to manage their internal operations. Systems of engagement are the ways in which organizations interact with their customers. They range from face to face interactions at "brick and mortar" branch offices to web portals to demand generating activities that drive customers to an organization's web or social media sites. An organization's systems of engagement generate an enormous amount and variety of real time, information intensive communications from constituents on a daily basis via paper, faxes, emails, internet portals, mobile devices, Electronic Data Interchange and eXtensible Markup Language data streams,

short message services, multimedia messaging services and other sources, all of which need to be processed in an accurate, timely, and cost effective manner. These communications arrive as both structured and unstructured information in the form of letters, resumes, new account enrollments, loan applications, insurance claims, purchase orders, invoices, regulatory filings and many other interactions.

The information in these communications must be captured, extracted, validated, analyzed and acted upon, and then delivered into an organization's systems of record for additional processing, use and storage in repositories for archive and retrieval purposes. Delays and errors caused by invalid information and inconsistent processing can adversely impact an organization's competitive positioning, finances, financial reporting and relations with its constituents and regulatory agencies.

Traditional methods for accomplishing the tasks referenced above typically begin with the aggregation of paper-based documents in a central location or mailroom. The documents are then distributed to relatively highly paid workers who manually enter information into systems of record, before storing the documents in cabinet based filing systems. The continued use of these paper-based processes is substantiated by data from numerous independent sources.

Using an invoice as an example, organizations typically receive paper-based invoices, or print invoices received in an electronic format, from their systems of engagement with vendors and then route them to accounts payable specialists who visually review them and manually enter information into accounting or ERP systems (their systems of record). This data entry would typically include the invoice number, date, vendor name and address, payment terms, payment discounts available, purchase order number, individual line item details (such as each item's product number and description, the number of units shipped, etc.), sales tax and freight charges, and the total invoice amount. If any of this information is incorrectly entered, not entered, or entered correctly but nonetheless invalid for any number of reasons, then downstream processes will be suspended until an accounts payable specialist has corrected or otherwise addressed the issues. Downstream processes may also be suspended when an accounts payable specialist has to resolve the inevitable inconsistencies that arise between the invoice information entered and the related purchase order and receiving information. As with most manual, labor-intensive processes, these are time-consuming, expensive, and prone to error. They can also delay the processing of invoices, limit or preclude an organization's ability to take advantage of prompt payment discounts, hinder cash management, and jeopardize valuable vendor relationships. Finally, at the end of these processes, someone has to manually file and, when necessary, retrieve the paper source documents.

The time required for and cost of such manual, labor-intensive processes can be significant. In July 2013, Harvey Spencer Associates, an industry analyst firm, estimated that organizations globally spend approximately $25-30 billion a year manually keying information from paper documents.

The demand for shorter response time, increased use of mobile devices, desire for a paperless office, and mounting pressure to reduce costs require management of an organization to constantly evaluate and improve an organization's operations. All of this becomes even more challenging as organizations contend with increasing volumes of information, globally distributed operations, and more intense global competition. In addition, as external compliance requirements and internal governance processes continue to grow in breadth and complexity, it is difficult for knowledge workers to remember and consistently apply business rules.

Some organizations do not view these processes as part of their core competencies so they turn to business process outsourcers to perform them as a service. Because of a business process outsourcer's singular focus and scale, they are able to often provide that service at a lower cost. Unfortunately, this approach frequently suffers from unreliable information and reduced accuracy levels and turnaround times. These factors, coupled with an overall loss of control and security have limited the adoption of this approach. This is particularly true for confidential or time sensitive communications as well as communications whose dissemination is legally restricted.

As a result of these challenges, we believe there is a significant opportunity to automate these processes and thereby address these challenges and limitations.

Our Solution

We provide a comprehensive smart process applications software solution that automates the labor-intensive processes needed to capture and extract information from critical interactions, and then understand, act upon and deliver that information to systems of record. Our solution automatically captures business critical interactions regardless of how, where and when they arise. Once captured, the content of those interactions is automatically extracted and perfected. The solution then initiates and executes the downstream business processes needed to collaborate with customers to resolve the inconsistencies that inevitably arise, capture missing or trailing information, obtain necessary approvals, act upon and export the results into the appropriate systems of record, all while ensuring the consistent application of business rules needed for regulatory compliance and internal governance purposes.

Smart process applications are a relatively new category of software designed to support business activities that are people and information-intensive, highly variable, loosely structured and subject to frequent change. Smart process applications typically have the following core capabilities: awareness of relevant data and content, information capture, workflow, collaboration both inside and outside an organization, and analytics.

Again, using an invoice as an example, our software allows users to scan paper-based invoices using desktop scanners, high volume, production level scanners and multi-function peripherals. Further, invoices received in an electronic format can be imported and pictures of invoices can be captured using cameras in mobile devices to produce digital images. Regardless of how the invoices are captured, any related images are then automatically enhanced for better viewing and information extraction purposes.

Regardless of origin, the captured invoices are separated into logical parts such as pages, documents and attachments. A variety of optical character recognition, intelligent character recognition, barcode recognition, mark sense, parsing algorithms, and other extraction technologies are then automatically applied. Accounts payable specialists only have to manually correct or enter any erroneous or suspicious information or any additional content that cannot be effectively captured using automated information extraction technologies. "Check box" and complex custom business rules can also be automatically applied to all extracted information to ensure its accuracy and validity.

Next, the extracted information is automatically compared to the related purchase order and receiving information. Additional business rules are applied to resolve any inconsistencies. If exceptions arise, accounts payable specialists can be prompted to manually correct inconsistencies, with all relevant information displayed in order to increase productivity. Accounts payable specialists can collaborate with vendors to obtain missing or trailing documents, and treasury management staff can view and manipulate graphical reports produced by our analytics software in order to make more intelligent decisions sooner than otherwise possible. The resulting information is then automatically delivered into accounting or enterprise resource planning systems, and the information and images are delivered to content repositories for future retrieval. The entire process is automatically directed and controlled by predefined workflows and incorporates dynamic case management capabilities to deal with unpredictable workflow requirements.

As demonstrated by the above example, our smart process applications software transforms and simplifies the entire accounts payable process by accelerating the processing of invoices. Our software is designed to reduce costs and improve the ability of customers to take advantage of prompt payment discounts, optimize cash management and better manage valuable vendor relationships.

According to industry analyst The Hackett Group's December 2013 report, organizations with high levels of accounts payable automation save 39% of invoice processing costs and enjoy 15-20% faster processing times compared to peer groups that use manual processes. Similar benefits are available for new customer on-boarding in financial services and insurance, benefit enrollment processes in government, new patient enrollment processes in healthcare and other processes in these and other vertical markets.

We believe our products are uniquely positioned to address these opportunities and vertical markets. Industry analysts have recognized our leadership and products. In its July 2013 report, "The 2013-2014 Worldwide Market for Document Capture Software," Harvey Spencer Associates reported that in 2012 Kofax was the leading revenue vendor with 14% share. In August 2012, Forrester published its "Wave" for Multichannel Capture, or the ability to capture information from a wide variety of different sources, and ranked Kofax as the "Leader" in providing those capabilities. In addition, in January 2013, Forrester published the results of a study commissioned by Kofax, and reported that in 2012 Kofax had a market leading 15% share of the Multichannel Capture market.

Kofax's TotalAgility™ 7 platform received a "strong performer" ranking in The Forrester Wave™ for Dynamic Case Management (DCM) published in March 2014. In addition, in April 2013, Forester published its "Wave" for Smart Process Applications and ranked Kofax as a "Leader" in providing those capabilities. As a result of this independent recognition and our business strengths, we believe we can secure a meaningful share of the software markets that we serve.

Our Opportunity

We believe that the size of the market for our smart process applications software can be best estimated by combining the market for capture software and services, the market for BPM software and the market for vertically oriented information-intensive smart process applications that fit Kofax's strength in addressing the First MileTM challenge of business. Capture software automates the labor intensive processes needed to enter business critical information into enterprise applications and repositories. BPM software automates the labor intensive processes needed to understand and act upon that business critical information. Smart process applications software combines awareness, capture, business process and dynamic case management, collaboration, and analytics capabilities to automate the labor-intensive processes needed to capture and extract information, and then analyze, act upon and deliver that information to systems of record.

A July 2013 Harvey Spencer Associates report estimated that the market for capture software and services will grow from approximately $2.7 billion in 2012 to approximately $4.2 billion in 2017, a CAGR of almost 9.2%. In July 2013, Gartner stated that the total market value for BPM suites in 2012 was $2.3 billion and that through 2017 that market is expected to grow at a compound annual growth rate of 10%. These reports suggest that these markets totaled $5.0 billion in calendar 2012.

In January 2013 Forrester published the results of a study commissioned by Kofax, and estimated that the software and maintenance services market for capture, BPM and vertically-oriented information-sensitive smart process applications totaled and will grow from $7.1 billion in 2012 to $14.0 billion in 2016, at a CAGR of approximately 18%.

Our Business Strengths

We believe the following business strengths position us to capitalize on the opportunity for our smart process applications software and compete effectively in the market:

Comprehensive Solutions

Our software enables organizations to design, deploy, and operate comprehensive systems that create an essential link between their systems of engagement, which generate real time, information-intensive communications from constituents, and their systems of record, which are typically large scale enterprise applications and repositories used to manage their internal operations. Our software is designed to streamline critical information processing, which we believe allows our users to be more responsive to their constituents and is intended to enable our customers to provide better service, gain competitive advantage and grow their organizations while reducing their costs and improving their regulatory compliance. In addition to our software, we offer a wide range of related

professional and maintenance services to better address the deployment and support needs of our users and channel partners, which helps us achieve a greater level of customer satisfaction.

Large and Diversified User Base

We have more than 20,000 active installations across more than 100 countries as of June 30, 2014. We serve users in the financial services, insurance, government, healthcare, supply chain, business process outsourcing and other vertical markets. Most users initially license our software to automate one or several processes in a single geographic region, business unit, line of business, function, or department. Over time, many users license additional software to automate other processes and some eventually enter into enterprise-wide license arrangements. As a result, we believe we are well positioned to take advantage of additional opportunities within the same organizations. In addition, we believe our large number of users effectively gives us preferential access to a greater share of the market. We have minimal user concentration, with no user having accounted for more than 5% of our total revenue for the fiscal year ended June 30, 2014.

Global Reach and Hybrid Go-to-Market Model

We operate on a global basis, with 1,381 employees located in 32 countries as of June 30, 2014. We utilize a hybrid go-to-market model that delivers our software and services through our own direct sales and service employees, as well as through an indirect channel of more than 850 authorized resellers, original equipment manufacturers and distributors located in more than 75 countries as of June 30, 2014. Our direct sales and service employees focus their attention on large corporations and government entities, while our indirect channel allows us to better reach small and medium sized organizations and departments of larger organizations. This hybrid go-to-market strategy allows us to penetrate a much broader portion of the market.

Recurring Revenue Streams

We have significant recurring revenue streams attributable to our maintenance services, our license revenue generated from sales by our channel partners and our recurring license revenue from a small, but growing BPM and subscription licensing business. We have historically had a significant portion of our users renew their maintenance service agreements with us, typically on an annual basis. Our maintenance services revenue was $133.2 million and $121.8 million, representing 46.0% and 45.7% of our total revenue, for the fiscal years ended June 30, 2014 and 2013, respectively. Due to the large number of our channel partners, there is a significant level of predictability in the sales made by our channel partners in each period. Our channel partners, many of whom are long-standing partners, generally transact sales that are limited to a single geographic region, business unit, line of business, function, or department. Sales made to the small and medium-sized businesses targeted by our channel partners, on average, have smaller overall transaction sizes as compared to sales made by our direct sales force. The volume of licenses sold by our channel partners is larger than the volume sold by our direct sales force, which makes our revenue from channel partner sales less reliant on any particular customer. We also receive royalty revenue from a number of original equipment manufacturers, many of whom are also long-standing channel partners, who include our software in the offerings that they sell to their customers. Term license revenue was $4.3 million in fiscal 2014 and is expected to grow exponentially in future fiscal years due to organic growth and due to being able to recognize license revenue that was previously excluded as part of the fair value adjustment to acquired deferred revenue in the fiscal year ended June 30, 2014.

Experienced Management Team

Our executive management team and other senior management employees have, on average, over 25 years of software industry experience. We believe that our management team has been, and will continue to be, instrumental in growing our business, both organically and through acquisitions.

Our Growth Strategy

Our objective is to extend our position as a leading provider of smart process applications software and related services. We intend to pursue this objective by executing these key strategies:

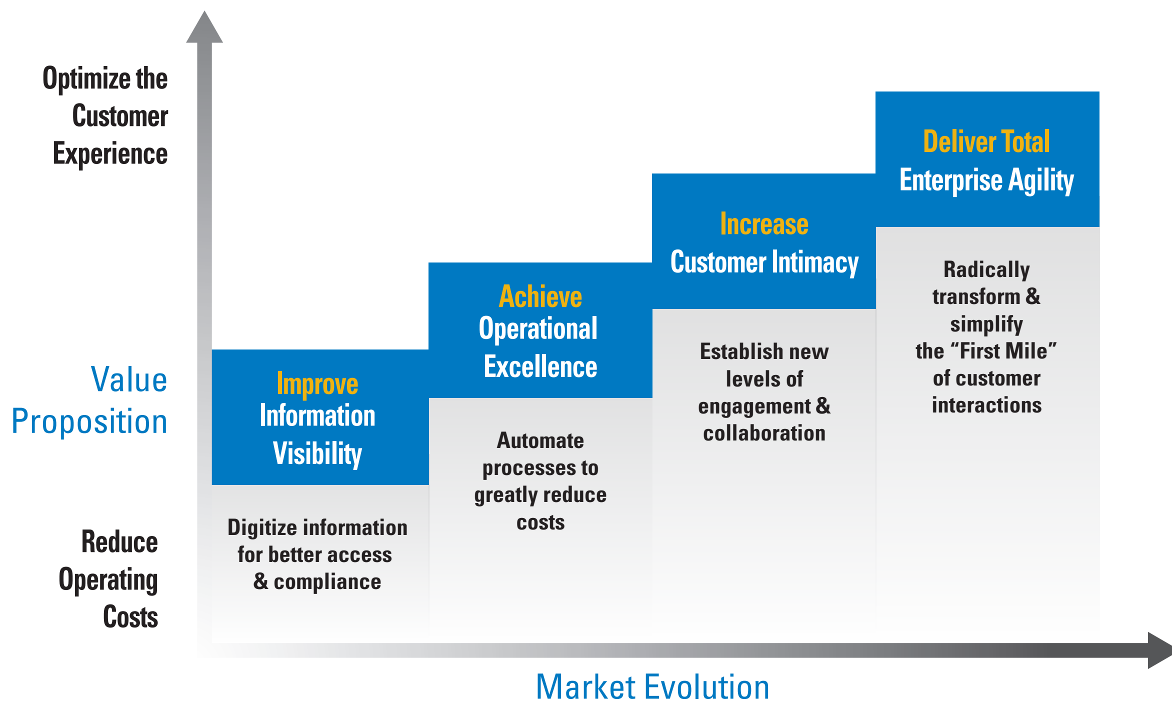
Broaden Our Software Offerings and Markets

We believe mobile devices will rapidly transform the way in which interactions occur between organizations and their constituents. Our recently introduced mobile software offers patented functionality that pushes capture, BPM, collaboration and analytics capabilities to the "Point of Origination™" where constituent interactions occur. We intend to continue to extend and improve the functionality of these capabilities to take advantage of this opportunity.

We have historically offered our software under a perpetual license model for on-premise or private cloud deployments, and recently began offering portions of it through both a public cloud-based hosted SaaS subscription offering and through term-based on premise software licenses. We believe that the SaaS offering will allow users to avoid significant capital expenditures and other on-premise deployment costs, while providing immediate access to the benefits of our software. We additionally believe that our SaaS offering and term-based licenses will attract customers that otherwise may not license our software on a perpetual basis. We also intend to continue to enhance and further develop our proven technologies and introduce new software for sale to our existing users, new users in existing vertical markets and new users in new vertical markets. We believe these new product initiatives offer significant opportunities to grow both our addressable market and revenue.

Further Penetrate Our Installed User Base

Most users initially license our software to automate one or several processes in a single geographic region, business unit, line of business, function or department rather than doing so on an enterprise-wide basis. The value we can provide to users over time can be summarized in the stairway to business value as demonstrated on the following page:



Over time many users license additional software to automate other processes and some eventually enter into enterprise-wide license arrangements. As a result, we believe that there are significant opportunities to expand our revenue by selling additional software and services into our large and growing installed user base. As evidence of this, in the fiscal year ended June 30, 2014, our existing user base generated more than half of our software license revenue.

Expand and Optimize Our Hybrid Go-To-Market Model

In the fiscal year ended June 30, 2014 we derived approximately 46% of our total revenue from direct sales and approximately 54% from sales made through our indirect channel, and in the fiscal year ended June 30, 2013 we derived approximately 54% of our total revenue from direct sales and approximately 46% from sales made through our indirect channel. We intend to grow our revenue by improving the execution and productivity of both of these "routes to market" and by adding new direct sales and service employees and channel partners

Pursue Strategic Acquisitions

We believe that strategic acquisitions, have and will allow us to better serve the needs of our users, expand our software offerings, augment our routes to market, expand our market opportunities, and broaden our user base. Our executive management team has substantial experience in successfully effecting acquisitions of software businesses and integrating these entities into our business operations. Recent examples of executing on this strategy include our acquisitions of OptiInvoice Digital Technology AB in October 2008 (electronic invoice capabilities), 170 Systems, Inc. in September 2009 (accounts payable automation solutions), Atalasoft, Inc. in May 2011 (web capture capabilities), Singularity Limited in December 2011 (BPM and dynamic case management capabilities), Altosoft Corporation in March 2013 (business intelligence and analytics capabilities) and Kapow Technologies Holding, Inc. in July 2013 (data integration capabilities). In the future we intend to evaluate and pursue similar opportunities.

Our Software Products and Related Services

Our smart process applications software and related services include a broad array of offerings.

Software

Our smart process applications software combines industry leading capture, business process and dynamic case management, collaboration and analytics capabilities to automate the labor-intensive processes needed to capture and extract information, and then analyze, act upon and deliver that information to systems of record. Users typically need to capture and extract information in high volumes in an efficient, productive and consistent manner in order to be more responsive to their constituents. It also allows users to provide better service levels, gain competitive advantage and grow while reducing a user's costs and improving its regulatory compliance. We have optimized our software to provide a high level of system performance and availability. Most of our software uses complex queuing algorithms to ensure sub-second response times and minimize the number of system calls required to complete tasks, and typically include some or all of the following steps and capabilities:

- controlling and directing scanners, multi function peripherals, mobile devices and other hardware that transform paper-based communications into digital images;
- importing communications received in an electronic format;
- enhancing images for better viewing and information extraction purposes;
- identifying and classifying communication types;
- separating individual communications into logical parts such as pages, documents and attachments;
- applying various information extraction technologies;

- applying appropriate business rules against the extracted information to ensure its consistent accuracy and validity;
- comparing the extracted information to relevant sources such as databases in other enterprise software applications;
- routing erroneous or suspicious extracted information to knowledge workers to correct, enter or resolve;
- routing the validated information extracted to knowledge workers and constituents to act upon as required to complete the processes;
- using dynamic case management capabilities to deal with unpredictable workflow requirements;
- collaborating with and enabling constituents to obtain missing or trailing documents;
- viewing and manipulating graphical reports produced by our analytics software and enables users to make more intelligent decisions sooner than otherwise possible;
- repurposing or properly formatting the extracted information and images for delivery; and
- delivering the extracted information and images to other enterprise software applications and repositories.

Our software can be used on standalone personal computers, client-server platforms and Microsoft Windows Azure as a SaaS offering. Much of our software includes modules that function as servers, which means that their resources can be shared by multiple users and that additional modules can be added as required to address more complex processing or greater throughput requirements.

Our software is generally licensed and priced on either a per-image, per-server or per-user basis, with the server based processes typically configured to support a specified throughput capability. Our software typically uses Microsoft SQL Server to store information while maintaining high throughput rates.

Most of our software is available in United States English, French, German, Italian, Portuguese, Spanish, Russian, Chinese and Japanese. We expect to provide additional localized versions as needed over time to expand our international presence.

Executive Management Team

Reynolds C. Bish

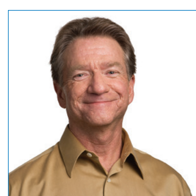
James Arnold, Jr.

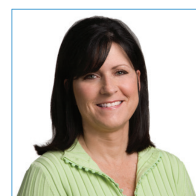
Howard Dratler

Grant Johnson

Anthony Macciola

Bradford Weller


Jim Nicol


Lynne Scheid

Karl Doyle

Reynolds C. Bish (62) was appointed as Chief Executive Officer and a member of Kofax's Board of Directors on November 5, 2007. Reynolds has been active in enterprise software markets for more than 20 years. In 1989, he co-founded Captiva Software Corporation, which became a leading provider of input management solutions and a NASDAQ listed company, and served as its CEO until its acquisition by EMC Corporation in December 2005. He then served as Vice President of EMC's Enterprise Software Company until June 2006 when he resigned to take a sabbatical, prior to joining Kofax. Prior to Captiva, Reynolds held CEO or CFO positions with several companies and worked as a CPA with Pricewaterhouse (now known as PriceWaterhouseCoopers). He has served on the Board of Directors of both NASDAQ and NYSE listed companies and many industry associations, including AeA, AIIM and OCTechAlliance. In 2003 he was named Ernst & Young's Software Entrepreneur of the Year for the San Diego area. He holds a Bachelor of Science in Business Administration from the Pennsylvania State University.

James Arnold, Jr. (58) was appointed as Chief Financial Officer and a member of Kofax's Board of Directors on June 15, 2010. Most recently, he was with Nuance Communications, Inc., a leading provider of speech and imaging solutions, where he was Senior Vice President and Chief Financial Officer from September 2004 to August 2008, and then a consultant to September 2009. From 2003 to 2004, James was Vice President and Corporate Controller at Cadence Design Systems, Inc. From 1997 to 2003, he held several senior financial management roles at Ascential Software (formerly Informix Software, Inc.), including Vice President and Chief Financial Officer. James served on the Board of Directors of Selectica, a NASDAQ listed company, from 2004 to 2010, including time spent as Co-Chairman and Chair of the Audit Committee. Mr. Arnold began his career at Pricewaterhouse (now known as PriceWaterhouseCoopers). He holds a Bachelor of Business Administration in Finance from Delta State University and a Master of Business Administration from Loyola University.

Howard Dratler (54) is Executive Vice President of Field Operations. He is responsible for Kofax's customer-facing functions on a global basis, including all sales, pre-sales, channel management, business development, sales enablement, professional services, maintenance services and sales operations activities. Prior to Kofax, Howard was CEO of Panzura, an early stage cloud-based storage service provider. Previously he was the CEO of Anacomp, a NASDAQ listed company and leading global provider of SaaS based document management services. Prior to that he was EVP of Worldwide Field Operations at EMC/Captiva. He holds Bachelor of Science degree in computer science from The Ohio State University.

Grant Johnson (56) is Chief Marketing Officer responsible for all marketing functions on a global basis, including product marketing, demand generation, marketing operations, corporate communications and related activities. Prior to joining Kofax, Grant was Chief Marketing Officer of SDL plc, a provider of customer experience management solutions, and before that he was CMO for Pegasystems Inc., a leading provider of business process and customer relationship management software, during which time the Company's revenues more than doubled. He was previously a Vice President of Marketing at Guidance Software, Inc., a leading provider of eDiscovery and security solutions, FileNet Corporation, a leading provider of enterprise content management software, and FrontBridge Technologies Inc., a leading provider of SaaS-based email filtering solutions. Earlier in his career, he was Director of Marketing for Symantec, with worldwide responsibility for the Norton brand. Grant earned his Bachelor of Science degree in political science from University of California, Santa Barbara and a Master of Business Administration from Pepperdine University.

Anthony Macciola (51) is Chief Technology Officer (CTO). He originally worked for Kofax from 1990 to May 2000, when he left to become the Vice President of Worldwide Marketing for Lantronix, Inc., a company focused on the network enabling market. In 2002, Anthony returned to Kofax. He holds a Bachelor of Arts in Management Information Systems from California State University, Fullerton.

Bradford Weller (56) is Executive Vice President of Legal Affairs, General Counsel and Company Secretary. Brad has had a successful career both working as an attorney at a law firm and as an in house attorney at a number of publicly held technology companies, including Captiva Software Corporation, where he worked for then CEO Reynolds C. Bish as General Counsel, Vice President of Legal Affairs and Secretary. Brad has complete responsibility for the management of all of our in-house attorneys, our use of any and all external law firms and our corporate secretary function. He holds a Bachelor of Arts in Economics from Stanford University and a Juris Doctor from Hastings College of the Law.

Jim Nicol (61) is Executive Vice President of Products. He served as Vice President and General Manager of the Captiva Product Business Unit at EMC, where he was responsible for product strategy, product management and marketing, engineering, quality assurance, mergers and acquisitions, and strategic initiatives. Prior to Captiva, he served as Executive Vice President of product development and product management at FutureTrade, Inc. Prior to FutureTrade, he served as Vice President of Development & Technical Operations at Previo, where he also served as a member of the Office of the President. Prior to Previo, he served as Vice President of Product Development at Stac, Inc. He also held several senior management positions at IBM and Lotus Development Corporation, where he assisted the CEO with the merger of specific IBM and Lotus products. He holds a Bachelor of Science in Computer Science and a Master of Science in Biological Sciences from California State University, Chico.

Lynne Scheid (56) is Senior Vice President of Human Resources. She has been with Kofax since 1989. Before joining Kofax, she worked in Human Resources for Century Data Systems (a Xerox company) and Charleston Associates (eventually acquired by Anacomp). Lynne is responsible for all human resources functions. She holds a certificate in Human Resources Management from the University of California, Irvine, and she studied Business Administration at California State University, Fullerton.

Karl Doyle (50) is Senior Vice President of Corporate Development. He is responsible for Kofax's acquisition activity, including integration of acquired businesses into the Kofax organization. Karl has been in the ECM industry for more than 20 years as an industry analyst, business development executive and consultant. Most recently, Karl acted as an external consultant providing acquisition advisory services for many companies in the ECM space, including Kofax. During his 15 year tenure at IBM FileNet, Karl held a variety of executive leadership, product management and business development positions, including Director of Business Development and Strategy, and VP Business Development, where he was instrumental in the IBM acquisition of FileNet. Karl started his ECM career in 1988 as an industry analyst covering the European document imaging and workflow markets. He holds a Bachelor of Commerce and Master of Science in Marketing from University College Dublin.

Business Risks and Uncertainties

Under current European Union reporting requirements, the Board of Directors is required to comment on risk factors facing the business. As with any business, various risks may affect the Company, its results and management's ability to execute. The Board has implemented systems to identify risks, to assess them and to ensure that reasonable mitigation and action plans are in place. The Board is paying particular attention to the operational risks and uncertainties surrounding economic conditions in many of the Company's markets. Furthermore the following principal risks and uncertainties have been identified by the Company:

Identification and Retention of Key Employees

Recruiting and retaining highly skilled personnel is a risk to our ongoing success. While we've made a number of important additions to our staff during the past fiscal year and now have an even more professional employee base in place, if we lose the services of our key employees or are unable to attract and retain other qualified personnel, we may be unable to operate our business effectively. For this reason, we offer competitive salaries and benefits as well as long term incentive awards such as our option and LTIP schemes.

Rapidly Changing Technology

As a technology based company, we are subject to rapid changes in the marketplace in which we compete. We seek out strategic acquisitions as well as make significant investments in research and development to ensure that we remain competitive in the markets we serve. Our failure to successfully develop, market or sell new products or adopt new technology platforms and vertical solutions could materially adversely affect our results of operations and financial conditions. Our research and development, acquisition and marketing strategies ensures that we are addressing customer needs by enhancing our existing technology and creating new technologies internally and through acquisitions such as Altosoft and Kapow.

Sales and Marketing Execution

During the year we have continued our "hybrid go-to-market" model to expand our market reach by selling direct to end users in addition to relying on indirect channel partner sales through value added resellers, system integrators, distributors and OEMs. If we are not successful in maintaining this balanced approach we may not be able to sustain and grow our revenues. The Company focuses on maintaining relationships with and incentivizes partners to continue to meet revenue targets. Additionally, the Company has reorganized and increased the headcount of the sales organization to improve the Company's ability to execute sales.

Financial Risks

One of the principal financial risks facing the Company relates to the movements in exchange rates. The Company derives its revenues from a variety of currencies including the U.S. dollar, Euros and British pounds. Expenses are denominated principally in U.S. dollars, Euros, British pounds and Swiss francs. Fluctuations in exchange rates between these currencies relative to the dollar may cause fluctuations in financial results of the Company as the results of overseas operations are translated into dollars for consolidation. The Company does not hedge the foreign exchange exposure arising on net investments in the assets and liabilities of overseas subsidiaries. The Company does hedge certain net foreign currency cash and cash flows relating to transactions in accordance with policies set by the Board. Assessment of the credit risk profile of the Company's key customers and resellers also remain a key area of attention and is closely monitored, which is evidenced by our low level of doubtful receivables.

Acquisition Risk

As part of the Company's strategy, we may acquire additional companies or technologies. We may not be able to continue to grow through such acquisitions or successfully integrate those acquisitions which could lead to our revenue not growing at an acceptable rate and may in turn harm our business. We may need to raise additional capital to finance future acquisitions, and such financing may not be available on acceptable terms, or at all, and may be on terms that are dilutive to our shareholders. The Company has a robust diligence process to understand acquisition targets. All acquisitions undergo detailed review and approval by the Board of Directors, and we ensure that those businesses are quickly integrated into the Company's existing operations.

Compliance Risk

Our ability to produce accurate and timely financial statements could be impaired and investors' views of us could be harmed if we fail to maintain proper and effective internal controls. If we do not maintain proper and effective internal controls or remediate deficiencies in our internal control, the market price of our common shares could decline and we could be subject to sanctions or investigations. The Company has an internal audit function that performs testing to evaluate the effectiveness of our internal controls. The Company continues to recruit additional accounting and finance staff as the business grows to ensure that appropriate resources are available to produce accurate and timely financial statements.

General Economic Risks

The economic and trading environment has been challenging throughout the last two fiscal years. The Company has an extended geographic presence, necessitating a number of local banking relationships and local cash holdings. While the Company operates a cash pooling system, and has adopted treasury policy designed to ensure that it is not over-exposed to any particular bank failure, the risk remains that such a failure could adversely impact the Company's assets. The Company uses a global top tier commercial bank to invest its cash and assist with the treasury policy. Recessionary trading environments have had a significant impact on many previously financially stable businesses. While the Company seeks to minimize the risk of being adversely affected by the failure of a supplier, a reseller or a customer, the volatility of trading and its impact on our trading partners represents a potential risk to the business. The Company maintains a low concentration of suppliers, resellers, or customers such that an adverse change to any of them would not significantly impact the business.

Meeting Financial Expectations

Our quarterly operating results may fluctuate as a result of a variety of factors, many of which are outside of our control. Fluctuations in our quarterly operating results or outlook may be due to a number of factors, including the extent which we are able to increase market awareness of our Company and our products, the extent to which we are able to manage our sales cycle which can vary from customer to customer, and the extent to which our existing customers purchase additional perpetual licenses and the timing and terms of those purchases. If our quarterly operating results or outlook fall below the expectations of research analysts or investors, the price of our common stock could decline substantially.

Corporate Social Responsibility

During the fiscal year 2014, we have further improved our profile as a socially responsible company through the rollout of a number of initiatives. The Company's executive management team is responsible for the continued implementation and monitoring of the Company's compliance in all matters of corporate social responsibility. In addition, the Company's corporate social responsibility risks and compliance are regularly reviewed by the Board of Directors with the assistance of the Company's executive management.

Employees

During the year, we continued to implement additional human resources policies and procedures. The Company continued its worldwide management training to further develop consistent and professional management practices. The Company also conducted mandatory online compliance training for all employees worldwide, focused on the Company's Code of Ethics, and compliance with the UK Bribery Act, U.S. Foreign Corrupt Practices Act, and local mandatory training requirements.

At June 30, 2014, the Company employed 1,381 professionals in 32 countries, making us a leader in our field in terms of global coverage and the ability to serve customers both on an enterprise level as well as locally. We believe that this is a key strength of the Company. The skills and experience of the people working for us are the most important factors supporting this competitive advantage. To successfully exploit all the opportunities we have and cope with rapidly changing markets and challenging economic environments, it is crucial to continuously attract, retain and develop talented employees. Therefore, maintaining good relations with our employees is a high priority at all levels of the organization.

Kofax has been highly successful in attracting high caliber professionals and in developing the Company's talent. During the year, the Company made several hires to continue to enhance its capabilities in the enterprise software market.

The Company's communications with its employees are a high priority. We regularly inform all employees about market developments, changes in our business, and product and strategy updates. We hold quarterly all-employee meetings, formal and informal employee briefings, and management and sales conferences to update and obtain feedback from employees on all aspects of the business. We make use of Company email, webcasts and intranet sites to provide information and news. "This Week at Kofax", a weekly newsletter, gives all employees a cohesive, up-to-date look at the latest news from throughout the organization. In addition the Company recognizes employee contributions on a quarterly basis at its all employee meetings through employee of the quarter awards. Nominations for the award by co-workers are reviewed by the Company's executive management team with five individuals being recognized at each quarterly meeting, and one individual out of all award recipients being awarded as employee of the year at the last quarterly meeting of the fiscal year. In addition, the Company announces employee anniversaries with associated recognition awards on a quarterly basis. Employee performance and compensation reviews are conducted annually for all employees at the end of each fiscal year. The Company also conducts anonymous surveys to gain an open and honest understanding of the Company's workplace environment.

Our Customers, Suppliers and Business Partners

No company can thrive without a satisfied and growing base of customers, suppliers and business partners. During the last year we continued to furnish our business partners and end user customers with quality products and services which allow them to increase their competitiveness in their respective fields. The Company regularly consults with its customers, suppliers and business partners as to how to improve its business.

Community

The Company is dedicated to giving back to the communities in which it conducts its business. During fiscal year 2014, the Company continued its Corporate Donation and Employee Matching Program, whereby the Company matches donations made by employees to specifically designated and reputable charitable organizations. The Company also encourages employees to participate in regional food and blood donation programs throughout the year. In addition during the holiday season, the Company adopted five low income families in the local community, providing designated department heads with budgets for individual teams to purchase and deliver gift and food items to the families. The Company also participated in local toy drives. Employees also participated in various charitable events throughout the year. Offices in more than 25 locations worldwide are encouraged to select a charitable cause they can collectively participate in each year within their local community.

Health and Safety

The Company recognizes its health and safety duties under the Health and Safety at Work Act 1974 and the Management of Health and Safety at Work Regulations 1999 as well as applicable local laws and regulations including but not limited to U.S. Department of Labor OSHA regulations, and as a result continued to implement additional health and safety policies during the fiscal year 2014. Pursuant to this policy, the Company is committed to ensuring the health, safety and welfare at work of its employees, consultants, subcontractors and visitors to its facilities. The Company takes as a high priority the provision and maintenance of work systems that ensure employees are safe and without risk to health, and the provision of appropriate information, instruction and supervision as necessary to ensure the health and safety at work of all employees, consultants, subcontractors and visitors. As part of its commitment in this regard, the Company continued its wellness program during the year at its headquarter location, providing healthy snack and drink options, holding healthy meal events and continuing Company exercise and sports programs.

Environment

The Company is committed to assessing and minimising its impact on the environment and improving its environmental performance, and as a result continued to implement its Company-wide environmental policy during fiscal year 2014.

The Company integrates environmental concerns into relevant business decisions in a cost efficient manner. In doing so, the Company promotes environmental awareness among its employees. The Company recognizes the importance of environmental responsibility and believes that its activities have a low impact on the environment. Greater use of email and electronic documentation rather than paper-based correspondence is encouraged and efforts are made to recycle waste such as paper and IT hardware in appropriate manners. Given that the Company is a global company with operations in a number of countries worldwide the Company seeks to minimize the need for physical transportation through its investment in video conferencing and teleconferencing systems. The Company seeks to encourage open collaboration between its international teams by having regular meetings regardless of location and without a significant impact on the environment. The Company has also successfully implemented electronic delivery of its software products over the course of the past four years, such that now over 90% of its software products are only provided through electronic means, significantly reducing the Company's delivery costs and environmental impact. The Company further prides itself on being a market leader in providing some of the most innovative document capture technologies that assist other companies in freeing themselves from paper-based processes, thus decreasing their carbon footprint. The Company takes complaints about any breach of its environmental policy seriously, and acts to promptly correct any such breaches. The Company's environmental policy is available on the Company's website at www.kofax.com/investors.

Equal Opportunity

Kofax is committed to providing a work environment that is free from unlawful discrimination and harassment in any form. It is the Company's policy to comply with all applicable laws that provide equal opportunity in employment for all persons and to prohibit unlawful discrimination in employment. This policy applies in full force to all Company employees around the world, consistent with local laws and regulations.

Code of Ethics

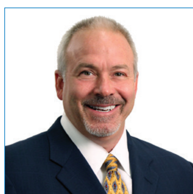
During the fiscal year 2014, the Company continued to enforce its Code of Ethics to ensure that the Company continues its strong record of responsible business practices and ethical conduct by its employees. Online training and compliance programs have been implemented, requiring the active participation of all employees worldwide. The Company's Code of Ethics is available on the Company's website at www.kofax.com/investors.

Future Initiatives

The Company plans to further strengthen its profile as a corporate citizen during the next fiscal year and to better position itself to serve the needs of its customers, suppliers, and business partners. The Company also plans to continue to implement more consistent processes, policies and procedures on a global basis.

Board of Directors

Reynolds C. Bish


James Arnold, Jr.

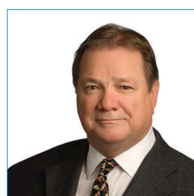
Greg Lock

Bruce Powell

Chris Conway

Mark Wells

William T Comfort III


Joe Rose

Wade Loo

James Urry

Executive Directors

Reynolds C. Bish (62) – Please refer to Reynolds' biography on page 21.

James Arnold, Jr. (58) – Please refer to James' biography on page 21.

Non-Executive Directors

Greg Lock (66) is the Company's Non-Executive Chairman of the Board and Chairman of the Nominating Committee. He was appointed to the Kofax Board on March 15, 2007. In addition to serving on Kofax's Board, he is Chairman of the Board of Directors at Computacenter plc, and a director at UBM Plc. He holds a Master of Arts in Natural Sciences from Churchill College, Cambridge and is a Fellow of the Royal Society of Arts, Manufactures and Commerce.

Bruce Powell (65) is a member of Kofax's Audit and Nominating Committees. He was appointed to the Kofax Board on March 16, 1996. From 2009 to the present, Mr. Powell has served as the Non-Executive Chairman of Threadless Closures Ltd., a designer and owner of packaging technologies for the beverage markets. Mr. Powell also currently serves as Chairman of both the Treloar Trust and of the Haberdashers' Aske Federation Trust, which are UK based charities providing education. Mr. Powell holds a Master of Arts degree in Economics and History from the University of Cambridge and is a UK qualified chartered accountant.

Chris Conway (69) is Chairman of Kofax's Remuneration Committee and a member of its Audit and Nominating Committees. He was appointed to the Kofax Board on December 15, 2004. Mr. Conway currently serves as a Non-Executive Director of Artificial Solutions Ltd., a private equity backed company that provides customer service optimization solutions to a wide range of European clients. Mr. Conway holds a Bachelor of Arts degree in History and Philosophy from the University of South Africa.

Mark Wells (58) is a member of Kofax's Audit, Remuneration and Nominating Committees. He was appointed to the Kofax Board on December 15, 2004. Mr. Wells currently serves as a Non-Executive Director for INVU Plc. Romax Technology Limited, Execview Limited, and as a director of Cortexplus Limited. Mr. Wells holds a Bachelor of Sciences degree in Electronic Engineering from the University of Bath and a Master of Business Administration from Cranfield University.

William T Comfort III (48) is a member of Kofax's Nominating Committee. He was appointed to the Kofax Board on August 24, 2007. He has extensive experience in investing in the public and private markets. In 2003 he founded Conversion Capital Partners Ltd, an investment partnership with offices in London and New York. He is currently on the Board of Directors of the marketing technology solutions company Lyris, Inc. and is a member of the New York University Board of Trustees. He holds a Bachelor of Science in Business Administration from Boston University and a Juris Doctor and Master of Laws in tax law from New York University School of Law. He is also a member of the New York State Bar.

Joe Rose (63) is a member of Kofax's Remuneration, Audit and Nominating Committees. He was appointed to the Kofax Board on April 1, 2009. Mr. Rose also serves on the Board of Directors for Paperless Transaction Management, Inc., and serves as Executive Directors for its wholly owned subsidiary, eOriginal Inc. Mr. Rose is the Founder and President of Rosetta Partners, LLC (2003), which provides investors, boards and management of information technology and services companies with business consulting and interim executive leadership for startups, turnarounds, ownership transitions and strategic events. Prior to Rosetta, Mr. Rose was EVP/COO at Sourcecorp, Inc., President & CEO of Healthcare Payment Specialists, LLC and President & CEO of FormMaker Software, Inc. Mr. Rose has served on several public and private boards including Sourcecorp, Inc. (SCRP), Captiva Software, Inc. (CPTV), People Support, Inc. (PSPT), Attenex, Inc., and Metajure, Inc. Mr. Rose holds a Bachelor of Arts degree from Texas Tech University and is a member of the National Association of Corporate Directors (NACD) and Institute of Directors (IoD).

Wade Loo (54) is Chairman of Kofax's Audit Committee and a member of the Nominating Committee. He was appointed to the Kofax board on February 4, 2011. From 1980 until his retirement in September 2010, Mr. Loo worked for KPMG LLP, ultimately serving as the senior partner in charge of KPMG's Northern California audit practice. Mr. Loo is Chairman of the Board of Directors of JobTrain, a not-for-profit organization located in Menlo Park, California dedicated to helping individuals find meaningful employment in the local community. Mr. Loo also serves on the Board of Directors of the Northern California Chapter of Ascend, a not-for-profit organization providing job training and mentorship to young professionals. Mr. Loo is a CPA and holds a Bachelor of Sciences degree in Accounting from the University of Denver.

James Urry (60) is a member of Kofax's Nominating Committee. He was appointed to the Kofax board on February 3, 2014. He has been a Partner at Augusta Columbia Capital Company, LLC since May 2011. Prior to that, Mr. Urry was a Partner at Court Square Capital Partners, which was spun off from CitiCompany Venture Capital Ltd. in 2007. From 1989 to 2007, Mr. Urry was a Partner at CitiCompany Venture Capital Ltd and also currently serves on the Board of Directors of Intersil Corporation (NASDAQ: ISIL), and has previously served on the board of AMIS Holdings (NASDAQ: AMIS), a subsidiary of AMI Semiconductor. Mr. Urry holds a Bachelor of Arts degree from Brown University and a Masters of Business Administration from the University of Pennsylvania.

Corporate Governance Statement

Kofax Limited (the 'Company') is the Bermuda incorporated holding company of the Kofax entities. The Company has a premium listing on the London Stock Exchange and is listed on NASDAQ. The corporate governance framework for companies registered in Bermuda is established by the Company's constitution together with the Bermuda Companies Act legislation. The Listing Rules require the Company to report against the UK Corporate Governance Code published in June 2010, whereas the most recent edition of the Code was published in September 2012. The Board is committed to high standards of corporate governance and considers that the Company has, throughout the year ended June 30, 2014, complied with all relevant provisions of the 2012 edition of the Code, subject to the exceptions listed below. The edition of the Code is made available at the Financial Reporting Council's website (www.frc.org.uk). This Statement explains how the Company has applied the Main and Supporting Principles of Corporate Governance and describes the Company's general compliance with its provisions.

The Board

The Board is currently made up of ten Directors, being the Non-Executive Chairman, who is part-time, two Executive full time employees – the CEO and CFO - and seven Non-Executive Directors. Greg Lock continued to serve as the Non-Executive Chairman. The Chairman is responsible for the running of the Board. The Board considers that its composition brings an appropriate balance of experience in judging matters of strategy, performance, resources, investor relations, internal controls and corporate governance, and is collectively responsible for the long term success of the Company. Biographical details of the Directors are set out on pages 27 and 28.

The Board has established Audit, Remuneration, and Nominating Committees. Each of the Committees has written Terms of Reference, which are reviewed regularly and are available on the Company's website (www.kofax.com). The Committees are generally scheduled to meet quarterly. The composition of the Committees as at June 30, 2014 was as set out in the table appearing on page 30. A report from each of the Committees is set out from page 32 through to page 36.

Considering the guidance for determining independence as set out in the Governance Code, the Board considers that Greg Lock, Joe Rose, and Wade Loo were independent throughout the year. In addition, and after careful review, the Board has concluded that Bruce Powell, who has served the Board for 18 years, Chris Conway, who has served the Board for nine years, and Mark Wells, who has served the Board for nine years, were each independent throughout the year. In coming to this view the Board considered their expertise and independence of judgment and opinion. The Board considers both William T. Comfort III and James Urry to be independent in character and in judgment, but is unable to determine them to be independent according to the Governance Code definition based upon their relationships with certain significant shareholders.

During the year ended June 30, 2014 the Board met on ten occasions. The attendance of individual Directors at all Board and committee meetings is shown in the following table.

	Board Meetings	Nomination Committee	Remuneration Committee	Audit Committee
Number of meetings in year	10	5	5	5
Reynolds C. Bish	10	5**	5***	5****
James Arnold, Jr.	10	5**	5***	5****
Greg Lock	10	5	5***	5****
Bruce Powell	9	5	5***	5
Chris Conway	9	5	5	5
Mark Wells	10	5	5	5
William T. Comfort III	9	5	5	4
Joe Rose	9	5	5	5
Wade Loo	10	5	5***	5
James Urry****	3	3**	3***	3

*The details of meeting attendance noted above include seven board meetings, two nominating committee meetings, two remuneration committee meetings, and two audit committee meetings of Kofax Plc. (now know as Kofax London Holdings Limited) and three board meetings, three nominating committee meetings, three remuneration committee meetings, and three audit committee meetings of Kofax Limited as the new holding company of the Company.
**At the express request of the Nomination Committee
***At the express request of the Remuneration Committee
****At the express request of the Audit Committee
*****James Urry was appointed to the board as of February 3, 2014

During the year the Chairman and Non-Executive Directors regularly met without the Executive Directors present. In addition, the Chief Executive Officer met with just the Non-Executive Directors and the Chairman on a regular basis.

Director	Position	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Reynolds C. Bish	Chief Executive Officer	Member	-	-	-
James Arnold, Jr.	Chief Financial Officer	Member	-	-	-
Greg Lock	Non-Executive Chairman	Chairman	-	-	Chairman
Bruce Powell	Non-Executive Director and Senior Independent Director	Member	Member	-	Member
Chris Conway	Non-Executive Director	Member	Member	Chairman	Member
Mark Wells	Non-Executive Director	Member	Member	Member	Member
William T Comfort III	Non-Executive Director	Member	-	-	Member
Joe Rose	Non-Executive Director	Member	Member	Member	Member
Wade Loo	Non-Executive Director	Member	Chairman	-	Member
James Urry	Non-Executive Director	Member	-	-	Member

There is a formal schedule of matters reserved for the Board's consideration. These include among other things, approval of:

- the Company's strategic plans and annual operating budgets;
- business acquisitions and disposals;
- filing or settling major litigation;
- employee share schemes;
- appointment/removal of committee chairs and members;
- appointment/removal of chief executive officer;
- appointment/removal of auditors and other advisers;
- changes to capital structure and approval of payment of dividends;
- borrowing/finance facilities;
- contracts with term exceeding one year and financial impact exceeding $400,000; and
- annual review of risk and internal control.

The Directors may, at the Company's expense, take independent professional advice and receive training on appointment and subsequently as they see fit. In addition, all Directors have access to the advice and services of the Company Secretary. The Secretary advises the Chairman and the Board on appropriate procedures for the management of its meetings and duties (and the meetings of the Company's principal Committees), as well as the implementation of Corporate Governance and compliance within the Company.

Prior to appointment, prospective Directors usually meet with and get to know each other. On appointment, the Directors take part in an induction program. They receive information about the Company, the role of the Board, matters reserved to the Board, terms of reference and membership of principal Board and management Committees, the powers delegated to Committees, the Company's Corporate Governance practices and procedures, and the latest financial information on the Company. This is supplemented by visits to key Company locations and meetings with key senior executives. Throughout their period in office, the Directors are continually updated on Company business and the competitive environment in which it operates technology matters and other changes affecting the Company. Directors are also advised on appointment of their legal and other duties, responsibilities and obligations as a Director of a listed company, both in writing and in face-to face meetings with the Company's solicitors.

Any Director appointed by the Board during the year is required, under the provisions of the Company's Bye-laws, to retire and seek re-election by shareholders at the next Annual General Meeting (AGM). The Bye-laws also require one-third of the Board to retire by rotation each year. Provision B.7.1 of the Governance Code requires all directors of FTSE 350 companies to be subject to annual election by shareholders. However, the Board has agreed that all Directors, whether or not required by the Bye-laws to seek re-election at the 2014 Annual General Meeting (AGM), will be subject to re-election at the 2014 AGM.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer which has been approved by the Board. The Chairman is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. He facilitates both the contribution of the Non-Executive Directors and constructive relations between the Executive and Non-Executive Directors. He ensures that the Chief Executive Officer develops a strategy with which the Board as a whole is comfortable. The Chief Executive Officer is responsible for formulating strategy and for ensuring its delivery once agreed upon by the Board. He creates a framework of strategy, values, organization and objectives to ensure the successful delivery of results, allocating decision making and responsibility to support this. In doing so, he works with the executive management team, which comprises the Executive Directors and certain other senior executives.

This separation of responsibilities, together with the ratio of Board membership between Executive and Non-Executive Directors, ensures there is a balance of power and authority at the head of the Company. The views of all Directors are taken into account in the decision-making process.

To enable the Board to function effectively and assist Directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters. Senior executives are regularly invited to Board meetings and make business presentations.

Evaluation of the Board's Performance

During the year the Board used a structured evaluation process to assess and improve its performance. This included collective feedback and discussion of the results and agreement on areas of improvement. Each Board member was individually assessed as was the performance of the Board as a whole and of its Committees. The Non-Executive Directors, led by the Senior Independent Director, conducted a review of the performance of the Chairman and this was discussed subsequently with him. In all cases the objectives were to address areas needing improvement. The non-executive directors are considered to have performed effectively and demonstrated commitment to the role.

Relations with Shareholders

The Company is committed to maintaining good communications across its entire shareholder base, whether institutional investors, private or employee shareholders. This is achieved principally through annual, half-yearly, and quarterly financial reports and other trading statements, as well as via the Annual General Meeting. Normal shareholder contact is the responsibility of the Chief Executive Officer, the Chief Financial Officer and the Company's investor relations department.

The Chairman is available to discuss matters with institutional shareholders where it would be inappropriate for those discussions to take place with or without either the Chief Executive Officer or the Chief Financial Officer.

Regular dialogue and presentations take place throughout the year with institutional investors and buy-side and sell-side analysts. Shareholders have the opportunity to meet and question the Board at the AGM, which will be held in London on November 10, 2014. The Company seeks to ensure that the Chairmen of the Audit, Remuneration and Nominating Committees are available to answer questions. The results of proxy voting will be disclosed at the meeting after the shareholders have voted on each resolution by a show of hands.

In addition, the Board receives reports from the Company's broker and investor relations agency several times a year that communicate feedback from institutional shareholders and analysts.

The Company's website at www.kofax.com contains both corporate and customer information, updated on a regular basis.

Compliance with U.K. DTR 7.2.5

The Directors have considered compliance with U.K. DTR 7.2.5 within the Audit Committee report on pages 32- 34.

By order of the Board

Bradford Weller
Company Secretary
September 1, 2014

Audit Committee

"The Audit Committee is committed to give the Board and our shareholders assurance on the quality and integrity of our financial statements, internal controls and other financial reports, while engaging with management and providing a forum for reporting by the external auditors."

Wade Loo
Chairman of the Audit Committee

The Audit Committee assists the Board in reviewing the reporting of financial and non-financial information to shareholders, the system of internal control and risk management, and the audit process. The Audit Committee comprises five Non-Executive Directors, is chaired by Wade Loo, a retired senior audit partner at KPMG, and meets formally at least four times a year. The Committee met five times during the year ended June 30, 2014. The current members of the Audit Committee and their individual attendance at meetings during the year ended June 30, 2014, is set out on page 29.

The Chief Executive Officer, Chief Financial Officer and external auditors attended these meetings as required by the Committee. The Company Secretary is the secretary of the Committee.

The purpose of the Audit Committee is to assist the Board in the discharge of its responsibilities for financial reporting and corporate control and to provide a forum for reporting by the external auditors.

The responsibilities of the Audit Committee include:

- monitor the integrity of the Company's financial statements, annual and half-yearly reports, interim management statements, preliminary results announcements or other announcements of financial performance;
- review significant financial reporting issues and judgments they contain, significant financial returns to regulators and any financial information contained in documents published by the Company;
- review and present recommendations to the Board of Directors regarding approval of any financial statements to be made (including the Company's annual accounts) or financial information to be disclosed by the Company, in particular considering:
  - whether published accounting standards, legal and regulatory requirements and generally accepted best practice has been followed, appropriate estimates and judgments have been made, and the views of the external auditor have been taken into account; and
  - changes in accounting policies and practices, and the reasons for and effects of those changes;
- review and challenge where necessary the methods used to account for significant or unusual transactions where different approaches were possible;
- review the adequacy and effectiveness of the Company's code of business conduct and ethics, internal controls and risk management processes; and
- review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

In relation to the Company's external auditor, the Audit Committee, among other things:

- recommends the appointment, reappointment or removal of the external auditor and considers any issues relating to their resignation, dismissal, remuneration or terms of engagement. If the Board of Directors does not accept the Audit Committee's recommendation, the Audit Committee will publish in the Company's annual report, and in any documents recommending appointment or re-appointment, a statement explaining the recommendation and why the Board of Directors has taken a different position;
- considers and keeps under review, the external auditor's independence, objectivity and effectiveness;
- reviews and monitors the effectiveness of the audit process, considering relevant professional and regulatory requirements;
- develops and implements policy on the engagement of the external auditor to provide non-audit services; and
- approves the external auditors' annual proposals regarding the level of audit fees and the nature and scope of proposed audit coverage.

In relation to the Company's internal audit function, the Audit Committee, among other things:

- monitors and reviews the effectiveness of the company's internal audit function in the context of the overall risk management system;
- approves the appointment and removal of the head of the internal audit function;
- considers and approves the remit of the internal audit function and ensures it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit Committee also ensures the function has adequate standing and is free from management or other restrictions;

- reviews, assesses and approves the annual internal audit plan and any changes thereto;
- reviews promptly all reports on the Company from the internal auditor(s); and
- reviews and monitor management's responsiveness to the findings and recommendations of the internal auditor.

During the year the Audit Committee undertook the following activities at these meetings:

- reviewed the interim and annual results and reports, including a review of matters raised by the external auditors and areas of judgment;
- reviewed the system of internal control in operation throughout the Company;
- reviewed and approved the Company's reporting under International Financial Reporting Standards;
- reviewed the Company's compliance with the Governance Code;
- reviewed the external auditors plan for the 2014 audit including the external auditors assessment of key risks, scope and approach;
- reviewed the effectiveness of the external auditors and re-appointed them following a review process; and
- continued to utilize an internet based mechanism by which Company employees may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters, and ensured further that appropriate mechanisms are in place for independent investigations of such matters and appropriate follow up action, pursuant to the provisions set forth in the Governance Code.

The Audit Committee reviewed the nature and amount of non-audit work undertaken by Ernst & Young LLP (EY) in the current year, this being the eighth year with EY as auditors, to satisfy itself that there remains no impact on their independence. In some cases, the nature of the advice may make it more timely and cost-effective to select EY, which has already developed a good understanding of the Company. Details of this year's fees are given in Note 6 – Operating Costs and Expenses to the Financial Statements. EY is also subject to professional standards which safeguard the integrity of the auditing role it performs on behalf of the shareholders. There is a formal policy in place for the provision of non-audit services by the auditors. This policy prohibits the provision of certain services, such as any service requiring an external auditor to make management decisions on behalf of the Company, any services creating mutuality of interest and any services in which the external auditor would be required to audit their own work. The policy requires that other services are subject to prior approval, such as services for which the cost is beyond the agreed-upon monetary threshold.

Internal Control and Risk Management

The Board has overall responsibility for the Company's approach to assessing risk and the systems of internal control, and has delegated the process of reviewing its effectiveness to the Audit Committee, which reports back to the Board. This includes financial, operational and compliance controls and risk management procedures. The role of executive management is to implement the Board's policies on risk and control, and present assurance of compliance with these policies. This process, regularly reviewed by the Directors, is carried out in conjunction with business planning by the executive management team.

Because of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Assessment

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company. This process, which is regularly reviewed by the Board and accords with the U.K. Turnbull guidance, was in place throughout the year under review and has continued up to the date of approval of these accounts. A key control procedure is the day-to-day involvement of executive members of the Board and Company management in all aspects of the business and their attendance at regular management meetings at which performance against plan and business prospects are reviewed.

Internal Control

While the Board maintains full control and direction over appropriate strategic, financial, organizational and compliance issues, it has delegated to executive management the implementation of the systems of internal control within an established framework.

The Board has put in place an organizational structure with formally defined lines of responsibilities and delegation of authority. There are also established procedures for planning, capital expenditure, information and reporting systems, and for monitoring the Company's business and performance.

Other key features and the processes for reviewing the effectiveness of the internal control system are described below:

- terms of reference for the Board and its committees, including a schedule of matters reserved for the Board and an agreed-upon annual program of fixed agenda items for Board approval;
- Board approved strategy, three-year strategic plans and yearly budget plans;
- an authority matrix with clearly defined levels of authority;
- reviews of monthly management accounts, monthly reviews of business forecasts and reviews of performance indicators by management and the Board following approval of the annual Company budget;
- reviews of the scope of the work of the external auditors by the Audit Committee and any significant issues arising;
- operational controls in human resources management, information technology and asset security;
- appropriate monitoring of key suppliers to the Company; and
- preparation of internal controls reports for review by the Audit Committee and Board, summarizing the scope of the internal control reviews, along with findings and recommendations.

The Board, with the assistance of the Audit Committee, has conducted its annual review of the effectiveness of the systems of internal control based on a review of significant risks identified, the results of external audits and reports from management.

The Audit Committee evaluates the results of formal risk assessments by management and reviews the implementation of policies and procedures documents. Policies and procedures documents are incorporated in a structured Business Conduct Guidelines (BCG) framework at Kofax and are designed to facilitate reliable financial reporting, operating efficiency and compliance with laws and regulations. During the year ended June 30, 2014, the Audit Committee reviewed various Business Conduct Guidelines and updates to the Code of Ethics.

Significant Accounting Matters

The significant matters considered by the Committee in relation to the Annual Report and Accounts in the year were:

Internal Audit

The Company's Internal Audit function reports directly to the Audit Committee. During the year the Company appointed a global audit firm as its internal audit co-source partner. Each year Internal Audit presents an audit plan to the Audit Committee for consideration and approval. The findings of each internal audit are reported to the Audit Committee which has a responsibility to ensure the timely implementation of agreed management actions and to review the status of these at each of its meetings. During the year ended June 30, 2014, the Committee reviewed and approved an Internal Audit charter and received a report from Internal Audit assessing the Company's governance, risk and control framework, together with an analysis of themes and trends from the work of Internal Audit and their impact on the Company's risk profile.

Matter	Judgment and Estimation Required	How the Committee Gained Comfort on the Matter
Revenue Recognition for software license agreements	Software licensing agreements invariably include complex multiple element arrangements and a number of judgments are required to determine the elements that can be treated as revenue and those which need to be deferred for recognition as revenue in future periods. The primary judgments include whether the Company is able to separate recognition of revenue generated on maintenance and support, and professional services from that on license sales where they are sold as part of the same contract; the appropriate basis for determining the fair value for each element of a contract.	We inquired into several new licensing agreements entered into by the Company during the year, so as to understand the judgments made by management in arriving at the level of revenue recognized in the current year. Management's treatment was presented to the Committee. Recognizing the inherent subjectivity in certain of the judgments made by management. We satisfied ourselves that the level of revenue recognition was appropriate and in accordance with the Company's disclosed accounting policies.
Business Combinations	Following the completion of any acquisition management are required to align the accounting policies of the acquired business with those of the Company, and then determine the fair value of the separable assets and liabilities acquired including any separately identifiable intangible assets. Determining the fair values involves the use of internal and external financial and non-financial information and forecasts and can be a complex exercise, particularly when considering intangible assets and the amount of any deferred or contingent consideration that might have to be paid.	We review management's fair value work, including considering material estimates and judgments and the work completed by external valuers when more complex issues arise in relation to establishing the values of intangible assets.
Tax Matters	The Company operates in various countries, with a variety of tax regimes which have different levels of complexities and challenges dependent upon the tax environment.	Management's treatment of tax balances were presented to the Committee, highlighting areas of subjectivity. We also considered areas of uncertainty and satisfied ourselves that appropriate and reasonable estimates of current or deferred tax have been made, including amounts identified for potential liabilities that are considered likely to arise.

Nominating Committee

"The Nominating Committee's primary objective is to ensure that the Board is properly suited to provide leadership, knowledge, integrity and experience to deliver the Company's strategic objectives."

Greg Lock

Chairman of the Nominating Committee

Responsibilities of the Nominating Committee

The responsibilities of the Nominating Committee include, but are not limited to, assisting the Board with:

- the assessment of whether its composition remains appropriate, with particular regard to its size, balance of skills, knowledge, experience and diversity and whether these enable it to discharge its duties and responsibilities effectively;
- the succession planning of the Board and the Company's Executive Officers;
- the identification and nomination of Board candidates to fill any Board vacancy;
- the preparation of a job specification for the chairman of the Board, provided the position becomes available;
- the evaluation of the balance of skills, knowledge and experience currently on the Board before the appointment of a non-executive director and, in light of this evaluation, prepare a description of the role and the capabilities required;
- the search and selection process for the appointment of both Executive and Non-Executive Directors to the Board;
- the review of the leadership needs of the Company, with a view towards the Company's competitiveness in the marketplace;
- keeping up-to-date and informed about strategic issues and commercial changes affecting the Company and its marketplace;
- the review of the time commitment required of Non-Executive Directors; and the review of the appointment process of Non-Executive Directors.

The Nominating Committee shall consist of at least two members, one of whom must be the non-executive chairman of the Company. The other members of the Nominating Committee are appointed by the Board. The majority of the members of the Nominating Committee shall be Non-Executive Directors who, in the opinion of the Board, are independent. Details of the membership and attendance at Committee meetings during the year are provided at page 29. The Company Secretary is the secretary of the Committee.

Bruce Powell, a Non Executive Director of the Company since 1996, has notified the Board of his intention to not stand for re-election at this year's Annual General Meeting. Coincident with the Annual General Meeting, his decision will bring the total number of Non-Executive and Executive Directors to nine.

Main activities of the Nominating Committee during fiscal year 2014

The Nominating Committee met on five occasions during the year ended June 30, 2104 and its work included:

- undertaking the process of identifying and nominating an additional Board member, following which James Urry was appointed to the Board in February 2014;
- reviewing the performance of the Directors who stood for re-election at the 2013 AGM and recommending their re-election;
- reviewing, in my absence, the renewal of my appointment as Chairman of the Board;
- considering the composition of the Board through a review of the skills, knowledge and experience of the individual members and concluding on the appropriateness of the Board's combined ability to adequately challenge and support the Company's aspirations.

Remuneration Committee

"The Remuneration Committee is committed to assisting the Board in executive remuneration decisions, while ensuring the remuneration policy is in alignment with the interests of the Company and its shareholders."

Chris Conway

Chairman of the Remuneration Committee

Responsibilities of the Remuneration Committee

The Remuneration Committee assists the Board in formulating and recommending policy on executive remuneration. The committee comprises three Non-Executive Directors during the year ended June 30, 2014 and is chaired by Chris Conway and meets formally at least four times a year. The Remuneration Committee met four times during the year ended June 30, 2014.

Further details about the Remuneration Committee are included in the Remuneration Report.

Directors' Remuneration Report

Chairman Statement

Dear Shareholder,

In my capacity of Chairman of the Remuneration Committee I am pleased to present the remuneration report for the 2014 fiscal year.

As a company incorporated in Bermuda, Kofax is not bound by UK law or regulation in the area of Directors' remuneration to the same extent that it applies to UK incorporated companies. However, by virtue of the Company's premium listing on the London Stock Exchange and, for the purposes of explaining its compliance against requirements of the UK Corporate Governance Code, the Board is committed to providing full information on Directors' remuneration to shareholders. In 2013 new regulations were introduced in the UK which require details of Directors' remuneration to be reported in a different format and for there to be two votes in relation to the Remuneration Report; one binding vote approving the policy and one advisory vote approving what has been paid to Executive Directors for the year under review. The Company is therefore voluntarily complying with the requirements of the UK regulations.

Throughout the year ended June 30, 2014 the Remuneration Committee has sought to develop and improve the link between what the Committee delivers, and the value the Company seeks to return to its shareholders, customers, and employees. Though the Company showed significant progress and growth in the first three quarters of the fiscal year, performance in the fourth quarter of the year led to 97% of bonus achievement for the Executive Directors for the year as a whole, in line with the Committee's policy to closely align compensation to actual Company performance. For the year ended June 30, 2014, among several other activities, the Committee conducted a review of the Company's long term incentive share schemes, with particular focus on appropriate treatment of revenue growth due to acquisitions. The Committee further conducted reviews of executive management team's compensation, and developed a more uniform framework for the fees paid to the Company's non-executive directors.

In drafting this report the Company has taken into careful consideration the feedback received in relation to the prior year's Remuneration Report. In addition to the other duties of the Remuneration Committee, the Committee has focused its efforts during the year ended June 30, 2014 on improving the Company's engagement with its shareholders, increasing the transparency, clarity and simplicity with which the details pertaining to the Company's remuneration policy are disclosed, and ensuring better links between performance and reward.

Chris Conway

Chairman of the Remuneration Committee

Contents of the Report

This report sets out the details of the remuneration policy for the Company's Directors, describes its implementation and discloses the amounts paid in the year ended June 30, 2014. The report has been prepared having regard to the U.K. Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"). This Report of the Directors on Remuneration is split into three parts:

This Annual Statement summarizing the key decisions and changes made to the Directors' remuneration during the 2014 fiscal year.

- The Directors' Remuneration Policy report sets out the Company's remuneration policy for Directors and the key factors that were taken into account in setting the policy. The Directors' Remuneration Policy will be subject to a binding shareholder vote and will apply from the 2014 AGM held on November 10, 2014 and remain in force for a period of one year so long as the Company is listed on the London Stock Exchange.
- The Annual Report on Remuneration sets out payments and awards made to the Directors and details the link between Company's performance and remuneration for the 2014 fiscal year. The Annual Report on Remuneration together with this letter is subject to an advisory shareholder vote at the 2014 AGM.

Section 1- Directors' Remuneration Policy

The key principles of the Company's remuneration policy are the need to attract, retain, and incentivise executives with the appropriate skills and talent to carry out Company strategy and to deliver shareholder value. The Committee's key objectives are therefore to:

- establish a competitive remuneration package to attract, retain and incentivise quality management in the sectors and countries within which we operate;
- promote the achievement of the Company's plans and strategic objectives by providing a remuneration package that contains appropriately motivating targets;

- align senior executives' remuneration with the interests of shareholders and other stakeholders, including customers and employees;
- provide an appropriate balance between fixed and variable remuneration that rewards high levels of performance with variable remuneration linked to key measures of both corporate and personal performance; and
- ensure that poor individual or corporate performance is recognized and not rewarded.

The success of the Company largely depends on the skills and experience of motivated employees throughout all levels of the business. To accomplish the Company's performance goals, it targets a high-performance, open and meritocratic culture where people are motivated individually and as a team to outperform competitors. The remuneration policy is therefore designed to attract, motivate and retain high calibre individuals to drive the performance of the business and secure new paths of growth, while also ensuring accountability and a direct linkage of rewards to performance.

The Committee believes that senior executives should be rewarded (on a market competitive basis) for the achievement of stretching goals. The pay and employment conditions of employees of the Company were also taken into account when determining executive directors' remuneration for the fiscal year.

The Committee reviews the remuneration package of the executive management team (having due regard to pay levels throughout the Company) and makes recommendations thereon to the Board within agreed terms of reference.

The Committee establishes a reward framework to enable the Company to attract and retain its executives, giving due regard to the financial and commercial health of the Company. The Committee's approach reflects the Company's overall philosophy that all employees should be appropriately and competitively rewarded based upon both their and the Company's overall performance.

1.1 Pay Policy Table

The Policy table set forth on the following page explains the Company's remuneration policy for which the Committee will apply for one year from the AGM in November 2014 so long as the Company is listed on the London Stock Exchange.

NOTES TO THE PAY POLICY TABLE

Performance measures and targets

Rationale for the annual bonus plan

The annual performance related cash bonus scheme is designed to reinforce the relationship between individual and corporate performance and reward, and constitutes nearly 50% of the total potential compensation paid to the Company's Executive Directors.

The annual bonus plan measures were selected as the Committee believes they provide direct alignment with the short-term operational targets of the Company, based upon Company budgets and forecasts.

Rationale for the LTIP

The performance conditions used are considered appropriate as they utilize crucial key performance indicators for the business (Total Revenue Growth and EBITDA growth) which measure the Company's success in expanding new revenue opportunities, alongside measuring the effectiveness of the Company's underlying cost controls.

Discretion

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders. In addition, the Committee has discretion to amend policy with regard to minor or administrative matters where it would be in the opinion of the Committee inappropriate to seek or await shareholder approval.

Differences in remuneration policy for all employees

All employees are entitled to a base salary. Additionally, all employees are eligible for annual bonus, pension, other benefits, and senior or key employees are eligible for LTIP and/or Share Option awards. The maximum opportunity available is based on the seniority and responsibility of the role.

Changes to remuneration policy from previous policy

There have been no changes to the operation, maximum or performance measures in relation to salary, annual bonus, pension, other benefits or LTIP. Increases in salary levels for executives are as described on page 44.

Element and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Annual Base Salary *Core element of remuneration required to attract and retain key employees in our markets with the necessary skills and qualities to execute the strategy.*	Executive Director salaries are considered on appointment and then reviewed annually or when an individual changes position or responsibility. Any changes normally take effect from July 1 of each year. When considering the salary levels the Committee takes into consideration: • Inflation and the economic environment • The individual's responsibilities and experience • The average salary increases across the Company • The Company's performance benchmarked against comparable roles within other companies with a similar turnover and market capitalization • The average salary increases across the Company No recovery provisions apply to base salary.	Any increase in salary for the Executive Directors will take into account the factors set out in the previous column. The annual salaries for the Executive Directors for 2014/15 are set out in the Annual Report on Remuneration on page 44.	None
Benefits *Provided in line with standard market practice.*	Executive directors receive healthcare, life insurance, and relocation, and other benefits as may be deemed reasonably necessary for recruitment and retention purposes. Benefits are reviewed periodically to ensure they remain market competitive. No recovery provisions apply to these benefits.	Benefit values vary year on year depending on premiums. The maximum value is the cost of the provision of these benefits.	None
Pension *To provide a level of pension contribution in order to be competitive and to ensure it has the ability to attract and retain Executive Directors.*	The Executive Directors receive a US style 401k contribution matching scheme.	The Company matches 50% of amount contributed to a 401K scheme by Executive Directors up to $2,000 annually.	None
Performance Bonus *Rewards the achievement of key annual financial targets and the delivery of personal and strategic business objectives.*	Targets are set annually and then assessed on a quarterly basis during the course of the fiscal year. Up to 20% of executive bonuses are paid out in each of the first three quarters of the fiscal year, and 40% in the fourth quarter, provided in each case that actual results equaled or exceeded 75% of the year to date budget for EBITDA or 90% of the year to date budget for total revenue. The full 20% (or 40% in the fourth quarter) is paid, in respect of a quarter, only if the year to date actual results equal or exceed 100% of the minimum achievement for both targets. Bonus payments are not pensionable.	Bonuses are capped at 110% of the Executive Director's target bonus (with the target bonus for the Chief Executive being 110% of salary compensation and for the Chief Financial Officer, 66% of salary), with an incremental 5% of bonus being paid for each 1% of overachievement. At threshold performance 50% of target bonus can be earned (excluding portions tied to personal objectives).	Performance targets will be set by the Committee annually based on a range of financial and personal objectives, including but not limited to: -Total revenue budget; -EBITDA Budget; -Personal objectives. The Committee has the discretion to vary the measures, weightings and targets on an annual basis depending on the strategy and focus of the Company and Executive Directors.
Share Equity Incentive Plans (Share Options and Long Term Incentive Plan ("LTIP") grants *The LTIP Plan is a senior management share plan linking reward to company performance and value creation. Share Option plans are utilized across key employees as a retention tool. Prior LTIP grants were made pursuant to the Kofax 2007 Long Term Incentive Plan and share option grants pursuant to the Kofax 2000 Share Option Plan.*	For LTIP grants, shares are made subject to continued employment and satisfaction of challenging performance conditions which are measured over a 3 year period. The shares will vest at the end of the 3 year performance period. Share Options typically vest over a four year period, with 25% of the shares vesting on the first anniversary of grant and 6.25% vesting at the end of each quarter thereafter. The Company now grants both LTIPs and Share Options under the terms of Kofax 2012 Equity Incentive Plan. All share options granted to Executive Directors and Executive Management require fulfillment of performance conditions. There is currently no clawback provision	Grants made pursuant to the Kofax 2012 Equity Incentive Plan are limited to 250% of that Employee's base salary (save that if exceptional circumstances exist in relation to the recruitment or retention of an Employee such annual maximum level may be increased to 400% of salary). At threshold performance for both performance conditions for current LTIP grants, 50% of a grant will release (or 25% in the event only a single performance condition is met).	50% of awards made under the LTIP are based on Total Revenue Growth. 50% of awards made under the LTIP are based on EBITDA growth. Further details on the measures for 2014/15 are set out in the Annual Report on Remuneration on page 44.

1.2 Non-executive Directors' Remuneration

Elements	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures and assessment
Salary/Fee Only	Required to attract qualified non-executive directors with the necessary skills and experience.	Reviewed every two years by the Board as a whole. Consideration taken of average salary increases across the Company. The remuneration of the Non-Executive Directors takes into account the level of responsibility, experience and abilities required from each Director, together with the market rate for similar positions in comparable companies. The Chairman's remuneration package consists of salary only. Other Non-Executive Directors are paid a basic fee with an additional fee payable to members of the Audit and Remuneration Committees. The non-executive directors do not participate in any annual bonus, pension, LTIP or share option schemes, but are otherwise reimbursed for expenses incurred. No recovery provisions apply to Non-Executive Director remuneration.	The Non-Executive Director fees for 2014/15 are set out in the Annual Report on Remuneration on page 41.	None

1.3 Summary of Director's Services Contracts and Terms of Appointment

It is the Company's policy that Executive Directors should have service agreements with an indefinite term providing for a maximum of 12 months' notice. The remuneration committee carefully considers what compensation commitments their directors' terms of appointment would entail in the event of early termination.

Non-Executive Directors, including the Chairman, are appointed pursuant to letters of appointment. They are normally appointed for an initial three year period, subject to re-election on an annual basis. At the end of this three year period the appointment may be continued by mutual agreement. Letters of appointment are normally terminable on six months' notice by either the Company or the Director, during which period such Director would continue to serve and be compensated on the same basis. In accordance with the recommendations of the Governance Code, all directors will be subject to re-election on an annual basis.

Details of the service agreements and letters of appointment of the Directors are set out in the table below, and are available for inspection at the Company's annual general meeting.

	Service Agreement/ Letter of Appointment	Expiry Date of Current Appointment	Notice Period
Executive Directors			
Reynolds C. Bish	November 5, 2007	Rolling	1 month
James Arnold, Jr.	June 15, 2010	Rolling	1 month
Non-Executive Directors			
Greg Lock	March 15, 2007	November 10, 2014	6 months
Chris Conway	December 15, 2004	November 10, 2014	6 months
Mark Wells	December 15, 2004	November 10, 2014	6 months
William T Comfort III	August 24, 2007	November 10, 2014	6 months
Bruce Powell	March 16, 1996	November 10, 2014	6 months
Joe Rose	April 1, 2009	November 10, 2014	6 months
Wade Loo	February 4, 2011	November 10, 2014	6 months
James Urry	February 3, 2014	November 10, 2014	6 months

1.4 Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract executives of the appropriate calibre. In line with the policies set forth above, when recruiting executives, the Company determines salaries and bonus compensation on a market competitive basis in accordance with the location of such executive. Executives will also be eligible to participate in the Share Equity Incentive Plans.

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honored and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

The table below summarizes our key policies with respect to recruitment remuneration:

Element	Policy
Base salary and benefits	The salary level will be set taking into account a number of factors including market practice, the individuals experience and responsibilities and other pay structures within Kofax and will be consistent with the salary policy for existing Executive Directors. The Executive Director shall be eligible to receive benefits in line with Kofax's benefits policy as set out in the remuneration policy table.
Pension	The Executive Director will be able to participate in the Kofax pension plan.
Annual bonus	The Executive Director will be eligible to participate in the annual bonus plan as set out in the remuneration policy table. Awards may be granted up to the maximum opportunity allowable in the remuneration policy table at the Committee's discretion.
Long-Term incentives	The Executive Director will be eligible to participate in the Kofax Share Equity Incentive Plans as set out in the remuneration policy table. LTIP awards may be granted up to the maximum opportunity allowable under the Plans rules at the Committee's discretion.
Maximum variable remuneration	The maximum annual variable remuneration that an Executive Director can receive is limited to 110% of target bonus compensation under the annual bonus plan and 250% of salary under the Share Equity Incentive Plans (whereas up to 400% in exceptional recruitment situations).
Share buy-outs/replacement awards	The Committee's policy is not to provide buy-out awards as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justified the provision of a buy-out, the value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; • any other terms and condition having a material effect on their value ('lapsed value'). The Committee may then grant up to the equivalent value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement will be used.
Relocation policies	In instances where the new Executive is relocated from one work-base to another, the Company will provide one-off and/or on-going as part of the Director's relocation benefits compensation to reflect the cost of relocation for the Executive in cases where they are expected to spend significant time away from their country of domicile. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences / housing allowance / schooling.

Policy on payment for loss of office

When determining any loss of office payment for a departing Director the Committee will always seek to minimise cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

No payment for loss of office is to exceed 12 months of salary, whereas the majority of executives do not exceed 6 months of salary. During such period, executives are to be available to assist in any transition of responsibilities. Upon termination or certain other events following a change of control terms of the LTIP grants and share options for executive directors and management may allow for full vesting.

The table below sets out, for each element of total remuneration, the Company's policy on payment for loss of office in respect of Executive Directors and any discretion available to the Committee.

Element	Cessation of employment
Base salary, benefits and pension	Salary, benefits and pension contributions/ salary supplement will normally be paid over the notice period. The Company has discretion to make a lump sum payment on termination of the salary, value of benefits and pension amounts payable during the notice period. In all cases the Company will seek to mitigate any payments due.
Bonus plan	Where an Executive Director's employment is terminated after the end of a performance year but before the payment is made, the Executive may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct. Where an Executive Director's employment is terminated during a performance year, a pro-rata annual bonus award for the period worked in that performance year may be payable at the Committee's discretion subject to an assessment based on performance achieved over the period and provided the individual's employment is not terminated for cause as defined in such individual's employment agreement The termination for cause definition is the same as that utilized in the Share Equity Incentive Plans set out below. *Committee discretion* The Committee has discretion to determine whether an individual's employment is terminated for cause or without cause or for and therefore whether or not a bonus will be payable for the year of cessation.
Share Equity Incentive Plans	The treatment of awards granted under the Share Equity Incentive Plans is governed by the rules, as approved by shareholders. On termination of employment before the Vesting Date, all unvested option awards will lapse and a pro-rated portion of any unvested LTIP awards will lapse. Awards will vest for individuals not terminated for cause on the normal vesting date. The number of awards vesting will be dependent on the proportionate satisfaction of the performance conditions at vesting of the award, and pro-ration based on the time elapsed from grant and the cessation of employment. Where a participant ceases to be employed prior to the awards becoming exercisable all awards will lapse.

Change of Control

The table below sets out, for each element of total remuneration, the Company's policy on payment on a change of control in respect of Executive Directors and any discretion available to the Committee.

Element	Change of Control
Bonus plan	Excludes a reorganization or reconstruction where ownership does not materially change. The extent to which the performance requirements are satisfied will determine the annual bonus which is earned. Committee discretion-The Committee will take into account such factors as it considers relevant in relation to the bonus plan payment for the year in which the event occurs including the proportion of the bonus plan year elapsed at the date of the event.
Share Equity Incentive Plans	The treatment of awards granted under the Share Equity Incentive Plans is governed by the rules, as approved by shareholders. If a change of control (takeover, reconstruction, amalgamation, winding-up or demerger before the Vesting Date) occurs the level of awards that vest will be dependent upon the proportionate satisfaction of the performance conditions at the point of the change of control and pro-ration based on time elapsed from grant and to the change of control. The remuneration committee will retain their reasonable discretion to dis-apply time pro-ration in circumstances that it feels are fair and appropriate. For the avoidance of doubt, the application of discretion will be considered to each individual award and will not be applied in aggregate to all outstanding awards. Provided, however, that for executive directors and executive management team members 100% of awards will vest if a change of control results in the Share Equity Incentive Plan not being assumed, or otherwise in the event that an executive director or executive management team member is terminated without cause or good reason within 12 months of a change of control event and under certain other conditions for the Company's CEO.

External Appointments

The Company recognizes that Executive Directors may be invited to become Non-Executive Directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Company. However, the Board has reserved the right to approve such appointments prior to the same.

Statement of consideration of employment conditions elsewhere in company

When providing for compensation increases to the Company's executive management, due consideration is given by the Committee of the extent to which any compensation increases are being provided to all employees of the Company. In addition, careful consideration is given to the performance of the Company as a whole prior to compensation increases being provided. No comparison metrics were used.

Statement of consideration of shareholder views

The Company carefully considers the view of its shareholders in its implementation of its remuneration policy. Shareholder views are considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its remuneration policy.

Illustrations of application of remuneration policy

Pay and Performance

The relative importance of fixed and performance related remuneration for the chief executive and chief financial officer is typically as follows:

Consistent with its policy, the committee places considerable emphasis on the performance-linked elements, i.e. annual incentives, and long term incentives.

The Committee considers what each executive director can expect to receive under different performance scenarios, based on the following definitions of performance:

Performance Scenario	Elements of Remuneration
Maximum	Base salary, allowances, benefits, retirement benefits, maximum annual incentive bonus (110% of target bonus), and maximum long term incentive grants (250% of salary at date of grant).
On-target	Base Salary, allowances, benefits, retirement benefits, target annual bonus incentive (100% of salary for the Chief Executive and 57% of salary for the Chief Financial Officer), target long-term incentive (amount actually granted to executive director). A level of 62.5% vesting reflects the midpoint of the performance targets.
Minimum	Base salary, allowances, benefits, and retirement benefits.

Chief Executive Officer, Reynolds C. Bish:

Chief Financial Officer, James Arnold Jr.:

Section 2. Annual Report on Remuneration

The information contained in the Directors' Remuneration Report which is subject to audit is identified at each section heading below.

Single total figure of remuneration (Audited Information)

Details of the remuneration of Directors who served during the year ended June 30, 2014 are as set forth below and are reported in US dollars. Bonus amounts set forth below reflect amounts paid in relation to performance during the year ended June 30, 2014.

in US$	Fiscal year	Salary / Fee	Benefits	Bonus	Pensions	Total
Reynolds C. Bish	2014	500,000	16,383	482,540	2,000	1,000,923
	2013	500,000	19,983	333,310	2,000	855,293
James Arnold, Jr.	2014	357,500	16,383	204,356	2,000	580,239
	2013	350,000	18,681	132,324	2,000	503,005

Notes:

1. Benefits for both Executive Directors consisted of medical, dental, vision, life insurance, and long-term disability coverage.
2. Pension consisted of US styled 401K retirement savings account, whereby the Company matches employee pre-tax contributions up to a maximum of $2,000 USD per year.

in US$	Basic Fees Fiscal year 2014	Basic Fees Fiscal year 2013
Non-Executive Directors		
Greg Lock	221,622	185,590
Bruce Powell	79,000	71,143
Chris Conway	80,665	66,503
Mark Wells	73,098	58,770
William T. Comfort III	69,763	58,770
Joe Rose	80,000	80,000
Wade Loo	84,079	80,000
James Urry*	30,581	–
Fiscal year total	**718,808**	**600,776**

*James Urry's appointment occured as of February 3, 2014.

Additional details in respect of the single total figure table

Basic Salaries and Benefits

At the end of the year ended June 30, 2014, the Remuneration Committee determined that salary increases should be provided to the extent team members salaries were not in line with market rates following a benchmark review, as further described above. The review resulted in salary and bonus increases for all executive management team members, resulting in an average increase in total compensation of 4.6%. The Chief Executive Officer's total potential compensation was increased by 5.0%, following several years of no such increases. The Chief Financial Officer's total potential compensation was increased for the current fiscal year by 9%. The salary and benefit details for the Executive directors are as set forth in the Director's Remuneration Table above.

Annual bonus for year ended June 30, 2014 (Audited Information)

Under the terms of the Plan, for the year ended June 30, 2014, a bonus of up to 110% of target bonus could be earned – 40% for meeting the total revenue budget, 40% for meeting EBITDA budget, and 20% for achieving personal objectives that were agreed at the beginning of the new fiscal year.

Measure	Weighting	Threshold performance required	Maximum performance required	Percentage of target satisfied (% of maximum bonus)	Reynolds C. Bish		James Arnold, Jr.	
					% of max bonus received	Annual bonus received $'000s	% of maximum bonus received	Annual bonus received $'000s
Total revenue budget	40.0%	85.0%	110.0%	41.0%	86.8%	195,380	86.8%	82,743
EBITDA budget	40.0%	85.0%	110.0%	41.0%	83.1%	187,160	83.1%	79,262
Agreed upon objectives	20.0%	N/A	N/A	18.0%	100.0%	100,000	100.0%	42,350
Total	100.0%	–	–	100.0%	–	482,540	–	204,356

* Revenues are defined solely as non-IFRS revenues recognized for financial accounting purposes (not merely booked, invoiced or collected).

The targets are set at the beginning of the financial year at a level which is challenging taking into account the potential level of bonus payments, the market and other relevant issues. Disclosure of targets are considered to be commercially sensitive as the disclosure of such details could be detrimental to the Company's future strategic plans.

These performance criteria are based upon the metrics by which the Company measures and reports upon its performance and revenue growth.

Based upon application of these factors, 97.0% of target bonus compensation will be paid to the Executive Directors for the Company's performance during the year ending June 30, 2014. This is based upon 97.7% total revenue attainment and 93.6% EBITDA attainment. In addition the Committee reviewed performance against the personal objectives set for Mr. Bish and Mr. Arnold, Jr. which included strategic, customer-facing and investor-based objectives. The Committee believe that the objectives have been met and 100% of this element attained.

No discretion was exercised by the Committee in relation to the outcome of the Annual Bonus awards.

Annual bonus for year ended June 30, 2015

The Committee is of the opinion that the performance targets are commercially sensitive and that prospective disclosure would not be in the shareholders' interests.

Vesting of Past awards made pursuant to the 2007 LTIP Scheme (Audited Information)

The LTIP awards set forth below represent all the awards under the Kofax 2007 Long Term Incentive Plan now outstanding in favor of the Executive Directors as of June 30, 2014.

	Share interests at June 30, 2013	Date of Grant	Share interests at June 30, 2014	Market price at the date of grant	Exercise Date
Reynolds C. Bish	420,000	September 9, 2009	483,000	146 U.K.pence	September 9, 2012*
Reynolds C. Bish	200,000	September 8, 2010	168,400	255 U.K.pence	September 8, 2013**
Reynolds C. Bish	50,000	September 7, 2011	50,000	300 U.K.pence	September 7, 2014
James Arnold, Jr.	200,000	June 30, 2010	168,400	240 U.K.pence	June 30, 2013**

*115% performance achievement was reached during the performance period for this grant, however, shares are not released for an additional 2 year period.

**84% performance achievement was reached during the performance period for this grant, however, shares are not release for an additional 2 year period.

The following performance conditions apply to the awards set forth above:

LTIP Performance Conditions Table (Audited Information)

Performance condition	Weighting	Performance period	Performance level	Target	Amount of total award that vests
Total revenue growth	50% of total award	3 years from grant	Minimum*	20% (80% of target)	25%
			Target*	25%	50%
			Maximum	>50%	Additional shares equal to 1% of grant for each 1% of over achievement capped at 15% of original grant
EBITDA growth	50% of total award	3 years from grant	Minimum*	40% (80% of target)	25%
			Target*	50%	50%
			Maximum	>50%	additional shares equal to 1% of grant for each 1% of over achievement capped at 15% of original grant

* straight line vesting between these points

Long-term incentive awards made during the year ended June 30, 2014 (Audited Information)

During the Year ended June 30, 2014, the Company made the following awards:

Director	Type of award	Number of shares granted	Face value of the award	Award as % of salary
Reynolds C. Bish	Long Term Incentive Plan Award	200,000	£723,000*	226%
James Arnold, Jr.	Long Term Incentive Plan Award	100,000	£361,500*	158%

*The face value of the award was calculated using the share price at the close of business on September 6, 2013, the date of grant (361.5 U.K. pence).

LTIP 2014 Awards performance conditions (Audited Information)

Awards granted in 2014 will be based 50% on software business revenue growth and 50% on EBITDA growth. The following targets and vesting levels will apply.

Performance condition	Weighting	Performance period	Performance level	Target	Amount of total award that vests
Software business revenue growth	50% of total award	3 years from grant	Minimum*	20% (80% of target)	25%
			Target*	25%	50%
			Maximum	>50%	Additional shares equal to 1% of grant for each 1% of over achievement capped at 15% of original grant
EBITDA growth	50% of total award	3 years from grant	Minimum*	40% (80% of target)	25%
			Target*	50%	50%
			Maximum	>50%	Additional shares equal to 1% of grant for each 1% of over achievement capped at 15% of original grant

* straight line vesting between these points

Kofax 2000 Share Option Plan (Audited Information)

The Kofax 2000 Share Option Plan expired on January 26, 2012, with no further option grants being granted since that time.

LTIP 2015 for year ended June 30, 2015

The Company intends to operate the Long Term Incentive Plan program in the same way and with the same conditions as 2014 subject to the Remuneration Committees approval.

Payments for loss of office (audited information)

No payments for loss of office were made during the year.

Payments to past Directors (audited information)

No payments to past Directors were made during the year.

Directors' interest in shares

The table below shows, in relation to each Director, the total number of shares and share options in which he holds an interest. There is no shareholding requirement for Directors.

Director	Number of shares owned outright	Vested but unexercised share options	Shares subject to performance conditions	Shares pending release based upon achievement of performance conditions
Reynolds C. Bish	196,150	1,550,000	200,000	701,400
James Arnold, Jr.	255,000	400,000	100,000	168,400
Greg Lock[3]	750,000	–	–	–
Bruce Powell	101,480	–	–	–
Chris Conway	330,000	–	–	–
Mark Wells	105,000	–	–	–
William T. Comfort III[2]	16,115,702	–	–	–
Joe Rose	110,000	–	–	–
Wade Loo	5,000	–	–	–
James Urry[1]	12,892,521	–	–	–

There were no share options exercised by directors of the company during the year.

[1] Represents (i) 2,705,609 shares indirectly held by James Urry and a connected trust, (ii) 7,671,255 shares held by The Natasha Foundation of which Mr. Urry is one of three directors, and (iii) 2,515,657 shares held by The NPC Foundation of which Mr. Urry is one of three directors. Mr. Urry disclaims any pecuniary interest in relation to the shares held by the Natasha Foundation and the NPC Foundation. Parties related to Mr. Comfort ad Mr. Urry have further interests totaling 7,585,677 shares in Kofax Limited but they disclaim control over those shares.

[2] Represents (i) 1,106,864 shares held directly by William T. Comfort III, (ii) 4,821,926 shares held by The 65 BR Trust over which Mr. Comfort maintains voting and dispositive power, (iii) 7,671,255 shares held by The Natasha Foundation of which Mr. Comfort is one of three directors, and (ii) 2,515,657 shares held by The NPC Foundation of which Mr. Comfort is one of three directors. Mr. Comfort disclaims any pecuniary interest in relation to the shares held by the 65 BR Trust, the Natasha Foundation and the NPC Foundation. Parties related to Mr. Comfort ad Mr. Urry have further interests totaling 7,585,677 shares in Kofax Limited but they disclaim control over those shares.

[3] In addition 75,000 shares are separately held by The Greg and Rosie Lock Charitable Foundation Trust, a registered UK charity in which Greg Lock has shared voting and dispositive power over such shares as a co-trustee.

A breakdown of share options held by directors is shown below:

	Share options at June 30, 2013	Date of Grant	Granted during the year	Share options at June 30, 2014	Exercise Price	Exercise Period	Shares Vested as of June 30, 2014
Reynolds C. Bish	700,000	November 2, 2007	–	700,000	198.75 U.K. pence	Nov 2, 2008 – Nov 2, 2017	700,000
Reynolds C. Bish	850,000	September 9, 2009	–	850,000	146.00 U.K. pence	Sept 9, 2010 – Sept 9, 2019	850,000
James Arnold, Jr.	400,000	June 7, 2010	–	400,000	240.00 U.K. pence	June 7, 2011 – June 7, 2020	400,000

The Kofax 2000 Share Option Plan is the previously named DICOM 2000 option plan. The closing market price of the shares at June 30, 2014 was 499.5 U.K. pence and the range during the year ended on that date was 332 U.K. pence to 539 U.K. pence.

A breakdown of share awards held by directors is shown below:

	Share interests at June 30, 2013	Date of grant	Granted during the year	Share interests at June 30, 2014	Market price at the date of grant	Exercise Date
Reynolds C. Bish	420,000	September 9, 2009	–	483,000	146 U.K. pence	September 9, 2012*
Reynolds C. Bish	200,000	September 8, 2010	–	168,400	255 U.K. pence	September 8, 2013**
Reynolds C. Bish	50,000	September 7, 2011	–	50,000	300 U.K. pence	September 7, 2014
Reynolds C. Bish	–	September 6, 2013	200,000	200,000	362 U.K. pence	September 6, 2016
James Arnold, Jr.	200,000	June 30, 2010	–	168,400	240 U.K. pence	June 30, 2013**
James Arnold, Jr.	–	September 6, 2013	100,000	100,000	362 U.K. pence	September 6, 2016

*115% performance achievement was reached during the performance period for this grant, but these shares are held for an additional 2 year holding period.

**84% performance achievement was reached during the performance period for this grant, however, shares are held for an additional 2 year holding period.

Consideration of directors' remuneration

Committee Members

During the year ending June 30, 2014 the Remuneration Committee (the "Committee") was comprised of Chris Conway (Chairman), Mark Wells, and Joe Rose. The Committee receives assistance from the Chief Executive Officer, who attends meetings by invitation to discuss the performance of the executive management team and to make proposals as necessary, but takes no part in deliberations when his own position is being discussed. The Company Secretary is the secretary of the Committee. The current members of the Remuneration Committee and their individual attendance at meetings during the year ended June 30, 2014, is set out on page 29 and 30.

Committee Role

The Remuneration Committee is a committee of the Board. The Committee is responsible for formulating and recommending policy on executive remuneration. It sets the individual remuneration packages of the executive directors and Chairman and also reviews the general remuneration framework for the Company's senior executives. This includes overseeing the design and operation of the Company's long term incentive plans and determining the basis on which awards are made under these plans. The Committee also takes into account wider economic conditions, remuneration trends and the general levels of salary increases around the Company in determining remuneration for executive directors.The Committee keeps itself fully informed of all relevant developments and best practices in the field of remuneration in the territories in which it operates. The Committee makes use of current surveys or seeks advice where appropriate and required from external advisors. Furthermore, in order to ensure that remuneration policies reflect current market practice and shareholder expectations, the Committee studies and discusses voting reports issued by the leading voting advisory bodies in connection with previous annual general meetings and has discussed certain elements of remuneration policy with key shareholders.

Committee Advisors

During 2014 the Committee was advised by PricewaterhouseCoopers LLP ("PwC"). PwC were appointed by the Committee and they are considered independent and objective. PwC are members of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to Executive remuneration consulting in the UK. Total fees paid to PwC during the year amounted to $6,843. Fees were determined based on the scope and nature of the projects carried out for the Committee during the year. PwC did not provide any other services to the Company during the year.

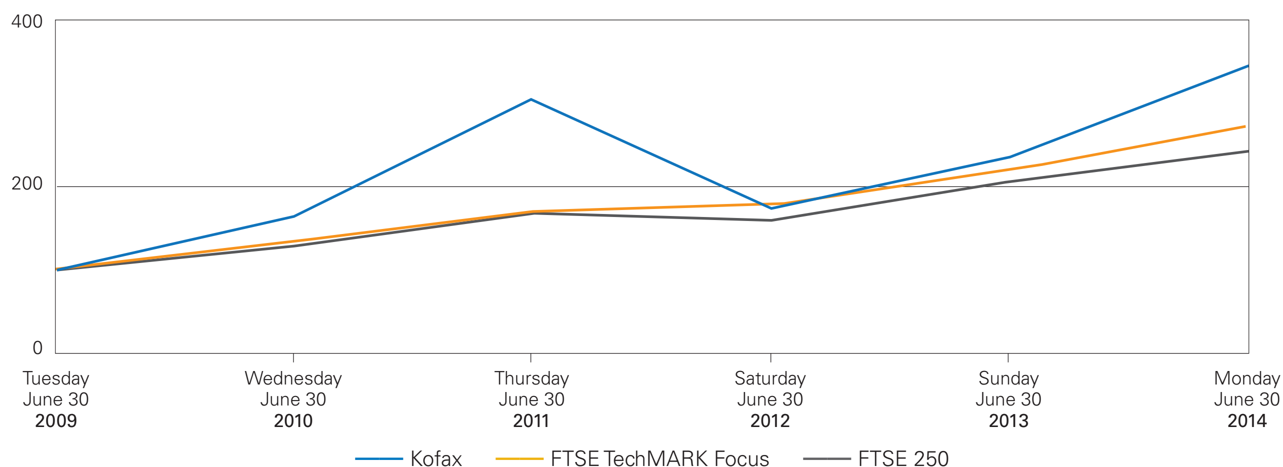
Committee Terms of Reference

The Committee's terms of reference are available from the Company Secretary and can be found on the Company's website (www.kofax.com).

TSR Performance Graph

The graph below illustrates the total shareholder performance of the Company against the FTSE TechMARK Focus and FTSE 250 index over the past five years. Performance, as required by legislation, is measured by Total Shareholder Return (share price growth plus dividends paid). The FTSE TechMARK Focus and FTSE 250 indices were chosen, as the Company is a constituent of these indices.

5 year Total Shareholder Return
June 30, 2009 to June 30, 2014



Chief Executive's total remuneration for the period 2009/2010 to 2013/14

The following table provides the details of the Chief Executive's total remuneration for the period 2009/10 to 2013/2014 on a Company fiscal year basis:

	2009/10	2010/2011	2011/12	2012/13	2013/14
Chief Executive's Total Remuneration (USD)	$1,046,864	$1,220,091	$867,442	$855,293	$1,000,923
Bonus pay-out (as % maximum opportunity)	N/A*	N/A*	N/A*	60.0%	87.7%
Long term incentive vesting rates (as % maximum opportunity)	0.0%**	0.0**%	0.0**%	97.0**%	56.0%

*Maximum bonus opportunity was not capped in these fiscal years.

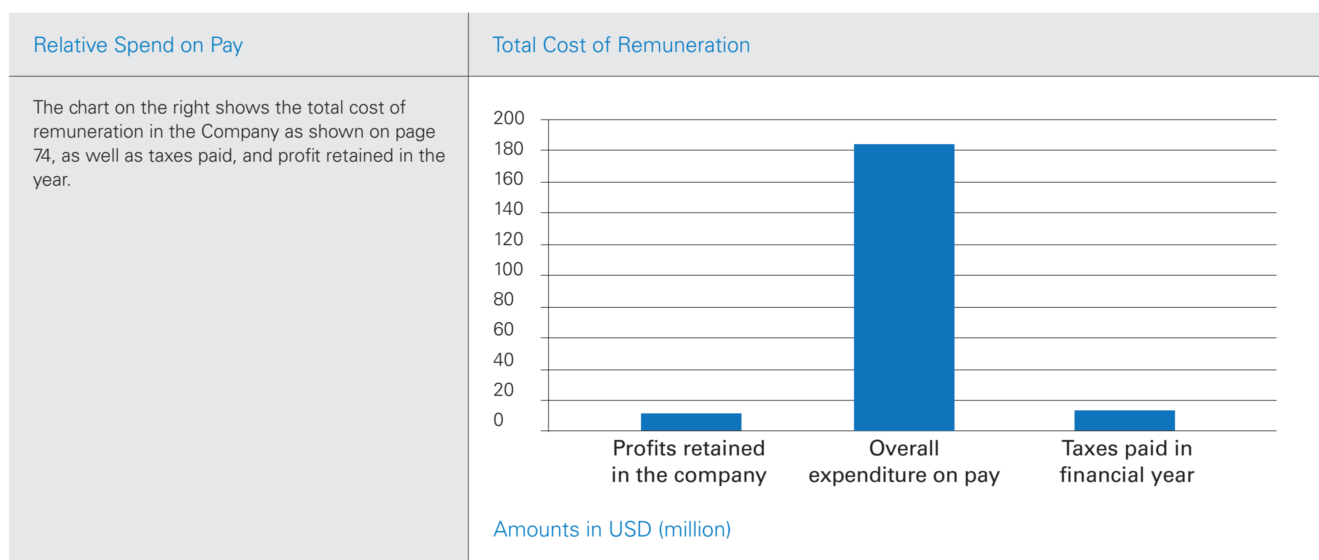
**Note that vesting for Long Term Incentive Awards occurs following a three year performance period, such that 0% vesting occurs in years prior to completion of the full performance period. The variance in percentages of vesting as between 2012/13 and 2013/14 is primarily indicative of a smaller long term incentive award (as compared to maximum opportunity) vesting in that fiscal year.

Percentage change in remuneration of director undertaking the role of chief executive officer

The following table provides a summary of the 2014 increase in base salary for the Chief Executive, as compared with the average increase for the general employee population following the year ended June 30, 2014:

	Salary % increase	Taxable benefits % increase	Bonus % increase
Chief Executive	0.0%	0.0%	10.0%
General Employee Population - Average	2.5%	3.0%	2.5%

Relative importance of spend on pay



Statement of voting at last general meeting

Total Voting Shares	Votes for (number)	Votes for (as a % not including abstentions)	Votes against (number)	Votes against (as a %, not including abstentions)	Votes withheld (number)
79,357,384	68,127,818	86.42%	10,693,823	13.57%	535,743

At the Company's last annual general meeting held November 5, 2013, 86.43% of votes cast were in favor of approving the Remuneration Report, and 13.57% were against.

Approval

This Remuneration Report has been approved by the Board on September 1, 2014 and signed on its behalf by,

Chris Conway
Chairman of the Remuneration Committee

Directors' Report

The Directors present their Annual Report, together with the audited Financial Statements of the Company (company number 45528) for the year ended June 30, 2014.

Principal Activities

The principal activities of the Company and its subsidiaries comprise development and marketing of smart process applications, software, solutions and services.

Business Review

The Chairman's Statement on page 2, the Chief Executive Officer's Review on pages 3 to 6, the Chief Financial Officer's Review on pages 7 to 14, and the Company Overview on pages 15 to 20 of this report include the Directors' view on the development of the business, its position for the year ended June 30, 2014, and future developments, with reference to performance indicators used by the Directors to monitor the business. The key performance indicators discussed are:

IFRS

- Software license revenue
- Total revenue
- Income from operations
- Diluted earnings per share
- Cash generated by operations

Non-IFRS

- Adjusted software license revenue
- Adjusted revenues
- Adjusted EBITDA
- Adjusted diluted earnings per share
- Adjusted cash generated by operations

The Chief Financial Officer's report on pages 7 to 14 discusses the principal risks and uncertainties facing the business.

The Corporate Social Responsibility Report on pages 25 to 26 discusses the Company's activities in the areas of environmental matters, social and community issues and Company employees.

Events Since the Balance Sheet Date

The Company acquired Softpro GmbH (Softpro) on September 1, 2014, a company incorporated in Germany, specializing in signature verficiation, e-signature and fraud detection solutions. The Company acquired all of Softpro stock for total consideration of $34.7 million in cash, prior to deducting approximately $0.3 million of cash held by Softpro on closing of the transaction. Of this amount, $31.2 million was paid on closing. An additional $1.1 million will be paid ninety days from closing, $1.2 million will be paid one year from closing and $1.2 million will be paid two years from closing, with said amounts being subject to certain indemnification terms and conditions.

Financial Instruments

The financial risk management objectives and policies of the Company are discussed in note 20 to the Financial Statements on pages 82 to 85.

Profits and Dividends

The profit attributable to shareholders for the year ended June 30, 2014 was $11.3 million (2013: $10.0 million).

In the year ended June 30, 2010 the Directors decided to suspend the payment of a regular dividend until further notice.

Research and Development

The Company remains committed to research and development to maintain its position as a market leader. During the year the Company expensed $40.4 million (2013: $34.7million) related to research and development. The basis of accounting for this expenditure is set out in note 1 to the Financial Statements on pages 62 to 67.

Directors and Directors' Interests

The names and biographical details of the current Directors appear on pages 27 and 28. James Urry was appointed to the Board on February 3, 2014. The beneficial interests of the current Directors and their families in the issued share capital of the Company as well as details of share options granted to the Directors are given in the Remuneration Report on pages 37 to 49. No Director or member of the executive management team had any interest in any subsidiary at any time during the year.

Corporate Governance Statement

The Corporate Governance Statement on pages 29 to 31 summarises the Company's compliance with the UK Corporate Governance Code. The Corporate Governance Statement describes the composition and operation of the Company's administrative, management and supervisory bodies and their committees and the main features of the Company's internal control and risk management arrangements.

Employees' Involvement

The success of the Company depends on the quality and performance of its employees, and the Company ensures this by communicating with its employees about both local and Company-wide matters. This communication is conducted through personal briefings, regular meetings and emails on a regular basis. The Company encourages all of its employees to participate in the growth of the Company and welcomes staff input at all levels. Some employees share directly in the success of the Company through the Kofax 2012 Equity Incentive Plan and performance based incentive cash compensation schemes. Employee involvement in revenue growth and profitability of the Company is encouraged through these schemes. Training programs for staff continue to focus on management, technical and people skills to meet the needs of a growth business. An induction program is in place for all new hires.

Disabled Employees

The Company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination. The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the policy of the Company wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Foreign Branches

No foreign branches of the Company exist as of June 30, 2014. The Company's wholly owned subsidiary, Kofax London Holdings Limited, has one foreign branch in the Netherlands.

Supplier Payment Policy

The Company is responsible for agreeing to terms and conditions with suppliers when purchase contracts are entered into, taking into account best practices, and seeks to ensure suppliers are aware of payment terms and that the Company abides by these payment terms whenever satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At June 30, 2014, the Company had an average of 22 days (2013: 22 days) purchases owed to trade creditors.

Political and Charitable Donations

During year ended June 30, 2014, the Company donated $46,785 to charitable organizations and as part of its Corporate Donation and Employee Matching Program, whereby the Company matches donations made by employees to specifically designated and reputable charitable organizations. No political contributions were made during the year ended June 30, 2014.

Share Capital

Details of changes in the issued share capital of the Company during the year ended June 30, 2014 are set out in Note 23 – Share Capital.

At the forthcoming AGM, the Company will be seeking authority to purchase its common shares. Authorities were previously granted by way of unanimous written resolution in 2013, but expire at the close of the forthcoming meeting.

Kofax Employee Share Trust (the Trust) purchased a total of 725,000 shares of Kofax plc (prior to the migration of Kofax Limited as the new holding company of the Kofax group) and Kofax Limited Holding Company of the Kofax group in the open market at an average price of 414.50 U.K. pence per share for a total purchase price of $4,964,972. The Trust purchased a total of 325,000 shares of the Company on the days of November 18, 2013 and November 19, 2013. The Trust purchased a total of 400,000 shares on the days of May 20, 2014, May 21, 2014, May 29, 2014 and June 2, 2014.

Following these purchases a total of 4,627,492 shares are held by the Company's employee benefit trusts.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the The Chairman's Statement on page 2, the Chief Executive Officer's Review on pages 3 to 6, and the Company Overview on pages 15 to 20. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review on pages 7 to 14. In addition, note 20 to the Financial Statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources together with long-term contracts with a number of resellers, customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the ever changing economic outlooks.

After making inquiries, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Major Interests in Shares

The information provided to the Company pursuant to the U.K. Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. At August 5, 2014, the Company had been notified under U.K. DTR 5 of the following significant holdings of voting rights in its shares:

Name	Number of ordinary shares	Percentage of issued share capital (%)*
THE NATASHA FOUNDATION/THE NPC FOUNDATION/William T. Comfort III AND CONNECTED TRUST[1]	16,115,702	17.49%
THE NATASHA FOUNDATION/THE NPC FOUNDATION/ James Urry AND CONNECTED TRUST[2]	12,892,521	13.99%
RGM Capital	8,187,667	8.89%
Praesidium Investment Management	4,623,886	5.01%

*at August 5, 2014

[1]Represents (i) 1,106,864 shares held directly by William T. Comfort III, (ii) 4,821,926 shares held by The 65 BR Trust over which Mr. Comfort maintains voting and dispositive power, (iii) 7,671,255 shares held by The Natasha Foundation of which Mr. Comfort is one of three directors, and (ii) 2,515,657 shares held by The NPC Foundation of which Mr. Comfort is one of three directors. Mr. Comfort disclaims any pecuniary interest in relation to the shares held by the 65 BR Trust, the Natasha Foundation and the NPC Foundation. Parties related to Mr. Comfort ad Mr. Urry have further interests totaling 7,585,677 shares in Kofax Limited but they disclaim control over those shares.

[2]Represents (i) 2,705,609 shares indirectly held by James Urry and a connected trust, (ii) 7,671,255 shares held by The Natasha Foundation of which Mr. Urry is one of three directors, and (iii) 2,515,657 shares held by The NPC Foundation of which Mr. Urry is one of three directors. Mr. Urry disclaims any pecuniary interest in relation to the shares held by the Natasha Foundation and the NPC Foundation. Parties related to Mr. Comfort ad Mr. Urry have further interests totaling 7,585,677 shares in Kofax Limited but they disclaim control over those shares.

Please note that the percentage figures are based on the number of issued shares; this figure excludes treasury shares. The total number of ordinary shares including treasury shares as of August 31, 2013 was 94,727,018. There are 5,068,374 ordinary shares held in treasury, (being 5.4% of the total issued share capital), and therefore the total number of issued ordinary shares with voting rights in the Company is 89,658,644.

Annual General Meeting

The notice of the 2014 AGM, to be held at the offices of Dechert LLP located at 160 Queen Victoria Street, London EC4V 4QQ, United Kingdom on November 10, 2014 at 10:00 a.m, is contained in a separate circular to shareholders enclosed with this Annual Report & Accounts. The notice of the AGM is also available on the Company's website.

Auditors

During the year, Ernst & Young LLP remained as the Company's auditors. Ernst & Young LLP have expressed their willingness to continue in that role. A resolution to reappoint Ernst & Young LLP as the Company's auditors and authorizing the Directors to set their remuneration will be put to the forthcoming Annual General Meeting.

Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 27 and 28.

Having made inquiries of fellow Directors and of the Company's auditors, each Director confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor was unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

Authorization of Financial Statements

The Financial Statements for Kofax Limited for the year ended June 30, 2014 were authorized for issue by the Board of Directors on September 1, 2014 and the Balance Sheets were signed on behalf of the Board by Greg Lock, Reynolds C. Bish and James Arnold, Jr. Kofax Limited is an exempted company with limited liability registered and domiciled in Bermuda. The Company's common shares are traded on the London Stock Exchange and NASDAQ.

By order of the Board

Bradford Weller
Company Secretary
September 1, 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Company financial statements for each fiscal year. The consolidated financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

Under Company law the Directors must not approve the Company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Company financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with applicable laws and regulations. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for preparing the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement in accordance with the applicable laws and regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

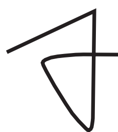
The financial statements for the year ended June 30, 2014 are included in the annual report 2014, which is published by the Company in hard copy printed form and available to download on the Company's website on the internet. The maintenance and integrity of the Kofax Limited website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Bermuda governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statements under the Disclosure and Transparency Rules

In accordance with the U.K. FCA's Disclosure and Transparency Rules, the Directors listed on pages 27 and 28 confirm, to the best of their knowledge, that:

1. The financial statements have been prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the Company.
3. The Board considers the Report and Accounts, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

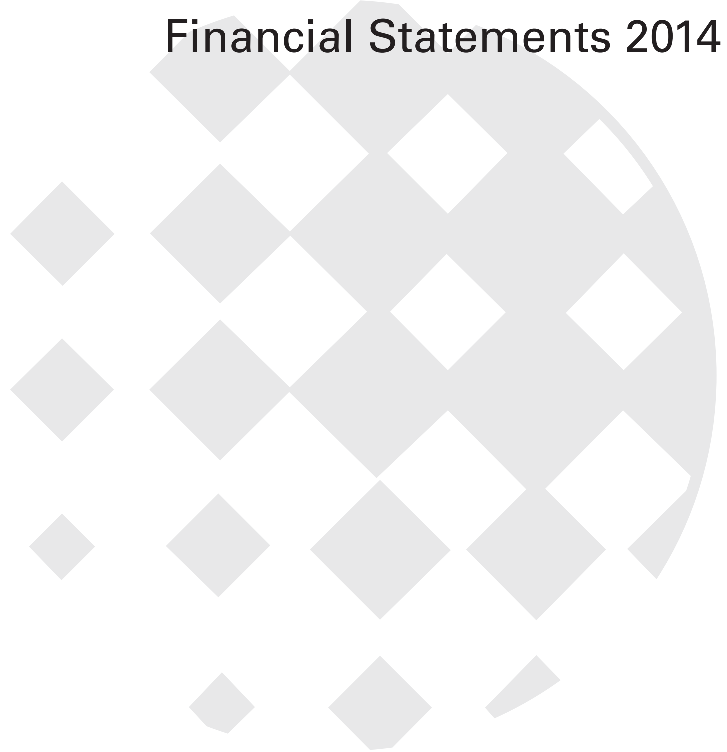
By Order of the Board



Reynolds C. Bish
Chief Executive Officer

James Arnold, Jr.
Chief Financial Officer

Kofax Limited
Financial Statements 2014



Independent Auditor's Report to the Members of Kofax Limited

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of its profit for the year then ended; and
- Have been properly prepared in accordance with IFRSs as adopted by the European Union.

What We Have Audited

We have audited the financial statements of Kofax Limited for the year ended June 30, 2014 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Statement of financial position, the Consolidated statement of changes in equity and the Consolidated statement of cash flow and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with our engagement letter dated June 1, 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 53, the directors are responsible for the preparation of the Company's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Company's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The Company has also instructed us to:

- audit the section of Directors' Remuneration Report that has been described as audited and report as to whether it has been properly prepared in accordance with the basis of preparation described therein, and
- report as to whether the Strategic Report and Director's report are consistent with the annual report.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement and response to those risks

The table below shows the risks we identified that have had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team and our response to those risks:

Areas of Risk	Response
Revenue recognition, with particular focus on the appropriate accounting treatment for the complex multiple element arrangements in accordance with contract terms and the Company's accounting policies. (as described on page 34 of the Report of the Audit committee)	We focussed our testing on large multiple element contracts to agree that management had correctly identified the separate elements of the contract being the licence, maintenance and support, and professional service elements. We challenged the accounting for each element. As part of our testing we focused on the appropriateness of the management's judgements in determining the value of each element of the contract and tested the analysis of revenues and profits, and comparable information that management prepared to support their fair value analysis, including challenging the key judgements that management made within that analysis. We also tested the completeness and accuracy of the terms and conditions of contracts as well as performing procedures to identify the existence of any side agreements.
The accounting for the acquisition of Kapow Technologies. (as described on page 34 of the Report of the Audit committee)	We agreed the appropriateness of the management's assumptions and estimates in relation to the acquisition accounting of Kapow Technologies during the year. We challenged the fair value adjustments recognised on the acquisition date, using our experts to test the methodology applied by the Company's advisors when valuing intangible assets, and tested key assumptions and estimates used in the forecast information utilised in the purchase price allocation.
The calculation and presentation of current and deferred taxation assets and liabilities across the Company's operations which are complicated by the structure of the Company. (as described on page 34 of the Report of the Audit committee)	We tested the separate current and deferred tax assets and liabilities recorded by the Company, with particular focus on those areas where the final amounts payable have yet to be determined by the tax authorities and where there may be uncertainty over the final amounts payable. We also challenged the recoverability of deferred tax assets by considering the basis for recognising the asset. We agreed the presentation of taxation amounts in the financial statements.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Company to be $1.1 million, which is 5% of profit before tax for the year ending 30 June 2014 excluding exceptional costs relating to the Company's US Initial Public Offering. On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgment is that overall performance materiality for the Company should be 50% of planning materiality, namely $0.55 million. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of $1.1 million for the financial statements as whole. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $0.05 million and differences below that threshold which, in our view warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

Following our assessment of the risk of material misstatement to the Company's financial statements, we selected 17 components which present the principal business units within the Company's one reportable segment; the software business and account for 80% of the Company's total assets and 94% of the Company's profit before tax.

One of these was subject to a full scope audit, whilst the remaining 16 were subject to a specific scope audit where the extent of audit work was based on our assessment of the risks of material misstatement and of the materiality of the Company's business operations at these locations. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

The audit work at the 17 components was performed at a materiality level calculated by reference to a proportion of Company's materiality appropriate to the relative scale of the business concerned.

The audit team continued to follow a programme of planned visits that has been designed to ensure that senior members of the audit team including the Senior Statutory Auditor visited material locations. For 2014 the audit team visited the Company's US operations and US based centralized accounting function at the planning, interim and year end stages of the audit. The Company audit team also visited the Company's Swiss shared service center at the interim and year end stages of the audit because the shared service centre is responsible for the accounting for all of the Company's European operations. For both of these locations the Company audit team participated in the component team's planning including discussion of fraud and error.

Opinion on Other Matters

In our opinion:

- the parts of the Directors' remuneration Report that are described as having been audited has been properly prepared in accordance with the basis of preparation as described therein, and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the Company's financial statements are prepared is consistent with the Company's financial statements.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Ernst & Young LLP
Reading, UK

September 1, 2014

[1]The maintenance and integrity of the Kofax Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Consolidated Income Statements

($ in thousands, except per share amounts)		For the Year Ended June 30,	
	Note	2014	2013
Software licenses		117,791	112,228
Maintenance services		133,194	121,751
Professional services		38,725	32,339
Total revenue	5	**289,710**	**266,318**
Cost of software licenses		9,877	10,688
Cost of maintenance services		20,241	18,194
Cost of professional services		32,625	28,343
Research and development		40,428	34,686
Sales and marketing		122,925	98,209
General and administrative		39,382	37,286
Amortization of acquired intangible assets	11	8,933	6,707
Acquisition-related costs		857	4,682
Other operating expenses, net		4,172	2,395
Operating costs and expenses	6	**279,440**	**241,190**
Income from operations		**10,270**	**25,128**
Finance income	8	7,387	287
Finance expense	8	(876)	(7,216)
Income before tax		**16,781**	**18,199**
Income tax expense	9	5,402	8,198
Net Income		**11,379**	**10,001**
Earnings per share	10		
> basic		0.13	0.12
> diluted		0.12	0.11

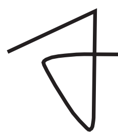
Consolidated Statements of Comprehensive Income

($ in thousands)		For the Year Ended June 30,	
	Note	2014	2013
Net income		**11,379**	**10,001**
Other comprehensive income/(loss) **Items that may be subsequently reclassified to profit or loss**			
Exchange gains/(losses) arising on translation of foreign operations		(2,184)	4,576
Income tax relating to items that may be reclassified		(408)	40
		(2,592)	4,616
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit pension plans		(433)	(809)
Income tax relating to items that will not be reclassified		(119)	130
		(552)	(679)
Other comprehensive income/(loss) for the period, net of tax		**(3,144)**	**3,937**
Total comprehensive income for the period, net of tax		**8,235**	**13,938**

Consolidated Statements of Financial Position

($ in thousands)		For the Year Ended June 30,	
	Note	2014	2013
Current assets:			
Cash and cash equivalents		89,631	93,413
Trade receivables, net	16	58,392	60,929
Current tax assets		7,209	2,024
Other current assets	17	9,690	10,457
Total current assets		**164,922**	**166,823**
Other non-current assets	15	4,105	3,671
Property and equipment	14	4,611	4,510
Deferred tax assets	9	27,211	14,350
Intangible assets	11	228,612	189,789
Total assets		**429,461**	**379,143**
Current liabilities:			
Trade and other payables	18	36,970	35,504
Deferred income - current		78,458	62,955
Current tax liabilities		8,153	10,106
Provisions – current	19	5,251	8,397
Total current liabilities		**128,832**	**116,962**
Employee benefits	22	4,078	3,018
Deferred income – non-current		8,079	5,095
Deferred tax liabilities	9	18,140	14,607
Provisions – non-current	19	4,470	2,334
Total liabilities		**163,599**	**142,016**
Shareholders' equity:			
Share capital	23	97	95
Share premium account		31,956	18,957
Employee benefit shares		(18,207)	(15,294)
Treasury shares		(15,980)	(15,980)
Merger reserve		2,835	2,835
Retained earnings		248,436	227,197
Currency translation adjustment		16,725	19,317
Total Shareholders' equity		**265,862**	**237,127**
Total liabilities and Shareholders' equity		**429,461**	**379,143**

The Financial Statements were approved by the Board of Directors and authorized for issue on September 1, 2014 and were signed on its behalf by



Greg Lock
Chairman of the Board

Reynolds C. Bish
Chief Executive Officer

James Arnold, Jr.
Chief Financial Officer

Consolidated Statements of Changes in Equity

($ in thousands)	Share Capital	Share Premium Account	Employee Benefit Shares	Treasury Shares	Merger Reserve	Retained Earnings	Currency Translation Adjustment	Total Equity
As of June 30, 2012	94	17,091	(17,386)	(15,980)	2,835	216,585	14,701	217,940
Profit for the period	–	–	–	–	–	10,001	–	10,001
Other comprehensive income, net of tax	–	–	–	–	–	(679)	4,616	3,937
Total comprehensive income	–	–	–	–	–	9,322	4,616	13,938
Tax on equity awards	–	–	–	–	–	2,185	–	2,185
Share-based payment expense	–	–	–	–	–	1,393	–	1,393
Changes in employee benefit shares	–	–	2,092	–	–	(2,288)	–	(196)
New share capital issued	1	1,866	–	–	–	–	–	1,867
As of June 30, 2013	95	18,957	(15,294)	(15,980)	2,835	227,197	19,317	237,127
Profit for the period	–	–	–	–	–	11,379	–	11,379
Other comprehensive income, net of tax	–	–	–	–	–	(552)	(2,592)	(3,144)
Total comprehensive income	–	–	–	–	–	10,827	(2,592)	8,235
Tax on equity awards	–	–	–	–	–	5,713	–	5,713
Share-based payment expense	–	–	–	–	–	4,867	–	4,867
Changes in employee benefit shares	–	–	(2,913)	–	–	(168)	–	(3,081)
Proceeds from U.S. initial public offering	2	12,366	–	–	–	–	–	12,368
New share capital issued	–	633	–	–	–	–	–	633
As of June 30, 2014	97	31,956	(18,207)	(15,980)	2,835	248,436	16,725	265,862

Consolidated Statements of Cash Flows

($ in thousands)	For the Year Ended June 30, 2014	2013
Cash flows from operating activities		
Income before tax	16,781	18,199
Adjustments to reconcile profit before tax to net cash flows:		
Finance income	(7,387)	(287)
Finance expense	876	7,216
Depreciation and amortization	14,334	12,872
Share-based payment expense	4,867	1,393
Changes in operating assets and liabilities:		
Trade receivables	5,149	(1,381)
Other assets	1,262	852
Trade and other payables	178	161
Deferred income	15,200	4,229
Provisions	(2,901)	(1,119)
Payments under restructuring – personnel	(637)	(863)
Income taxes paid	(13,165)	(10,749)
Net cash inflow from operating activities	**34,557**	**30,523**
Cash flows from investing activities		
Purchase of property and equipment, licenses and similar rights	(3,753)	(3,050)
Acquisition of subsidiaries, net of cash acquired*	(45,387)	(16,759)
Proceeds from sale of discontinued operations	–	603
Interest received	145	131
Net cash outflow from investing activities	**(48,995)**	**(19,075)**
Cash flows from financing activities		
Issue of share capital	633	1,867
Proceeds from U.S. initial public offering	12,366	–
Purchases of and proceeds from EBT shares	(3,098)	(402)
Interest paid	(484)	(345)
Net cash inflow from financing activities	**9,417**	**1,120**
Net increase/ (decrease) in cash and cash equivalents	(5,021)	12,568
Cash and cash equivalents at start of the period	93,413	81,122
Exchange rate effects	1,239	(277)
Cash and cash equivalents at the end of the period	**89,631**	**93,413**

* The Company cash outflow from acquisitions is net of $1.3 million cash acquired from the Kapow acquisition and also includes payments of contingent consideration related to the Atalasoft acquisition of $1.2 million, contingent consideration related to the acquisition of Altosoft of $1.0 million and deferred consideration related to the Altosoft acquisition of $2.1 million and the Kapow acquisition of $1.9 million. The cash outflow from acquisitions for the year ended June 30, 2013 of $16.8 million is net of $0.9 million in cash acquired from the acquisition of Altosoft and also includes $2.0 million in payments of contingent consideration related to the Atalasoft acquisition and $3.1 million in payments of deferred consideration related to the acquisition of Singularity.

Kofax Limited ("the Company") is a publicly listed company incorporated and domiciled in Bermuda. The address of the registered office is Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. The Company's common shares are traded on the London Stock Exchange and on the NASDAQ Global Select Market. Kofax Limited and its subsidiaries is a leading global provider of smart process applications software and related maintenance and professional services.

AUTHORIZATION OF FINANCIAL STATEMENTS

The Financial Statements of the Company for the year ended June 30, 2014 were authorized for issue by the Board of Directors on September 1, 2014, consistent with the date through which subsequent events have been evaluated, and the Statements of Financial Position were signed on behalf of the Board by Greg Lock, Reynolds Bish, and James Arnold, Jr.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all years presented.

1.1 Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by European Union.

On December 5, 2013, the Company effected an initial public offering in the United States of 2,300,000 shares of common stock at a price to the public of $5.85 per share. The shares began trading on the NASDAQ Global Select Market on that exchange under the ticker symbol "KFX." All of the shares of common stock being offered were by Kofax; there were no selling Kofax shareholders. Additionally, the Company established Kofax Limited as the parent company through a scheme of arrangement under Part 26 of the U.K. Companies Act of 2006. As part of the scheme, the Company established a new par value of $0.001 per share replacing the 2.5 U.K. pence per under Kofax plc. The consolidated financial statements are therefore presented as if Kofax Limited had been the parent company of the Company throughout the periods presented. Share capital and share premium amounts in the comparative periods have been retroactively adjusted to reflect such establishment.

The Company's presentational currency is the U.S. dollar as that is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand dollars ($'000s), except where otherwise indicated.

The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the accounting policies below. Except where otherwise stated, all references to 2014 and 2013 in these notes to the financial statements are defined as the year ended June 30, 2014 and June 30, 2013, respectively.

1.2 Basis of consolidation

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee, so as to obtain benefits from its activities; and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement.

1.3 Summary of significant accounting policies

Revenue recognition

The Company generates revenue from the sale of licenses to use software license products, maintenance and professional services. A typical initial sale to a customer consists of: (i) a perpetual or subscription software license, (ii) a maintenance service arrangement that includes technical support and access to product updates, generally for an initial period of one year, and (iii) in some cases, a separate professional services engagement for software implementation, education, training and other services.

The Company recognizes revenue in accordance with International Accounting Standard (IAS) IAS 18, "Revenue", which includes interpretations of other literature that constitutes IFRS. In addition to a transaction being evidenced in the customary form described below, each of the following criteria must be met in order for the recognition of revenue: the fees are fixed and determinable, collectability is probable, the fair value of undelivered products or services can be measured reliably, and delivery has occurred.

Subscription arrangements are recognized ratably over the period of subscription. The Company's subscription software licenses are generally offered for one-year base subscription periods. The base subscription entitles the end user to the technology itself and maintenance consisting of a specified level of customer support, bug fixes, functionality enhancement to the technology, and upgrades to new versions of the license, each on a when-and-if available basis, during the term of subscription.

Transactions with customers are documented by written agreements, generally taking the form of a sales contract and a purchase order for direct sales. Sales through indirect channels are made via a master agreement, under which the key legal terms and conditions are noted, and each order is then evidenced by a purchase order or other written evidence of the order provided from the channel partner. When products are sold through channel partners, title and risk of loss generally passes upon delivery, at which time the transaction is invoiced and payment is due. The Company does not offer a right of return on sales to channel partners and, accordingly, revenue is recognized upon delivery (the sell-in method), provided all other revenue recognition criteria are met.

Arrangements involving the resale of the Company's software products by its original equipment manufacturer (OEM) customers do not include any undelivered elements. The Company receives quarterly royalty reports from its OEM customers, and recognizes the value of those sales in license revenue each quarter, provided that all other revenue recognition criteria have been met.

The Company evaluates the elements of a transaction to identify the appropriate accounting elements so that revenue recognition criteria may be applied to separately identifiable elements of a single transaction, and when appropriate, the recognition criteria may be applied to two or more transactions when their economic substance cannot be understood individually. For those transactions with multiple elements, if the Company has determined that the undelivered elements of that contract have fair value, the Company records the revenue associated with the delivered elements (generally the software license) at an amount that represents the fee for the transaction less the fair value of any undelivered element and defers the fair value of undelivered elements of the transaction (generally the maintenance and professional services). The Company has determined the fair values of maintenance services and professional services based on an evaluation of pricing, delivery costs, and margins for each of those elements. Fair values are set such that the revenue deferred will cover cost plus a reasonable margin. The Company has assessed the level of reasonable margin by reference to its own performance and other companies in the software industry.

Maintenance services revenues are recorded on a straight-line basis over the life of the maintenance contract. Professional services contracted under time and material projects are recognized as the services are performed. With respect to professional services contracted on a fixed price basis, the Company has significant experience in providing these services and is able to estimate the stage of completion. Accordingly, the Company realizes the revenue and profit on fixed price professional service engagements on a percentage of completion basis.

Cost of software licenses

Cost of software licenses primarily consists of royalties to third-party software developers as well as personnel costs related to the distribution of the Company's software licenses.

Cost of maintenance services

Cost of maintenance services primarily consists of personnel costs for the Company's staff of professionals who manage customer inquiries as well as associated costs such as facilities and related overhead charges.

Cost of professional services

Cost of professional services primarily consists of personnel costs for the Company's staff of consultants and trainers, other associated costs such as facilities and related overhead charges, travel related expenses and the cost of contractors, whom the Company engages from time to time to assist in delivering professional services.

Research and development

Research and development expenses consist primarily of personnel costs incurred in connection with the design, development, testing and documentation of the Company's software products as well as associated costs such as facilities and related overhead charges. Direct costs associated with developing or maintaining software are recognized as an expense as incurred. When costs are directly associated with the development of identifiable software products controlled by the Company, and it is both probable that the expected future economic benefits that are attributable to these costs will flow to the Company, and that the costs can be measured reliably, these costs are recognized as an intangible asset. The Board and management have carefully considered the stage of current product development and currently believe that no expenditures incurred qualify for capitalization under IFRS.

Sales and marketing

Sales and marketing expenses consist primarily of personnel costs related to the Company's sales and marketing staff, costs for trade shows, advertising and other lead generating activities, as well as associated costs such as facilities and related overhead charges.

General and administration

General and administrative expenses consist primarily of personnel costs for the Company's executive, finance, human resource and legal functions, as well as associated costs such as facilities and related overhead charges. Also included in general and administrative expenses are costs associated with legal, accounting and tax preparation, and advisory fees.

Other operating expense, net

Other operating expense, net consists of all income or expense that is not directly attributable to one of the Company's other operating expense lines. Costs incurred are related to professional fees for attorneys, accountants and other advisors associated with the work needed for the Company to effect its initial public offering (IPO) in the United States.

Income taxes

Current income tax

The charge for current taxation is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement as it excludes items of income and expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's liability for current tax is based on tax rates that have been enacted or substantively enacted for the relevant entity at the dates of financial position.

Deferred income taxes
Deferred tax assets and liabilities are recognized on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Consolidated Financial Statements, with the following exceptions:

1. Where the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, that at the time of the transaction, affects neither accounting nor taxable profit nor loss.
2. When the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, that at the time of the transaction, affects neither accounting nor taxable profit nor loss; Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against deductible temporary differences, carried forward tax credits, or tax losses.
3. With regards to taxable temporary differences associated with investments in subsidiary and associate undertakings where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits, or tax losses can be utilized.

Deferred tax is determined using tax rates that are expected to apply within the relevant tax jurisdiction when the related asset is realized or liability settled based on tax rates and laws that have been enacted or substantively enacted at the date of the financial position.

Deferred income tax assets and liabilities are offset only if a legal right of enforcement exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income, similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise, income tax is recognized in the income statement.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value.

When the Company acquires a business, it assesses the financial assets and liabilities acquired for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Contingent consideration to be transferred by the Company will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in Acquisition-related costs in the Consolidated Income Statement.

Goodwill represents the excess of the purchase price in a business combination over the fair values of net tangible and intangible assets acquired. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognized separately from goodwill. Contingent liabilities representing a present obligation are recognized if the acquisition-date fair value can be measured reliably.

Direct transaction costs are expensed through the Consolidated Income Statement in Acquisition-related costs. This account consists of (i) costs directly attributable to acquisition strategy and the evaluation, consummation and integration of acquisitions, which are composed substantially of professional services fees including legal, accounting and other consultants, and (ii) compensation costs, which are composed substantially of contingent payments for shares that are treated as compensation expense and retention payments that are anticipated to become payable to employees both of which require continuing employment of the recipients, as well as severance payments to employees whose positions were made redundant.

Intangible assets arising from business combinations
The fair values of intangible assets purchased as part of business combinations are initially recorded at fair value as of the date of acquisition. These intangible assets, such as contractual relationships and technology, are amortized over their expected useful lives on a straight-line basis. Amortization of these intangibles is included in a separate line in Operating costs and expenses. The principal expected useful lives are:

Contractual and Customer relationships	5 - 10 years
Technology	5 - 7 years
Trade names	5 – 7 years
Backlog	3 years

Impairment

The Company evaluates goodwill for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist. The Company has identified a single cash generating unit (CGU) and performs an annual evaluation as of April 1 each year. Upon completion of the April 2014 annual impairment assessment, the Company determined that no impairment was indicated. As of June 30, 2014, the Company is not aware of any significant indicators of impairment that exist that would require additional analysis.

The Company assesses assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a CGU's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired, and it is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is determined. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In that event, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined at net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Consolidated Income Statement. No impairment was reversed for goodwill during 2014 or 2013.

Licenses and similar rights

Purchased computer software licenses and similar rights are capitalized on the basis of the costs incurred. Where internal costs are directly associated with software projects in combination with purchased licenses, such costs are deemed to be eligible for capitalization. These costs are amortized over their estimated useful lives (3-5 years) on a straight-line basis and are recorded to the respective operating expense or cost of sales line. The carrying amounts are reviewed for impairment if events or circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

Share-based payment

The Company operates a number of equity-settled, share-based compensation plans. The Company determines the fair value of the shares or share options at the date of grant and recognizes as an expense in the Consolidated Income Statement over the vesting period. Non-market vesting conditions are not taken into account for determining the fair values. The fair value, determined at the date of grant, is calculated utilizing an appropriate valuation model as set out in Note 24. The share-based payment expense is recognized over the vesting period based on the Company's estimate of the shares that will eventually vest allowing for the effect of non-market-based vesting conditions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the specific risks of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance expense.

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan and the restructuring has either commenced or been announced publicly. Provisions for severance payments and related employment costs are made in full when employees are identified as being the direct result of the restructuring plan. Costs relating to on-going activities, such as relocation, training and information systems are recognized only when incurred. Provisions for onerous leases are recorded when they are part of an announced restructuring and the leased space becomes no longer usable either in part or in whole. The expected remaining lease payments are expensed at the time the provision is recorded. Additionally, the Company may recognize separate provisions for onerous lease contracts in the event a contract becomes no longer usable. The Company also recognizes contingent payments, discussed in the Business Combinations section as provisions.

Foreign currency

When determining the functional currency of a foreign entity, the Company takes into consideration the economic environment, the currency influencing operational and financial transactions as well as the activity of the entity.

Transactions in foreign currencies other than the entities' functional currency are converted using the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in non-functional currencies are translated using the rate of exchange at

the period end. The gains or losses arising from the revaluation of foreign currency transactions to functional currency are included in the Consolidated Income Statements. Differences on foreign currency borrowings from foreign currency subsidiaries that form part of the net investment are taken directly to equity until the date of disposal of the net investment, at which time they are recognized in the Consolidated Income Statements. Foreign currency differences arising on trading intercompany loans are charged to financing income or expense.

The assets and liabilities of foreign operations are translated from their respective functional currencies into U.S. dollars, the Company's presentation currency, at the rate of exchange at the end of the period. Income and expenses are translated at monthly average exchange rates for the year as this represents a reasonable approximation of actual exchange rates at the date of transactions. While all equity components (i.e., share capital, share premium account, employee stock ownership / employee benefit trust shares, treasury shares, merger reserve and retained earnings) are translated at historical rates, the remainder, resulting from the retranslation of the net assets at the applicable spot rate, are reflected in the currency translation adjustment account within shareholders' equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the finance income or expense in the Consolidated Income Statement.

Property and equipment

Items of property and equipment are initially recognized at cost. The costs include the purchase price and directly attributable costs to bring the asset into a usable condition. Depreciation on all items of property and equipment is recorded on a straight-line basis over their expected useful lives or the lease term, if shorter. The principal annual rates used for this purpose are:

Leasehold improvements	10-20%
Computer equipment	20-50%
Furniture and fixtures	20%

The carrying amounts are reviewed for impairment annually, or whenever events or circumstances indicate that the carrying amount of the property and equipment may not be recoverable.

Financial instruments

Financial assets

Financial assets are classified at fair value through profit or loss. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets include cash and short-term deposits, trade and other receivables, which include investments and derivative financial instruments (i.e. currency forward contracts).

Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents include cash at bank and in-hand, and short-term deposits with an original maturity period of three months or less.

Trade receivables

Trade receivables are recognized initially at fair value, less a provision for doubtful accounts. A provision for doubtful accounts is established when there is objective evidence that the Company will probably not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is considered uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the Consolidated Income Statements.

Loans and other receivables

All loans and other receivables are non-derivative financial assets recognized initially at fair value, net of transaction costs incurred. Loans and receivables are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at fair value. The fair values of derivatives are measured using observable market prices or, where market prices are not available, by using discounted expected future cash flows at prevailing interest and exchange rates. The gain or loss on re-measurement is taken to the Consolidated Income Statements except where the derivative is part of a designated cash flow hedge or a designated hedge of a net investment in a foreign operation.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or Company of financial assets is impaired. For unlisted shares classified as available-for-sale, a significant prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair values,

less any impairment loss on those financial assets previously recognized in profit or loss – is removed from equity and recognized in the Consolidated Income Statement. Impairment losses recognized in the Consolidated Income Statement on equity instruments are not reversed through the Consolidated Statements of Comprehensive Income. The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision account.

Trade payables and other payables

Trade payables and other payables are recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in the Consolidated Income Statement on a straight-line basis over the term of the lease.

Retirement benefit costs

The Company makes payments to defined contribution pension schemes and to defined benefit pension schemes. Contributions to the Company's defined contribution pension schemes are charged to the Consolidated Income Statement in the year in which they become payable. Defined benefit scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method. The pension scheme deficit is recognized in full. The movement in the scheme deficit is split between operating charges and finance costs, which are recognized in the Consolidated Income Statements, and actuarial gains and losses are recognized in the Consolidated Statement of Comprehensive Income.

Employee benefit share plans

The Company operates an Employee Share Ownership Plan (ESOP) and an Employee Benefit Trust (EBT). The cost of the Company's shares held by the ESOP and EBT are deducted from shareholders' funds in the Company Consolidated Statements of Financial Position. Other assets and liabilities of the ESOP and EBT are recognized as assets and liabilities of the Company. Any shares held by the ESOP and EBT are treated as cancelled for the purpose of calculating earnings per share. Any financing and administrative costs are charged to the Consolidated Income Statement in the period in which the expenditure is incurred.

Treasury shares

Kofax Limited shares held by the Company are classified in shareholders' equity as treasury shares and are recognized at cost. Consideration received for the sale of such shares is also recognized in equity, with any difference between the proceeds from sale and the original cost being taken to equity. No gain or loss is recognized in the Consolidated Financial Statements on the purchase, sale, issue or cancellation of equity shares.

NOTE 2 CHANGES IN ACCOUNTING POLICIES

2.1 Standards, amendments and interpretations effective in the current year

The accounting policies adopted in these Consolidated Financial Statements are consistent with those of the financial statements for the year ended June 30, 2013, no new standards, amendments to the standards and interpretations, are mandatory for the financial year ending June 30, 2014.

2.2 Amendments to existing standards and interpretations that are not yet effective and have not been early adopted by the Company

The IASB has issued the following standards and interpretations, for annual periods beginning on or after the effective date, which are relevant to the Company's operations and have an effective date that does not require application to these Financial Statements:

	Effective date
IAS 32 "Offsetting Financial Assets and Financial liabilities — Amendments to IAS 32	January 1, 2014

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Management is currently assessing the impact on the Company.

NOTE 2 CHANGES IN ACCOUNTING POLICIES

IFRS 9, "Financial Instruments – Classification and Measurement" January 1, 2015

IFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 has yet to be endorsed under European Union IFRS and it is uncertain that the effective date will be January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39 however there are differences in the requirements applying to the measurement of an entity's own credit risk.

IFRS 9 also introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

In addition IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

IFRS 9 will have a significant impact on the classification and measurement of financial assets and in reporting for those entities that have designated liabilities using the fair value option.

Management is currently assessing the impact on the financial assets of the Company.

IFRS 15, "Revenue from Contracts with Customers" December 15, 2016

IFRS 15 'Revenue from Contracts with Customers' provides a new revenue recognition standard with a five-step analysis of transactions to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements.

Management is currently assessing the impact on the financial assets of the Company.

Improvements to International Financial Reporting Standards – 2010-2012 Cycle July 1, 2014

The 2010-2012 Cycle Annual Improvements to IFRS amend six existing standards, basis of conclusions, and guidance. The improvements include changes in measurement and transition requirements.

These improvements did not significantly impact the Consolidated Financial Statements.

Improvements to International Financial Reporting Standards – 2011-2013 Cycle July 1, 2014

The 2011-2013 Cycle Annual Improvements to IFRS amend four existing standards, basis of conclusions, and guidance. The improvements include changes in measurement and transition requirements.

These improvements did not significantly impact the Consolidated Financial Statements.

NOTE 3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as of the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are discussed below.

Revenue recognition

Revenue in multiple-element contracts with resellers or end users is allocated to each deliverable based on the Company's established fair values of each element. All contracts clearly identify separable elements in the contract (i.e., the license, maintenance services, or professional services). Judgment is involved to establish fair value for each element to demonstrate that each element equals cost plus a reasonable margin. As described in the Accounting Policies, the Company has policies and methodologies in place to validate that the fair value reflects cost plus a reasonable margin.

Income taxes

The Company and its subsidiaries are subject to routine tax audits, and also a process whereby tax computations are discussed and agreed with the appropriate authorities. While the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. For deferred tax assets in respect of trading losses,

management estimates the future expected cash flows against these tax losses that can be offset and determines the level of asset that should be recognized.

Business Combinations
Accounting for business combinations is predicated on assessing the fair value, as of the date of the business combination, of a number of items, including the consideration paid for an acquisition, and the allocation of the consideration paid to the tangible and intangible assets acquired, and liabilities assumed, based on their estimated fair values. The determination of the fair value of the consideration transferred may include a number of factors including, but not limited to: an assessment of the value of equity interests issued; the likelihood and amount of future contingent payments, being paid; the attribution of contingent payments to purchase price or to future compensation; and the valuation of assumed stock options or other equity interests. The determination of many of these factors may require significant management estimates and assumptions.

Intangible Assets, including impairment assessment
The Company assesses, at each reporting date, whether there are any indications that an intangible asset, other than goodwill, may be impaired. If any such indication exists, or when annual impairment testing for an intangible asset is required, the Company calculates an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of such asset's fair value, less costs to sell and its value in use. Each asset is assessed individually, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case an aggregated group of assets is assessed. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Whether impaired or not, the assessment of the future useful life of an intangible asset may cause that life to be revised prospectively.

Goodwill, including impairment assessment
The Company tests annually, by cash-generating unit, as to whether goodwill has been impaired and, more frequently, when events or circumstances indicate that the current carrying value may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value in use calculations which require the use of estimates and assumptions.

Share-based payments
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date granted. Judgment is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management is also required to use judgment in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. Another significant area of estimation relates to the assessment of the probability of achievement of performance criteria related to awards granted under the Company's Long-term Incentive Plan ("LTIP").

Provisions and contingent liabilities
The Company regularly assesses the estimated impact and probability of various uncertain events. Provisions are recognized when a present obligation (legal or constructive) exists as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Contingencies arise from conditions or situations where the outcome depends on future events.

The Company is subject to legal proceedings, lawsuits and other claims relating to labor, service and other matters arising in the ordinary course of business. Additionally, acquisitions may be structured to include contingent consideration whereby the amount payable is determinable based on future events. Management judgment is required in deciding the amount and timing of the accrual of provisions or contingencies. Depending on the timing of when conditions or situations arise, the timing of provisions or contingencies becoming probable and estimable is not necessarily determinable. The amount of the provisions or contingencies may change in the future as incremental knowledge, factors or other matters change or become known.

NOTE 4 ACQUISITIONS

Acquisition of Kapow Technologies Holdings, Inc.

On July 31, 2013, Kofax acquired 100% of the shares of Kapow Technologies Holdings, Inc. (Kapow), a company incorporated in the United States, specializing in data integration software. Kapow's software will assist in Kofax's ability to integrate smart process applications. The acquisition was accounted for using the acquisition method.

The consolidated financial statements include the results of Kapow during the eleven month period from the acquisition date. The fair value of the identifiable assets and liabilities of Kapow, at the acquisition date, are as follows:

($ in thousands)	July 31, 2013
Current assets:	
Cash and cash equivalents	1,276
Trade receivables, net	3,052
Other current assets	260
Total current assets	4,588
Other non-current assets	453
Property and equipment	99
Deferred tax assets	10,027
Technology–intangible	10,700
Customer relationships–intangible	5,400
In-process R&D–intangible	700
Trade names–intangibles	200
Total assets	**32,167**
Current liabilities:	
Trade and other payables	536
Other current liabilities	1,657
Deferred income – current	1,260
Total current liabilities	3,453
Other liabilities	26
Deferred tax liabilities	7,417
Total liabilities	**10,896**
Net assets acquired	**21,271**
Consideration paid in cash at time of closing	40,524
Deferred consideration	6,624
Total consideration	47,148
Goodwill arising from acquisition	**25,877**

Analysis of cash flows on acquisition:

($ in thousands)	
Cash outflow at time of closing	40,524
Less: cash acquired	1,276
Total cash consideration	**39,248**

The goodwill of $25.9 million includes the value of acquired technologies, and expected synergies arising from the acquisition and the workforce, which is not separately recognizable. None of the goodwill is expected to be deductible for tax purposes.

From the date of acquisition, Kapow has contributed $11.2 million of revenue and $6.3 million of net loss to the Company. If the combination had taken place at the beginning of fiscal year 2014, revenue from Kapow's operations would have been approximately $1.0 million higher and the net income would have decreased by approximately $1.0 million and Kofax's total revenue would have been $290.7 million and net income $10.4 million.

Acquisition of Altosoft Corporation

On February 28, 2013, Kofax acquired 100% of the shares of Altosoft Corporation (Altosoft), a company incorporated in the United States, which is a provider of business intelligence and analytics software. The Company acquired Altosoft to enhance Kofax's product portfolio with near real-time process and data analytics, visualization and extract, transform load capabilities. The consolidated financial statements include the results of Altosoft during the four month period from the acquisition date. The fair value of the identifiable assets and liabilities of Altosoft, at the acquisition date, are as follows:

($ in thousands)	February 28, 2013
Current assets:	
Cash and cash equivalents	892
Trade receivables, net	565
Other current assets	13
Total current assets	1,470
Other non-current assets	342
Technology–intangible	5,000
Customer relationships–intangible	1,700
Non-compete agreement–intangible	300
Trade names–intangibles	150
Total assets	**8,962**
Current liabilities:	
Deferred income	456
Other current liabilities	242
Total current liabilities	698
Other liabilities	164
Deferred tax liabilities	2,982
Total liabilities	**3,844**
Net assets acquired	5,118
Consideration paid in cash at time of closing	12,634
Deferred consideration	2,000
Fair value of contingent consideration	2,015
Total consideration	16,649
Goodwill arising from acquisition	11,531

The fair value of the trade receivables was $0.6 million. None of the trade receivables have been impaired and the full contractual amounts have been fully collected subsequent to the acquisition.

The intangible asset, including goodwill, includes the value of acquired technologies, and expected synergies arising from the acquisition and workforce, which is not separately recognizable. None of the goodwill is expected to be deductible for tax purposes.

Contingent consideration payments range between nothing and $4.4 million. $2.0 million represented the acquisition-date fair value of the payments that management estimated at that time will become payable to the former shareholders of Altosoft and is included in the purchase price allocation; however, none of the payments are guaranteed. The contingent consideration payments are based on the achievement of specific annual revenue and EBITDA levels that are payable in $1.0 million increments during calendar years 2013, 2014 and 2015. Additionally, 25% of revenue above targets will be paid up to $1.4 million such that the maximum consideration would be $19.0 million. During 2014, the Company paid $1.0 million to the former shareholders of Altosoft related to the achievement of specific revenue and EBITDA targets during calendar year 2013. The fair value of contingent consideration was $3.0 million as of June 30, 2014.

Of the total purchase price, $2.0 million was withheld as deferred consideration relating to representations and warranties made by the sellers, including those related to the level of cash and certain other net assets acquired. The Company paid the full amount of deferred consideration in fiscal year 2014.

The Company has entered into separate employment agreements with Altosoft employees subsequent to the acquisition in which the Company will provide the employees with a retention package that will include a cash bonus. The total anticipated payment is $0.6 million, with the latest payment due in January 2015. The retention bonus is being accrued as the employees provide services and $0.3 million and $0.1 million was recognized during 2014 and 2013, respectively in Acquisition-related costs.

NOTE 4 ACQUISITIONS (continued)

Analysis of cash flows on acquisition:

($ in thousands)	
Cash outflow at time of closing	12,634
Less: cash acquired	(892)
Net outflow of cash relating to the acquisition	**11,742**

From the date of acquisition, Altosoft has contributed $7.9 million and $1.0 million of revenue, and $1.4 million of net income and $0.2 million of net loss to the Company in fiscal years ended June 30, 2014 and 2013, respectively. If the combination had taken place at the beginning of fiscal year 2013, revenue from Altosoft's operations would have been approximately $1.8 million and the addition to net income would have been approximately $0.1 million and would have made the Company's total revenue would have been $267.1 million and net income $10.3 million.

Acquisition of Singularity

On December 5, 2011, Kofax acquired 100% of the shares of Singularity Limited (Singularity), a company incorporated in Northern Ireland, which was a provider of business process management (BPM) software and dynamic case management solutions. Singularity has historically conducted the majority of its operations in the United Kingdom, and has subsidiaries that include a substantial operating presence in India. The acquisition agreements and all related amounts payable are denominated in British pounds, and the disclosures that follow are based on the exchange rate to U.S. dollars at the date of acquisition; future payments, as expressed in U.S. dollars, may vary depending on the movement of foreign exchange rates. The contingent consideration and retention bonus is payable based on metrics to be measured through December 31, 2014. Adjustments to the fair value of the liability resulted in a decrease of $3.9 million and $1.5 million during 2014 and 2013, respectively, recognized in acquisition related costs in the consolidated income statements. No payments of contingent consideration or retention bonuses were made in 2014. Payments of contingent consideration and retention bonuses were $7.9 million during the year ended June 30, 2013. The fair value of contingent consideration was $0.4 million as of June 30, 2014.

Acquisition of Atalasoft

On May 26, 2011, Kofax acquired 100% of the shares of Atalasoft, Inc. (Atalasoft), a U.S. based company which was a provider of imaging software development kits. Contingent consideration payments ranged between zero and $5.1 million. $4.7 million represented the acquisition-date fair value of the payments that management estimated at that time would become payable to the former shareholders of Atalasoft; however, none of the payments were guaranteed. The contingent consideration was payable based on metrics to be measured through September 30, 2013. Payments of contingent consideration were $1.2 million and $2.0 million during the years ended June 30, 2014 and 2013, respectively. There were no contingent consideration payments payable to Atalasoft as of June 30, 2014.

NOTE 5 OPERATING SEGMENTS

The Company operates one business segment, the software business. All products and services are considered one solution to customers and are operated and analyzed under one income statement provided to and evaluated by the chief operating decision maker (CODM). The CODM manages the business based on the key measures for resource allocation, based on a single set of financial data that encompasses the Company's entire operations for purposes of making operating decisions and assessing financial performance. The Company's CODM is the Chief Executive Officer.

There are no reportable assets that meet the criteria under IFRS 8 to be reported under the single operating segment.

Entity-wide Disclosures

The following revenue information is based on the location of the customer:

($ in thousands) External Revenue for the Year Ended	America	UK	Germany	Rest of EMEA	Asia-Pacific	Total
June 30, 2014	160,411	31,001	19,414	57,772	21,112	**289,710**
June 30, 2013	141,872	35,638	16,927	52,341	19,540	**266,318**

The following table presents non-current assets by subsidiary location:

($ in thousands) Non-current Assets	America	UK	Germany	Rest of EMEA	Asia-Pacific	Total
As of June 30, 2014	152,637	34,922	6,453	36,212	7,104	**237,328**
As of June 30, 2013	116,054	34,805	6,078	34,221	6,812	**197,970**

Non-current assets for this purpose consist of property and equipment, intangible assets, and other non-current assets– excluding deferred tax assets.

NOTE 6 OPERATING COSTS AND EXPENSES

Operating costs and expenses include the following key elements:

($ in thousands)	For Year Ended June 30,	
	2014	2013
Staff costs, excluding share-based payment expense	175,525	151,023
Share-based payment expense	4,867	1,393
Depreciation of property and equipment	2,436	3,050
Amortization of acquired intangible assets – technology and contractual relationships	8,933	6,707
Amortization of intangible assets – licenses and similar rights	2,887	2,959
Total remuneration for principal auditors	3,953	3,383
Operating lease expense – minimum lease payments	8,032	8,042
Acquisition – related costs	857	4,682
Third party royalties and commissions	14,271	13,004
Travel and entertainment	12,877	11,549
Consultants, contractors and advisors	15,637	11,052
Direct marketing costs	10,626	9,765
Utilities, maintenance and repair	6,583	5,858
Other administrative costs	11,956	8,723
Total operating costs and expenses	**279,440**	**241,190**

The total remuneration for principal auditors is as follows:

($ in thousands)	For Year Ended June 30,	
	2014	2013
Fees payable to the Company's auditor for:		
The audit of the Group's annual accounts	1,395	1,346
The audit of the Group's subsidiaries pursuant to legislation	650	604
Total audit fees	**2,045**	**1,950**
Tax compliance and advisory services	824	905
Audit related assurance services	1,084	528
Total non-audit fees	**1,908**	**1,433**
Total remuneration for principal auditors	**3,953**	**3,383**

Amortization of acquired intangibles is a component of both cost of sales and general and administrative expenses. Amortization of acquired technology intangible assets of $5.5 million (2013: $4.7 million) relates to cost of sales, and amortization of other intangible assets of $3.4 million (2013: $2.0 million) relates to of general and administrative expenses.

($ in thousands)	For Year Ended June 30,	
	2014	2013
Total cost of sales comprises:		
Cost of software licenses	9,877	10,688
Cost of maintenance services	20,241	18,194
Cost of professional services	32,625	28,343
Amortization of acquired technology intangible assets	5,508	4,733
Total cost of sales	**68,251**	**61,958**
Total general and administrative comprises:		
General and administrative	39,382	37,286
Amortization of other acquired intangibles assets	3,425	1,974
Total general and administrative expenses	**42,807**	**39,260**

NOTE 7 STAFF NUMBERS AND COSTS

The average number of full time employees, and their compensation (including Executive Directors) during the year was as follows:

($ in thousands, except headcount data)	For the Year Ended June 30, 2014 Headcount	For the Year Ended June 30, 2014 Compensation	For the Year Ended June 30, 2013 Headcount	For the Year Ended June 30, 2013 Compensation
Sales and marketing	415	86,062	349	68,459
Services – technical support and Professional services	328	37,340	338	34,266
Research and development	413	31,556	336	26,181
Other general and administrative	185	25,434	180	23,510
Total	1,341	180,392	1,203	152,416

Staff costs are comprised of the following:

($ in thousands)	For the Year Ended June 30,	
	2014	2013
Salaries	151,084	129,605
Social taxes and benefits	22,354	19,445
Pension	2,087	1,973
Share-based payment expense	4,867	1,393
Total staff costs	**180,392**	**152,416**

NOTE 8 FINANCE INCOME AND EXPENSE

Finance income and expenses of the Company are comprised of the following:

($ in thousands)	For the Year Ended June 30,	
	2014	2013
Finance income		
Bank interest	53	90
Other interest	53	66
Expected return on pension scheme assets	101	131
Foreign exchange gain	7,180	–
Total finance income	7,387	287
Finance expense		
Line of credit costs	297	302
Other interest	403	260
Interest on pension scheme liabilities	176	146
Foreign exchange loss	–	6,008
Reserve against note receivable	–	500
Total finance expense	876	7,216

Foreign exchange gains and losses are the result of gains and losses primarily derived from entering into intercompany transactions in currencies other than the respective entity's functional currency.

NOTE 9 INCOME TAX EXPENSE

The components of income tax expense related to current income tax expense and deferred income tax expense of the Company were as follows:

($ in thousands)

	For the Year Ended June 30,	
	2014	2013
Current income tax expense		
Income tax on profits for the year	7,252	12,566
Adjustment for over provision in prior periods	17	(92)
Total current tax	**7,269**	**12,474**
Deferred income tax expense		
Reversal of temporary differences	(2,468)	(3,900)
Adjustment for over provision in prior periods	601	(376)
Total deferred tax	**(1,867)**	**(4,276)**
Total income tax expense	**5,402**	**8,198**

Income tax relating to items charged or credited to consolidated other comprehensive income:

($ in thousands)

	For the Year Ended June 30,	
	2014	2013
Deferred tax		
Tax on net loss/ (gain) on foreign exchange adjustment	386	(3)
Tax impact on actuarial losses	119	130
Total deferred tax	**505**	**127**
Current tax		
Tax on net loss on foreign exchange adjustment	22	43
Total current tax	**22**	**43**
Tax credit in the statement of comprehensive income	**527**	**170**

Tax relating to items credited to retained reserves:

($ in thousands)

	For the Year Ended June 30,	
	2014	2013
Current tax		
Net gain on share options exercised	(424)	(377)
Total current tax	**(424)**	**(377)**
Deferred tax		
Tax impact on share-based payment	(5,289)	(1,807)
Total deferred tax	**(5,289)**	**(1,807)**
Total credit to retained reserves	**(5,713)**	**(2,184)**

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

($ in thousands)

	For the Year Ended June 30,	
	2014	2013
Expected tax expense based on the standard rate in the UK of 22.5% (2013: 23.8%)	3,776	4,322
Tax losses not recognized in current period	3,945	2,000
Utilization of previously unrecognized tax losses	(4,283)	(304)
Adjustments for provision in prior periods	617	(468)
Expenses not deductible for tax purposes and income not subject to tax	(2,881)	(2,181)
Different tax rates applied in overseas jurisdictions	4,484	4,736
Changes of tax rate on timing differences	(256)	93
Total tax expense on operations	**5,402**	**8,198**

NOTE 9 INCOME TAX EXPENSE (continued)

The breakdown of profit (loss) before tax by country was as follows:

($ in thousands)	For the Year Ended June 30, 2014	2013
United States	19,654	31,621
United Kingdom	(6,599)	(19,451)
All other countries	3,726	6,029
Total income before tax	**16,781**	**18,199**

The breakdown of tax expense (benefit) by country was as follows:

($ in thousands)	For the Year Ended June 30, 2014	2013
United States	5,756	7,041
United Kingdom	(1,475)	(1,369)
All other countries	1,121	2,526
Total income tax expense	**5,402**	**8,198**

The Company operates in various countries with tax rates ranging from 8% to 35%. The Company has incurred tax losses in certain jurisdictions, primarily the United Kingdom. Because there is no expectation of sufficient future income in the United Kingdom to permit utilization of the losses carried forward, no deferred tax asset has been recognized with respect to the losses carried forward.

The following presents the impact temporary differences have on the financial statements.

($ in thousands)	Intangible assets	Accelerated tax depreciation	Share-based Payment relief	Available losses	Short term timing differences	Total
As of June 30, 2012	**(8,375)**	**(1,334)**	**3,301**	**–**	**2,659**	**(3,749)**
Credit to income statement	1,910	703	26	1,084	553	4,276
Credit to equity	–	–	1,807	–	127	1,934
Acquisition	(2,982)	–	–	327	63	(2,592)
Reclassification	(346)	(26)	–	–	372	–
Currency exchange movements	65	(2)	(110)	(34)	(45)	(126)
As of June 30, 2013	**(9,728)**	**(659)**	**5,024**	**1,377**	**3,729**	**(257)**
Credit to income statement	2,712	731	664	(2,095)	(145)	1,867
Credit to equity	–	–	5,289	–	(417)	4,872
Acquisition	(4,355)	(6)	–	9,139	(2,168)	2,610
Reclassification	–	–	–	39	(39)	–
Currency exchange movements	(276)	9	4	372	(130)	(21)
As of June 30, 2014	**(11,647)**	**75**	**10,981**	**8,832**	**830**	**9,071**

Deferred tax is recognized at the latest enacted rate for UK temporary differences, 20% (2013: 23%).

Details of deferred tax assets and liabilities are shown below:

($ in thousands)	For the Year Ended June 30, 2014	2013
Deferred tax assets		
Net operating loss carryforwards	8,832	1,377
Intangible assets	601	–
Different depreciation	235	80
Share-based payment relief	10,981	5,023
Other temporary and deductible differences*	6,562	7,870
	27,211	**14,350**
Deferred tax liabilities		
Net operating loss carryforwards	–	–
Intangible assets	12,248	9,728
Different depreciation	160	738
Other temporary and deductible differences*	5,732	4,141
Total deferred tax liabilities	**18,140**	**14,607**
Net deferred tax assets/(liabilities)	**9,071**	**(257)**

* Other temporary and deductible timing differences include the deferred tax effect on accruals, deferred income, R&D expenses, unrealized foreign exchange, defined benefit pensions and provisions, which in certain jurisdictions only attract a tax deduction when utilized or realized.

NOTE 9 INCOME TAX EXPENSE (continued)

Deferred tax liabilities have been recognized on all temporary differences giving rise to deferred tax liabilities, except to the extent they are not required to be recognized, which amounts to $4.0 million. Deferred tax assets have been recognized in respect of tax losses and other temporary differences where it is probable that these assets will be recovered. As of June 30, 2014, the Company has an unrecognized deferred tax asset on losses of $11.5 million (2013: $11.8 million) which can be offset against future profits. These losses can be carried forward indefinitely, with the exception of $4.3 million which can be carried forward for seven years.

Factors that may affect future tax charges

The Finance Act 2013, which provides for a reduction in the main rate of UK corporation tax from 23% to 21% effective from April 1, 2014 and to 20% effective from April 1, 2015, was substantively enacted on July 3, 2013. These rate reductions have been reflected in the calculation of deferred tax as of June 30, 2014.

NOTE 10 EARNINGS PER SHARE

The table below presents the computation of basic and diluted earnings per share:

	For the Year Ended June 30,	
($ in thousands, except per share data)	2014	2013
Net income	11,379	10,001
Earnings/(loss) per share		
>Basic	0.13	0.12
>Diluted	0.12	0.11

The Company issued an additional 2.3 million shares as a result of the initial public offering on the NASDAQ Global Market Select in the United States effective December 5, 2013. The calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively to include the additional shares, for comparability.

The difference between the diluted and basic calculation is due to the additional shares that would be issued on the conversion of all the dilutive common shares. The table below presents the computation of basic and diluted shares:

	For the Year Ended June 30,	
(Shares in millions)	2014	2013
Basic weighted average number of common shares (excluding employee benefit and treasury shares)	87.6	86.7
Dilutive impact of share options	2.6	1.6
Dilutive impact of Long Term Incentive Plan (LTIPs)	3.9	2.7
Diluted weighted average number of shares	**94.1**	**91.0**

NOTE 11 INTANGIBLE ASSETS

($ in thousands)	Goodwill	Technology and contractual relationships	Licenses and similar rights	Total
Cost				
As of June 30, 2013	179,772	67,055	20,982	267,809
Acquisitions	25,877	17,000	18	42,895
Additions	–	–	1,642	1,642
Other changes	135	–	–	135
Foreign exchange translation effects	4,691	1,951	256	6,898
As of June 30, 2014	210,475	86,006	22,898	319,379
Amortization				
As of June 30, 2013	20,086	40,216	17,718	78,020
Amortization to expenses	–	8,933	2,887	11,820
Amortization to revenue	–	74	–	74
Disposals	–	–	(100)	(100)
Foreign exchange translation effects	4	698	251	953
As of June 30, 2014	20,090	49,921	20,756	90,767
Net book value as of June 30, 2014	**190,385**	**36,085**	**2,142**	**228,612**

NOTE 11 INTANGIBLE ASSETS (continued)

($ in thousands)	Goodwill	Technology and contractual relationships	Licenses and similar rights	Total
Cost				
As of June 30, 2012	167,304	60,290	19,805	247,399
Acquisitions	11,911	7,150	–	19,061
Additions	–	–	920	920
Disposals	–	–	(6)	(6)
Other changes	–	26	108	134
Foreign exchange translation effects	557	(411)	155	301
As of June 30, 2013	179,772	67,055	20,982	267,809
Amortization				
As of June 30, 2012	20,089	33,488	14,464	68,041
Amortization to expenses	–	6,707	2,959	9,666
Amortization to revenue	–	156	–	156
Disposals	–	–	(6)	(6)
Other changes	–	(9)	140	131
Foreign exchange translation effects	(3)	(126)	161	32
As of June 30, 2013	20,086	40,216	17,718	78,020
Net book value as of June 30, 2013	**159,686**	**26,839**	**3,264**	**189,789**

Amortization of intangible assets for licenses and similar rights is presented in operational expenses by function on a cost allocation basis.

NOTE 12 GOODWILL

Goodwill is evaluated for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist. The Company has identified a single cash generating unit (CGU) and performs an annual evaluation as of April 1 each year. Upon completion of the April 2014 annual impairment assessment, the Company determined that no impairment was indicated. As of June 30, 2014, the Company is not aware of any significant indicators of impairment that exist for goodwill that would require additional analysis.

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the Company's single CGU, which also forms the sole operating and reportable segment, as the Company does not further evaluate or report information that would represent another CGU. Goodwill allocated to the CGU was $190.4 million in 2014 and $159.7 million in 2013.

The recoverable amounts of the CGU have been derived from a value in use calculation, using a three year cash flow projection from financial budgets approved by senior management. These forecasts have then been extrapolated for a further two years using management's best estimate of expected growth rates derived from both past performance and expectations within the software industry. Forecasted operating cash flows for the value in use calculation are based on the following key assumptions: past experience of expected revenues and associated margins, future market inflation, tax rates, discount rates, and terminal growth rates.

Expected revenues and associated margins

Revenues and associated margins are based on average values achieved in the years preceding the start of the budget period and are increased over the future periods based on growth expected by management. Growth rates in future years are based on projections of the Company's pre-tax cash flows over five years. In setting these assumptions the Company consider past experience, external sources of information, knowledge of competitor activity and assessment of future changes in the software industry. The three year period is covered by internal budgets and forecasts with a general growth rate of 5% used to extrapolate internal budgets and forecasts for the purposes of determining value in use. The methods used to determine recoverable amounts have remained consistent with the prior year.

Future market inflation

Inflation estimates are obtained from published indices for the countries from which revenues are sourced (principally for the U.S. and Europe).

Discount rates

Discount rates are based on the Company's weighted average cost of capital adjusted to reflect management's assessment of specific risks related to the cash generating unit and geography. Discount rates were 12.27% in 2014 and 12.96% in 2013.

NOTE 12 GOODWILL (continued)

Terminal growth rates

Terminal growth rates apply to cash flows beyond five years and are based upon management's expectation of long term growth rates. Rates used were 2.00% in both 2014 and 2013.

The Company performs sensitivity analyses to demonstrate that a reasonable change in the key assumptions would not reduce the difference between the carrying amount and recoverable amount of goodwill to zero. As a further check, the Company compares the Company's market capitalization to the book value of net assets and this indicates a surplus at June 30, 2014 (and at June 30, 2013).

NOTE 13 PRINCIPAL SUBSIDIARY UNDERTAKINGS

The Company's significant trading, operating, and holding entities are as follows:

Name of undertaking	Nature of operations	Country of incorporation	Proportion of ownership interest and voting rights
Altosoft Corporation	Research & Development / Sales & Distribution	United States	100%
Atalasoft, Inc.	Sales & Distribution	United States	100%
Kapow Technologies, A/S	Research & Development / Sales & Distribution	Denmark	100%
Kapow Technologies, GmbH	Sales & Distribution	Germany	100%
Kapow Technologies, Inc.	Sales & Distribution	United States	100%
Kapow Technologies, Ltd.	Sales & Distribution	England	100%
Kofax, Inc.	Research & Development / Sales & Distribution / Management & Administration	United States	100%
Kofax Australia Pty Ltd	Sales & Distribution	Australia	100%
Kofax Austria GmbH	Research & Development / Sales & Distribution	Austria	100%
Kofax Produtos de Imagem Do Brazil LTDA	Sales & Distribution	Brazil	100%
Kofax Benelux NV/SA	Sales & Distribution	Belgium	100%
Kofax Danmark A/S	Sales & Distribution	Denmark	100%
Kofax Deutschland AG	Sales & Distribution	Germany	100%
Kofax Development GmbH	Research & Development	Germany	100%
Kofax France SAS	Sales & Distribution	France	100%
Kofax Holdings International Ltd.	Holding entity	England	100%
Kofax India Pvt Ltd.	Research & Development	India	100%
Kofax Investments Ltd.	Holding entity	England	100%
Kofax Italia S.r.l.	Sales & Distribution	Italy	100%
Kofax Japan Co. Ltd.	Sales & Distribution	Japan	100%
Kofax Malaysia Sdn. Bhd.	Sales & Distribution	Malaysia	100%
Kofax ME FZE	Sales & Distribution	United Arab Emirates	100%
Kofax México S. De R.L. De C.V	Sales & Distribution	Mexico	100%
Kofax Netherlands	Sales & Distribution	Netherlands	100%
Kofax Northern Ireland Limited	Research & Development / Sales & Distribution	Northern Ireland	100%
Kofax Portugal, S.A.	Sales & Distribution	Portugal	100%
Kofax Produtos de Imagem Do Brazil LTDA	Sales & Distribution	Brazil	100%
Kofax Resources Ltd.	Administration	England	100%
Kofax Schweiz AG	Sales & Distribution / Administration	Switzerland	100%
Kofax Singapore Pte. Ltd.	Sales & Distribution	Singapore	100%
Kofax Software Ibérica S.A.U	Sales & Distribution	Spain	100%
Kofax South Africa (Pty) Ltd	Sales & Distribution	South Africa	100%
Kofax Sverige AB	Sales & Distribution	Sweden	100%
Kofax UK Ltd	Sales & Distribution / Holding entity	England	100%
Kofax Vietnam Co., Ltd.	Research & Development	Vietnam	100%
Limited Liability Company Kofax Russia	Research & Development	Russia	100%

NOTE 14 PROPERTY AND EQUIPMENT

($ in thousands)	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
Cost				
As of June 30, 2013	4,040	19,505	2,960	26,505
Aquisitions	6	76	17	99
Additions	229	2,120	84	2,433
Disposals	–	(81)	(21)	(102)
Foreign exchange translation effects	193	435	125	753
As of June 30, 2014	4,468	22,055	3,165	29,688
Accumulated depreciation				
As of June 30, 2013	3,060	16,410	2,525	21,995
Depreciation expense	392	1,840	202	2,434
Disposals	–	(67)	(18)	(85)
Foreign exchange translation effects	211	412	110	733
As of June 30, 2014	3,663	18,595	2,819	25,077
Net book value as of June 30, 2014	805	3,460	346	4,611

($ in thousands)	Leasehold improvements	Computer equipment	Furniture and fixtures	Total
Cost				
As of June 30, 2012	3,275	18,167	3,663	25,105
Additions	263	1,735	132	2,130
Disposals	(56)	(483)	(150)	(689)
Other changes	557	(27)	(717)	(187)
Foreign exchange translation effects	1	113	32	146
As of June 30, 2013	4,040	19,505	2,960	26,505
Accumulated depreciation				
As of June 30, 2012	2,206	14,412	2,916	19,534
Depreciation expense	415	2,289	346	3,050
Disposals	(56)	(483)	(151)	(690)
Other changes	462	(47)	(620)	(205)
Foreign exchange translation effects	33	239	34	306
As of June 30, 2013	3,060	16,410	2,525	21,995
Net book value as of June 30, 2013	980	3,095	435	4,510

NOTE 15 OTHER NON-CURRENT ASSETS

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Other receivables	752	–
Prepayments	2,089	2,601
Deposits	259	178
Security deposits	1,005	892
Total other non-current assets	4,105	3,671

NOTE 16 TRADE AND OTHER RECEIVABLES

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Trade receivables	59,273	62,170
Provision for doubtful accounts	(881)	(1,241)
Total trade receivables, net	58,392	60,929

The amounts above include VAT receivable, which is approximately 12% on a weighted average basis. Further analysis of financial instruments is provided in Note 21 Financial Instruments - Risks and Note 22 Financial Instruments – Fair Value.

NOTE 16 TRADE AND OTHER RECEIVABLES (continued)

Movements on provisions for doubtful accounts were as follows:

($ in thousands)	
As of June 30, 2012	**2,714**
Reversal of charge	(639)
Amount written off	(796)
Foreign exchange translation effects	(38)
As of June 30, 2013	**1,241**
Additions	112
Amount written off	(489)
Foreign exchange translation effects	17
As of June 30, 2014	**881**

NOTE 17 OTHER CURRENT ASSETS

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Other receivables	2,210	3,105
Inventories	1,138	1,800
Prepayments	6,342	5,552
Total other current assets	**9,690**	**10,457**

Inventory amounts written-off during the year totalled $0.1 million (2013: $0.3 million).

NOTE 18 TRADE AND OTHER PAYABLES

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Trade payables	3,206	3,530
Other creditors	2,362	1,451
Creditors for taxation and social security	4,323	5,481
Accruals	27,079	25,042
Total trade and other payables	**36,970**	**35,504**

NOTE 19 PROVISIONS

($ in thousands)	Personnel Restructuring	Onerous Lease	Contingent Considerations	Others	Total
As of June 30, 2013	**586**	**644**	**8,090**	**1,411**	**10,731**
Arising during the period	–	–	10,588	373	10,961
Reversed against income statement	–	–	(3,920)	(92)	(4,012)
Utilized during the period	(637)	(441)	(6,374)	(972)	(8,424)
Exchange differences	51	24	319	71	**465**
As of June 30, 2014	**–**	**227**	**8,703**	**791**	9,721
Current	–	227	4,775	248	5,251
Non-current	–	–	3,928	543	4,470
As of June 30, 2014	–	**227**	**8,703**	**791**	**9,721**

($ in thousands)	Personnel Restructuring	Onerous Lease	Contingent Considerations	Others	Total
As of June 30, 2012	**1,394**	**1,317**	**9,570**	**1,524**	**13,805**
Arising during the period	–	–	10,055	485	10,540
Reversed against income statement	–	–	(1,543)	(148)	(1,691)
Utilized during the period	(863)	(722)	(9,933)	(440)	(11,958)
Exchange differences	55	49	(59)	(10)	**35**
As of June 30, 2013	**586**	**644**	**8,090**	**1,411**	10,731
Current	586	428	6,334	1,049	8,397
Non-current	–	216	1,756	362	2,334
As of June 30, 2013	586	**644**	**8,090**	**1,411**	**10,731**

NOTE 19 PROVISIONS (continued)

The Company's restructuring in 2012 involved the reorganization of various management and operational functions, and a second phase of the shared service center in EMEA. The restructuring in 2011 involved the reorganization of the operational structure mainly relating to hardware sales management layers, and the first phase of the shared service center, which resulted in a provision that was largely utilized in 2012. A total restructuring charge of $4.9 million was recognized in the Consolidated Income Statement for the year ended June 30, 2012. No restructuring charges have been recognized for the years ended June 30, 2014 and June 30, 2013.

As part of the restructuring announced in 2011, a number of the properties under operating lease became onerous. The year-end provision represents the Company's estimate of the net cost expected to arise across the remaining life of the leases on these underutilized properties, which is between one and two years.

Contingent consideration relates to deferred payments related to acquisitions. For the twelve month period ended June 30, 2014, contingent consideration arising of $10.6 million related to deferred consideration of $7.1 million from the acquisition of Kapow, and increases to the fair value of contingent consideration related to the purchase of Altosoft based on subsequent reassessments of the fair value of the liability. For the twelve month period ended June 30, 2013, contingent consideration arising of $10.1 million related to deferred consideration of $4.0 million relating to the acquisition of Altosoft, and the accretion of estimated retention and earnout payments over the service period from the purchase of Singularity.

Amounts reversed against the income statement during the twelve months ended June 30, 2014 and 2013 represent periodic downward revisions to the fair value of contingent consideration related to the acquisition of Singularity.

Amounts utilized during the period represented cash payments on deferred consideration of $6.4 million and $9.9 million during the twelve months ended June 30, 2014 and 2013, respectively. Payments during the twelve months ended June 30, 2014 related to $3.3 million of deferred consideration and retention bonuses paid related to the Altosoft acquisitions, $1.9 million related to the first installment of deferred consideration paid related to the acquisition of Kapow, and $1.2 million of contingent consideration related to the acquisition of Atalasoft. During the twelve months ended June 30, 2013 payments related to $7.9 million of deferred consideration and retention bonuses paid related to the Singularity acquisition and $2.0 million of contingent consideration related to the acquisition of Atalasoft.

On August 1, 2014 the Company paid the second installment of Kapow deferred consideration of $2.3 million with the remaining deferred consideration to be released upon the two year anniversary of the acquisition.

NOTE 20 FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Company has various financial assets including trade receivables and cash, which arise directly from its operations. The Company's principal financial liabilities, other than derivatives, comprise of trade payables and financial accruals.

The principal risks facing the Company's financial assets are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The policy for managing these risks is set by the Board and implemented by the Company's finance department. Certain risks are managed centrally, whilst others are managed locally following guidelines communicated by the central finance team.

The policy for each of the above mentioned risks is outlined in more detail below.

Foreign currency risk

The Company's operations are diversified geographically and are therefore exposed to foreign currency risks primarily related to the Euro, British pound and Swiss franc.

Exchange risks predominantly relate to the revaluation of balances associated with intercompany transactions.

The Company operates under a transfer pricing model, where software licenses and maintenance services are sold internally to intercompany re-sellers. Such transactions are denominated in the applicable functional currency of the re-seller, therefore the Company intellectual property owner carries the exchange risk, which is recorded in the Consolidated Income Statements on settlement of the intercompany obligation.

The Company is also subject to foreign currency risk associated with customer transactions in varying currencies and cash deposits held in non-functional currencies.

The following table demonstrates the sensitivity to a reasonable change in the Company's key currency exchange rates, with all other variables held constant, of the Company's profit before tax and equity, due to changes in fair values of monetary assets and liabilities.

($ in thousands, except interest rates)	Change in rate	Effect on result before taxes	Effect on equity
2014			
Euro	+10%	(4,445)	(659)
	-10%	4,445	659
British pound	+10%	313	(4,735)
	-10%	(313)	4,735
Swiss franc	+10%	2,008	–
	-10%	(2,008)	–

($ in thousands, except interest rates)	Change in rate	Effect on result before taxes	Effect on equity
2013			
Euro	+10%	(603)	(627)
	-10%	603	627
British pound	+10%	2,572	(4,210)
	-10%	(2,572)	4,210
Swiss franc	+10%	527	–
	-10%	(527)	–

Interest rate risk

The Company utilizes both fixed and floating interest rates, and assesses the risk and reward associated with these rates when acquiring new financial assets or liabilities. The Company has no interest bearing liabilities, but is exposed to interest rate risk resulting from changes in the market interest rate on its interest bearing assets.

Assets at floating rates expose the Company to cash flow interest risks, while interest bearing assets at fixed rates expose the Company to fair value interest risk. The Company's floating rate financial assets are based on variable bank deposit rates.

The following sensitivity analysis shows the impact on the Company of a reasonable change in the floating interest rate, which is predominantly based upon LIBOR plus an agreed premium. The currency and the average weighted interest rate profile of the Company's financial assets and liabilities are as follows:

Financial assets

($ in thousands, except interest rates)	Floating rate		Fixed rate		Interest free assets	Total
	Rate	Balance	Rate	Balance		
2014						
British pound	–%	(8)	–%	8,534	6,002	14,528
U.S. dollar	0.84%	272	0.15%	55,011	33,191	88,474
Euro	–%	3	–%	14,187	13,502	27,692
Swiss franc	–%	–	–%	3,249	2,002	5,251
Other	–%	2,284	3.03%	6,099	7,010	15,393
Total		**2,551**		**87,080**	**61,707**	**151,338**
2013						
British pound	–%	40	–%	2,559	8,859	11,458
U.S. dollar	–%	–	0.01%	68,050	31,550	99,600
Euro	0.17%	1	0.07%	12,784	18,245	31,030
Swiss franc	–%	–	0.07%	1,004	1,428	2,432
Other	–%	1,444	3.43%	7,531	4,507	13,482
Total		**1,485**		**91,928**	**64,589**	**158,002**

Financial liabilities

($ in thousands)	Interest free liabilities
2014	
British pound	2,648
U.S. dollar	21,071
Euro	4,364
Swiss franc	884
Other	2,928
	31,895
2013	
British pound	5,236
U.S. dollar	18,552
Euro	3,907
Swiss franc	701
Other	1,803
	30,199

The impact of a one percent increase or decrease in interest rates would not have a material effect on the Company's Consolidated Income Statements.

Liquidity risk

The Company holds zero-balancing cash concentration structures in the U.S. and EMEA regions. At the close of each business day, bank accounts attached to the concentration structure are swept such that their closing balance is zero, either transferring to or drawing down from the applicable header accounts. This has strengthened the Company's liquidity management, resulting in fewer manual intercompany cash transactions and enhanced oversight and reporting of Company cash.

The Company's policy is to maintain sufficient cash balances of the required currencies to meet financing obligations. The central finance department monitors its risk to a local shortage of funds and considers the frequency and timing of significant cashflows accordingly. The contractual maturities of Company financial liabilities are as follows, as of June 30:

($ in thousands)	0 – 90 days	91 – 180 days	181 – 360 days	361 – 720 days	More than 720 days	Total
2014						
Trade payables	3,106	89	11	–	–	3,206
Other creditors	6,079	–	2,309	2,500	–	10,888
Accruals (financial)	16,476	927	266	45	87	17,801
Current financial liabilities	–	–	–	–	–	–
Non-current financial liabilities	–	–	–	–	–	–
Total financial liabilities	**25,661**	**1,016**	**2,586**	**2,545**	**87**	**31,895**
2013						
Trade payables	3,422	104	4	–	–	3,530
Other creditors	1,454	1	–	–	–	1,455
Accruals (financial)	17,019	18	56	31	–	17,124
Current financial liabilities	2,392	1,764	2,178	–	–	6,334
Non-current financial liabilities	–	–	–	1,756	–	1,756
Total financial liabilities	**24,287**	**1,887**	**2,238**	**1,787**	**–**	**30,199**

The financial accruals reported in the table above exclude non-financial accruals in the amount of $9.3 million (2013: $7.9 million), which were included in the balance sheet amount of $27.1 million (2013: $25.0 million).

Borrowing facility

On August 11, 2011, the Company entered into a secured revolving line of credit that provides for borrowings of up to $40.0 million, and is secured by the Company's assets, including those of subsidiaries. The revolving credit facility is subject to affirmative and negative covenants, including meeting defined EBITDA milestones, leverage and liquidity ratios. As of June 30, 2014, the Company is in compliance with these covenants. As of June 30, 2014, the Company had $39.5 million available under the revolving line of credit, after having used $0.5 million for the commitment of certain standby letters of credit in relation to facility leases. Borrowings under the revolving line of credit accrue interest at a rate equal to LIBOR plus 1.50% to 1.75% plus a base rate of 0.00% to 0.25%.

Credit risk

Cash and other short term deposits are primarily invested with global top tier commercial banks. As a consequence of the current economic environment, a risk assessment has been performed by management, including analysis of the credit quality rating of the Company's banks, with no adverse actions resulting.

The Company is exposed to credit risks arising from sales transactions. To mitigate this, credit checks are performed on all new customers before entering into contracts. Furthermore, the Company has implemented an escalating set of securitization measures including letters of credit and bank guarantees. For certain high risk customers the risk of default is insured through various third party providers.

The overall Company debtor exposure is managed centrally and respective measures and actions are taken to proactively monitor potential new credit exposures.

The amounts recorded in the Consolidated Statement of Financial Position reflect the Company's maximum credit risk exposure, taking into consideration any credit insurance coverage. Due to the small number of large transactions with individual customers the Company considers the possibility of a credit risk concentration low. The ages of trade and other receivables for the Company were as follows, at June 30:

($ in thousands)	Neither past due or impaired	0 – 90 days	91 – 180 days	181 – 360 days	More than 360 days	Total
2014						
Trade receivables, net	49,444	8,328	608	13	–	58,393
Other receivables	2,745	15	–	–	554	3,314
Total receivables	**52,189**	**8,343**	**608**	**13**	**554**	**61,707**
2013						
Trade receivables, net	50,278	10,041	425	20	165	60,929
Other receivables	1,458	4	–	2,009	189	3,660
Total receivables	**51,736**	**10,045**	**425**	**2,029**	**354**	**64,589**

Trade and other receivables of $9.5 million (2013: $12.9 million), net of provision for doubtful accounts of $0.9 million (2013: $1.2 million), were past due but not impaired. These net amounts relate to customers where there has been no history of default and are considered fully recoverable.

Finance management performs a bad debt review at each reporting period, taking into account the credit quality of customers, past payment history and current economic conditions. Overall, the credit quality of customers is considered high. The credit checks performed prior to taking on new customers are designed to ensure that this quality is upheld.

Hedging activities

The Company has a formal hedging policy and benefits from natural foreign exchange hedging. Specific high value foreign currency balances are hedged through forward contracts at the discretion of executive management and the Board of Directors.

The settlement of such contracts during the year ended June 30, 2014 gave rise to a net $0.6 million realized loss in the consolidated income statements (2013: $0.1 million realized gain).

At June 30, 2014 the Company has two open forward contracts to hedge foreign currency exposure on 9.2 million South African rand ($0.8 million) of cash deposits held in South Africa and 9 million Euros ($12.4 million). The fair value of the forward contracts at the balance sheet date represents an immaterial liability and has a maturity date of September 30, 2014.

The Company does not apply hedge accounting for these forward contracts or any other hedging activity.

Capital Management

Finance management considers share capital, share premium and retained earnings to be the capital of the Company. The primary objective with regard to capital management is to ensure that a strong credit rating and robust capital ratios are maintained in order to support the business and maximize shareholder value. Currently, operations are funded by the use of operating cash flows. The Company does not have a prior history of paying dividends and management does not anticipate making such distributions in the immediate future, rather utilizing cash to support the operation and finance the growth and development of the business. The Company was in compliance with all debt covenants at each reporting period end.

The Company also holds capital in treasury and employee benefit trusts with the primary intent to maintain its capital structure and to hold shares available for issuance to employees under stock based compensation plans.

NOTE 21 FINANCIAL INSTRUMENTS – FAIR VALUE

Categories of financial instruments

There is no significant difference between the fair value of the financial assets and liabilities of the Company and their carrying value in the accounts. This is due to management measuring forward contracts at each year end, large deposits and cash balances in stable currencies and limited exposure to financial liabilities.

Fair value hierarchy

Level 1: Quoted (unadjusted) prices in active markets for identical asset or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of deferred consideration has been calculated based on management's review of underlying variables and best assessment regarding the probability of contingent events occurring. The fair value of foreign currency forward contracts is established based on market value advice received by management from the issuing bank.

	June 30, 2014				
($ in thousands)	Total	Amortized Cost	Level 1	Level 2	Level 3
Assets measured at fair value					
Cash and cash equivalents	89,631	–	89,631	–	–
Foreign currency forward contracts	58	–	–	58	–
Trade and other receivables	61,649	61,649	–	–	–
Total assets measured at fair value	**151,338**	**61,649**	**89,631**	**58**	**–**
Liabilities measured at fair value					
Trade and other payables	23,192	23,192	–	–	–
Contingent consideration	8,703	–	–	–	8,703
Total liabilities measured at fair value	**31,895**	**23,192**	**–**	**–**	**8,703**

	June 30, 2013				
($ in thousands)	Total	Amortized Cost	Level 1	Level 2	Level 3
Assets measured at fair value					
Cash and cash equivalents	93,413	–	93,413	–	–
Trade and other receivables	64,589	64,589	–	–	–
Total assets measured at fair value	**158,002**	**64,589**	**93,413**	**–**	**–**
Liabilities measured at fair value					
Trade and other payables	22,100	22,100	–	–	–
Foreign currency forward contracts	9	–	–	9	–
Contingent consideration	8,090	–	–	–	8,090
Total liabilities measured at fair value	**30,199**	**22,100**	**–**	**–**	**8,090**

The tables above exclude non-financial receivables of $10.5 million (2013: $8.9 million) and non-financial payables of $13.8 million (2013: $13.4 million), which are included in the Statements of Financial Position.

During the reporting period ended June 30, 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

A reconciliation of fair value measurements of level 3 financial instruments is disclosed below:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Beginning of the year	**(8,090)**	**(9,570)**
Contingent consideration payments	6,374	9,933
Fair value of contingent consideration from acquisition	(10,588)	(10,055)
Change in fair value of contingent consideration	3,920	1,543
Foreign exchange translation effects	(319)	59
End of the year	**(8,703)**	**(8,090)**

NOTE 22 EMPLOYEE BENEFITS

a) Defined contribution schemes

The Company operates a number of defined contribution pension schemes on behalf of the employees of different subsidiary undertakings. The assets are held separately from those of the subsidiaries, in independently administered funds. The pension charges recognized in the Consolidated Income Statements represent contributions payable by the companies to the funds and amounted to $1.4 million (2013: $1.3 million). No contributions were outstanding at year end.

b) Defined benefit schemes

The table below shows the movements in the net defined benefit obligation across the current and prior year. Significant defined benefit schemes are operated in Switzerland, Austria, and Italy with four smaller schemes in France, Belgium, India, Mexico and United Arab Emirates.

A reconciliation of the deficit on the defined benefit schemes for the Company is disclosed below:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Beginning of the period	**3,018**	**2,259**
Current service cost	764	629
Past service cost	(33)	–
Net Interest cost	78	15
Re-measurement gains/(losses) in other comprehensive income:		
Return on plan assets (excluding amounts included in net interest expense)	(195)	(223)
Actuarial changes arising from changes in financial assumptions	295	437
Effect of experience adjustments	292	400
Actuarial changes arising from changes in demographic assumptions	–	195
Increase due to plan combinations	41	–
Benefit payments from employer	(26)	–
Contributions by Company	(332)	(712)
Exchange losses on foreign plans	176	18
End of the period	**4,078**	**3,018**
Represented by		
Swiss defined benefit scheme arrangements	2,025	1,537
Austrian defined benefit scheme arrangements	1,158	993
Italian defined benefit scheme arrangements	460	280
United Arab Emirates defined benefit scheme arrangements	179	132
Indian defined benefit scheme arrangements	93	(6)
French defined benefit scheme arrangements	91	44
Belgium defined benefit scheme arrangements	35	–
Mexican defined benefit scheme arrangements	37	38
Total	**4,078**	**3,018**
Analysis of the amount charged to operating profit		
Current service cost	764	629
Past service cost	33	–
Analysis of the amount credited to other finance income		
Net interest cost	78	15
Analysis of amount recognized in Consolidated Statements of Comprehensive Income		
Return on plan assets (excluding amounts included in net interest expense)	(195)	(223)
Actuarial changes arising from changes in financial assumptions	295	437
Effect of experience adjustments	292	400
Actuarial changes arising from changes in demographic assumptions	–	195
Increase due to plan combinations	41	–
Exchange differences loss	176	18
Actual return on plan assets - $	273	355
Actual return on plan assets - %	5.03%	8.42%

Actuarial gains/ (losses) are charged in the Consolidated Statement of Comprehensive Income.

The cumulative actuarial loss recognized in the Consolidated Statement of Comprehensive Income upon the transition to IFRS was $0.7 million. Management is unable to determine how much of the pension scheme deficit recognized on transition to IFRS, and taken directly to equity on the Company, is attributable to actuarial gains and losses since inception of those pension schemes. Consequently, Management is unable to determine the amount of actuarial gains and losses that would have been recognized in the Consolidated Statement of Comprehensive Income before the transition to IFRS. The expected contributions payable to the schemes for the next fiscal year amount in total to $0.4 million (2013: $0.3 million).

History of experience of gains and losses

	Funded pension scheme – Switzerland				
($ in thousands)	2014	2013	2012	2011	2010
Fair value of scheme assets	5,434	4,213	3,311	4,030	4,329
Present value of defined benefit obligation	(7,459)	(5,750)	(4,381)	(5,601)	(6,543)
Deficit in the scheme	(2,025)	(1,537)	(1,070)	(1,571)	(2,214)
Experience adjustments arising on plan liabilities	226	355	(530)	(702)	790
Experience adjustments arising on plan assets	195	223	(8)	133	186

	Other post-employment schemes – Austria				
($ in thousands)	2014	2013	2012	2011	2010
Present value of defined benefit obligation	1,158	993	766	729	624
Experience adjustments arising on plan liabilities	(14)	24	129	12	–

	Other post-employment schemes – Italy				
($ in thousands)	2014	2013	2012	2011	2010
Present value of defined benefit obligation	460	280	254	523	799
Experience adjustments arising on plan liabilities	72	(12)	–	–	–

Funded pension scheme - Switzerland

The most significant funded pension scheme is operated by two subsidiary undertakings in Switzerland for their employees. The scheme is managed by a corporate trustee who is accountable to the pension scheme members. Management has reviewed the terms and conditions of the scheme, in particular with regard to the mechanism for funding any deficit that might arise. Although the scheme has many of the characteristics of a defined contribution scheme, the scheme effectively includes a minimum guaranteed annuity rate, any shortfall in which the trustee would normally ask the employer to contribute.

The contributions made during the year by the Company amount to $0.3 million (2013: $0.6 million). Contribution rates in percentages of the insured salary payable by the Company vary from 5% to 20%, depending on age of the employee.

The pension cost relating to this scheme was assessed in accordance with the advice of a qualified independent actuary using the projected unit method. The most recent valuation, at June 30, 2014, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 73% (2013: 74%) of its liabilities.

The average duration of the defined benefit plan obligation at the end of the reporting period is 20.4 years (2013: 19.8 years).

A full actuarial valuation of the defined benefit scheme was carried out in June 2013, by a qualified independent actuary, on an IAS 19 basis.

The major assumptions used by the actuary were:

	For the Year Ended June 30,	
	2014	2013
Rate of increase in salaries	1.50%	2.15%
Rate of increase in pensions in payment	0.00%	0.00%
Rate of increase in mortality assumptions	0.00%	0.00%
Discount rate	2.00%	2.20%

NOTE 22 EMPLOYEE BENEFITS (continued)

Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

($ in thousands, except percentages)

Assumption	Change in Assumption	Impact on Scheme Liabilities	%
Discount rate	1.00%	1,751	23.48%
	(1.00)%	(1,289)	(17.28)%
Rate of salary increases	0.50%	262	3.52%
	(0.50)%	(252)	(3.38)%

The expected contributions for the next fiscal year amount in total to $0.4 million (2013: $0.3 million).

The assets in the scheme and the expected long term rate of return are discussed below:

	For the Year Ended June 30,			
	2014		2013	
($ in thousands, except interest rates)	Rate	Balance	Rate	Balance
Equity instruments	5.80%	1,904	6.00%	1,452
Debt instruments	1.57%	2,685	1.67%	2,313
Real estate	4.00%	548	4.00%	448
Cash	0.20%	297	–	–
Total market value of assets		**5,434**		**4,213**
Present value of scheme liabilities		(7,459)		(5,750)
Deficit		**(2,025)**		**(1,537)**

The overall expected rate of return on assets is determined based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. No deferred tax asset has been recognized on the pension scheme liability as its future recoverability is uncertain.

A reconciliation of scheme assets is disclosed below:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Beginning of the year	**4,213**	**3,311**
Interest income	101	131
Contributions by participants	332	292
Contributions by the Company	332	568
Benefits paid	53	122
Insurance premiums for risk benefits	(148)	(136)
Return on plan assets (excluding interest income)	195	(52)
Exchange differences on foreign plans loss	356	(23)
End of the year	**5,434**	**4,213**

A reconciliation of scheme liabilities is disclosed below:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Beginning of the year	**5,750**	**4,381**
Interest cost	129	97
Current service cost	539	414
Past service cost	(67)	–
Employee contributions	332	292
Benefits paid	53	122
Insurance premiums for risk benefits	(148)	(136)
Effect of change in financial assumptions	181	43
Effect of experience adjustments	226	355
Effect of changes in demographic assumptions	–	195
Exchange differences gain	464	(13)
End of the year	**7,459**	**5,750**

NOTE 22 EMPLOYEE BENEFITS (continued)

A reconciliation of the amounts charged to the consolidated Income Statements and Consolidated Statements of Comprehensive Income are disclosed below:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Analysis of the amount charged to operating profit		
Current service cost	539	414
Past service cost	(67)	–
Analysis of other finance income		
Net interest (income)/cost	28	(34)
Analysis of amount recognized in consolidated statements of comprehensive income		
Return on plan assets (excluding amounts included in net interest expense)	(195)	52
Effect of change in financial assumptions	181	43
Effect of experience adjustments	226	355
Effect of changes in demographic assumptions	–	196
Exchange differences gain/ (loss)	(108)	(10)

Other post-employment schemes - Austria

The Company operates an end of service scheme for its current employees, which meets the definition of a defined benefit scheme under IAS 19. The benefits are based on the remuneration and the years of service. The principal actuarial assumptions used were as follows:

	For the Year Ended June 30,	
	2014	2013
Discount rate	3.00%	3.25%
Salary increase	2.50%	2.50%

The amounts included in the Consolidated Statements of Financial Position are as follows:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Beginning of the year	**993**	**766**
Expense recognized in consolidated income statements	88	75
Effect of changes in financial assumptions	39	100
Effect of experience adjustments	(14)	24
Exchange differences (gain)/ loss	52	28
End of the year	**1,158**	**993**

A reconciliation of the amounts charged to the consolidated Income Statements and Consolidated Statements of Comprehensive Income are disclosed below:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Analysis of the amount charged to operating profit		
Current service cost	54	43
Analysis of other finance income		
Interest on pension scheme liabilities	34	32
Analysis of amount recognized in consolidated statements of comprehensive income		
Effect of change in financial assumptions	39	100
Effect of experience adjustments	(14)	24
Exchange differences gain/ (loss)	52	28

NOTE 22 EMPLOYEE BENEFITS (continued)

Other post-employment schemes - Italy

The Company recognizes a liability in respect of a post-employment benefit plan in Italy for employee termination indemnities (TFR). The benefits, which become payable on departure of the employee, accrue after each year of service and are based upon the remuneration received in that year. The amount payable is increased each year by inflation. Due to changes introduced by Italy's Finance Act, benefits accruing after January 1, 2007 are treated as defined contributions and accounted for accordingly. Benefits that arose prior to January 1, 2007 are treated as defined benefits and therefore accounted for in accordance with the provisions of IAS 19 for this type of plan. The principal actuarial assumption used was as follows:

	For the Year Ended June 30,	
	2014	2013
Inflation rate	2.00%	2.00%

The amounts included in the Consolidated Statements of Financial Position are as follows:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Beginning of the year	**280**	**254**
Expense recognized in consolidated income statement	99	91
Effect of changes in financial assumptions	13	–
Effect of experience adjustments	72	(12)
Employer direct benefit payments	(21)	(62)
Exchange differences (gain)/ loss	17	9
End of the year	**460**	**280**

A reconciliation of the amounts charged to the Consolidated Income Statements and Consolidated Statements of Comprehensive Income are disclosed below:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Analysis of the amount charged to operating profit		
Current service cost	92	83
Analysis of other finance income		
Interest on pension scheme liabilities	7	8
Analysis of amount recognized in consolidated statements of comprehensive income		
Effect of change in financial assumptions	13	–
Effect of experience adjustments	72	(12)
Exchange differences gain/ (loss)	16	9

NOTE 23 SHARE CAPITAL

The equity share capital of the Company is as follows:.

	Issued, called up and fully paid	
	Shares	$ in thousands
As of June 30, 2012	**93,998,478**	**94**
Issued under option scheme	708,415	1
As of June 30, 2013	**94,706,893**	**95**
Issued under option scheme	210,701	–
New share capital issued	2,300,000	2
As of June 30, 2014	**97,217,594**	**97**

In 2013, the shareholders authorized 250 million common shares, equating to a share capital value of $0.3 million.

Par value per share of the Company's common share amounts to $0.001. There is one class of common share in issue. Each common share ranks pari passu with regards to income, voting rights and return of capital on a winding up or otherwise. The holders of each common share shall be entitled to receive profits of the Company, which may be distributed by way of dividends or profits or assets of the Company on a winding up in proportion to the amounts paid up, or credited as paid up, on such common shares. The holders of each common share shall be entitled to one vote at any general meeting of the Company, and on a poll, every holder of a common share shall have one vote for every share. There are no restrictions on the transfer of fully paid securities in the Company contained in the articles of association.

NOTE 23 SHARE CAPITAL (continued)

The consideration received upon the issuance of shares following the exercise of options and new share capital issued was $13.0 million (2013: $1.9 million). All shares rank pari passu, with the exception of shares held by the ESOP, which rank pari passu only upon exercise.

The number of outstanding shares of the Company is as follows:

Outstanding shares at June 30, 2012	**83,689,276**
Issued under option and LTIP scheme	708,415
Issued under option and LTIP scheme with EBT shares	812,045
Repurchase of shares to be held by the EBT	(210,000)
Outstanding shares at June 30, 2013	**84,999,736**
Issued under option and LTIP scheme	210,701
Issued under option and LTIP scheme with EBT shares	736,291
New share capital issued	2,300,000
Repurchase of shares to be held by the EBT	(725,000)
Outstanding shares at June 30, 2014	**87,521,728**

The following describes the nature and purpose of the reserve balances:

Reserve	Description and purpose
Share premium account	Amount subscribed for share capital in excess of nominal value.
Currency translation adjustment	Gain/ (loss) arising on the retranslation of foreign operations' net assets into U.S. Dollars.
Merger reserve	Reserve arising on consolidation to reflect the fair value of shares issued as consideration for acquisitions where the shares were recorded at nominal value
Treasury shares	Weighted average cost of Kofax Ltd. shares held by the Company. At June 30, 2014 the Company held 5,068,374 shares in treasury (2013: 5,068,374).
Employee benefit shares	Weighted average cost of own shares held by the Company's trusts. At the year end, the Company's trusts held 4,627,492 (2013: 4,638,783 shares).
Retained earnings	Cumulative net gains and losses recognized in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income, excluding those items recognized in other reserves.

NOTE 24 SHARE-BASED PAYMENTS

Share option scheme

The Company operates an equity-settled share-based remuneration scheme, granting at its discretion share options of the Company to executive Directors, management and certain other employees.

The exercise price of the options is equal to the market price of the underlying shares on the date of grant. Vesting is dependent on the employee remaining in continued employment over the stipulated vesting period. Options vest and are exercisable after one year from the date of grant with 6.25% vesting each three months thereafter, until fully vested after four years and expire ten years from the date of grant, if unexercised.

The fair value of share options granted is estimated at the date of the grant using the Black-Scholes pricing model, taking into account the terms and conditions upon which the share options were granted.

Including the options granted to the Directors, which are shown in the Directors' Remuneration Report on pages 37 to 49, the following options of common shares (denominated in United States dollar or translated at the mid-market rate for the U.K. pound expressed as U.S. dollars per £1.00 on the date of grant) have been granted to employees of the Company and remain outstanding at June 30, 2014.

	For the Year Ended June 30,			
	2014		2013	
	Weighted average exercise prices	Shares	Weighted average exercise prices	Shares
Beginning of the year	**$3.52**	**5,385,762**	**$3.97**	**6,433,601**
Granted during the year	$6.82	582,000	$4.51	323,900
Exercised during the year	$3.52	(755,950)	$2.95	(918,009)
Forfeited during the year	$5.11	(267,118)	$3.93	(453,730)
End of the year	**$3.84**	**4,944,694**	**$3.52**	**5,385,762**

NOTE 24 SHARE-BASED PAYMENTS (continued)

Of the total number of options outstanding at the end of the year, 4.1 million (2013: 4.3 million) had vested and were exercisable at the end of the year at an average exercise price of $3.34 (2013: $3.32). During the year 38,875 options expired (2013: 10,000). The weighted average share price (at the date of exercise) of options exercised during the year was $6.60 (2013: $4.70).

The exercise price of options outstanding at the end of the year ranged between $1.99 and $9.14 (2013: between $1.99 and $7.90). The weighted average remaining contractual life is 5.7 years (2013: 6.2 years). The weighted average fair value of each option granted during the year was $2.78 (2013: $1.79).

The following table presents the options outstanding as of the end of the each year presented:

	For the Year Ended June 30,	
(Number of shares)	2014	2013
Exercise Price ($)		
$1.00 – $1.99	100,000	132,813
$2.00 – $2.99	1,652,293	1,835,392
$3.00 – $3.99	1,190,120	1,677,182
$4.00 – $4.99	1,316,381	1,543,975
$5.00 – $5.99	211,400	56,400
$6.00 – $6.99	35,000	–
$7.00 – $7.99	428,500	140,000
$8.00 – $8.99	–	–
$9.00 – $9.99	11,000	–
Total	4,944,694	5,385,762

The determination of fair value using the Black-Scholes model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors.

Subsequent to the Company's December 5, 2013 initial public offering, options granted will be satisfied using shares purchased on the NASDAQ Global Select Market. As such, the fair value of options granted subsequent to December 5, 2013, used assumptions based upon NASDAQ share trading information and stock prices for the Black-Scholes option-pricing model used.

Stock options granted during 2014 and 2013, prior to the Company's initial public offering, were valued using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the Year Ended June 30,	
	2014	2013
Weighted average share price at date of grant	363 U.K. pence	286 U.K. pence
Weighted average exercise price	363 U.K. pence	286 U.K. pence
Expected volatility	44.2%	43.5%
Expected dividend yield	0.0%	0.0%
Risk-free interest rate	1.8%	1.0%
Expected option life	5.4 years	5.2 years

Expected volatility was determined taking into account historical volatility of the Company's LSE share price.

Stock options granted during 2014, subsequent to the Company's initial public offering, were valued using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the Year Ended June 30,
	2014
Weighted average share price at date of grant	$7.75
Weighted average exercise price	$7.75
Expected volatility	40.6%
Expected dividend yield	0.0%
Risk-free interest rate	1.5%
Expected option life	5.4 years

Expected volatility was determined taking into account historical volatility of the Company's LSE share price and the historical volatility of selected peer companies share prices, as the Company's shares had limited trading history on the NASDAQ Global Select Market subsequent to the Company's December 2013 initial public offering.

NOTE 24 SHARE-BASED PAYMENTS (continued)

Long Term Incentive Plan (LTIP)

Under the Kofax Limited 2012 Long Term Incentive Plan, grants are awarded to senior executives at the discretion of the Remuneration Committee. The shares vest after three years, contingent on the successful achievement of the following performance criteria:

(a) Continued employment of three years after the effective date of the award,

(b) 50% on the attainment of revenue goals, and

(c) 50% on the achievement of earnings target goals, as defined.

The fair value of the LTIP award is based on the market share price at grant date, with the number of shares included in the measurement of the charge reassessed each reporting period to reflect management's best estimate of non-market performance criteria achievement. The fair value also assumes no dividends.

Including the LTIPs granted to the Directors, which are shown in the Directors' Remuneration Report on pages 51 to 73, the following LTIPs (denominated in United States dollar or translated at the mid-market rate for the U.K. pound expressed as U.S. dollars per £1.00 on the date of grant) have been granted to employees and remain outstanding at June 30, 2014.

	For the Year Ended June 30,			
	2014		2013	
	Weighted average exercise prices	Shares	Weighted average exercise prices	Shares
Beginning of the year	**$3.79**	**3,285,529**	**$3.54**	**2,538,044**
Granted during the year	$6.18	1,317,500	$4.30	1,263,956
Awarded during the year	$3.63	(191,043)	$3.02	(266,471)
Forfeited during the year	$4.57	(204,506)	$5.02	(250,000)
End of the year	**$4.54**	**4,207,480**	**$3.79**	**3,285,529**

The market value of outstanding LTIP awards at grant date ranged between $5.64 and $9.11 (2013: between $2.26 and $7.74). The weighted average remaining vesting period of outstanding shares is 1.1 years (2013: 1.2 years).

Share based payment expense recognized for employee services received during the year is shown in the following table:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Expense arising from share option scheme	686	515
Expense arising from LTIP	4,109	836
Expense arising from employee benefit shares	72	42
Total share-based payment expense	**4,867**	**1,393**

Share based payment expense recognized by functional line in the Consolidated Income Statements is as follows:

	For the Year Ended June 30,	
($ in thousands)	2014	2013
Cost of maintenance services	79	14
Cost of professional services	92	28
Research and development	884	274
Selling and marketing	2,607	579
General and administrative	1,205	498
Acquisition-related costs	–	–
Total share-based payment expense	**4,867**	**1,393**

NOTE 25 SHARE BUY BACK

During the year ended June 30, 2014 and June 30, 2013 the Kofax Employee Share Trust (the Trust) purchased a total of 725,000 and 210,000 common shares of the Company in the open market at an average price of 414.50 U.K. pence and 280.25 U.K. pence per share, respectively. Following these purchases, 4,627,492 and 4,638,783 shares are held by the Trust and are included in Employee benefit shares in the Consolidated Statement of Financial Position as of June 30, 2014 and June 30, 2013, respectively.

At June 30, 2014 and June 30, 2013, the Company held a total of 5,068,374 common shares in treasury, and the Company had additional 92,149,220 and 89,638,519 common shares in issue out of treasury as of June 30, 2014 and June 30, 2013, respectively.

NOTE 26 ANALYSIS OF NET FUNDS

($ in thousands)	For the Year Ended June 30, 2014	2013
Cash in hand, at bank	89,178	92,084
Short-term deposits	453	1,329
Total cash and cash equivalents	**89,631**	**93,413**

Total cash and cash equivalents of $89.6 million (2013: $93.4 million) are shown on the Statement of Financial Position.

NOTE 27 LEASES

Operating leases

The Company leases the majority of its property and equipment in various countries. The terms of building leases vary, with rent reviews between one and seven years, and many lease contracts have break clauses. The terms of other operating lease contracts are between one and three years. Future minimum operating lease payments are due as follows:

($ in thousands)	For the Year Ended June 30, 2014	2013
Not later than one year	7,533	7,690
Later than one year but not later than five years	6,998	13,194
Later than five years	719	465
Total operating lease payments	**15,250**	**21,349**

Total future operating lease payments relating to leased buildings amounts to $15.1 million (2013: $21.2 million). The Company has no finance leases.

NOTE 28 RELATED PARTY TRANSACTIONS

Total compensation paid to key management personnel:

($ in thousands)	For the Year Ended June 30, 2014	2013
Short-term employee benefits	2,300	1,893
Post-employment pension benefits	4	4
Share-based payments	664	193
Total compensation paid to key management personnel	**2,968**	**2,090**

The post-employment benefits amount shown above represents contributions to defined contribution and defined benefit schemes. Refer to the Directors' Remuneration Report for details regarding defined benefit schemes. Given their authority level combined with delegation of key decision making to the Board, the Company does not consider any non-Director members of the executive management team as key management personnel as defined in IAS 24 and therefore are not considered related parties.

Directors' interests

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

(Number of shares)	For the Year Ended June 30, 2014	2013
Beneficial interests in issued share capital	24,238,422	17,878,332

Directors' interests in share options and LTIP's

Directors of the Company held 1,169,800 LTIP shares as of June 30, 2014 and 649,000 LTIP shares as of June 30, 2013, of which 649,000 LTIP shares were vested during the period ended June 30, 2014 and June 30, 2013. Based upon performance criteria, shares become subject to release three years after their issuance. Market prices on the date of grant of the shares were between $2.40 and $5.64 at the grant dates.

Directors of the Company held 1,950,000 share options as of June 30, 2014 and June 30, 2013; no options were granted during each period. No share options lapsed during the periods. The exercise periods are between 2011 and 2020 with exercise prices of the shares between $2.40 and $4.13.

NOTE 29 CONTINGENT LIABILITIES

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

NOTE 30 SUBSEQUENT EVENTS

Acquisition of Softpro GmbH

On September 1, 2014, Kofax acquired 100% of the shares of Softpro GmbH (Softpro), a company incorporated in the Germany, specializing e-signature and signature verification solutions. The Company believes Softpro's software will accelerate Kofax's ability to improve customer interactions by enabling organizations to offer a streamlined, fully digital and secure experience to their constituents and transform customer workflow to an all-electronic process, dramatically accelerating closure in any type of transaction that requires a contract. Additionally, Softpro provides a full suite of banking solutions including signature verification, authentication and fraud detection. These capabilities, offered both on premise and in the cloud, further differentiate Kofax's smart process application (SPA) offering from competitors who do not offer these capabilities. The acquisition will be accounted for using the acquisition method.

Below we provide provisional information on the acquisition. The valuation had not been completed by the date the financial statements were approved for issue by management. Full information on the acquisition of Softpro will be disclosed in the Company's annual financial statements for the year ending June 30, 2015.

($ in thousands)	Provisional Fair Value
Net liabilities acquired	(1,514)
Intangible assets, including goodwill	36,214
Total consideration	**34,700**
Satisfied by:	
Cash outflow at time of closing	31,200
Deferred consideration	3,500
Total consideration	**34,700**

The provisional goodwill of $36.2 million includes the value of acquired technologies, and expected synergies arising from the acquisition and workforce, which is not separately recognizable. None of the goodwill is expected to be deductible for tax purpose.

Shareholder Information

London Stock Exchange
EPIC/TIDM: KFX (London)
ISIN number: GB00B0L2K157
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NASDAQ
Ticker Symbol: KFX

Computershare maintains the Company's register of shareholders. If any of your details change, or if you have queries regarding your shareholding, please contact Computershare.

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