



## Report and Accounts 2000 .....

- Operating profit before goodwill amortisation +68%
- Turnover EDC division +41%
- Successful integration of Kofax Image Products, Inc.



# Contents

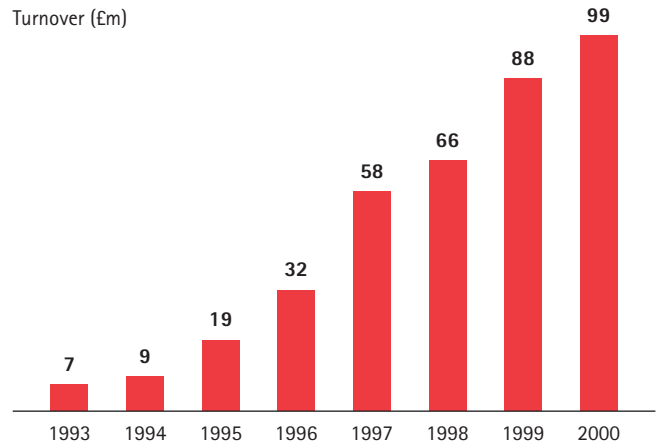
● Financial highlights .....	4
● Chairman's statement .....	5
● Business review .....	8
● Financial review .....	12
● Directors .....	13
● Directors' report .....	14
● Corporate governance statement .....	16
● Remuneration report .....	18
● Statement of directors' responsibilities .....	19
● Auditors' report .....	19
● Consolidated profit and loss account .....	20
● Balance sheets .....	21
● Consolidated cash flow statement .....	22
● Accounting policies .....	23
● Notes to the financial statements .....	25
● Five year record .....	42
● Notice of meeting .....	43
● Financial calendar .....	44
● Company secretary and advisers .....	44
● List of principal trading companies .....	45

## Financial highlights

	2000 £'000	1999 £'000
Turnover	99,229	87,863
Operating profit before goodwill amortisation	4,734	2,815
Operating profit	3,983	2,773
Profit before tax	3,860	3,133
Profit attributable to ordinary shareholders	3,056	2,505
<b>Earnings per share</b>		
- basic	19.1p	19.1p
- adjusted	29.3p	22.7p
- diluted	18.8p	19.1p
Net dividend	3.18p	2.76p
Shareholders' funds - equity	58,800	11,161

### Company development

Turnover (£m)



### DICOM's stock at London Stock Exchange

(Pence)



## Chairman's statement



Otto Schmid

### Results (UK GAAP)

The Group reports sales for the year to 30 June 2000 up 13% in sterling terms to £99.2m (1999: £87.9m). After adjustment for the continuing strength of sterling, for discontinuing business and after adjustment for some commodity business now taken on a commission basis, continuing business in local currency terms contributed organic sales growth of 16%. The acquisition of Kofax Image Products, Inc. ("Kofax") contributed sales growth of 11%.

Operating profit (before goodwill amortisation) is £4,734,000 (1999: £2,815,000), up 68%. After adjustment for the strength of sterling and for discontinued business, operating profit (before goodwill amortisation) is calculated at £6,328,000 (1999: £2,815,000), up 125%.

Profit before tax after goodwill amortisation and interest is £3,860,000 (1999: £3,133,000), up 23%. After tax and minority interests basic earnings per share is calculated at 19.1p (1999: 19.1p). Adjusted earnings per share,

earnings being adjusted for goodwill amortisation and results of discontinued business, is reported at 29.3p (1999: 22.7p), up 29%.

The year 2000 has seen the significant re-positioning of the Group. The acquisition of the US-based Kofax, together with the additional listing on Neuer Markt and the successful fundraising has strengthened the Group and focused its activities on its core electronic data and document capture (EDC) markets. The major contributor to the strong improvement in profitability was the EDC division, which saw solid growth across Europe in the first six months to December 1999 and then, after a slow-down in line with the industry, a significant rebound in May and June. The acquisition of Kofax in January 2000 has created a major international force in the EDC market as the only truly global supplier of products and services. Kofax's results from February were initially behind plan but also recovered strongly in May and June.

The Samsung General Agency (SGA) division achieved good sales growth in the first six months, primarily from the strong demand for flat screen technology in both Switzerland and Austria. However it too suffered from the slow-down in the January to April period in common with a number of technology driven businesses that were affected by Y2K issues.

### DICOM offices: Europe – USA – Asia/Pacific



The Government Solution Division reported significant losses largely due to the unwillingness of customers to make commitments in the lead up to Year 2000. As signalled in the announcement of the interim results to 31 December 1999, the Group has now divested 80% of the Government Solutions Division at book value to management for consideration of £2.1m. The results of this division are disclosed as discontinued and a residual 20% interest is carried forward as a trade investment.

The Group ended the year with net funds of £13.5m (£1.0m at 30 June 1999), after raising £44m, financing organic sales growth and spending £32.8m in cash on investments during the period.

### Operating review

**Electronic Data and Document Capture Division (EDC)** is the Group's largest division, providing components, consulting and integration services and distribution of key related products to worldwide Electronic Document Management system integrators. EDC achieved organic sales growth in local currency terms of 17%. Kofax's contribution accounted for growth of a further 24%. In total EDC contributed 58% of the Group's sales in the year to 30 June 2000. On a pro forma combined basis, including Kofax for the full year, EDC now accounts for 64% of Group sales.

Europe provided solid growth with better margins and improved performance in the major territories (other than Germany) despite postponement of some major projects due to customers' Year 2000 concerns. The drive to provide consulting and other services continues to improve the quantity and quality of the Group's service revenues, which are up 77% compared to last year. The increased level of end-user project involvement, sometimes cross-border, is continuing to raise the Group's profile, bringing a range of larger project opportunities.

Sales of Kofax Ascent Capture software rose steadily during the year from US\$9.2m to US\$15.2m, up 65%. Recently, IBM entered into an agreement to market Ascent Capture to Europe and the Middle East. In the USA, Kofax signed a major software contract with Salomon Smith Barney, with an initial contract value of £0.5m.

In order to increase the focus on EDC business and to leverage the Group's strong position in these markets it has been decided to transfer the Digital Security activities (PKI products and services) into the EDC division, where the specialist needs of system integrators and business partners are better understood.

The Group's **Samsung General Agency Division (SGA)** continued to perform well during the year to 30 June 2000 and contributed 40% to Group turnover. Organic sales growth in local currency terms was 17%. The major

contributor continues to be the Samsung range of computer display monitors where the thin film transistor (TFT) flat screen technology has again provided growth in both Switzerland and Austria, albeit with lower margins. The Group is also now distributing on an exclusive basis Samsung's Communications and Internet Access devices in both Switzerland and Austria and Digital Consumer Electronics products in Switzerland.

### Acquisition of Kofax

The acquisition of Kofax was successfully completed at the end of January 2000. This has established an enlarged group which is a major international player in the imaging, workflow and document management market. DICOM and Kofax together is now the only true global supplier of products and services to the document technologies market, with special focus on the growing EDC segment. It has provided the Company with a broadened product mix towards software and services and significant cross-selling opportunities.

On 20 June 2000, the Group announced the launch of Ascent Capture 4.0, the flagship software of Kofax. An immediate benefit of version 4.0 and its new XML architecture is the ability to develop and integrate custom program modules that act like standard Ascent Capture modules via XML. This architecture opens the way to a much broader range of capture applications, particularly in Internet related capture of e-forms and e-mails. This is the first, but crucial and decisive step to make capture independent from document management. The goal is capture from anywhere, processing of the captured information and delivery of structured information to any kind of application.

The IPBU (Business Unit Image Processing) produces software to enhance the performance and accuracy of the scanning process with industrial scanning applications. On the high end this software is sold in form of boards with Kofax's own chipsets. This business, related closely to the sale of scanners, suffered a slow down in sales in January and February, after achieving record sales in December 1999. A similar slow down was reported by leading manufacturers of scanners for this quarter as well. Since March, there has been a gradual improvement in sales of IP products. VirtualReScan (VRS) which enables scanners to create perfect reproduction of images, is mainly sold within OEM agreements with major scanner manufacturers. VRS is expected to become a new standard in the industry.

The integration process to date has been very successful. Arnold von Büren, the architect of the Components & Service division in Europe, has taken over the management of the software business unit in Kofax in March 2000 and since August 2000 has stepped up as CEO of Kofax. Mr. von Büren will spend the majority of his time in California.

### **Additional listing on the Neuer Markt and inclusion in the techMARK index**

On 26 January 2000, the Group issued 6,000,000 new ordinary shares at Euro 12.50 per share (equivalent to 761p), to raise net proceeds of Euro 67m (equivalent to £40m) pursuant to a Neuer Markt listing.

Since February 2000 DICOM has been a member of the techMARK index. With its listing on the Neuer Markt, DICOM is the only company which is a member of both the Nemax all share index and techMARK.

As a UK incorporated company, DICOM reports its results in UK GAAP (London Stock Exchange requirement) and in IAS (Neuer Markt requirement), and has institutional and private investors primarily in the UK and in Germany.

### **Post balance sheet events**

On 15 August 2000, the Group announced it had acquired a 60% stake in PDS S.r.l., the leading provider of components and services to the EDC market in Italy. The consideration payable amounted to £1.9m of which 40% was paid by 129,420 ordinary DICOM shares and 60% in cash. DICOM has been granted an option to acquire and the vendors have an option to sell the outstanding 40% of PDS after two years.

On 13 September 2000, the Group announced it had committed an equity investment of US\$5m in Cardiff Software Inc., a privately owned data capture company in California, USA.

### **Directors**

On 22 October 1999, David Silver, co-founder of Kofax, was appointed to the Board of DICOM. Following his resignation in July as CEO of Kofax, he continues as a Non-executive Director of the Group. We are grateful to him for his help during the successful integration of Kofax.

### **Staff**

Staff numbers grew during the year to 500. The Kofax acquisition brought in 175 employees, whereas the sale of the Government Solution Division accounted for the departure of 60 employees. DICOM's future prosperity is in large measure dependent on the ability, energy and loyalty of its staff, whose specialist knowledge, training and experience is key to the successful provision of the Group's value-added services. DICOM is fortunate that staff turnover remains low and that we continue to attract high calibre people. I would like to record my personal appreciation to all staff for their commitment and contribution.

In January 2000 the shareholders of DICOM GROUP plc approved a new share option scheme which allows the Board to issue up to 10% of the ordinary issued share capital on a fully diluted basis.

### **Dividend**

The Directors propose a final dividend of 2.12p per ordinary share, which when added to the interim dividend of 1.06p per ordinary share, makes a total dividend for the year of 3.18p per ordinary share (1999: 2.76p). This represents an increase of 15.2% over the previous year.

### **Prospects**

We have experienced good levels of growth in all major markets since May 2000. The Group is on budget for the first two months of the new financial year.

The Kofax acquisition is performing well with exciting prospects for its software products Ascent Capture and VRS. Further acquisitions and investments within the Group's declared areas of focus are under review.

The Group is well funded and well positioned in markets with good growth prospects. The Directors view the outlook for the Group with optimism.

**Otto Schmid**  
**Chairman and Chief Executive**  
**29 September 2000**

## Business review

In the 2000 financial year, the Group took a further major step towards strategic concentration on EDC business. With the successful acquisition and integration of the US-based Kofax Image Products, Inc., the Group further expanded its international leadership position in its core EDC market. This means that since January 2000, DICOM is the only company in the world offering products as well as services.

Overall, the EDC business contributed on a pro forma basis – under consideration of Kofax sales for the entire previous financial year – 64% of DICOM sales.

Consulting and other services have also improved results in the Components and Services business division. The international project work for end users stresses DICOM's profile as a consultant and opens a series of possibilities for extensive follow-up projects.

As part of its concentration in this business division, DICOM also integrated Digital Security Activities (PKI Products and Services) into the EDC segment, in order to be able to better meet the specialized demands of system integrators and other business partners.

The Samsung General Agency Division (SGA), the Group's other business division, continues to be successful. Sales of flat screens (TFT) increased again this year in Switzerland and Austria. In both of these countries, Samsung additionally offers Samsung communications and Internet devices, in Switzerland, it offers electronic products for private consumers as well.

### Business divisions

DICOM has organized its business activities into a national and an international division. Their core competence is in the EDC business division, which operates worldwide. With its local division in the original Swiss and Austrian markets, the Company is also an exclusive sales partner for Samsung.

### EDC technology

Nowadays nearly every business environment is strongly marked by competition and accelerated processes. Quick and easy access to data and documents is one of the key decisive success factors almost anywhere you look. Still, some four-fifths of all business documents are still filed on paper, with this volume constantly growing. In addition, there are new file formats, such as e-forms and various HTML files, brought about by the success of Internet-based technology.

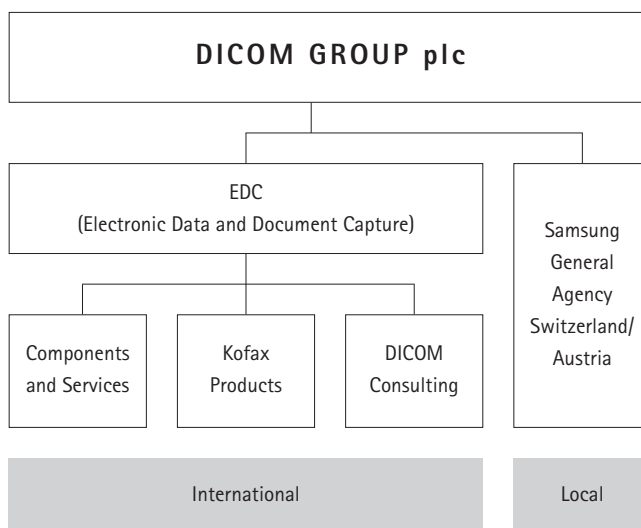
Only those companies that can quickly and efficiently manage, combine and securely retransform documents of the most varied formats will remain competitive. The productivity of the greatest share of all IT applications improves decisively when information is available in file formats that can be easily further processed. When, for example, a pathway is established from the paper document through digital file materials to digital information.

Applications such as electronic document management (EDM), customer relationship management (CRM), web publishing, content management and enterprise resource planning (ERP) can be implemented efficiently only when the contents to be processed are presented in a competent manner: This applies to the capture of data carriers as well as to their conversion into digital information.

EDC assures that the electronic capturing of large volumes of digital and non-digital data carriers takes place accurately and at high speed. EDC stands for: high-speed scanning, image compression, image enhancement, index information recognition and data security.

This high-growth segment is DICOM's very core competence: In the development of EDC hardware and software products as well as EDC services.

The most common application for EDC technology is in connection with document management solutions, which have come to include, along with storage and long-term archiving, the restoration, display and printout of contents and documents.



New data carriers such as e-forms, HTML and video files are of growing significance for EDM applications. Customers more often require the ability to handle old and new formats in a single integrated system. A trend that is opening new possibilities for the EDC industry.

The significance assigned to data security will also grow as the implementation of EDC and EDC applications on intranet and extranet platforms increases. Customers demand data security in all phases of data and document management, including security applications such as verification, access control, data and document integrity and confidentiality for the duration of the data transfer. Security concerns are the most common reason given for not using data and document management systems in intranet and extranet architectures. Security technologies, on the other hand, such as the digital certificate and the digital signature are readily available technologies that provide answers to the security concerns constantly expressed by IT managers and CEOs. Implementing security applications in EDM and EDC applications will open new fields of activity for the entire segment.

The use of EDC is noted for a high return on investment and leads to increased efficiency for users, the overall performance and, most of all, to increased customer satisfaction.

### Markets

The EDC market is a part of the overall EDM market, which is growing rapidly worldwide. In their *EDM market report* for 1999, Gartner Group and Strategy Partners estimate sales in the market for EDC services at US\$1.75 billion; 10% of the overall EDM market are generated by EDC. A market that is growing rapidly, primarily in software and services.

Typical users of EDM and EDC technologies are banks, insurance companies, energy producers, the transportation sector, public administration, pharmaceutical companies and the entire medium-sized industrial sector. The professional handling of paper and e-documents makes up the largest share of the administrative work in this setting. EDC increases the efficiency of EDM systems. Customer service is improved by implementing EDM solutions, which increase productivity and keep operating costs low, achieving a clear competitive advantage. EDC finally allows complete application – thus increasing the efficiency of EDM systems.

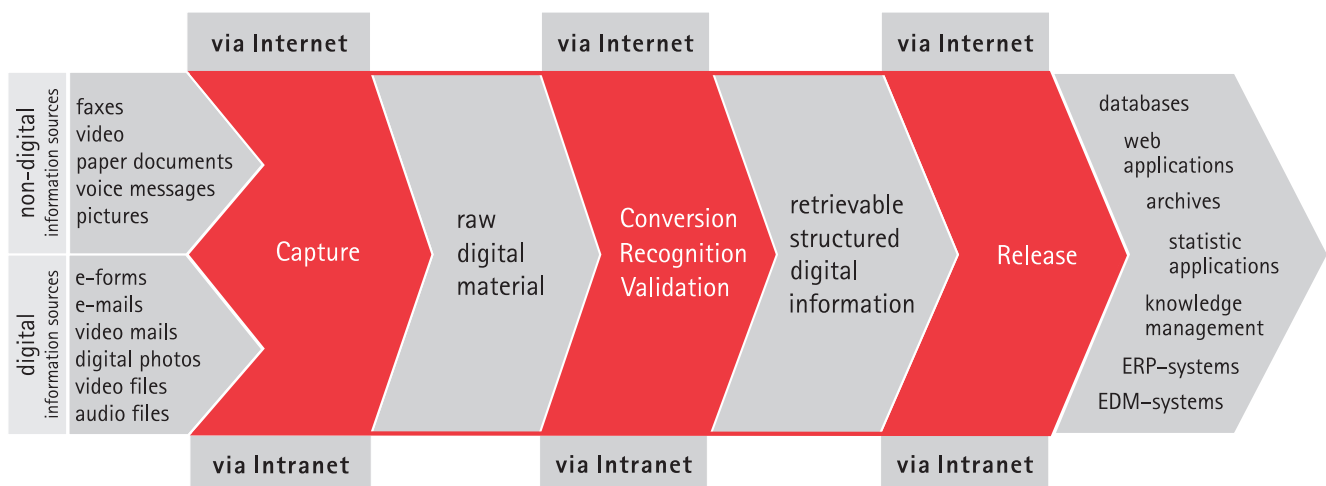
The EDM market is currently served primarily by larger IT companies or by specialized integrators, who concentrate on specific EDM solutions within a vertical customer market. In many respects, however, these solutions are weak in functionality and specialization in the area of data capture.

### EDC business division

DICOM is currently the only company that covers all important aspects of EDC:

- with *Components and Services*, the leading international sales and service organization for EDC
- with *Kofax Products*, the international leader in producing EDC software and hardware components and
- with *DICOM Consulting*, the international representative for consulting and professional EDC services

### The EDC process



### *Components and Services (C&S)*

C&S is the largest provider of products and services in the European and Asian EDC market. With C&S, DICOM is active in 21 countries. No other company has a comparable geographical position in this market segment. The product range includes software components and specialized hardware periphery products for implementing EDC applications. In addition, storage solutions complete the product offering. A growing share of business comes from sales of DICOM Capture products as well as services such as installation, support and maintenance. This share of C&S's business contributed 30% of gross profit in the last fiscal year and is of decisive strategic significance.

C&S was able to gain market shares primarily through expanding its service offerings. The acquisition of the Italian PDS underscores DICOM's goal of securing market leadership in this area. DICOM is currently the only provider offering an integrated European service net for EDC components – some 70 DICOM specialists in 16 countries. One thing is of growing importance: business partners and large international companies prefer to meet the requirements of their local branch offices with Europe-wide solutions from one source, an internationally active service provider.

DICOM C&S sales activities are based entirely on the close co-operation with business partners. This sales strategy allows rapid growth and the expansion into further industries. DICOM's business partners include IT providers and contract partners as well as a large number of small and medium-sized IT service and software companies, with project requirements for EDC components and services.

DICOM's excellent geographic coverage makes it the ideal business partner for internationally active IT companies. In the past year, C&S was able to realize several major orders and entered into new partnerships in almost all markets. DICOM's international, overall presence, its ability to adapt to local conditions, its service terms and its training and demonstration capabilities make it the prime choice for manufacturers in the entire EDC sector.

C&S was able to note a sales growth of 16% in the 1999/2000 financial year. The strategy of placing a special emphasis on service continued to be quite successful this year. Growth rates of 80% were reached.

### *Kofax Products*

With the acquisition of the Irvine, California-based manufacturer Kofax, DICOM was able to accentuate its profile and appreciably expand its market leadership position. Kofax has positioned itself well in the EDC market: its hardware and software products have become *de facto* market standards.

In 1985, Kofax was the first company to introduce imaging solutions for imaging functions for PC based documents. Software algorithms implemented on their own PC boards and software tools allowing a clear improvement of document capture using image compression and optimization.

10 years later in 1995, Kofax developed a software solution that allowed workflow processing of data and document management.

With over 12,000 software licenses sold, Kofax Ascent Capture is currently the leading product in the EDC industry. Kofax Ascent Capture embraces every stage of the data and document capture process: capture, indexing, recognition of information, confirmation and transfer to subsequent processes such as EDM applications.

With its Ascent Capture Internet Servers in 1999, Kofax was the first company within the entire EDC industry to present a solution that allowed users to carry out data and document capture process independent of location via the Internet. Since June 2000 Kofax has been supplying the latest version, Ascent Capture 4 equipped with an XML Backbone. This makes Ascent Capture 4 highly flexible and able to meet the full range of varying user demands. This latest development also lays the foundation for further developments in the direction of a more powerful management solution for Internet data and document capture and exchange.

A further important development from 1999 is now showing great success: with its unique VRS (Virtual ReScan) technology, Kofax demonstrates its outstanding competence and expertise in the area of image development and enhancement. VRS allows image and productivity enhancement using elements of artificial intelligence. With this, Kofax demonstrated its outstanding competence in the area of image recognition and optimization, which play a role in allowing customers to improve productivity.

Kofax signed OEM agreements for the rights to VRS with leading scanner manufacturers such as Fujitsu Japan and the American company Bell & Howell. In addition, there is great interest on the part of various manufacturers of copiers and multifunctional devices, who wish to add scan and image functions to their products.

### *DICOM Consulting*

The improved efficiency brought about by the introduction of automatic capture of information sources can be impressive for the user, especially regarding solutions that allow capture of a large volume of documents. A high degree of complexity must be mastered in order to make EDC solutions performance capable. Typically, the capture process can be divided into four steps: 1. Paper documents are scanned in, 2. the "raw" data material is then enhanced, 3. the data are indexed and converted into information that can be filed and 4. transferred to workflow, EDM solutions, etc.

DICOM Consulting offers individual, manufacturer-independent consulting and process optimization solutions for each of these steps. First of all, a status assessment and specific expertise are required in order to develop a system that can be successfully implemented. Before the full benefit can be achieved, analysis of EDC-related business processes is needed, as well as a definition of the demands, followed by project monitoring during the implementation phase, recognition and through-put tuning, training and project audits. These consulting services take part at the request of or in close co-operation with contractual and business partners. DICOM Consulting is currently active in Italy, Great Britain, Switzerland and the USA.

#### *EDC Customers and Partners*

ABB  
American Express  
Amgen  
Ascom  
AVIS  
Bertelsmann  
British Telecom  
Bull  
Certified Institute of Management Accountants  
Chase Manhattan Bank  
Ciba Specialty Chemicals  
Citibank  
City of Boston  
Compaq  
Coop Bank  
CSC Service Center  
debis  
Dow Corning  
Erste Bank Hungary  
Europcar  
Eurotunnel  
Filenet  
First American Bank  
Fortis Bank  
GE Insurance  
IBM  
ICN Pharmaceuticals  
Italian Post  
Leica  
Motorola  
Nestle  
Novartis  
Rabo Robeco  
Schroeder Investment Management  
Scientific Police  
Smith Kline Beecham  
Sony Music  
The Woolwich  
Unisys  
University of Washington  
US Air Force  
Wincor Siemens  
Xerox  
Zeneca  
and 3,000 others

#### **Local division: DICOM Samsung General Agency (SGA)**

In its original Swiss and Austrian markets, DICOM is the general representative and exclusive sales partner of digital products for market leader Samsung. DICOM's successes included introducing innovative products in these markets such as the high-performance flat screen (LCD/TFT, plasma). In addition, the product range also includes web access and MP3 devices. SGA was able to expand its market position in the previous fiscal year as well and showed strong growth. According to IDC Japan Samsung was the leading manufacturer in its segment with a worldwide market share of 18.8%. A recently published market study by Bryan Norris Association confirms DICOM SGA as the clear market leader in the Swiss TFT market.

#### **DICOM employees**

With the acquisition of Kofax, DICOM also achieved a considerable increase in its management competence. The merged company is currently run by a managing board from five different countries, with far-reaching experience and knowledge of the European and American IT industries.

Markets and technologies develop and change rapidly. Only highly motivated and qualified employees are in the position to respond adequately to these quickly changing and demanding surroundings. DICOM's management is thus convinced that its staff of employees is one of the key elements in its success.

With the addition of the 175 Kofax employees, the number of employees increased to 500, an increase of 160 over the previous year (340). In March 2000, the 60 employees of the Government Solution division left the Company with the planned MBO. DICOM was also successful in the past financial year in recruiting first-class employees. In addition, the Company was able to keep the turnover rate low as in previous years.

In addition to an already existing stock option program for its employees, DICOM introduced a new program in connection with its second listing on the Neuer Markt, which will involve a greater number of employees.

## Financial review



Urs Niederberger

### Results

Operating profit before goodwill amortisation increased to £4,734,000 (1999: £2,815,000) on sales of £99.2m (1999: £87.9m). In the first six months, operating profit before goodwill amortisation was £1,641,000, a margin of 3.5% on sales of £46.9m. The second half results contributed £3,093,000 or 5.9% on sales of £52.3m. These results include Kofax Image Products, Inc., the company fully acquired on and consolidated as from 1 February 2000.

Overall gross margin increased to 30.7% (25.4%). This is entirely due to the inclusion of Kofax's result where the gross profit margins historically were in the order of 75%.

During the year operating expenses before goodwill amortisation increased from £19.5m to £25.7m. Of this increase of £6.2m, the acquisition of Kofax accounted for £6.3m. There was a benefit from the effect of exchange rates of £1.2m. Thus the underlying increase was £1.1m, representing 6%. All research and development costs are charged to the profit and loss account as incurred. Such costs totalled £2.4m (1999: £1.1m). Goodwill amortisation increased to £751,000 (1999: £42,000). This increase is primarily due to the goodwill arising on the acquisition of Kofax.

This year the group taxation charge (based on the profit before tax and goodwill amortisation) is 25.8% as compared to 21.7%. The increase is primarily due to the acquisition of Kofax since the underlying rate in the USA is higher than the average of the Group.

Adjusted earnings per share increased 29% to 29.3p (22.7p). Adjusted earnings per share is shown exclusive of the impact of goodwill amortisation and the results of the discontinued activities. Basic earnings per share remained at 19.1p (19.1p). Diluted earnings per share decreased to 18.8p (19.1p). The calculation of earnings per share is based upon UK Financial Reporting Standard 14.

### Acquisitions

On 28 July 1999, the Group committed to an equity investment of US\$4m to acquire an 18.8% stake in Imaging Components Corporation, Inc. (ICC), a new US based private equity vehicle formed to make a tender offer for 100% of Kofax. ICC purchased the 84% validly tendered shares in accordance with the terms of the tender offer and subsequently completed procedures to acquire the remaining 16% of Kofax. The Group had a call option over the balance of the equity in ICC at a cost of up to US\$22.4m in cash and warrants over up to 1.1 million DICOM shares. Following the successful

Neuer Markt placing, the Group exercised its right to acquire the remaining share capital of ICC that it did not already own. Goodwill arising totalled £31.6m. The directors have determined that this goodwill should be amortised on a straight line basis over 20 years.

### Financing

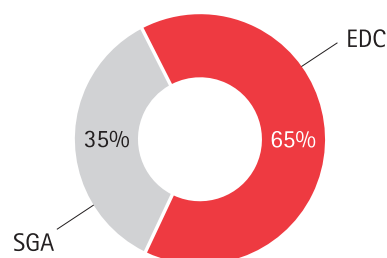
On 26 January 2000, the Group issued 6,000,000 new ordinary shares at Euro 12.50 per share (equivalent to 761p), to raise net proceeds of Euro 67m (equivalent to £40m) pursuant to a Neuer Markt listing. The proceeds of this issue, net of costs, were used primarily to exercise the granted call option over ICC and to repay the acquisition debt of US\$32m.

### Dividend

The total dividend payable on ordinary shares for the year represents an amount of 3.18p (2.76p). Dividends on ordinary shares therefore will absorb £643,000 (£370,000); these are covered 5.9 times (1999: 6.9 times) before goodwill amortisation, and 4.8 times (1999: 6.8 times) after goodwill amortisation. It should be noted that the 6 million shares issued in January 2000 only ranked for the final dividend.

**Urs Niederberger**  
**Financial Director**  
**29 September 2000**

### Sales by divisions\*



\* on pro forma combined business, including Kofax for the full year, and excluding discontinued operations

## Directors

### Executives

#### Otto Schmid

Otto Schmid, aged 62, Chairman and Chief Executive, is a Swiss national with degrees in Mathematics and in Economics from the University of Zurich, where he completed a doctoral thesis in business forecasting in 1970. In 1969 he co-founded and was managing director at Wirtschafts-Mathematik AG, a Swiss service company for mathematical statistics and applied mathematics. In 1978, he joined ACU Informatik AG, a Swiss distribution company for computer peripherals, and became a director, with responsibility for corporate development. In 1991, he co-founded DICOM. Since that time, he has led the development of the DICOM business in countries outside Switzerland and has taken specific responsibility for planning and corporate development at Board level.

#### Walter Greifeneder

Walter Greifeneder, aged 43, is an Austrian citizen. He is Deputy Chief Executive of the Group. He has worked in the computer industry since 1977. In 1980, he joined Elbatex AG, Vienna, an electronic components distributor, later establishing their computer peripherals department. In 1988, he formed Elsat with Felix Klementschnitz, with Elbatex G.m.b.H. as the controlling shareholder. In 1991, Mr. Greifeneder led the management buyout of Elsat. He is chairman and chief executive officer of Elsat and has had Board responsibility for the Group's Samsung General Agency division since joining the Group when DICOM acquired Elsat in 1996.

#### Urs Niederberger

Urs Niederberger, aged 34, is Finance Director. A Swiss citizen, he obtained a degree in Economics and Business Administration at the Lucerne Business School and is a Swiss qualified Financial Management Consultant ("Dipl. Treuhandexperte"). He worked as an accountant for a number of companies between 1987 and 1990. Since then he has worked for DICOM, from 1993 to 1996 as a consultant with Visura Consulting, part of BDO International. He became Chief Financial Officer in October 1997.

#### Arnold von Büren

Arnold von Büren, aged 48, has served as Deputy Chief Executive since November 1995. A Swiss citizen, Arnold von Büren obtained a degree in Economics and Business Administration from St. Gall Business School. He has worked in the computer industry since 1978, including three years in the USA. He joined ACU Informatik AG in Switzerland in 1983, working in sales and administration, and he co-founded and became general manager of Computerway in 1989. He joined DICOM in 1994 with initial responsibility for group marketing, IT and the business unit Components and Services. He became CEO of Kofax in August 2000.

#### Christoph Löslein

Christoph Löslein, aged 33, is Executive Director. A German citizen, he worked for Pyramid Computer GmbH, a computer systems company, in Germany from 1986 to 1993, initially as purchasing manager, then as marketing manager and latterly as sales manager and an executive director. In 1993 he joined DICOM to start its German operations and was given group responsibility in November 1996. In 1998, he enrolled Executive Classes at Harvard Business School.

### Non-executives

#### Bruce Powell

Bruce Powell, FCA, MA (Cantab.), aged 51, is a British citizen. He is the senior Non-executive Director of the Company. He has been involved in a group executive role with the flotation on the London Stock Exchange and subsequent operational management of Acal Group plc and VideoLogic Group plc. He is non-executive chairman of Dataform Group Ltd and a non-executive director of Argenta Discovery Ltd and Princeton Consultants Ltd.

#### Paul Gerny

Paul Gerny, aged 58, a Swiss citizen, is Strategic Advisor of the European Managing Board of SEI, a leading European distributor of electronic components. He is Chairman and Chief Executive of Aspro Technology Ltd, a leading Power Supply company, and is a director of Elbatex AG, Timonta Ltd and Hermes Precisa International (HPI), an investment company focused on document management and information technology companies.

#### John Incedon

John Incedon, aged 62, MBA (Harvard Business School), is a British citizen. He has served as a director of listed and privately held companies in the United States and in Europe for over 20 years and has extensive experience as a director of IT businesses. He served as a President of the Harvard Business School (HBS) Club of London and is a member of the Dean's council at the John F. Kennedy School of Government, Harvard University.

#### David Silver

David Silver, aged 42, a US citizen, co-founded Kofax Image Products, Inc. in 1985 and was CEO until July 2000 before being succeeded by Arnold von Büren. He obtained a bachelor's degree in electrical engineering from the University of California. On 22 October 1999, he was appointed to the Board of DICOM and has since continued to act as a Non-executive Director.

## Directors' report

The directors present their fifth Annual report together with the audited financial statements of the Company for the year ended 30 June 2000.

### Principal activities

The Company is the UK holding company for a group of businesses providing products and services for electronic data and document capture. It is also engaged as general agent of Samsung Electronics in Austria and Switzerland.

A review of the Group's performance, development and an indication of future prospects are contained in the Chairman's statement and the Business review on pages 5 to 11.

### Results

The results for the year are set out in the profit and loss account on page 20. The position at the end of the year is shown in the balance sheet on page 21.

The directors recommend payment of a final dividend of 2.12p per ordinary share of 10p. This will result in a total dividend of 3.18p (1999: 2.76p) per ordinary share of 10p and will absorb £643,000 (1999: £370,000) of the results of the year.

### Directors and directors' interests

The directors of the Company during the year and their interests in the issued share capital of the Company were as follows:

	Interests at	
	30 June 2000	30 June 1999
Otto Schmid	937,589	1,103,619
Walter Greifeneder	676,900	800,390
Urs Niederberger	121,700	138,900
Arnold von Büren	592,112	700,132
Christoph Löslein	223,488	264,258
Bruce Powell	25,370	30,000
Paul Gerny	312,372	369,362
John Incedon	14,188	14,188
David Silver	63,260	-

Details of share options granted to the directors are given in the Remuneration report on page 18.

The interests of Directors in the shares of the Company at 29 September 2000 are unchanged from those at 30 June 2000.

### Employees

The Group's employment policy is designed to attract, retain and motivate high calibre people, recognising that this can only be achieved through offering equal opportunities regardless of sex, race, religion or disability. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

The success of the Group depends on the quality and performance of its employees and the Group continues to ensure this by communicating with its employees about both local and Group-wide matters; this communication is conducted through notices, newsletters and staff meetings and briefings on a regular basis. The Company encourages all of its employees to participate in the growth of the Group and welcomes staff input at all levels.

Employees involvement in the Group's profitability is encouraged through locally based bonus and profit related pay schemes, an executive bonus scheme and share option schemes.

### Treasury management

Borrowings are negotiated locally after consultation with Group directors. Any funds in excess of local working capital requirements are managed centrally in order to maximise the return. The Group's policy is to borrow principally at floating rates of interest in the local operating currency. At 30 June 2000 the Group's fixed rate borrowings amounted to 33% (1998: 15%) of total borrowings. Short term flexibility is achieved by overdraft facilities.

Positive cash balances carry floating rate interest based on relevant national interbank rates.

The Group has significant overseas subsidiaries which operate principally in their local currency.

### Payment of suppliers

The Group agrees payment terms with suppliers when it enters into purchase contracts, taking into account local good practice, and seeks to abide by these payment terms whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. As at 30 June 2000 trade creditors represented 47 days (43 days) purchases.

### Post balance sheet events

On 15 August 2000, the Company announced it had acquired a 60% stake in PDS S.r.l., the leading provider of components and services to the EDC market in Italy. The consideration payable amounted to £1.9m of which 40% was paid by 129,420 ordinary DICOM shares and 60% in cash. DICOM has been granted an option to acquire and the vendors have an option to sell the outstanding 40% of PDS after two years.

On 13 September 2000, the Company announced it had committed an equity investment of US\$5m in Cardiff Software Inc., a privately owned data capture company in California, USA.

### Substantial shareholders

The Board has been notified of the following holders (other than directors) of 3% or more of the issued share capital of the Company as at 29 September 2000:

	Number of ordinary shares of 10p held	% of issued share capital
Felix Klementsitz	676,899	3.3%
Martin Schmid	642,568	3.1%

### Annual general meeting

Notice of the Company's Annual general meeting is given on page 43 at the end of this document.

### Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual general meeting.

**By order of the Board**  
**Urs Niederberger, Company Secretary**  
**29 September 2000**

## Corporate governance statement

### Corporate governance statement

DICOM believes in and is committed to high standards of corporate governance. The Board confirms that the Company has, throughout the year, complied with the code provisions set out in Section 1 of the Combined Code except that the Group has decided to adopt the transitional approach for reporting on internal controls under the Combined Code set out in the letter from the London Stock Exchange to listed companies at the end of September 1999 and its report is set out on page 17.

The Board is accountable to the Company's shareholders for good governance. The statement set out below describes how the principles identified in the Combined Code are applied.

### Directors

The Board currently comprises the Chairman and Chief Executive, four other Executive Directors and four Non-executive Directors. All the Non-executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Their interests in the shares of the Company are set out on page 14 and they receive a fixed fee for their services.

Biographies of the Board members appear on page 13 of this report. These indicate the high levels and range of business experience which enables the Group to be managed effectively.

The Board meets at least six times each year, with additional meetings and contact between the meetings as necessary. The Board has a schedule of matters reserved to it for decision. These include the Group's strategic plans and annual operating budgets, business acquisitions and disposals of companies, major litigation and employee share schemes.

All directors have access to the Company Secretary and may take independent professional advice if necessary at the Company's expense.

When new members are appointed to the Board, they are provided with advice from the Company's solicitors in respect of their role and duties as a public company director.

The role of Chairman and Chief Executive is acknowledged and approved by the Board. The key functions are to conduct Board meetings and meetings of shareholders and to ensure that all directors are properly briefed so as to be able to take a full and constructive part in Board discussions. He also develops and leads business strategies and processes to enable the Group to meet shareholders requirements. Due to the relatively small size of the Group, the role of Chairman and Chief Executive is combined; however all of the Non-executive Directors are independent of management.

The senior Non-executive Director is Bruce Powell and any concerns relating to the executive management of the Company or the performance of the other Non-executive Directors may be raised with him.

To enable the Board to function effectively and 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 discussions documents regarding specific matters.

Appointments to the Board of both Executive and Non-executive Directors are considered by the full Board. The Board considers that there is no current requirement for a Nomination Committee in view of the size of the Board. The Remuneration Committee considers any remuneration package before it is offered to a potential Board appointee.

The provisions of the Company's Articles of Association require that the number of directors nearest to, but not greater than, one third retire by rotation each year and seek re-election at the Annual general meeting. The directors required to retire are those in office longest since their previous re-election and this usually means that each director retires at least every three years, although there is no absolute requirement to this effect.

### Committees

The principal committees, appointed by the Board and with specific responsibilities, are the Audit and Remuneration committees.

The Audit Committee consists of Bruce Powell (chairman), Paul Gerny and John Incedon. This committee meets at least twice a year to review the Group's financial statements, internal financial control, financial reporting and accounting policies. Its meetings are normally attended by the Group Finance Director and the external auditors.

The Remuneration Committee consists of three Non-executive Directors, Bruce Powell (chairman), Paul Gerny and John Incedon, together with Otto Schmid, Chairman and Chief Executive. This committee meets at least twice a year to review the remuneration of the Executive Directors.

Full details of directors' remuneration and a statement of the Company's remuneration policy is set out on page 18. The Chairman and Chief Executive attends meetings of the committee to discuss the performance of the other Executive Directors and make proposals as necessary, but takes no part in deliberations when his own position is being discussed.

Each Executive Director abstains from any discussion or voting at full Board meetings on Remuneration Committee recommendations where the recommendations have a direct bearing on his own remuneration package. The details of each Executive Director's individual package are fixed by the committee in line with the policy adopted by the full Board.

### Communications

The Company is committed to ongoing communication with its shareholders through quarterly reports, the annual report and other trading statements, as well as via the AGM. The Company's website at <http://www.dicomgroup.com> contains both corporate and customer information. Regular dialogue and presentations take place with institutional and private shareholders through the Company's investor relations programme.

### Internal control

The respective responsibilities of the directors and the auditors in connection with the accounts are explained on page 19.

The Board expects to have procedures in place by December 2000 in order to implement the guidance *Internal Control: Guidance for Directors on the Combined Code*. A risk management policy document is in the process of being drafted. This document will set out the Board's approach to controlling those risks that are crucial to the achievement of the Group's business objectives. The Board will consider risk management and internal control on a regular basis throughout the year and plans to be in a position to report its compliance with the guidance for the year ended 30 June 2001.

The directors are responsible for the Company's system of internal financial control which is designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures that the directors have established to provide effective internal financial controls are as follows:

- the Board approves the medium term strategy and budget plans for each operating company;
- the Board has established an organisational structure with clear lines of responsibility and rigorous reporting requirements for each operating company;
- the manager of each operating company is clearly accountable for establishing and maintaining internal financial controls within that company;
- executive members of the Board have day to day involvement in all aspects of the business and attend regular management meetings of the operating companies at which performance against plan and business prospects are reviewed;
- having approved the annual group budget, the Board receives management reports monthly and reviews business re-forecasts quarterly.

### Going concern

The directors believe, after making enquiries which they consider to be appropriate, that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

## Remuneration report

As well as complying with provisions of the Combined Code as disclosed in the Corporate governance statement, the Company has applied the principles relating to directors' remuneration as described below.

The Remuneration Committee of the Board presently consists of three Non-executive Directors, Bruce Powell, Paul Gerny and John Incedon, together with Otto Schmid, Chairman and Chief Executive. Otto Schmid does not take part in discussions relating to his own remuneration. Arrangements for the Non-executive Directors are approved at meetings of the full Board.

The Remuneration Committee considers that, in order to motivate, attract and retain Executive Directors and senior management of sufficient calibre,

it is necessary for the Group to provide a remuneration package, which is competitive, reflects individual experience and performance, and takes account of local market practice.

The remuneration package for Executive Directors presently consists of a fixed salary, benefits comprising car and other personal expense allowances and payments to defined contribution personal pension schemes. There is also a performance-related bonus scheme. Each Executive Director has a service agreement, which specifies a 12 months notice period.

Details of the directors' remuneration for the year to 30 June 2000 are as follows:

	Salary/Fees £	Consultancy £	Bonus 2000 £	Benefits 2000 £	Total 2000 £	Total 1999 £	Directors' Pension	
							2000 £	1999 £
<b>Executive Directors</b>								
Otto Schmid	74,590	-	38,369	11,830	124,789	85,360	19,418	16,012
Walter Greifeneder	65,459	-	41,367	-	106,826	66,913	10,554	11,416
Urs Niederberger	65,931	-	33,907	11,830	111,668	76,923	14,072	9,775
Arnold von Büren	65,931	-	33,907	11,830	111,668	76,923	16,567	12,946
Christoph Löslein	61,796	-	22,605	11,830	96,231	69,074	2,129	1,831
David Silver	50,792	-	10,433	-	61,225	-	492	-
<b>Non-executive Directors</b>								
Bruce Powell	15,000	24,500	-	-	39,500	27,000	-	-
Paul Gerny	15,000	-	-	-	15,000	15,000	-	-
John Incedon	15,000	37,500	-	-	52,500	15,000	-	-
<b>Total</b>	<b>429,499</b>	<b>62,000</b>	<b>180,588</b>	<b>47,320</b>	<b>719,407</b>	<b>432,193</b>	<b>63,232</b>	<b>51,980</b>

During the year Bruce Powell and John Incedon provided general financial and strategic advice under separate consultancy arrangements.

The Remuneration Committee also considers that share ownership and the award of options are key components in the overall remuneration package for Executive Directors and senior managers. It is the Remuneration Committee's objective that all Executive Directors and senior managers should by direct share ownership and/or by grant of options have a material interest in the success of the Group.

Executive Directors have by virtue of direct ownership material shareholdings in DICOM GROUP plc. Additionally, directors' holdings of options during the year to 30 June 2000 were as follows:

	Granted during the year	Options at 30 June 2000	Exercise price (Euro)
Otto Schmid	96,000	96,000	13.60
Walter Greifeneder	24,000	24,000	13.60
Urs Niederberger	48,000	48,000	13.60
Arnold von Büren	48,000	48,000	13.60
Christoph Löslein	24,000	24,000	13.60
David Silver	140,000	140,000	13.60

All options have been granted at no less than market price.

The market price of the shares at 30 June 2000 was 600p and the range during the year ended on that date was 315p to 1,212.50p.

**Otto Schmid**      **Bruce Powell**

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors' report to the members of DICOM GROUP plc

We have audited the financial statements on pages 20 to 41 which have been prepared under the accounting policies set out on pages 23 to 24. We have also examined the amounts disclosed relating to the emoluments and share options which form part of the Remuneration report on page 18.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual report, including as described on pages 16 to 17 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion the Directors' report is not consistent with the financial statement, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the Corporate governance statement on pages 16 to 17 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statement on internal control cover all risks and controls or form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual report, including the Corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our

report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 30 June 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**BDO Stoy Hayward**  
**Chartered Accountants and Registered Auditors**  
**London**  
**29 September 2000**

## Consolidated profit and loss account for the year ended 30 June 2000

	Note	Continuing	Acquisitions	Discontinued	Year to 30 June	
					2000 £'000 Total	1999 £'000
<b>Turnover</b>	1	87,705	9,687	1,837	<b>99,229</b>	87,863
Cost of sales		(66,885)	(1,359)	(567)	<b>(68,811)</b>	(65,514)
<b>Gross profit</b>		20,820	8,328	1,270	<b>30,418</b>	22,349
<b>Operating expenses</b>						
Goodwill amortisation		(82)	(658)	(11)	<b>(751)</b>	(42)
Other		(17,189)	(6,349)	(2,146)	<b>(25,684)</b>	(19,534)
<b>Total operating expenses</b>		(17,271)	(7,007)	(2,157)	<b>(26,435)</b>	(19,576)
Operating profit before goodwill amortisation		3,631	1,979	(876)	<b>4,734</b>	2,815
Goodwill amortisation		(82)	(658)	(11)	<b>(751)</b>	(42)
<b>Operating profit</b>	2	3,549	1,321	(887)	<b>3,983</b>	2,773
Share of results of associated undertakings					<b>(26)</b>	21
Exceptional item – profit on disposal of fixed asset investment	4				<b>–</b>	541
Net interest payable and similar charges	5				<b>(97)</b>	(202)
<b>Profit on ordinary activities before taxation</b>					<b>3,860</b>	3,133
Taxation	7				<b>(1,188)</b>	(689)
<b>Profit on ordinary activities after taxation</b>					<b>2,672</b>	2,444
Minority interests					<b>384</b>	61
<b>Profit attributable to ordinary shareholders</b>					<b>3,056</b>	2,505
Dividends – equity	8				<b>(643)</b>	(370)
<b>Retained profit</b>					<b>2,413</b>	2,135
<b>Earnings per ordinary share</b>						
– basic	9				<b>19.1p</b>	19.1p
– adjusted					<b>29.3p</b>	22.7p
– diluted					<b>18.8p</b>	19.1p
<b>Statement of total recognised gains and losses</b>						
Profit for financial year					<b>3,056</b>	2,505
Gain on currency translation					<b>1,235</b>	95
<b>Total recognised gains and losses relating to the year</b>					<b>4,291</b>	2,600

## Balance sheets

at 30 June 2000

	Note	Group at 30 June		Parent company at 30 June	
		2000 £'000	1999 £'000	2000 £'000	1999 £'000
<b>Fixed assets</b>					
Intangible assets	10	<b>31,809</b>	1,291	-	-
Tangible assets	11	<b>3,162</b>	2,382	-	-
Investments	12/13/14	<b>838</b>	84	<b>1,975</b>	1,973
		<b>35,809</b>	3,757	<b>1,975</b>	1,973
<b>Current assets</b>					
Stocks	15	<b>8,995</b>	5,632	-	-
Debtors <sup>1)</sup>	16	<b>22,945</b>	14,810	<b>47,864</b>	6,517
Investments	17	<b>174</b>	159	-	-
Cash at bank and in hand		<b>14,098</b>	2,938	<b>4,808</b>	3
		<b>46,212</b>	23,539	<b>52,672</b>	6,520
<b>Creditors:</b>					
Amounts falling due within one year	18	<b>(21,979)</b>	(15,565)	<b>(1,671)</b>	(327)
<b>Net current assets<sup>1)</sup></b>		<b>24,233</b>	7,974	<b>51,001</b>	6,193
<b>Total assets less current liabilities</b>		<b>60,042</b>	11,731	<b>52,976</b>	8,166
<b>Creditors:</b>					
Amounts falling due after more than one year	19	<b>(828)</b>	(367)	-	-
Provisions for liabilities and charges	22	<b>(497)</b>	(236)	-	-
<b>Net assets</b>		<b>58,717</b>	11,128	<b>52,976</b>	8,166
<b>Capital and reserves</b>					
Called up share capital	23	<b>2,046</b>	1,336	<b>2,046</b>	1,336
Share premium account	24	<b>49,968</b>	6,687	<b>49,968</b>	6,687
Merger reserve	24	<b>527</b>	527	-	-
Profit and loss account	24	<b>6,259</b>	2,611	<b>962</b>	143
<b>Shareholders' funds - equity</b>	25	<b>58,800</b>	11,161	<b>52,976</b>	8,166
<b>Minority interests - equity</b>		<b>(83)</b>	(33)	-	-
		<b>58,717</b>	11,128	<b>52,976</b>	8,166

<sup>1)</sup>Debtors and net current assets of the Group include amounts recoverable after more than one year of £2,358,000 (1999: nil).

These financial statements were approved by the Board of Directors on 29 September 2000 and were signed on its behalf by

Otto Schmid

Urs Niederberger

## Consolidated cash flow statement

for the year ended 30 June 2000

	Year to 30 June	
	2000 £'000	1999 £'000
<b>Cash inflow from operating activities</b>	<b>4,458</b>	1,988
Returns on investments and servicing of finance	(751)	(201)
Taxation paid	(511)	(582)
Capital expenditure and financial investment	(1,307)	(530)
Acquisitions and disposals	(13,218)	(645)
Equity dividends paid	(451)	(316)
<b>Cash outflow before use of liquid resources and financing</b>	<b>(11,780)</b>	(286)
Management of liquid resources	(6,584)	2,680
Financing		
Issue of ordinary shares	43,991	342
Decrease in debt	(20,552)	(1,241)
	<b>23,439</b>	(899)
<b>Increase in cash in the year</b>	<b>5,075</b>	1,495
<b>Reconciliation of net cash flow to movement in net funds</b>		
Increase in cash in the year	5,075	1,495
Cash outflow from decrease in debt and lease financing	20,552	1,241
Cash outflow/(inflow) from increase/(decrease) in liquid resources	6,584	(2,680)
Change in net funds resulting from cash flows	32,211	56
Loans and finance leases acquired with subsidiaries	(19,609)	-
Loans and finance leases disposed with subsidiaries	103	-
New finance leases	(119)	(115)
Exchange difference	(24)	56
<b>Movements in net funds in the year</b>	<b>12,562</b>	(3)
Net funds at 1 July 1999	969	972
<b>Net funds at 30 June 2000</b>	<b>13,531</b>	969

Further information in respect of the consolidated cash flow statement can be found in notes 13 and 29.

## Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Group's financial statements:

### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

### Basis of consolidation

The consolidated financial information includes the financial information of DICOM GROUP plc and all subsidiary undertakings. Inter-company balances and transactions have been eliminated on consolidation.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired during the relevant period are included in the consolidated profit and loss account from the date of acquisition.

### Subsidiary undertakings

The investment in subsidiary undertakings is stated in the parent company balance sheet at cost, less provision where appropriate for permanent diminution in value. Cost comprises any cash consideration, the fair value of shares issued as consideration and any expenses of these acquisitions.

### Associated undertakings

Those undertakings, not being subsidiary undertakings in which the Group owns not less than 20% of either the allotted share capital or the total capital and over which it exercises significant influence, are treated as associated undertakings.

The Group includes its share of associated undertakings' profits or losses in the consolidated profit and loss account. The investments in associated undertakings are stated in the consolidated balance sheet at the Group's share of the underlying net asset value.

### Turnover

Turnover represents the value of goods supplied, commission and other services provided to third parties, excluding VAT and similar taxes. Long term projects are assessed on a project by project basis and are reflected in the profit and loss account by recording turnover according to the degree of completion.

### Depreciation and amortisation

Depreciation of fixed assets is provided on a straight line basis to write off the cost of the assets over their expected lives. The principal annual rates used for this purpose are:

Leasehold improvements	10–20%
Machines and equipment	20–33%
Motor vehicles	20%
Furniture and fixtures	20%
Goodwill	5–33%

### Research and development

Research and development costs are charged to the profit and loss account in the period in which the expenditure is incurred.

### Taxation

The charge for taxation is based on the profit for the relevant period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

### Fixed assets

Fixed assets are included in the financial statements at cost less accumulated depreciation.

### Goodwill

Goodwill arising on acquisitions is capitalised in the year of acquisition and amortised on a straight line basis over its expected useful life.

Purchased goodwill in respect of acquisitions before 1 July 1998, when UK Financial Reporting Standard 10 was adopted, was eliminated against reserves in the year of acquisition. When a subsequent disposal occurs, any related goodwill previously eliminated against reserves is written back through the profit and loss account as part of the profit or loss on disposal.

### Impairment of fixed assets and goodwill

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of net realisable value or value in use.

### **Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value.

### **Leased assets**

Assets acquired under hire purchase contracts and finance leases are capitalised in the balance sheet. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Expenditure on operating leases is charged to the profit and loss account on a straight line basis over the lease period.

### **Foreign currency and financial instruments**

Exchange profits and losses resulting from trading are accounted for in the results for the period.

Assets and liabilities expressed in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial year, or at forward rates where covered by forward exchange contracts. Results of foreign subsidiary undertakings are translated at the average rate of exchange for the relevant period. Currency exchange differences arising from the translation of the net assets, of the results of those subsidiary undertakings and of long term intra group loans are taken directly to reserves.

The Group does not trade in derivative financial instruments. Sales and purchases which occur in other currencies than the local currency are hedged where such transactions are material. This is carried out primarily by entering into short term forward exchange contracts to match cashflows. Where the instrument is used to hedge a committed or probable future transaction, gains and losses are deferred until the transaction occurs.

### **Employee share ownership plan**

The Group operates an Employee share ownership plan for all employees (full-time and part-time working at least 50% of full time hours). Shares in the Company held by the Trustees of the Employee Share Ownership Trust are stated at cost less provision for any permanent diminution in value. The difference between book value and residual value of the granted shares is charged as an operating cost over a three-year period. Any financing and administrative costs are charged to the profit and loss account in the period in which the expenditure is incurred.

# Notes to the financial statements

for the year ended 30 June 2000

## 1 Segmental analysis

	Year to 30 June	
	2000 £'000	1999 £'000
<b>Sales by geographical market</b>		
Western Europe	86,341	84,044
Eastern Europe	3,990	3,547
North America	8,067	–
Rest of the World	831	272
	<b>99,229</b>	<b>87,863</b>
<b>Sales by divisions</b>		
Electronic Data and Document Capture	58,129	46,394
Samsung General Agency	39,263	36,384
Local Government Solutions	1,837	5,085
	<b>99,229</b>	<b>87,863</b>
<b>Profit on ordinary activities before taxation by geographical market (before goodwill amortisation)</b>		
Western Europe	3,028	2,898
Eastern Europe	330	277
North America	1,253	–
	<b>4,611</b>	<b>3,175</b>
<b>Profit on ordinary activities before taxation by geographical market</b>		
Western Europe	2,935	2,856
Eastern Europe	330	277
North America	595	–
	<b>3,860</b>	<b>3,133</b>
<b>Net assets by geographical market</b>		
Western Europe	40,400	10,882
Eastern Europe	488	279
North America	17,912	–
	<b>58,800</b>	<b>11,161</b>

## 2 Operating profit

	Year to 30 June	
	2000 £'000	1999 £'000
Operating profit is stated after charging/(crediting):		
Depreciation		
- own assets	1,036	755
- assets held under finance leases	80	91
- amortisation of goodwill	751	42
(Profit)/Loss on disposal of tangible fixed assets	(30)	8
Auditors' remuneration		
- audit	133	128
- non audit	76	46
Operating lease rentals		
- hire of plant and machinery	332	153
- other operating lease charges	956	699
Development expenditure	2,413	1,054

## 3 Comparative figures

The analysis between continuing and discontinued operations for the year ended 30 June 1999 is shown below:

	Year to 30 June 1999		
	Continuing £'000	Discontinued £'000	Total £'000
Turnover	83,616	4,247	87,863
Cost of sales	(63,662)	(1,852)	(65,514)
Gross profit	19,954	2,395	22,349
Operating expenses	(16,753)	(2,823)	(19,576)
Operating profit	3,201	(428)	2,773

## 4 Exceptional item

	Year to 30 June	
	2000 £'000	1999 £'000
Exceptional item comprises:		
Capital gain on disposal of a trade investment	-	541
	-	541

## 5 Net interest payable and similar charges

	Year to 30 June	
	2000 £'000	1999 £'000
Interest receivable	272	151
Less: interest payable on bank loans, overdrafts and other loans	(327)	(331)
Less: other interest payable	(42)	(22)
	(97)	(202)

## 6 Staff numbers and costs

	Year to 30 June	
	2000 Number	1999 Number
The average number of employees of the Group (including directors) during the year was as follows:		
Sales and marketing	155	106
Service	113	73
Support and development	176	145
Total	444	324

	Year to 30 June	
	2000 £'000	1999 £'000
Group employment costs for all employees (including directors) were as follows:		
Wages and salaries	13,022	10,225
Social security costs	1,989	1,542
Pension costs	526	345
	15,537	12,112

Staff costs include remuneration in respect of the directors as follows:

Fees (including consultancy) to non-executive directors	107	68
Salaries, bonuses and benefits in kind	613	375
Pension contributions	63	52
	783	495

All pension contributions relate to defined contributions made to personal pension schemes. All of the executive directors are members of a defined contribution pension scheme.

## 6 Staff numbers and costs (continued)

The emoluments of the highest paid director were as follows:

	Year to 30 June	
	2000 £'000	1999 £'000
Salary, bonus, fees, and benefits	125	85
Pension contributions	19	16

A full analysis of directors' emoluments is contained in the Remuneration report on page 18.

## 7 Taxation

	Year to 30 June	
	2000 £'000	1999 £'000
The tax charge represents:		
UK corporation tax	7	4
Overseas tax	927	745
Transfer to/(from) deferred tax	254	(60)
	<b>1,188</b>	<b>689</b>

## 8 Dividends – equity

	Year to 30 June			
	2000 per share	1999 per share	2000 £'000	1999 £'000
These comprise:				
Ordinary shares of 10p				
Interim dividend	1.06p	0.92p	206	124
Proposed final dividend	2.12p	1.84p	437	246
	<b>3.18p</b>	<b>2.76p</b>	<b>643</b>	<b>370</b>

## 9 Earnings per share

The earnings per share calculation is based upon UK Financial Reporting Standard 14.

Basic earnings per share of **19.1p** (19.1p) for the year to 30 June 2000 have been calculated based on the profit attributable to shareholders of **£3,056,000** (£2,505,000) using the weighted average number of ordinary shares in issue totalling **16,007,383** (13,104,125) during the period.

Adjusted earnings per share of **29.3p** (22.7p) for the year to 30 June 2000 are based on profit of £4,694,000 (£2,976,000), being adjusted by the amortisation of goodwill of **£751,000** (£42,000) and the results of the discontinued activities of £887,000 (£429,000) using the weighted average number of ordinary shares in issue totalling **16,007,383** (13,104,125) during the period.

Diluted earnings per share of **18.8p** (19.1p) for the year to 30 June 2000 are based on the number of **16,239,366** (13,116,672), the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential ordinary shares. Share options with an exercise price below the average share price as at 30 June 2000 are considered as dilutive potential ordinary shares. There is no material difference to earnings if all the dilutive potential ordinary shares were converted.

## 10 Intangible assets

Goodwill has arisen during the year on the Group's acquisition of Kofax Image Products, Inc. and the acquisition of the remaining minority shareholding in the subsidiary DICOM Europe Ltd. Further details are shown in note 13.

	Goodwill £'000
<b>Cost</b>	
At 1 July 1999	1,333
Goodwill adjustment - release of contingent deferred consideration	(76)
Additions	31,615
Disposals	(275)
Foreign exchange adjustments	(19)
At 30 June 2000	32,578
<b>Amortisation</b>	
At 1 July 1999	(42)
Charge for the year	(751)
Disposals	22
Foreign exchange adjustments	2
At 30 June 2000	(769)
<b>Net book value at 30 June 2000</b>	<b>31,809</b>
Net book value at 30 June 1999	1,291

## 11 Tangible assets

	Leasehold improvements £'000	Machines and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 July 1999	425	3,206	1,091	283	5,005
Acquisitions	218	2,857	607	6	3,688
Additions	147	779	168	75	1,169
Disposed of with subsidiary undertakings	(30)	(965)	(118)	(43)	(1,156)
Disposals	(32)	(159)	(14)	(13)	(8)
Foreign exchange adjustments	9	253	120	(7)	375
At 30 June 2000	737	5,971	1,854	301	8,863

## 11 Tangible assets (continued)

	Leasehold improvements £'000	Machines and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Total £'000
<b>Depreciation</b>					
At 1 July 1999	188	1,615	680	140	2,623
Acquisitions	29	2,129	346	6	2,510
Charge for the year	78	718	213	46	1,055
Disposed of with subsidiary undertakings	(8)	(457)	(67)	(36)	(568)
Disposals	(16)	(196)	(6)	(34)	(252)
Foreign exchange adjustments	–	295	41	(3)	333
At 30 June 2000	271	4,104	1,207	119	5,701
<b>Net book value at 30 June 2000</b>	<b>466</b>	<b>1,867</b>	<b>647</b>	<b>182</b>	<b>3,162</b>
Net book value at 30 June 1999	237	1,591	411	143	2,382

The amounts stated above include assets held under finance leases and similar hire purchase contracts as follows:

	At 30 June	
	2000 £'000	1999 £'000
Net book value	<b>133</b>	202

The depreciation charge for the year on these assets was £80,000 (1999: £91,000)

## 12 Investments

	Associated undertakings £'000	Unlisted investments £'000	Investments in own shares £'000	Group £'000	Parent company £'000
<b>Cost</b>					
At 1 July 1999	(33)	17	100	84	1,973
Additions	2,808	–	–	2,808	2
Transfer to subsidiary undertaking	(2,301)	–	–	(2,301)	–
Transfer to unlisted investments	(8)	551	–	543	–
Disposal	(51)	–	(1)	(52)	–
Share of profit in associated undertakings	(26)	–	–	(26)	–
Foreign exchange adjustments	(217)	(1)	–	(218)	–
<b>At 30 June 2000</b>	<b>172</b>	<b>567</b>	<b>99</b>	<b>838</b>	<b>1,975</b>

Parent company investments relate to investments in subsidiary undertakings. The transfer to unlisted investments arises from the disposal of an 80% interest in a subsidiary, details of which are contained on page 33.

The investment shown in own shares is held by the trustees of the Employee Share Ownership plan. The holding comprises 96,800 shares (1999: 101,000 shares) with a market value at 30 June 2000 of £580,800 (1999: £328,000).

## Principal Subsidiary and Associated undertakings

Name of undertaking	Country of incorporation and operation	Percentage of issued share capital held	
		By parent company	By subsidiary undertakings
<b>Subsidiary undertakings:</b>			
DICOM Europe Ltd.	England	100%	–
DIALOG Imaging Ltd.	England	100%	–
Xenstone Storage Systems Ltd.	England	100%	–
DICOM Holding AG	Switzerland	–	100%
DICOM AG	Switzerland	–	100%
DICOM Deutschland GmbH	Germany	–	100%
NorDICOM AB	Sweden	–	100%
DICOM Norge A/S	Norway	–	100%
DICOM Edb-distribution A/S	Denmark	–	100%
DICOM Finland OY	Finland	–	80%
DICOM France SA	France	–	100%
Sistemas DICOM Ibérica, S.A.	Spain	–	80%
DIALOG Imaging France SA	France	–	80%
DIALOG Solutions AG	Switzerland	–	80%
DICOM Security AG	Switzerland	–	60%
Opersys AG	Switzerland	–	100%
ELSAT International Computervertriebsges. mbH	Austria	–	100%
DICOM Data Management CZ, spol. s r.o.	Czech Republic	–	100%
ELSAT International Magyarorszag Kft.	Hungary	–	97%
DICOM Polska Sp. z o.o.	Poland	–	100%
DICOM Benelux NV/SA	Belgium	–	100%
Computerei Isaak AG	Switzerland	–	100%
DICOM SEDICO AG	Switzerland	–	60%
DICOM Italia S.p.A.	Italy	–	80%
Kofax Image Products, Inc.	United States	–	100%
Imaging Components Corporation	United States	–	100%
<b>Associated undertakings:</b>			
DICOM Asia Holdings Pte Ltd	Singapore	–	40%
Base-Net Informatik AG	Switzerland	–	35%
Base-Net Research AG	Switzerland	–	45%
Intelligo AB	Sweden	–	30%
iSource AG	Switzerland	–	30%

The activities of the Associated undertakings are the same as those of the Group.

### 13 Acquisitions

In July 1999, the Group committed to an equity investment of US\$4 million (£2.5 million) to acquire an 18.8% stake in Imaging Components Corporation (ICC), a new US based private equity vehicle formed to make a tender offer for 100% of Kofax Image Products, Inc. The subsequent acquisition of Kofax by ICC gave rise to goodwill to the Group of £5.5 million.

On 1 February 2000, the Group exercised its call option over the balance of the equity in ICC that it did not already own at a cost of £14.3 million in cash (including costs) and warrants of 1,120,867 DICOM shares.

An analysis of the consideration paid, assets acquired and goodwill arising is set out below:

	Book value to the Group £'000	Fair value adjustments		Fair value to the Group £'000
		Write off of purchased technology	Legal provision (provisional) £'000	
Fixed assets				
Tangible fixed assets	963			963
Current assets				
Stocks	859			859
Debtors	4,954	(1,313)		3,641
Cash at bank and in hand	2,408			2,408
Total assets	9,184	(1,313)		7,871
Creditors	(19,416)		(252)	(19,668)
Net liabilities	(10,232)	1,313	(252)	(11,797)
Costs of acquisition				582
Fair value of consideration				13,697
Goodwill arising from the acquisition				26,076

The write off of purchased technology relates to the impairment of a project deemed commercially non feasible on acquisition. The legal provision relates to known claims made against the Company, including associated legal costs.

In summary, the acquisition of Kofax created £31.6 million of goodwill.

	Initial investment (18%) £m	Acquisition of remaining (82%) £m	Total £m
Fair value of consideration	2.5	13.7	16.2
Costs of acquisition	–	0.6	0.6
Net liabilities acquired	3.0	11.8	14.8
Goodwill arising from the acquisition	5.5	26.1	31.6

The results of Kofax Image Products, Inc. prior to its acquisition are set out below:

	Seven months to 31 January 2000 £'000	Year ended 30 June 1999 £'000
Turnover	15,671	23,202
Operating profit (before exceptional items)	2,503	3,750
Profit on ordinary activities after taxation	1,948	2,859

### 13 Acquisitions (continued)

Cash flows: The net outflow of cash arising from acquisitions is as follows:

	£'000
Cash consideration	16,325
Cash acquired	(2,948)
Net outflow of cash relating to the acquisition of ICC	13,377

In May 2000, the Group acquired the remaining minority shareholding of 1% in its subsidiary DICOM Europe Ltd., giving rise to goodwill of £16,000.

### 14 Disposals

In March 2000, the Group sold an 80% interest in its former wholly owned subsidiary, Dialog Verwaltungs-Data AG, Switzerland. The remaining 20% is carried as a trade investment.

	Book value to the Group £'000
Intangible assets	
Goodwill	253
Fixed assets	
Tangible fixed assets	588
Current assets	
Stocks	75
Debtors	2,121
Cash at bank and in hand	52
Creditors	(375)
Net assets	2,714
Less amounts transferred to trade investments	(543)
Value of assets disposal	2,171
Consideration	2,110
Loss on disposal	61

Consideration consists of:

	£'000
Cash	211
Deferred consideration	1,899

## 15 Stocks

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Work in progress	463	–	–	–
Finished goods and goods for resale	8,532	5,632	–	–
	<b>8,995</b>	<b>5,632</b>	<b>–</b>	<b>–</b>

The replacement cost of stock is not considered to be materially different from the amounts shown above.

## 16 Debtors

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	15,669	9,972	–	–
Amounts owed by subsidiary undertakings	–	–	47,569	6,331
Other debtors	5,414	1,360	118	–
Amounts recoverable under contracts	471	868	–	–
Prepayments	1,223	2,435	9	11
Advance corporation tax	168	175	168	175
	<b>22,945</b>	<b>14,810</b>	<b>47,864</b>	<b>6,517</b>

Other debtors (Group) include amounts recoverable after more than one year of £2,358,000 (1999: nil). Included within Other debtors (Group) is an amount of £26,000 (1999: nil) advanced to a director located overseas for relocation expenses, the maximum outstanding during the year was £26,000.

## 17 Investments

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Unlisted investments	174	159	–	–

The unlisted investments relate to Austrian Government securities held by one of the Group's subsidiaries.

## 18 Creditors

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts	343	1,600	–	2
Trade creditors	8,941	7,812	–	–
Other creditors	1,310	635	138	21
Creditors for taxation and social security	1,392	1,338	–	–
Proposed dividend	437	246	437	246
Accruals and deferred income	8,326	3,273	1,096	58
Corporation tax	1,173	566	–	–
Obligations under hire purchase contracts and finance lease	57	95	–	–
	<b>21,979</b>	<b>15,565</b>	<b>1,671</b>	<b>327</b>

Bank loans and overdrafts to certain subsidiary undertakings amounting to £166,000 (£1,041,000) were secured on the assets of those subsidiary undertakings.

## 19 Creditors

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
<b>Amounts falling due after more than one year</b>				
Long term loans, repayable by half-yearly instalments, secured on the assets of certain subsidiary undertakings, at fixed rate of 5.5%				
Due after 1 year but not more than 2 years	49	77	–	–
Due after 2 years but not more than 5 years	49	101	–	–
Accruals	662	93	–	–
Obligations under hire purchase contracts and finance lease	68	96	–	–
	<b>828</b>	<b>367</b>	<b>–</b>	<b>–</b>

## 20 Financial instruments

Any explanation on the Group's strategy in respect of the risks relating to financial instruments is included in the accounting policies on pages 23 to 24. In relation of the disclosures made below, short-term debtors and creditors are not treated as financial assets or financial liabilities.

The currency and interest rate exposure of the Group's net borrowings is shown below:

	Total £'000	Floating borrowings £'000	Fixed borrowings £'000	Weighted average interest rate %	Weighted average time for which rate is fixed Years
At 30 June 2000					
<b>Currency</b>					
Sterling	21	21			
Euro	349	202	147	5.5	3.0
Other	71	71			
At 30 June 2000	441	294	147	5.5	3.0

At 30 June 1999

### Currency

Sterling	4	4	–		
Euro	1,675	1,411	264	5.4	2.9
Other	99	99	–		
At 30 June 2000	1,778	1,514	264	5.4	2.9

An analysis of the Group's cash by currency is as follows:

	At 30 June	
	2000 £'000	1999 £'000
<b>Currency</b>		
Sterling	5,726	196
Euro	1,669	1,453
Swiss Franc	761	678
US-Dollar	5,439	–
Other European currencies	503	611
At 30 June 2000	14,098	2,938

Cash balances carry floating rate interest based on relevant national interbank rates.

The Group has the following undrawn committed bank borrowing and overdraft facilities available to it:

	At 30 June	
	2000 £'000	1999 £'000
Expiring within one year	11,900	8,183

These facilities are for the purpose of providing additional working capital. Further details of the Group's treasury management policies can be found in the Directors' report on pages 14 to 15.

## 21 Obligations under hire purchase contracts and finance leases

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Repayable: within 1 year	57	95	–	–
Repayable: 1 to 2 years	68	73	–	–
Repayable: 2 to 5 years	–	23	–	–
	125	191	–	–

## 22 Provisions

	Group £'000	Parent company £'000
<b>Deferred tax</b>		
At 1 July 1999	236	–
Transfer from the profit and loss account	254	–
Foreign exchange movements	7	–
At 30 June 2000	497	–

All deferred taxation provided is in respect of timing differences attributable to depreciation rates and profit recognition rules. There is no unprovided deferred taxation.

## 23 Share capital

	Authorised		Issued, called up and fully paid	
	Number	£'000	Number	£'000
<b>Equity share capital:</b>				
<b>Ordinary shares of 10p</b>				
At 1 July 1999	16,500,000	1,650	13,361,157	1,336
Increase of authorised share capital	16,500,000	1,650	–	–
Issued for cash	–	–	6,000,000	600
Issued to advisers in relation to placing	–	–	37,750	4
Issued against warrants	–	–	1,065,193	106
At 30 June 2000	33,000,000	3,300	20,464,100	2,046

On 16 January 2000, the authorised share capital was increased by a further 16,500,000 ordinary shares of 10p.

In addition to the options granted to the directors, which are shown in the Remuneration report on page 18, the following options over ordinary shares have been granted to certain employees of the Group under various option schemes and remain outstanding at June 2000:

	Outstanding at 1 July 1999	Granted during the year	Lapsed during the year	Outstanding at 30 June 2000	Exercise price	Exercise date
Share Option Plan	222,500	4,500	33,000	194,000	90p–382.5p	2000–2008
Share Option Super Plan	222,500	4,500	33,000	194,000	90p–382.5p	2001–2008
DICOM 2000 Share Option Plan	–	972,600	148,500	824,100	8.87 Euro–19.84 Euro	2001–2010

## 24 Reserves

	Share premium £'000	Merger reserve £'000	Profit & loss £'000	Total £'000
<b>Group</b>				
At 1 July 1999	6,687	527	2,611	9,825
Retained profit for the year	-	-	2,413	2,413
Foreign exchange adjustments	-	-	1,235	1,235
Premium arising from share issues	48,226	-	-	48,226
Costs of issuing shares	(4,945)	-	-	(4,945)
At 30 June 2000	49,968	527	6,259	56,754

The cumulative amount of goodwill resulting from acquisitions to date which have been eliminated against reserves is £8,912,000 (£8,912,000).

	Share premium £'000	Profit & loss £'000	Total £'000
<b>Parent company</b>			
At 1 July 1999	6,687	143	6,830
Retained profit for the year	-	819	819
Premium arising from share issues	48,226	-	48,226
Costs of issuing shares	(4,945)	-	(4,945)
At 30 June 2000	49,968	962	50,930

Under the exemption given in the Companies Act 1985 Section 230 the parent company does not present its own profit and loss account. The profit attributable to the parent company was £1,462,000 (1999: £492,000).

## 25 Reconciliation of movements in shareholders' funds

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Shareholders' funds at 1 July 1999	11,161	8,589	8,166	7,702
Profit for the financial year	3,056	2,505	1,462	492
Dividends	(643)	(370)	(643)	(370)
Foreign exchange adjustments	1,235	95	-	-
New share capital issued	48,936	342	48,936	342
Costs of issuing shares	(4,945)	-	(4,945)	-
Shareholders' funds at 30 June 2000	58,800	11,161	52,976	8,166

All of the shareholders' funds are equity.

## 26 Commitments under operating leases

	Group at 30 June		Parent company at 30 June	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Lease of land and buildings				
Within 1 year	739	255	–	–
In 2 to 5 years inclusive	1,869	428	–	–
After 5 years	120	–	–	–
Other leases				
Within 1 year	256	32	–	–
In 2 to 5 years inclusive	284	141	–	–

## 27 Related party transactions

The following related party transactions occurred during the year and were all on an arm's length basis.

	Year to 30 June	
	2000 £'000	1999 £'000
Sales to Associated undertakings	296	794
Purchases from Associated undertakings	1,395	–

At 30 June 2000 the Associated undertakings owed £1,635,000 (1999: £873,000) to the Group.

## 28 Post balance sheet events

On 11 August 2000, the Group acquired a 60% stake in PDS S.r.l., based in Perugia, Italy. PDS is a leading provider of components and services to the Italian EDC market. The consideration payable for the acquisition amounted to £1.9m of which 40% was paid by 129,420 ordinary shares and 60% in cash. DICOM has been granted an option to acquire and the vendors have an option to sell the outstanding 40% of PDS after two years. PDS reported annual sales of £4.5m and operating profits of £0.3m for the year ended 30 June 2000.

On 14 September, the Group announced it had committed an equity investment of US\$5m (£3.5m) in Cardiff Software Inc., a software company based in San Diego, USA. DICOM was joined by Adobe Systems Inc. and HarbourVest Partners, investing US\$12m in total.

## 29 Notes to the consolidated cash flow statement

	Year to 30 June	
	2000 £'000	1999 £'000
<b>Reconciliation of operating profit to operating cash flows:</b>		
Operating profit	3,983	2,773
Depreciation and amortisation	1,867	846
Share of profit of Associated undertakings	26	(21)
Profit on sale of fixed asset investment	(2)	(510)
(Profit)/Loss on sale of tangible fixed assets	(30)	8
Increase in stocks	(2,387)	(600)
Increase in debtors	(3,902)	(1,799)
Increase in creditors	3,216	870
Foreign exchange differences	1,687	421
Net cash inflow from operating activities	4,458	1,988
<b>Returns on investments and servicing of finance:</b>		
Interest paid	(1,022)	(351)
Interest received	271	150
Net cash outflow for returns on investments and servicing of finance	(751)	(201)
<b>Capital expenditure and financial instruments:</b>		
Purchase of fixed assets	(1,246)	(1,088)
Purchase of fixed assets investments	(163)	(809)
Purchase of current asset investments	(15)	(31)
Sale of tangible fixed assets	76	98
Sale of fixed assets investments	41	1,300
Net cash outflow for capital expenditure and financial investments	(1,307)	(530)
<b>Acquisitions and disposals:</b>		
Purchase of subsidiary undertakings (net of cash/overdraft acquired)	(13,377)	(170)
Purchase of business	-	(475)
Sale of subsidiary undertakings (net of cash disposed)	159	-
Net cash outflow for acquisitions	(13,218)	(645)
<b>Management of liquid resources</b>		
(Investment)/Divestment in short term deposits	(6,584)	2,680
Net cash (outflow)/inflow from management of liquid resources	(6,584)	2,680
<b>Financing</b>		
Issue of ordinary shares (net of share issue costs)	43,991	342
Debt due within a year:		
Decrease in short-term borrowings	(1,792)	(1,118)
Debt due beyond one year:		
Decrease in long-term borrowings	(18,680)	(32)
Capital element of finance leases repayment	(80)	(91)
	(20,552)	(1,241)
Net cash inflow from financing	23,439	(899)

## Analysis of net funds

	At 30 June 1999 £'000	Cash flow £'000	Acquired/ Disposed with subsidiary* £'000	Other non-cash changes £'000	Foreign exchange movements £'000	At 30 June 2000 £'000
Cash in hand, at bank	2,722	4,661			(82)	<b>7,301</b>
Overdrafts	(559)	414			17	<b>(128)</b>
Debt due within 1 year	(1,041)	1,792	(926)	(77)	36	<b>(216)</b>
Debt due after 1 year	(178)	18,680	(18,683)	77	6	<b>(98)</b>
Finance leases	(191)	80	103	(119)	2	<b>(125)</b>
Current asset investment	216	6,584			(3)	<b>6,797</b>
<b>Total</b>	<b>969</b>	<b>32,211</b>	<b>(19,506)</b>	<b>(119)</b>	<b>(24)</b>	<b>13,531</b>

\* (excl. cash and overdrafts)

## 30 Contingent liability

On 26 September 1997, Visionshape, Inc. filed suit against Kofax Image Products, Inc. in the Superior Court of Orange County, California. Visionshape claims that Kofax's Adrenaline Accelerator boards prevent the use of software other than Kofax's software which would create a monopoly. On 27 May 1998, the Superior Court ordered the suit dismissed. Visionshape filed appeal on 31 March 1999. Based upon information currently available the Group believes that the claims are without merit.

## Five year record

	Audited 2000 £'000	Audited 1999 £'000	Audited 1998 £'000	Audited 1997 £'000	Pro forma unaudited 1996 £'000
<b>Profit and loss account</b>					
Turnover	99,229	87,863	66,295	58,032	32,001
Operating profit before goodwill amortisation	4,734	2,815	(478)	3,530	2,535
Operating profit	3,983	2,773	(478)	3,530	2,535
Share of results of associated undertakings	(26)	21	(45)	-	
Exceptional item – profit on disposal of fixed asset investment	-	541	-	-	
Net interest (payable)/receivable	(97)	(202)	(116)	52	(143)
Profit on ordinary activities before taxation	3,860	3,133	(639)	3,582	2,392
Taxation	(1,188)	(689)	(183)	(823)	(489)
Profit on ordinary activities after taxation	2,672	2,444	(822)	2,759	1,903
Minority interests	384	61	152	116	10
Profit attributable to ordinary shareholders	3,056	2,505	(670)	2,875	1,913
<b>Earnings per share</b>					
– basic	19.1p	19.1p	(5.2p)	24.0p	22.3p
– adjusted	29.3p	22.7p	(5.2p)	24.0p	22.3p
– diluted			18.8p1		
<b>Dividends per share</b>			3.18p		2.76p2.4p2
<b>Assets employed</b>					
Fixed assets	35,809	3,757	2,662	1,610	980
Current assets	46,212	23,539	22,762	20,712	13,839
Current liabilities	(21,979)	(15,565)	(16,345)	(11,269)	(6,388)
Net current assets	24,233	7,974	6,417	9,443	7,451
Total assets less current liabilities	60,042	11,731	9,079	11,053	8,431
Creditors due after more than one year	(1,325)	(603)	(588)	(686)	(230)
Net assets	58,717	11,128	8,491	10,367	8,201
<b>Represented by:</b>					
Shareholders' funds	58,800	11,161	8,589	10,405	8,208
Minority interests	(83)	(33)	(98)	(38)	(7)
	58,717	11,128	8,491	10,367	8,201

- 1) The Group was not constituted as a legal entity and did not commence trading until 18 March 1996. The pro forma unaudited financial information for the year ended 30 June 1996 set out above is based on a combination of the financial statements of the companies comprising the Group, after appropriate adjustments to eliminate intra group trading, costs of acquisition by DICOM GROUP plc and costs of admission to AIM and to bring the accounting policies of the acquired business into line with those of the Group.
- 2) Pro forma earnings per ordinary share for the year ended 30 June 1996 is calculated using profit after tax and minorities and a pro forma weighted average number of ordinary shares in issue during the year, calculated as if 8,010,370 ordinary shares were in existence since 1 July 1993, 625,000 ordinary shares were issued on 18 March 1996 and 1,632,056 ordinary shares were issued on 3 April 1996. There would be no material dilution on the exercise of outstanding share options.

## Notice of meeting

### Notice of Annual general meeting of DICOM GROUP plc (the 'Company')

NOTICE IS HEREBY GIVEN that the fifth Annual general meeting of the Company will be held at the offices of Investec Henderson Crosthwaite, at 2 Gresham Street, London EC2V 7QP, on 27 October 2000 at 11am for the following purposes:

#### Ordinary Business

1. To receive and adopt the Directors' report and accounts for the year ended 30 June 2000 and the Auditors' report thereon.
2. To declare a final dividend of 2.12p per ordinary share, to be paid on 1 December 2000 to all ordinary shareholders on the Register on 3 November 2000.
3. To elect as a director David Silver who was previously appointed by the Board.
4. To re-elect as a director Christoph Löslein who retires by rotation.
5. To re-elect as a director Urs Niederberger who retires by rotation.
6. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

THAT BDO Stoy Hayward be and are hereby re-appointed as Auditors to the Company from the conclusion of this meeting until the conclusion of the next Annual general meeting and that the Directors be and are hereby authorised to fix the remuneration of BDO Stoy Hayward as Auditors.

#### Special Business

7. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:
  - a) THAT the directors, pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act"), be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company until the conclusion of the Annual general meeting of the Company which takes place in 2001 or the period of 15 months from the passing of this resolution, whichever is the earlier;
  - b) pursuant to such authority, the directors may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period;
  - c) words and expressions defined in or for the purposes of Section 80 of the Act shall have the same meaning in this resolution; and
  - d) the authority conferred by this resolution be in substitution for all existing authorities granted to the directors pursuant to the said Section 80.
8. To consider and, if thought fit, pass the following resolution as a Special Resolution:

THAT in substitution for all previous authorities and powers granted to the directors under Section 95 ("the Section") of the Act, the directors be and they are hereby authorised and empowered pursuant to the Section to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by Resolution 7 above as if Section 89(1) of the Act did not apply to such allotment provided that the authority and power contained in this paragraph shall be limited as follows:

- a) to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the directors may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws or the rules or regulations of any jurisdiction, stock exchange or other regulatory body whatsoever;
- b) to the allotment (otherwise than pursuant to sub-paragraph a) above) of equity securities which are or are to be wholly paid up in cash to an aggregate nominal amount of £102,320; and provided further that the authority and power conferred by this Resolution shall expire at the conclusion of the Annual general meeting of the Company which takes place in 2001 or the period of 15 months from the passing of this Resolution, whichever is the earlier, unless such authority is renewed or extended at or prior to such time, save that the Company may before such expiry make any offer, agreement or other arrangement which would or might require equity securities to be allotted otherwise than in accordance with Section 89 of the Act after the expiry of this authority.

#### By order of the Board

**Urs Niederberger, Company Secretary**

**29 September 2000**

Registered Office:

Andromeda House, Calleva Park,  
Aldermaston, Berkshire RG7 8AR

#### Notes

1. Any member entitled to attend and vote at the meeting convened by the above notice may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Completion of a form of proxy does not preclude a member from attending and voting at the meeting in person.
2. To be valid a duly executed form of proxy for use at the meeting, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's Registrars, Connaught St. Michaels Limited, P.O. Box 30, Cresta House, Alma Street, Luton, Bedfordshire LU1 2PU by no later than 48 hours before the time for the holding of the meeting or any adjournment thereof.

## Financial calendar

### 2000

27 October 2000	Annual general meeting in London
14 November 2000	Announcement of Q1/three months results
1 December 2000	Payment of 1999/2000 final dividend

### 2001

20 February 2001	Announcement of Q2/half year results
04 May 2001	Payment of interim dividend
15 May 2001	Announcement of Q3/nine months results
September 2001	Preliminary announcement of 2000/2001 final results
September 2001	Analyst conference in London
September 2001	DVFA conference in Frankfurt
September 2001	Analyst conference in Frankfurt
October 2001	Annual general meeting in London
November 2001	Payment of 2000/2001 final dividend

## Company secretary and advisers

### Company secretary

Urs Niederberger  
Registered office  
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Company registration no  
3119779

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Registrar  
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### Solicitors

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