



Annual Report ● 2001



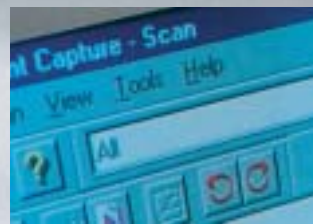
**M O R E**  
T H A N A G R O U P

**DICOM GROUP plc**

Leading in Products and Services for the  
Information Capture Market and the  
Automation of Related Business Transactions



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A B O U T  
D I C O M G R O U P p l c



DICOM is a global leader in the Information Capture market, a fast growing segment of the Office Automation industry. Information capture technology is used at the important phase at the beginning of many business applications and converts non-digital and digital information into structured data streams.

DICOM has more than 700 employees and operates in 23 countries in Europe, the US, South East Asia and Australia. To date, more than 4,000 companies and government organisations use DICOM's products and services, in close co-operation with the world's most successful and reliable Software and System Integrators.



# FINANCIAL HIGHLIGHTS

	Year to 30 June 2001 £ '000	Year to 30 June 2000 £ '000	Percentage increase
<b>Turnover</b>	<b>140,290</b>	99,229	41%
Operating profit (pre goodwill amortisation)	9,876	4,734	109%
Profit before tax	7,471	3,860	94%
<b>Earnings per share</b>			
- basic	23.1p	19.1p	21%
- adjusted	33.4p	29.3p	14%
- diluted	22.8p	18.8p	21%
Dividend per share	3.66p	3.18p	15%
<b>Average number of ordinary shares</b>	<b>20,716,446</b>	<b>16,007,383</b>	
<b>Average number of employees</b>	<b>634</b>	<b>444</b>	

● DICOM GROUP plc

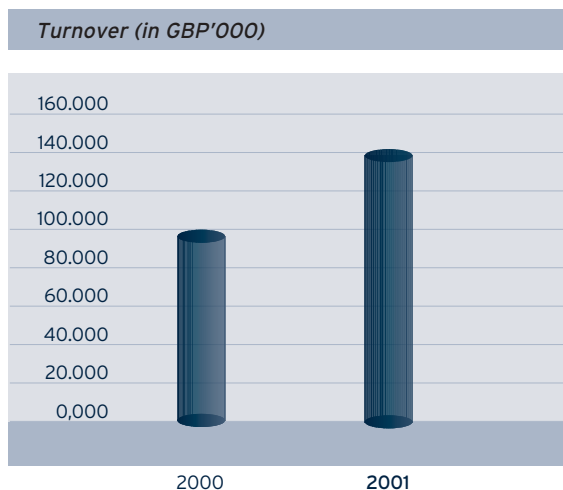
- Turnover up 41% at £ 140.3 m
- Operating profit (pre goodwill amortisation) up 109% to £ 9.9 m
- Share of proprietary products in the EDC Division increased to 51%



# CHAIRMAN'S STATEMENT

## RESULTS (UK GAAP)

I am very pleased to report a record set of results at every level. Group turnover for the year to 30 June 2001 was up 41% to £140.3m (2000: £99.2m). Turnover growth of continuing operations in local currency was 25%. Acquisitions contributed an additional 16% growth in sales. Operating profit for the year of £7.8m (2000: £4.0m) increased by 96%. Operating profit before exceptional items and goodwill amortisation increased by 109% to £9.9m (2000: £4.7m). Profit before tax was £7.5m (2000: £3.9m), an increase of 94% from the previous year. After tax and mi-



nority interests basic earnings per share is calculated at 23.1p (2000: 19.1p), up 21%. Adjusted earnings per share, earnings being adjusted for goodwill amortisation and exceptional items rose 14% to 33.4p (2000: 29.3p).

The financial year to 30 June 2001 proved to be very successful for the Group as DICOM's core EDC (Electronic Data and Document Capture) Division continued to reposition itself as an industry leader by developing and providing its own products and services. It also gained market share and improved its position in the Information Capture market. With strong demand for our products and increasing market share, the effects of cut-backs in information technology spending and slowdown in the world economy have had a minimal effect on current trading.

The major contributor to the strong improvement in turnover and profitability was the Group's EDC Division. Financial year 2001 also proved to be an excellent year for Kofax Image Products, Inc. ("Kofax"), the US based development centre for our proprietary EDC products. DICOM is now the largest provider of EDC products and services in the European and Asian markets. With its international reach, it is better placed than ever to win global contracts from multinational companies seeking a single source supplier for their local needs.

The Samsung General Agency (SGA) Division achieved good results showing growth in both markets in which SGA operates, Austria and Switzerland. Operating margins, however, did come under pressure during the last quarter of the financial year.

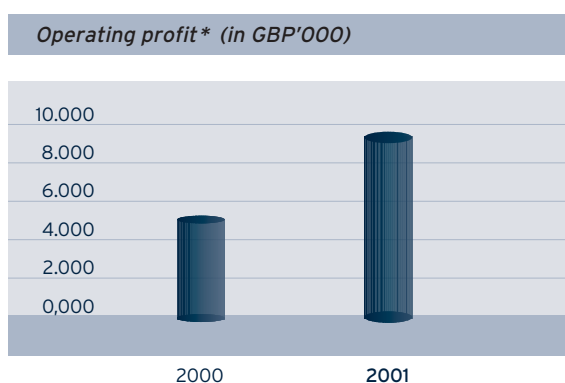
## FINANCIAL POSITION

The Group generated cash flow from operations of £8.4m and ended the year with net debt of £0.7m (net funds of £13.5m at 30 June 2000). The Group spent £19.1m, in cash on acquisitions and other investments during the year.

## OPERATING REVIEW

EDC is the Group's largest division. It develops and sells software and electronic components, provides consulting and integration services and distributes key related products to over 1,000 system integrators and software houses world-wide. The implementation of EDC technology allows data and document intensive organisations to reduce substantially business transaction cost, improve customer service and achieve high returns on investment.

EDC achieved organic sales growth in local currency terms of 19%, acquisitions contributed an additional 37% in sales. In total, EDC contributed 63% (2000: 58%) of



*\* pre Goodwill and exceptional item*

the Group's sales in the year to 30 June 2001. The provision of services and sales of products developed by the Group now account for 51% of EDC turnover (2000: 38%)

Kofax showed substantial growth in turnover during the year. It successfully introduced new versions of its market leading products Virtual ReScan™ (VRS) and Ascent Capture, while strengthening its product development pipeline for upcoming market launches. In December 2000 the availability of Software VRS was announced, addressing the image processing needs of the fast growing mid-range

scanner market. In May 2001 Kofax shipped Ascent Capture 5, the latest version of its award winning capture management solution. Its new e-document and XML import functions, and the extension of its capabilities to handle distributed capture, have helped to gain substantial market share. Ascent Capture is now marketed as "The Operating System of Capture", in the expectation that it will become the *de facto* standard in the industry.

A growing number of blue chip software houses have integrated Kofax capture solutions into their products as a result of focused sales and marketing initiatives. Ascent Capture continues to move upmarket - a trend which is underscored by the successful participation in a number of large EDC projects. As a result, the number of Ascent Capture software licenses sold to date has increased significantly to 22,500 (30 June 2000: 14,500).

The European Components and Services (C&S) sales and service operations provided solid growth with better margins and improved performance in the Group's major territories despite the general slow-down in the IT industry. The drive to provide consulting and other services continues to improve the quantity and quality of the Group's service revenues, which grew 54% compared to last year. The increased level of end-user project involvement, sometimes cross-border, is continuing to raise the Group's profile.

DICOM Consulting was able to report substantial project gains in the UK and Italy which are currently in the roll-out phase. The product mix of the Business Unit was changed significantly by expanding successfully into Capture Services, which address the growing need of companies and government agencies to outsource the process of data and document capture.

The SGA Division continued to perform well during the year to 30 June 2001 and contributed 37% (2000: 40%) to Group turnover. Organic sales growth in local currency terms was 29%. The major contributor continued 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 and slower growth in the last quarter as a result of the general trend to cut back on IT spending.

### ACQUISITIONS AND INVESTMENTS

During the year the Group undertook a number of bolt-on acquisitions and investments primarily broadening its software offering and also strengthening its local sales and service operations in Europe. It has also acquired additional document and data capture services capability and strengthened its existing software development capacities.

The most significant investment during the past year was made in September 2000, when DICOM announced it had made an equity investment of US\$ 5m in Cardiff Software Inc. ("Cardiff"), a privately owned data capture company in California, US. This was followed up with a further purchase of shares in the amount of US\$ 9.3m in March 2001, bringing the Group's total stake to 19%. Cardiff complements DICOM's existing product lines by adding electronic forms functionality and provides it with additional opportunities in the EDC market.

For a detailed overview of all acquisitions made during the year see page 30 of the annual report.

### LISTING INFORMATION

DICOM is currently listed on the London Stock Exchange and is part of the techMARK index. On 15 December 2000 it moved up from FTSE-Fledgling to the FTSE-Small-Cap-Index. It is also listed on the Frankfurt Stock Exchange (Neuer Markt) and is part of the NEMAX-ALL-SHARE index.

### STAFF

Staff numbers grew during the year from 500 to 718 at year-end. DICOM's future prosperity is in large measure dependent on the ability, energy and loyalty of our staff, whose specialist knowledge, training and experience is key to the successful provision of the Group's value-added services. We are fortunate that staff turnover is low and that we continue to attract high calibre people. I would like to welcome all new employees of DICOM and also to record my personal appreciation to all staff for their commitment and contribution during the year.

In DICOM's experience the provision of share options has been necessary to attract, maintain and motivate staff toward the goal of enhancing shareholder value. Accordingly, in order to provide the Directors' with the flexibility they need to continue using options in this manner for the foreseeable future, it is proposed to increase the total number of shares issuable under option from 10 to 15% of the issued share capital on a fully diluted basis. The current number of shares granted under the Company's current share option schemes is 7.8% of the total issued share capital on a fully diluted basis. Accordingly a proposal, by way of an ordinary resolution, will be put to the Annual General Meeting to be held on 13 November 2001.

### DIVIDEND

The Directors propose a final dividend of 2.44p per ordinary share, which when added to the interim dividend of 1.22p per ordinary share, makes a total dividend for the year of 3.66p per ordinary share (2000: 3.18p). This represents an increase of 15% over the previous year.

### PROSPECTS

- We have experienced good levels of growth during the last financial year in all major countries of operation.
- All significant acquisitions made to date are performing well. Further complementary acquisitions and investments within the Group's declared strategic direction are continually under review by the directors.
- The Group is very well positioned in its core Information Capture market which shows good growth prospects in contrast to difficult general trading conditions in the IT market. The first quarter has started well. For the first two months of the current financial year the Group experienced double digit growth rates, both in sales and earnings, compared to the same period of the previous year. The Directors view the Group's outlook with optimism.



**Otto Schmid**

Chairman and Chief Executive

1 October 2001



# FINANCIAL REVIEW

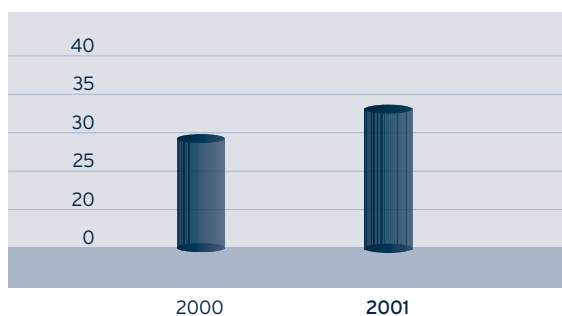
## GROUP PERFORMANCE

I am pleased to report a year which has seen DICOM deliver record turnover and profit.

Operating profit before exceptional items and goodwill amortisation increased by 109% to £9.9m (2000: £4.7m) on sales of £140.3m (2000: £99.2m). In the first six months, operating profit before exceptional items and goodwill amortisation was £4.6m, a margin of 6.8% on sales of £67.5m. The second half results contributed £5.3m or 7.3% on sales of £72.8m.

Overall gross margin increased to 36% (2000: 31%). This is mainly due to a full year's contribution from Kofax, acquired in January 2000.

*Earnings per ordinary share adjusted (in pence)*



During the year operating expenses before exceptional items and goodwill amortisation increased from £25.7m to £40.7m. Of this increase of £15m, a total amount of £11.2m is attributable to acquisitions performed during this financial year and related to a full years charge for Kofax, acquired in January 2000. There was a negative effect from exchange rates movements of £0.8m. Thus the underlying increase was £3.0m, representing 12%. Goodwill amortisation increased to £1.8m (2000: £0.8m).

Adjusted earnings per share increased 14% to 33.4p (2000: 29.3p). Adjusted earnings per share is shown exclusive of exceptional items and the impact of goodwill amortisation. Basic earnings per share are at 23.1p (2000: 19.1p). Diluted earnings per share increased to 22.8p (2000: 18.8p). The calculation of earnings per share is based upon UK Financial Reporting Standard 14.

## ACQUISITIONS AND INVESTMENTS

The Financial year 2001 was an active year in terms of both bolt-on acquisitions and strategic investments:

- In August 2000, the Group acquired a 60% stake in PDS S.r.l., the leading provider of Components and Services to the EDC Market in Italy.

- In September 2000, the Group committed an equity investment of US\$ 5m (£3.5 million) in Cardiff Software Inc., a software company based in San Diego, US. DICOM was joined by Adobe Systems Inc. and Harbour-Vest Partners, investing a total of US\$ 12m.
- In October 2000, the Group bought a 20% stake of Alos GmbH in Germany, a leading supplier of products and services in the Electronic Document Imaging Market.
- In November 2000, the Group acquired a 60% stake of SIDUS d.o.o., a data and document capture service centre in Croatia.
- In November 2000, the Group acquired certain assets and liabilities of Computer Data Control S.r.l., an EDC services provider in Italy.
- In January 2001, the Group acquired a 7% shareholding in Entelagent Software Corporation, an e-mail surveillance and content management company.
- In March 2001, DICOM reached an agreement with the Larson Family Revocable Trust to purchase 3.1 million of common shares in Cardiff Software Inc. The purchase represented 13% of the total equity of Cardiff.
- In March 2001, the Group acquired the EDC integration and maintenance business of ASM Service GmbH & Co. KG in Germany.

Further details of these acquisitions and investments can be found on page 30.

#### **RESEARCH AND DEVELOPMENT EXPENDITURE**

DICOM continues to invest in the ongoing research and development of its market leading products. Such expenditure on research and development is charged to the profit and loss account as incurred. Such costs totalled £5.3m (2000: £2.4m).

#### **TAXATION**

The tax charge on profits equated to 37% (2000: 31%). This increase primarily reflected the higher corporate tax rate applicable in the United States and the fact that the majority of the amortisation of goodwill does not attract tax relief. Pre amortisation, the effective tax rate increased from 26% to 29%.

#### **DIVIDEND**

A final dividend of 2.44p has been proposed, making a total dividend payable on ordinary shares for the year of 3.66p (2000: 3.18p), up 15%. Dividends on ordinary shares will absorb £0.8m (2000: £0.6m). These are covered 8.7 times (2000: 5.9 times) by profit before goodwill amortisation, and 6.3 times (2000: 4.8 times) after goodwill amortisation.

#### **CASH FLOW**

During the year the operating activities of the Group have generated positive operating cash flows of £8.4m (2000: £4.5m).



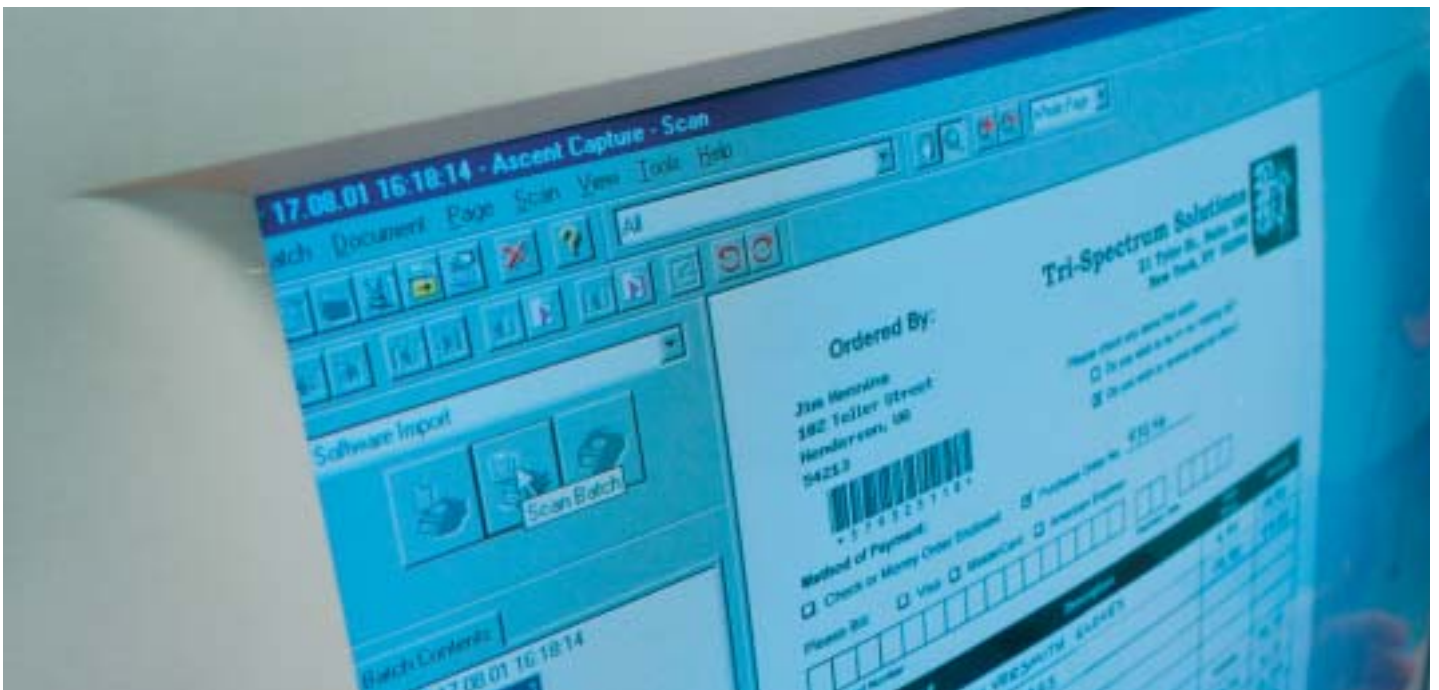
**Urs Niederberger**  
Financial Director

1 October 2001

# MAKING INFORMATION DIGITAL



Globally, the quantity and diversity of data and documents vital to mission critical business processes is growing at ever increasing speeds. At the same time, companies and government bodies seek to improve the access quality and time to data and to lower the costs for the acquisition of such information. Users also recognise that the performance of Knowledge and Content Management, database applications and many other IT solutions can be substantially increased by using powerful data and document capture technology.



DICOM responds to these requirements by providing a range of complementary world-class Information Capture technology. Our global services and software products and components help to automate and make the business transactions of companies and government organisations more efficient.

### THE INFORMATION CAPTURE MARKET

Every day billions of forms, paper documents and e-documents are created in many different languages, designs and formats. In most cases the information contained is unavailable in a readable form, often stored by different applications and on hybrid media types. In most cases, these unstructured data and documents need to be imported or scanned and digitally enhanced before they can be interpreted and ultimately, become an information asset for the user.

The market for products and services addressing these needs is growing at significant speed, a market forecasted to be worth US\$ 2.6bn in 2002 according to independent market research studies (source: Strategy Partners Market Report, June 2001).

Electronic Data and Document Capture (EDC) is the process of transforming digital and non-digital sources of information into readable data including the ultimate release of structured digital data and images into a broad range of software solutions.

- Starting point of the EDC process is digital data, such as electronic forms, emails, video streams, image data, web files and non-digital data, such as faxes, paper documents, forms, micro film and other analogue data formats. In a single large enterprise thousands of different types of electronic and paper documents are created at often decentralised globally dispersed sites.

- The first step for non-digital information includes document capture, i.e. scanning at high speed and managing considerable complexity in terms of colours, formats, paper quality, sometimes at more than a thousand sites in parallel.
- The next step includes the manipulation of the images files using artificial intelligence. The quality level achieved during this phase including image enhancements and data compression has considerable impact on the overall productivity of the entire EDC process.
- At the same time, digital data can be imported and, as a result of the document capture and import of electronic data coherent sets of digital raw data can be created.
- The following step includes the data capture process, i.e. the recognition of data and information. Examples include the automatic recognition of the content of order forms, freight documentation, census forms, tax returns, credit applications, to name only a few.

Following data capture the information can then be automatically indexed and the quality checked.

- Finally, the data is converted into structured digital information according to the specific customer's needs.
- Often, all steps of the EDC process are executed and managed from many decentralised sites.
- The information will then be released into existing IT applications, such as databases, archive systems, ERP-systems, Knowledge Management Systems.

## DICOM`s Core Competence: Enhancing Office Automation





#### **A GLOBAL COMPANY WITH LOCAL COMPETENCE**

International customers demand concepts aimed at solving their global business automation requirements but also need service and support on a local level. Information needs to be available at the branch offices, but the IT policies and the data structure often should comply with enterprise wide standards. Through its aggressive growth strategy initiated over the past few years, DICOM has met these requirements at its 23 country network of subsidiaries and associates, including more than 50 sales and service offices covering Europe, North America, Asia and Australia. Today, more than 4,000 customers use DICOM's products and services and the client base continues to increase.

To date, several hundred software integrators and large IT companies have integrated DICOM high performance capture products.

#### **UNIQUE PRODUCT STRATEGY MATCHES REQUIREMENTS OF ALL VERTICALS GLOBALLY**

DICOM's strategy is to address all vertical and geographical markets on a global basis with standard products. Our application software's open architecture, its image capture and our enhancements products allows a vast number of system integrators and software houses to seamlessly integrate our products into their vertical solutions. These are developed to automate and support the specific business process of the various industries such as banking, insurance, automotive, transportation service, to name examples.

DICOM's Information Capture products and solutions have proved that they add substantial value to the IT in-

infrastructure of companies and government organisations. High levels of return on investment, as well as increased customer satisfaction from greater operating efficiencies and faster and better access to client information underpin the successful implementation of EDC technology.

Often, EDC becomes a vital part of the automation of business processes, hence DICOM has developed a broad range of service products which ensure that EDC solutions operate at an optimum level.

As the number of applications used by customers is growing and the complexity of data and document structure is rapidly increasing, the need for integration support and consulting is even greater. DICOM has responded to this development with its comprehensive offering of consultancy and integration services.

Many companies and government organisations have high level access and publish data and documents vital to their business. Often, however, they do not have the resources and expertise to set up an EDC site and look for an outsourced solution. In close co-operation with partners combined with wholly-owned capacity, DICOM offers world-class capture services to ensure that clients can focus on their core competencies.

### LOOKING INTO THE FUTURE

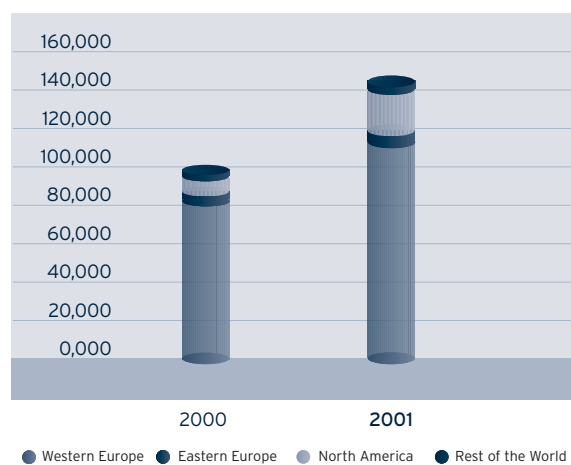
The thrust of pushing pure Web based infrastructure has cooled considerably during the last two years. Despite this development the importance of the electronic form as a complementary way of capturing information is growing fast. One reason for this development is to gauge market demand faster and more accurately in order to respond accordingly.

Information Capture technology and the automation of related transactions are required where employees, customers and suppliers are based, and not at a central site where the server infrastructure happens to be installed. The future success of office automation is dependent on how well such solutions work remotely but still comply with existing solutions.

Still, huge amounts of time and cost are buried in organisations by developing and managing forms, and more generally speaking the way they communicate with their partners. This provides larger organisations with opportunities to increase operating efficiencies.

During the last century Information became the most important corporate asset for many companies. We believe this to be the case and anticipate this trend will continue. Hence, the critical success factor for companies in an ever increasing competitive environment is to improve speed, access quality and cost to capture and distribute mission critical data.

*Sales by geographical market (in GBP '000)*





# EDC DIVISION

## HIGH PERFORMANCE PRODUCTS AND HIGH QUALITY CUSTOMER SERVICE

The accelerating speed at which businesses world-wide are operate demands products and services to support them in their goal to manage transactions with customers and suppliers in a timely fashion and at a lower cost. DICOM's EDC product offering and its services are tailored to respond to these demands perfectly.

With its acquisition of US-based Kofax Image Products, Inc., DICOM both raised its profile and expanded its leadership in the EDC market. Kofax was founded 16 years ago to bring robust document imaging to the low-cost personal computer platform. Early Kofax hardware products and imaging toolkits gave personal computers the power and functionality to handle what was previously possible only on costly, complex and proprietary UNIX workstations. Today, Kofax hardware and software products are the *de facto* industry standard for image processing, user productivity, and the capture of critical information, whether from paper or electronic sources.

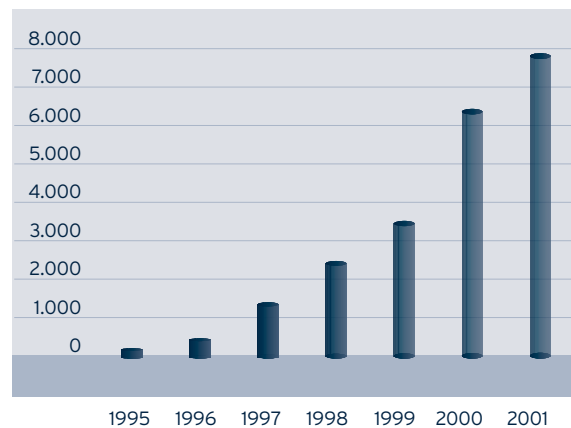
### ASCENT CAPTURE

Ascent Capture software enables organisations to capture and verify both scanned and electronic documents, validate the extracted data, index it for later retrieval, and send it all seamlessly into electronic business systems.

Kofax developed Ascent Capture in 1995 as a software solution for automating the capture and indexing of scanned paper documents and data. Since then, Ascent has significantly extended its capabilities and become the most widely used capture software in the world. More than 22,500 Ascent licenses have been sold to date and installed at over 4,000 sites in 40 countries. Kofax publishes Ascent Capture for seven languages (English, German, French, Italian, Spanish, Mandarin and Japanese).

In 2001, Kofax introduced Ascent Capture version 5 - the "Operating System of Capture" - with support for e-document and XML capture, front-end integration with enter-

Quantity of Licences sold per year

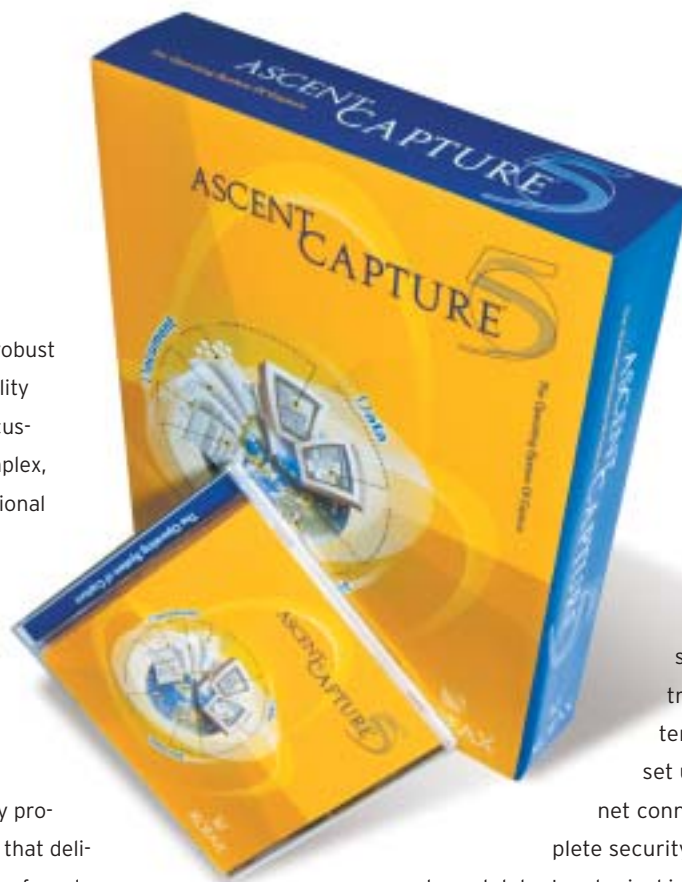


prise applications, and a robust "custom modules" capability that allows Ascent to be customised for the most complex, highest-volume organisational needs. An optional thin-client indexing module was also introduced, enabling content indexing from within a Web browser.

Ascent Capture is the only product on the market today that delivers all three key features of production capture - document capture, data capture, and internet capture - in a single application. For documents, Ascent Capture boasts the fastest, most flexible scanning and automated indexing around. For data, Ascent Capture automatically identifies forms and performs highly accurate recognition of handwriting (ICR), machine print (OCR), check marks (OMR) and bar codes to extract even the toughest data from scanned images without missing a beat.

#### **ASCENT CAPTURE INTERNET SERVER**

Previously, most organisations with remote offices were forced to either ship their paper documents to a central site for scanning, scan the documents to CD, or rely on low-quality faxes. With the Ascent Capture Internet Server, remote offices can directly capture paper or e-documents, saving time and shipping costs



and eliminating the possibility of lost documents. The captured documents are transmitted to the central site via the internet, where they are released to back-end systems for immediate retrieval. Ascent Capture Internet Server is simple to set up, works over any internet connection and provides complete security for transmitted documents and data. In a typical installation, each site performs scanning and - optionally - other functions such as OCR and indexing.

#### **ASCENT CAPTURE WEB VALIDATION SERVER**

The Ascent Capture Web Validation Server is a powerful new module that extends the use of Ascent Capture's indexing and validation capabilities to anyone equipped with a Web connection and a standard browser. Indexing operations can be performed by part-time workers at home or by subject-matter experts in their offices or other time zones. The Web Validation Server can be easily added to the Ascent Capture workflow so you can automatically send documents to authorised remote operators for indexing. Ascent Capture User Profiles control what documents go to which operators, and all activity is recorded for centralised tracking and reporting.

## VIRTUAL RESCAN (VRS)

When it introduced VirtualReScan (VRS) in 1999, Kofax once again demonstrated its outstanding expertise in image processing and user productivity. This unique technology has twice been named "Best of AIIM" (the Association for Information and Image Management) - once in 1999 for the hardware version, and again in 2001 for Software VRS.

VRS is an electronic check-point for scanned images. It dramatically improves image quality and provides the unprecedented ability to produce perfect scans without costly rescanning. As quickly as images pass through the scanner, VRS performs a multi-point inspection of each document. It instantly checks and adjusts for alignment (skew), brightness, contrast, and image clarity. Any inconsistencies are immediately corrected by VRS, so that only the straightest, most readable images are moved into your application. VRS shines on the toughest documents, such as carbon copies, coloured or tinted documents or pages which combine very light and very dark areas.

Doculabs, an independent research and consulting firm specialising in e-business technologies, recently evaluated VRS. Doculabs found that VRS makes scanning easier, dramatically increases OCR accuracy, reduces errors and

rescanning, and ultimately reduces overall scanning costs: "VRS makes scanning simple and easy," their report stated.



"Operators do not need special knowledge of scanning, resolution or image enhancement. They just press the scan button, and VRS does the rest."

Leading scanner manufacturers, such as Fujitsu Japan and Bell & Howell have embraced VRS technology, signing OEM agreements to incorporate VRS into their production scanners. Manufacturers of copiers and multifunctional devices have also expressed interest in adding VRS technology to their products.



## ADRENALINE

Adrenaline is a complete family of scanner controllers, image processing accelerators, and software engines designed to offer the best support possible for professional document scanning.

From workgroup to high-volume, SCSI to video, black and white to colour - Adrenaline makes the scanning experience easier, better, faster, and more reliable. The Adrenaline product family provides certified compatibility with document scanners, unrivalled technical support,

dependable installation and operation, sophisticated image processing and advanced recognition features such as bar code and patch code recognition, page registration, and form recognition. The new bar code recognition and decoding software in Adrenaline 650i, 850 and 1700 are the most accurate in the document imaging market.

## CASE STUDIES



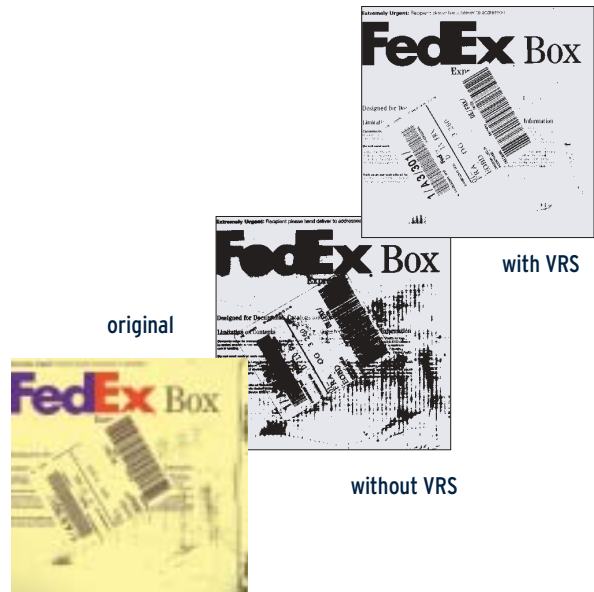
### FEDEX IMPLEMENTS KOFAX PRODUCTS TO SPEED AIRBILL PROCESSING

Kofax VRS, Adrenaline and ImageControls technologies capture and record critical paper-based shipment information for FedEx Corp. as part of a large-scale distributed system for paper-to-data capture. Kofax's advanced imaging technology allows FedEx to process its existing shipping volumes more efficiently. Typically FedEx processes 1.2 million airbill documents in an eight-hour day.

Kofax's award-winning, automated document image perfecting solution, VirtualReScan (VRS), reduces the time to prepare documents for scanning, increases optical character recognition accuracy and eliminates expensive, time-consuming document rescanning. VRS enables accurate, reliable scanning of a variety of document types, sizes and colours and automatically straightens, crops and optimises exposures in real time. VRS is a very reliable method for capturing images and data from coloured, multipart forms.

### FINANCIAL BROKERAGE SPEEDS NEW ACCOUNT APPLICATIONS WITH DISTRIBUTED DOCUMENT CAPTURE

J.C. Bradford & Company, a full-service financial brokerage with nearly 100 offices across the US, generates 350 to 400 new account files per day, which are required for



the SEC, the stock exchanges and for Bradford's own customer files.

Previously, these documents travelled by interoffice envelope to the headquarters mailroom in Nashville, Tennessee. From there, they entered the new account workflow that passed through several departments, but the risk of lost documents was high for this workflow.

The Ascent Capture Internet Server provided the solution, which remotely captures documents over any type of internet connection - from dedicated, high-speed lines to the least expensive dial-up connection. Together with VirtualReScan (VRS), an intelligent hardware and software package which produces acceptable document images on the first scan, this electronic workflow is working well at J.C. Bradford and providing a number of benefits over the previous system.

### ASCENT CAPTURE MAILS IN SOLUTION TO UCLA PAPER OVERLOAD

The UCLA (University of California at Los Angeles) Chancellor's Office was buried in paper mail. The chancellor, executive vice chancellor, vice chancellors, special assistants and other key staff receive thousands of pages of mail

each day: paper which frequently required immediate review and action. Often, a single piece of mail required attention by several administrators who worked in different offices.

The paper volume grew each year and the infrastructure had to grow with it. Managing the paper flow was becoming a bigger job than managing the information it contained and to get rid of this problem a software solution based on Kofax Ascent Capture was chosen for document scanning, indexing and full-text character recognition.

#### **VRS HELPS NASA CAPTURE PRICELESS SPACE SHUTTLE MISSION DATA**

The United Space Alliance (USA) manages and operates the US Space Shuttle program for NASA. Houston-based USA is a joint venture between The Boeing Company and Lockheed Martin Corporation.

It takes a large, far-flung team to safely accomplish each Space Shuttle mission. One challenge is to ensure that the team has reliable, immediate access to pre- and post-mission documents.

The USA scans critical documents, releases them as Adobe Acrobat files and distributes them on its high-security intranet. Some documents are hand-written notes - including research notes written by orbiting astronauts while conducting experiments. To capture all mission data returned from space, the USA chooses VRS that automatically optimises legibility of all scanned documents.

#### **REMOVING THE "SHADOW" FROM ELECTRONIC MEDICAL RECORDS**

Electronic Medical Records (EMR) System, an electronic database for patient lab test results, could not

eliminate paper because it did not have the ability to convert paper documents into a compatible electronic format. Lab test results were arriving at the clinic as hard copies. Until recently, these vital patient records had to remain on paper - a "shadow" System which complicated operations and compromised the benefits of the EMR.

The Oregon Clinic, specialising on cardiology, neurology and further areas, produces and receives a large volume of lab reports and retained an off-site vendor for external storage and retrieval of patient charts. As a solution an EMR application for clinics with high-volume document scanning and capture system anchored by Ascent Capture was introduced from Kofax. Ascent now helps to capture about 3,000 pages per day and helps the clinic to be more efficient and work with an improved patient care.

#### **MGM/MIRAGE DOESN'T NEED LUCK TO HIRE 10,000 EMPLOYEES**

More than 30 million visitors flock to Las Vegas each year to dance with 'Lady Luck'. To accommodate the daily influx of tourists from around the world, the desert resort community has sprouted new hotels, office parks, shopping malls and residential housing. Human Resources (HR) departments at these hotels are faced with the daunting task of managing the thousands of pages of paperwork required processing applications and managing employee files. On average, hotels process 7-to-10 documents per employee each year, ranging from the initial job application to employee personal records and job evaluations.

Bellagio, an MGM MIRAGE property, has turned to electronic document and data capture technology to manage the hiring boom. The hotel recently implemented Kofax Ascent Capture to enable a completely paperless HR Solution.

## **SWISSCOM**

Fast, reliable sales and service for millions of customers means Swisscom must quickly, accurately and inexpensively process millions of customer documents which originate on paper. For Swisscom, that has meant electronically scanning these documents to make them quickly accessible to any authorised person in the company. Electronic retrieval ensures reliable, fast access to customer correspondence, order management information, contracts, product information and many other data sources. Swisscom stores each captured document in its "Elektronisches Kunden Dossier" (Electronic Customer Repository) - 11 million at last count, growing at 2.5 million per year.

Swisscom chose VirtualReScan (VRS) from Kofax to deliver the required image quality and scanning efficiency.

## **ASCENT CAPTURE IMPROVES CLAIMS PROCESSING AT INTER PARTNER ASSISTANCE**

It's a nightmare many have experienced: You're in a strange country, you don't speak the language, you don't know local customs and you suffer a serious personal emergency. If you were European, you could call Inter Partner Assistance, based in Brussels. It employs 2,500 people and provides 24-hour emergency international medical, travel, financial and concierge services for individuals and companies.

Inter Partner Assistance's goal was to improve the access speed and quality to its incoming 25,000 claims related documents per month, some hand written and using many different forms. As part of the introduced Lotus Notes solution, Ascent Capture accelerated invoice and correspondence processing significantly and eliminated lost documents.

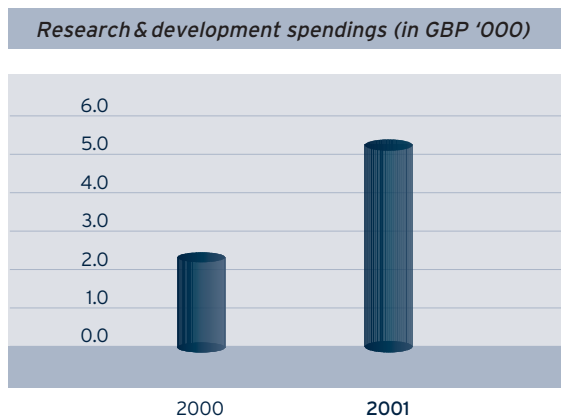


## RESEARCH AND DEVELOPMENT

### SOFTWARE DEVELOPMENT IN THE US

Kofax Image Products, Inc. in Irvine, California is DICOM's primary research and development centre. Kofax R&D comprises two groups, the Algorithm and Technology Group and the Software Development Group, employing more than 80 people.

The Algorithm and Technology Group develops document image processing algorithms which are incorporated into Kofax document scanning hardware and software products.



These algorithms improve machine and human readability of document images and minimise storage requirements.

The Software Development Group focuses on enhancements to the Ascent Capture data and document capture platform and on VirtualReScan (VRS) greyscale and colour image processing. Current Ascent Capture activities target enhanced customisation capabilities and thin-client support for remote internet scanning and data validation. VRS engineers improve colour image processing and add support for a broader range of scanners.

## NEW SOFTWARE DEVELOPMENT IN CROATIA AND MALAYSIA

To maximise the flexibility and increase its development capabilities DICOM has added R&D facilities in Croatia and Malaysia. During last year, smaller acquisitions were made in both locations to gain critical mass. Today, software coding, maintenance of algorithms and adoptions to business applications can be made 24 hours a day on a worldwide scale through added development capacity, focusing on Information Capture technology.

## OUR BUSINESS PARTNER CONCEPT

DICOM's sales and marketing philosophy is based on close partnerships with leading system integrators and software houses on a global scale which serve the world's top 20,000 companies and government bodies. The mutual beneficial partnerships allow maximum reach for DICOM's products and services, while ensuring that users are served by software houses and system integrators to tailor their solutions to specific requirements. In order to assure high levels of customer satisfaction newly appointed business partners participate in certification programs. The DICOM service network complement the sale of components to the integrators and ensure that the installations are working at maximum availability levels.

### Partners of DICOM

Bull	IBM
Ceyoniq	ICL
Compaq	IcomXpress
Debis	IMR
Documentum	Livelihood
Eastman Software	Optika
EDS	Unisys
FileNET	Wincor Nixdorf
Hummingbird	
	<i>... AND 800 MORE</i>

## DICOM COMPONENTS AND SERVICES

DICOM Components and Services (C&S) is the largest provider of products and services in the European and Asian EDC market. With C&S, DICOM is active in 22 countries. No other company has a comparable geographical position in this market segment. The product range includes software components and specialised 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 32% of gross profit in the last financial year and is a strategically vital element of the Group's activities.

C&S continues to gain market shares primarily through expanding its service offerings. DICOM is currently the only provider offering an integrated European service net for EDC components - some 80 DICOM specialists in 17 countries. One factor is of growing importance: business partners and large international companies prefer to meet the requirements of their local branch offices with global solutions from one source, an internationally active service provider.

C&S sales activities are based entirely on 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 secure several major orders and entered into new partnerships in almost all of its markets. DICOM's international, overall presence, its ability to adapt to local conditions, its service terms and its training and demonstration capabilities make it a prime choice for manufacturers in the EDC sector.

## DICOM CONSULTING

Improved efficiency brought about by the introduction of automatic capture of information sources can be impressive for the user, especially regarding solutions which allow capture of large volumes of documents. A high degree of complexity must be mastered in order to make EDC solutions performance capable.

DICOM Consulting offers individual, manufacturer-independent consulting and process optimisation solutions for each of these steps. Firstly, a status assessment and specific expertise is required to develop a system which can be successfully implemented. Before the full benefit can be achieved, analysis of EDC-related business processes is needed, as well as defining demands, followed by project monitoring during the implementation phase, recognition and through-put tuning, training and project audits. These consulting services are generally offered at the request of or, in close co-operation with contractual and business partners.

The product mix of the DICOM Consulting was changed during the last year by expanding successfully into Capture Services, which addresses the growing need of companies and government agencies to outsource the process of data and document capture.

DICOM Consulting is active in Italy, Great Britain, Switzerland and the United States.



# D I C O M

## V E N T U R E S

In May 2001 DICOM Ventures\* was established with the objective of entering into corporate venturing and managing DICOM's existing minority holdings.

The mandate of DICOM Ventures includes research of the Information Capture market and related business areas, as well as investigating acquisition opportunities. As a result, DICOM Ventures aims to invest into selected technology companies supporting DICOM's strategy and helping to strengthen its product and service offerings. The overall aim is to provide the Group with strategic options where its subsidiaries and its product development can benefit in the longer term. More specifically, this is likely to be accomplished by DICOM taking minority investments in technology companies seeking late stage financing.

Existing minority holdings include investments in nine software and service companies in the US, Switzerland, Germany and Sweden.

\*DICOM Venture is not a legal entity or company.



# SGA

## DIVISION

Samsung General Agency (SGA) is the exclusive marketing and service partner of Samsung Electronics for IT-products in Switzerland and Austria. According to independent market research Korean based Samsung Electronics is, among other industry sectors, the undisputed market leader for computer displays world-wide with a market share of 20 % (Source: IDC Japan). Since 1999 the product range has been broadened by adding product lines in the communications and internet access devices business as well as in high-end digital consumer electronics. SGA markets the Samsung products through IT resellers, PC assemblers, solution providers, general contractors, integrators, mass merchandisers and telco's.



During the past years, SGA has introduced the Samsung brand successfully into two target markets, Switzerland and Austria. This is reflected by its growing market share for LCD flat panel display, which it built from a nil position in 1998 to a leading market share of 20 % in Switzerland (source: Bryan Norris market research).



# INTERNATIONAL PRESENCE



## EDC DIVISIONS USA

### ● USA, Irvine

In 2000 DICOM acquired Kofax Image Products, Inc. and is operating out of Irvine, California with offices in Tampa, Florida, Atlanta, Georgia, Schaumburg, Illinois, Bethesda, Maryland, Defiance, Missouri, New Providence, New Jersey, Syosset, New York and Bastrop, Texas.

## EDC DIVISIONS ASIA/PACIFIC

### ● Australia, Sydney

In 2000 DICOM Australia Pty Ltd was founded and is operating out of Sydney and Melbourne.

### ● Singapore

In 1996 DICOM Asia Pte Ltd was founded and is operating out of Singapore.

### ● Indonesia, Jakarta

In 1997 PT DICOM was founded and is operating out of Jakarta, Utara.

### ● Malaysia, Kuala Lumpur

In 1997 PT DICOM Information Technology Sdn Bhd was founded and is operating out of Kuala Lumpur.

### ● Philippines, Makati City

In 1997 PT DICOM Inc was founded and is operating out of Makati City.





## EDC DIVISIONS EUROPE

### ● Austria, Vienna

In 1996 DICOM acquired ELSAT International Computervertriebs GmbH and in 2001 the name is changed to DICOM Informati-onstechnologie GmbH.

### ● Belgium, Mechelen

In 1996 acquired as Aptus Benelux NV/SA, DICOM Benelux NV/SA is operating out of Mechelen and Utrecht. Kofax Image Products, Inc. is operating out Brussels.

### ● Czech Republic, Prague

Acquired in 1996 the ELSAT's Czech subsidiary changed name to DICOM Data Management CZ, spol s.r.o.

### ● Croatia, Verteneglio

In 2000 DICOM acquired SIDUS d.o.o.

### ● Denmark, Brøndby

In 1996 DICOM Edb-distribution A/S was founded.

### ● Finland, Helsinki

In 1996 DICOM Finland Oy was founded.

### ● France, Courtabœuf

DICOM FRANCE SA was founded in 1996 and is located 20 km south west of Paris in the high tech activity centre of Courta-beuf.

### ● Germany, Freiburg, Hamburg and Munich

In 1993 founded, DICOM Germany was the first foreign subsidiary operating out of Frei-burg with offices in Hamburg and Munich. Kofax Image Products, Inc. is operating out of Mönchengladbach and Eichstetten.

### ● Hungary, Budapest

Acquired in 1996 the ELSAT's Hungarian subsidiary is now named DICOM Magyaros-zág Kft.

### ● Italy, Rome, Vicenza and Perugia

In 1997 DICOM Italia S.p.A. was founded operating out of Rome with an outlet in Vi-cenza. In 2000 DICOM acquired PDS S.r.l. operating out of Perugia with offices in Florence, Milan, Rome, Naples, Monteviale and Vicenza. Kofax Image Products, Inc. is operating out of Rome.

### ● Netherlands, Utrecht

In 1996 acquired as Aptus Benelux NV/SA, DICOM Benelux NV/SA is operating out of Utrecht and Mechelen.

### ● Norway, Oslo

In 1995 DICOM Norge A/S was founded operating out of Oslo with an office in Stavanger.

### ● Poland, Warsaw

Acquired in 1996 the ELSAT's Hungarian subsidiary is now named DICOM Polska Sp. z.o.o.

### ● Spain, Barcelona and Madrid

In 1997 DICOM Sistemas Ibérica S.A. was founded operating out of Barcelona with an office in Madrid. Kofax Image Products, Inc. is operating out of Madrid.

### ● Sweden, Kungsbacka

In 1994 NORDICOM AB was founded opera-ting out of Kungsbacka with an office in Täby.

### ● Switzerland, Rotkreuz

In 1991 DICOM AG was founded. DICOM AG and DICOM Security are operating out of Rotkreuz. DIALOG Solutions AG is opera-ting out of Rothenburg.

### ● United Kingdom, Aldermaston in Berkshire

In 1995 Dicom Europe Ltd. was founded operating out of Aldermaston. DIALOG Imaging Ltd. is operating out of Hemel Hempstead, Herts and Kofax Image Pro-ducts, Inc. out of Almondsbury, Bristol.

## SAMSUNG GENERAL AGENCIES

### ● Austria, Vienna

In 1996 DICOM acquired ELSAT Internatio-nal Computervertriebsgesellschaft mbH.

### ● Switzerland, Rotkreuz

In 1991 DICOM AG is founded in Rotkreuz. DICOM SA is operating out of Crissier and DICOM SEDICO AG out of Rotkreuz.



# ACQUISITIONS & INVESTMENTS

## AUGUST 2000

### PDS S.R.L.



- Acquisition of a 60% stake.
- The consideration payable amounted to £1.9m, of which 40% was funded by way of the issue of 129,420 ordinary DICOM shares and 60% in cash. DICOM has been granted an option to acquire the outstanding equity and the vendors have an option to sell the outstanding 40% of PDS after two years.
- PDS S.r.l. is the leading provider of components and services to the EDC market in Italy.

## SEPTEMBER 2000

### CARDIFF SOFTWARE INC.



- Equity investment of US\$5m in cash
- Cardiff Software Inc. is a privately-owned data capture company in California, US and has led the market in cost-effective forms processing since it first introduced TELEform®, an automated data capture software product, in 1991.
- Cardiff's integrated eTransaction solutions are used by more than 20,000 organisations, including Global 2000 companies, to automate a wide range of business transactions and processes. Cardiff's Information Capture, eForm Management and eDocument Automation solu-

tions work together to replace manual processing with automated online systems - putting information to work more quickly and affordably than ever before.

- Cardiff's TELEform® and MediClaim™ Information Capture products automatically process large volumes of paper forms and documents. Cardiff Information Capture products can be extended with form merge and online data collection using AutoMerge Publisher, HTML+Forms and PDF+Forms.
- The Cardiff LiquidOffice eForm Management System puts organisational forms online, complete with automated routing, approval, and processing.
- Cardiff eDocument Automation solutions include the AudienceOne Adobe PDF server, which creates personalised document sets from existing Adobe PDF files using XML- and API-driven assembly rules.

## OCTOBER 2000

### ALOS GMBH



- Acquisition of 20% of the issued share capital of Alos GmbH.
- Alos GmbH is a privately-owned company in Cologne, Germany and a leading supplier in the domestic German market of products and services in the electronic document imaging market.

## NOVEMBER 2000

### SIDUS D.O.O.

- Through its subsidiary DICOM Holdings International Ltd, DICOM has bought 60% of the issued share capital of

the Croatian data and document capture service centre SIDUS d.o.o. for a consideration of £1.6m payable in cash and 220,630 ordinary DICOM shares.

- SIDUS, based in Verteneglio, in Istria, Croatia was founded in November 1998 and employed 82 people at the date of acquisition.

#### **NOVEMBER 2000**

##### **COMPUTER DATA CONTROL S.R.L.**

- DICOM also purchased the assets and liabilities of Computer Data Control S.r.l. for a cash consideration of £0.9m.
- Computer Data Control S.r.l., an EDC services provider, based in Vicenza, Northern Italy was founded in 1987 and employed 14 people at the date of acquisition.

#### **NOVEMBER 2000**

##### **AZAG ASIA HOLDINGS PTE LTD**



- DICOM Asia, 40% owned by DICOM GROUP plc, has formed a new subsidiary, AZAG Asia Holdings, to act as a development centre in Kuala Lumpur (Malaysia), for Ko-fax and other DICOM subsidiaries.
- AZAG is producing Software Components for imaging and data capture. It uses GSD (Global Software Development) technology, to enhance the development process by making use of the time zone differences.

#### **JANUARY 2001**

##### **ENTELAGENT SOFTWARE CORPORATION**



- Acquisition of 7% stake for a cash consideration of US \$1m.
- Entelagent, established in June 1996, is a privately-owned company based near San Diego, California. The

company is working in the e-mail surveillance and content management.

- Entelagent Software Corporation, began operations in 1996 with the sole focus of developing the most powerful and versatile e-mail management solutions.
- Today, Entelagent Software is recognised as the industry leader in "content-aware" e-mail processing, auto-archiving, message preview and review, and data mining of enterprisewide databases of e-mail and attachments.
- SAMS Online® scalable platform is the company's flagship technology for Enterprise Solutions for organisations of any size. Entelagent Software's high-performance proprietary platform runs SAMS Online®'s critically acclaimed software solutions for:
  - Real-time monitoring and post-event review of e-mail messages and their attachments.
  - Data-mining access and infrastructure for Knowledge Management of archived e-mail messages and attachments in all media.

#### **MARCH 2001**

##### **CARDIFF SOFTWARE INC.**



- Increase of investment from 6% to 19%. Its common shares were purchased for US\$3 per share in a private transaction amounting to £6.3m or US\$9.3m in cash.

#### **MARCH 2001**

##### **ASM SERVICE GMBH & CO. KG**



- Acquisition of the business of ASM Service GmbH & Co. KG for a consideration of £0.8m, satisfied in cash.
- ASM, founded 1997 and based near Bremen, North Germany, offers world-wide integration and maintenance service for EDC products with a specific focus on mass storage solutions.



# T E A M

## & O R G A N I S A T I O N



DICOM's aim is to attract customer focused people who are industry experienced and enjoy working for an international company. Growth in a highly competitive environment can only be accomplished with people who have the desire to develop themselves and who want to accomplish high reaching goals. Hence DICOM is supporting personal development and other initiatives that foster personal skills and capabilities.

DICOM continues to increase the size of its work force substantially. As of 30 June 2001 718 people were employed by the Group, an increase of 44%. 200 employees were working with Kofax. During the year workforce in sales & marketing and service increased significantly from 155 to 218 employees and 113 to 207 employees respectively. 209 employees (2000: 176) were working in support and development.

DICOM operates with three divisions, EDC (Electronic Data and Document Capture) being its largest division. EDC is split into three business units: Components and Services (C&S), Kofax Products and DICOM Consulting.

C&S includes the provision of products and services to the EDC market in 17 European and 4 Asian countries. For further details see page 25 of the annual report.

Kofax Products, acquired in 2000, is the US based prod-





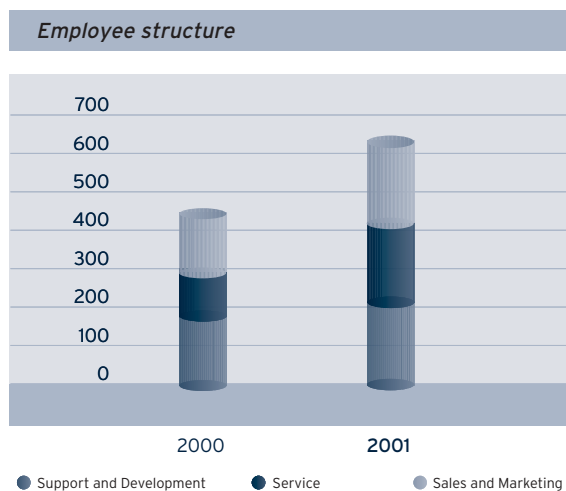
uct development centre of the Group. For further details see page 18 of the annual report.

DICOM Consulting includes the provision of consulting and integration services as well as outsourcing of data capture projects.

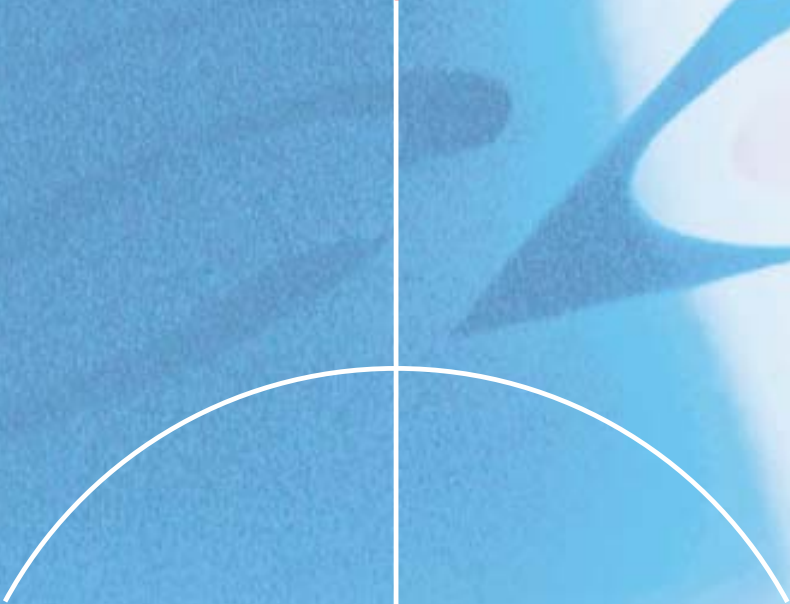
The Local Division contains the SGA business, which is the sole general agency for Samsung Electronics in Switzerland and Austria. For further details see page 27 of the annual report.



DICOM Ventures manages all minority interests of the Group. For further details see page 26 of the annual report.



# DICOM GROUP plc



## INTERNATIONAL DIVISION

## LOCAL DIVISION

## INVESTMENTS

Electronic Data and Document Capture (EDC) Division

Samsung General Agency (SGA) Division

DICOM Ventures

Components and Services

Kofax Products

DICOM Consulting

# COMPANY NEWS

## July 2000

- 26 July 2000**  
Remarketing Contract with IBM for Kofax Ascent Capture
- 15 August 2000**  
Acquisition of PDS S.r.l. in Italy
- 23 August 2000**  
New US Contract Award  
Salomon Smith Barney chooses Kofax Ascent Software
- 12 September 2000**  
Major contract to provide EDC software and services to the Land Charges Department of HM Land Registry
- 14 September 2000**  
Investment in US Company  
US\$12m (£8.5m) invested by DICOM, Adobe Systems & HarborVest Partners
- 14 September 2000**  
Cardiff's Software TELEform is selected as New Data Collection Standard for European, Asian and Pacific Rim Markets
- 19 September 2000**  
Announcement of preliminary results for the Year Ended 30 June 2000 - Turnover up 13% to £99.2m and Operating Profit (before goodwill amortisation) is £4.7m, up 68%
- 13 October 2000**  
Acquisition of 20% stake in ALOS GmbH, Germany
- 27 October 2000**  
Chairman's AGM Statement
- 14 November 2000**  
First Quarter Results 2000/2001 - Three Months to 30 September 2000
- Record Results: Sales up 30%; Pre-tax Profits up 156%; Confident outlook**
- 23 November 2000**  
Two Acquisitions in Europe, SIDUS in Croatia and CDC in Italy  
Formation of new Subsidiary in Malaysia
- 12 December 2000**  
Product Launch  
New Software Version of existing Virtual ReScan Product now addresses Mass Scanner Market
- 18 January 2001**  
Acquisition of a 7% shareholding in Entelagent Software Corporation for Cash  
Entry into e-mail capture sector
- 20 February 2001**  
Interim Results 2000/2001 - Six months to 31 December 2000  
Record Results: Turnover up 44%; Pre-tax Profits up 140%; Optimistic Outlook
- 6 March 2001**  
Increases Investment in Cardiff to 19% with Stock purchase from Larson Family Revocable Trust
- 8 March 2001**  
Acquisition of ASM Service GmbH strengthens position in German EDC Market
- 19 March 2001**  
Software Product Launch  
New Kofax Ascent Capture 5 for the Electronic Data Capture market
- 15 May 2001**  
Third Quarter Results 2000/2001 - Nine Months to 31 March 2001  
Record Results: Turnover up 56%, Pre-tax Profits up 252%, EPS up 51%, Optimistic Outlook.

## June 2001

### Post financial year-end news

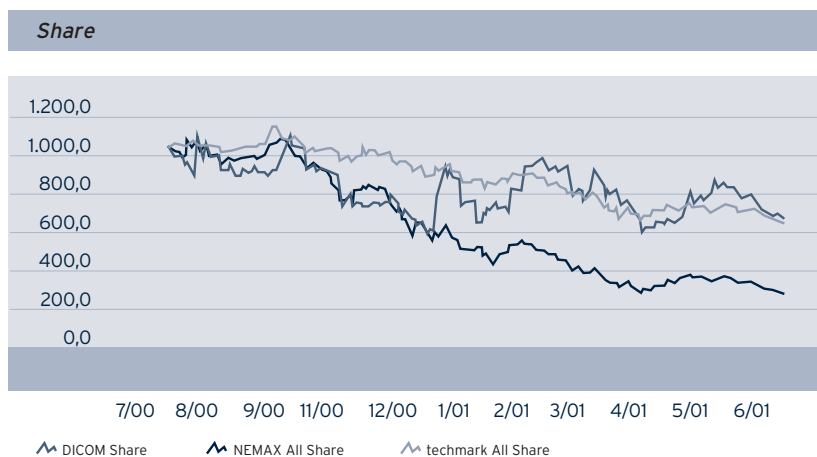
- 23 July 2001**  
Ascent Capture product integrated with Microsoft's SharePoint™ Portal Server
- 29 August 2001**  
Large-scale imaging contract for FedEx Corp., Global application will speed airbill processing

# THE DICOM SHARE



## • SHARE PRICE DEVELOPMENT

The financial year to 30 June 2001 was successful for the Group in respect to its financial performance and further improvement of its market position. The DICOM share price however was also effected by the general devaluation of technology stocks.



## • CAPITAL INCREASE

During the financial year 2001 two capital increases were completed primarily used to satisfy acquisitions. In August 2000 129,420 shares were issued in order to pay in part for the acquisition of 60% of PDS S.r.l., Italy. In November 2000 another 220,630 shares were issued in order to pay partly for the acquisition of 60% of SIDUS d.o.o. in Istria, Croatia.

order to pay partly for the acquisition of 60% of SIDUS d.o.o. in Istria, Croatia.

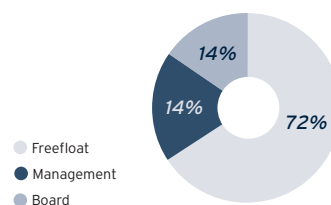
## • OPTIONS

DICOM has been granting options under three various option schemes. Information is contained in the Notes to the financial statements on page 66.

## • SHAREHOLDER STRUCTURE

The total number of shares in issue as of 30 June 2001 was 20,814,150. The directors, the management and the employees were holding approximately 28% of all shares. Otto Schmid, executive Chairman and Co-Founder of DICOM held 4.5%. 176,800 shares were held by the trustees of the ESOP (employees share ownership plan).

**Shareholder Structure**



## ● STOCK EXCHANGE

The DICOM share is traded at the following stock exchanges:

London, Frankfurt Floor Trade and associated local branches of the FWB, XETRA.

SEAQ	50 866 / DCM
WKN:	931 486 (Neuer Markt Frankfurt / Co-ownership participation)
	903 118 (OTC Market Germany)
SEDOL:	268 262 (London Stock Exchange)
ISIN code:	DE 000931 4864
	GB 000268 2622

## ● COMPANY CALENDAR

Annual General Meeting	13 November 2001
Results for the first three months	13 November 2001
Final dividend payment	30 November 2001
Interim results	19 February 2002
Interim dividend payment	3 May 2002
Results for the first nine months	14 May 2002
Financial year end	30 June 2002
Preliminary announcement of the full year results	September 2002

## ● INVESTOR RELATIONS

For questions about DICOM and the Company Report please contact:

**Phone** +44 (0) 800 652 06 16

+49 (0) 761 452 693 6

**Fax.** +49 (0) 761 452 699 36

**Email:** [Investor\\_relations@dicomgroup.com](mailto:Investor_relations@dicomgroup.com)

Regular information for shareholder is also available on the Group's website at <http://www.dicomgroup.com>

# DIRECTORS

## EXECUTIVES



### **Otto Schmid**

Otto Schmid (63), a Swiss national, Chairman and Chief Executive, co-founded DICOM in 1991. He has led the development of DICOM in countries outside

Switzerland and taken specific responsibility for planning and corporate development at Board level. He was previously responsible for corporate development for ACU Informatik AG, a Swiss distribution company for computer peripherals.



### **Walter Greifeneder**

Walter Greifeneder (44), an Austrian citizen, is the Deputy Chief Executive. He has more than 20 years experience in the Computer industry. He has had Board re-

sponsibility for the Group's Samsung General Agency Division since joining the Group when DICOM acquired EL-SAT in 1996.



### **Urs Niederberger**

Urs Niederberger (35), a Swiss citizen, has been the Finance Director of the Group since October 1997. Before joining DICOM

he worked as a consultant with Visura Consulting, part of BDO International.



### **Arnold von Büren**

Arnold von Büren (49), a Swiss citizen, served as Deputy Chief Executive since 1995 and in addition became CEO of Kofax in August 2000. He has more than 20

years experience in the Computer industry, including three years working in the USA. Before joining DICOM in 1994, he co-founded and was general manager of Computerway.



### **Christoph Löslein**

Christoph Löslein (34), a German citizen, is responsible for Investor Relations, Mergers & Acquisitions and DICOM Ven-

tures. In 1993 he joined DICOM to start its German operations and was given group responsibility in November 1996. Before joining DICOM he held management positions in the IT industry since 1986. In 1998, he attended Executive Classes at the Harvard Business School.



## NON-EXECUTIVES

### **Bruce Powell**

Bruce Powell, FCA, MA (Cantab.) (52), a British citizen, is the senior Non-executive Director. He was involved in a group executive role with DICOM's flotation on the London Stock Exchange and in operational management at Acal Group plc and VideoLogic Group plc, now Imagination Technologies Plc. He is a non-executive director of Dataform Group Ltd and Princeton Consulting Ltd and director of Argenta Discovery Ltd.

### **Paul Gerny**

Paul Gerny, (59), a Swiss citizen, is Strategic Advisor of Cornerstone Capital AG, a German investment company focusing on the IT and Industrial Electronic's segments. He is also Chairman and Chief Executive of Aspro Technology Ltd, a leading Power Supply Company and Timonta Ltd., specialising in EMC (Electro Magnetic Compatibility) Products.

### **John Inledon**

John Inledon, (63) MBA (Harvard Business School), a British citizen, is Chairman of IDJ Limited, a corporate finance firm based in London. He has served as a director of a number 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 is a member of the Dean's council at the John F. Kennedy School of Government, Harvard University.

### **David Silver**

David Silver (43), a US citizen, co-founded Kofax Image Products, Inc. in 1985 and was its CEO until July 2000. 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 as a Non-executive Director.



# DIRECTORS' REPORT

The directors present their sixth annual report, together with the audited financial statements of the Company for the year ended 30 June 2001.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND DIVIDENDS

The results for the year to 30 June 2001 are set out in the profit and loss account on page 50. The position at the end of the year is shown in the balance sheet on page 51.

Details of the Group's operations and an indication of its future prospects are contained in the Chairman's statement, the Financial review and the Business review on pages 8 to 27.

The directors recommend a final dividend of 2.44p per ordinary share of 10p. This will result in a total dividend of 3.66p (2000: 3.18p) per ordinary share of 10p and will absorb £757,000 (2000: £643,000) of the results of the year.

## RESEARCH AND DEVELOPMENT

Research and development costs amounted to £5,273,000 (2000: £2,413,000). All such expenditure is written off to the profit and loss account as incurred.

## 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 1 October 2001	Interests at 30 June 2001	Interests at 30 June 2000
Otto Schmid	947,589	942,589	937,589
Walter Greifeneder	503,466	503,466	676,900
Urs Niederberger	129,200	121,700	121,700
Arnold von Büren	595,112	592,112	592,112
Christoph Löslein	223,488	223,488	223,488
Bruce Powell	25,370	25,370	25,370
Paul Gerny	399,782	399,782	312,372
John Incedon	14,188	14,188	14,188
David Silver	63,260	63,260	63,260

Details of share options granted to the directors are given in the Remuneration report on page 45.

Otto Schmid, Arnold von Büren and Walter Greifeneder retire by rotation at the Annual General Meeting in accordance with the Company's Articles of Association and, being eligible, offer themselves for re-election.

### **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.

Employee 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 oper-

ating currency. At 30 June 2001 the Group's fixed rate borrowings amounted to 65% (2000: 33%) 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.

### **EURO**

No significant costs have been or are expected to be incurred in converting internal systems to be Euro compatible.

### **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 satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. As at 30 June 2001 trade creditors represented 42 days (2000: 47 days) purchases.

### **ANNUAL GENERAL MEETING**

Notice of the Company's Annual General Meeting is given on page 72 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**

1 October 2001



# C O R P O R A T E

## G O V E R N A N C E S T A T E M E N T

DICOM believes in, and is committed to, high standards of corporate governance. Having reviewed its compliance with the Combined Code the Board confirms that the Company has, throughout the year, complied with all aspects of the Code, except that the role of chairman and chief executive was combined and there is no absolute requirement for each Director to retire at least every three years.

This statement explains how the Board has set out to ensure that the Group has an effective system of corporate governance and provides details of the procedures the Board has established to apply the principles set out in the Combined Code.

### **BOARD OF DIRECTORS**

The Board of DICOM GROUP plc currently comprises the Chairman and Chief Executive, four other Executive Directors and four Non-executive Directors. Short biographies of all of the directors are set out on pages 38 to 39 of this report. The Board considers that the balance of its constitution brings both independence and an appropriate balance of experience in judging matters of strategy, performance, resources, investor relations, internal controls and corporate governance.

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 for its consideration. 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, to ensure that all directors are properly briefed for a full and constructive part in Board discussions, to develop and lead business strategies and processes, and to meet shareholders requirements. Due to the 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 discussion 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.

#### **BOARD COMMITTEES**

The Board has established an audit committee and a remuneration committee:

The Audit Committee consists of Bruce Powell (Chairman), Paul Gerny and John Inledon. This committee meets at least twice a year to review the adequacy of the company's system of internal control, accounting policies and financial reporting. These meetings are normally attended by the Finance Director and the external auditors.

The Remuneration Committee comprise all of the Non-executive Directors, together with Otto Schmid, Chairman

and Chief Executive. The committee is chaired by Bruce Powell. This committee meets at least twice a year. The Remuneration Committee's responsibilities include ensuring that the remuneration and service contract terms of the executive Directors and senior management are appropriate and determine the allocation of all share options.

Full details of Directors' remuneration and a statement of the Company's remuneration policy is set out on page 45. 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 both institutional and private shareholders through the Company's investor relations programme.

## INTERNAL CONTROL

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. Following the publication of guidance for Directors Internal Control: Guidance for Directors on the Combined Code (The Turnbull Guidance), the Directors have ensured that there is an ongoing process for reviewing the effectiveness of the system of internal control including identifying, evaluating and managing the significant risks faced by the Group. This process, regularly reviewed by the Directors, is carried out in conjunction with business planning and is documented in a risk register put in place progressively during the financial year and up to the date of approval of the annual report.

Whilst acknowledging the overall responsibility for the system of internal control, the Directors are aware that the system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has well established procedures which have been developed over many years which meet the requirements of the Turnbull Guidance. A key control procedure is the day-to-day involvement of executive members of the Board and Group management in all aspects of the business and their attendance at regular management meetings of the operating companies at which performance against plan and business prospects are reviewed. Additionally, the Board seeks to continually strengthen the internal control system where this is consistent with improving the relationship between risk and reward.

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

- Board approved medium term strategy and budget plans for each operating company.

- terms of reference for the Board and its sub-committees, including a schedule of matters reserved for the Board and an agreed annual programme of fixed agenda items for Board approval.

- an established organisational structure with clear lines of responsibility and rigorous reporting requirements for each operating company.

- managers for each operating company being clearly accountable for establishing and maintaining internal controls within their respective companies.

- reviews of monthly management reports, quarterly reviews of business re-forecasts and reviews of performance indicators by the Board following approval of the annual group budget.

- operational controls in human resources management, information technology and asset security.

- appropriate monitoring of key suppliers to the Group.

The Directors have considered the need for a full time internal audit function in light of the nature of its business and the complexity of transactions. The size of the business is at a scale that does not justify the need for a full-time internal audit function. Group Executives perform periodic internal audits on main areas of activity at subsidiaries, which are reported to the Directors to provide assurance that the system of internal control is functioning as intended.

## 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 all the Non-executive Directors, , 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 2001 are as follows:

	Salary/Fees	Consultancy	Bonus	Benefits	Total	Total	Directors' Pension	
	£	£	2001	2001	2001	2000	2001	2000
	£	£	£	£	£	£	£	£
<b>Executive Directors</b>								
Otto Schmid	96,424	-	32,226	12,053	140,703	124,789	21,262	19,418
Walter Greifeneder	65,374	-	42,015	-	107,389	106,826	9,056	10,554
Urs Niederberger	83,969	-	28,074	12,053	124,096	111,668	14,845	14,072
Arnold von Büren	106,588	-	44,751	12,053	163,392	111,668	19,687	16,567
Christoph Löslein	70,534	-	26,115	12,053	108,702	96,231	7,776	2,129
<b>Non-Executive Directors</b>								
Bruce Powell	15,000	9,000	-	-	24,000	39,500	-	-
Paul Gerny	18,000	5,000	-	-	23,000	15,000	-	-
John Incedon	18,000	6,000	-	-	24,000	52,500	-	-
David Silver	18,000	-	-	-	18,000	61,225	-	492
<b>Total</b>	<b>491,889</b>	<b>20,000</b>	<b>173,181</b>	<b>48,212</b>	<b>733,282</b>	<b>719,407</b>	<b>72,626</b>	<b>63,232</b>

During the year Bruce Powell, John Incedon and Paul Gerny 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 2001 were as follows:

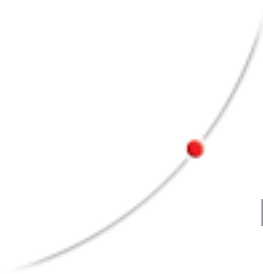
	Options at 30 June 2000	Granted during the year	Lapsed during the year	Options at 30 June 2001	Exercise price (Euro)
Otto Schmid	96,000	36,000	-	132,000	EUR 7.44 - 13.60
Walter Greifeneder	24,000	-	-	24,000	EUR 13.60
Urs Niederberger	48,000	18,000	-	66,000	EUR 7.44 - 13.60
Arnold von Büren	48,000	18,000	-	66,000	EUR 7.44 - 13.60
Christoph Löslein	24,000	15,000	-	39,000	EUR 7.44 - 13.60
David Silver	140,000	-	(114,000)	26,000	EUR 13.60

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

The closing market price of the shares at **29 June 2001** was **385p** and the range during the year ended on that date was **360p to 650p**.

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.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DICOM GROUP PLC



We have audited the financial statements on pages 50 to 52 which have been prepared under the accounting policies set out on pages 53 to 54. We have also examined the amounts disclosed relating to the emoluments and share options which form part of the Remuneration report on page 45.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the annual report, including as described on pages 50 to 52 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 statements, 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 42 to 44 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. This other information comprises the Chairman's

Statement, the Director's report, the Financial review, the Corporate governance statement and the Remuneration report 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 United Kingdom 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.

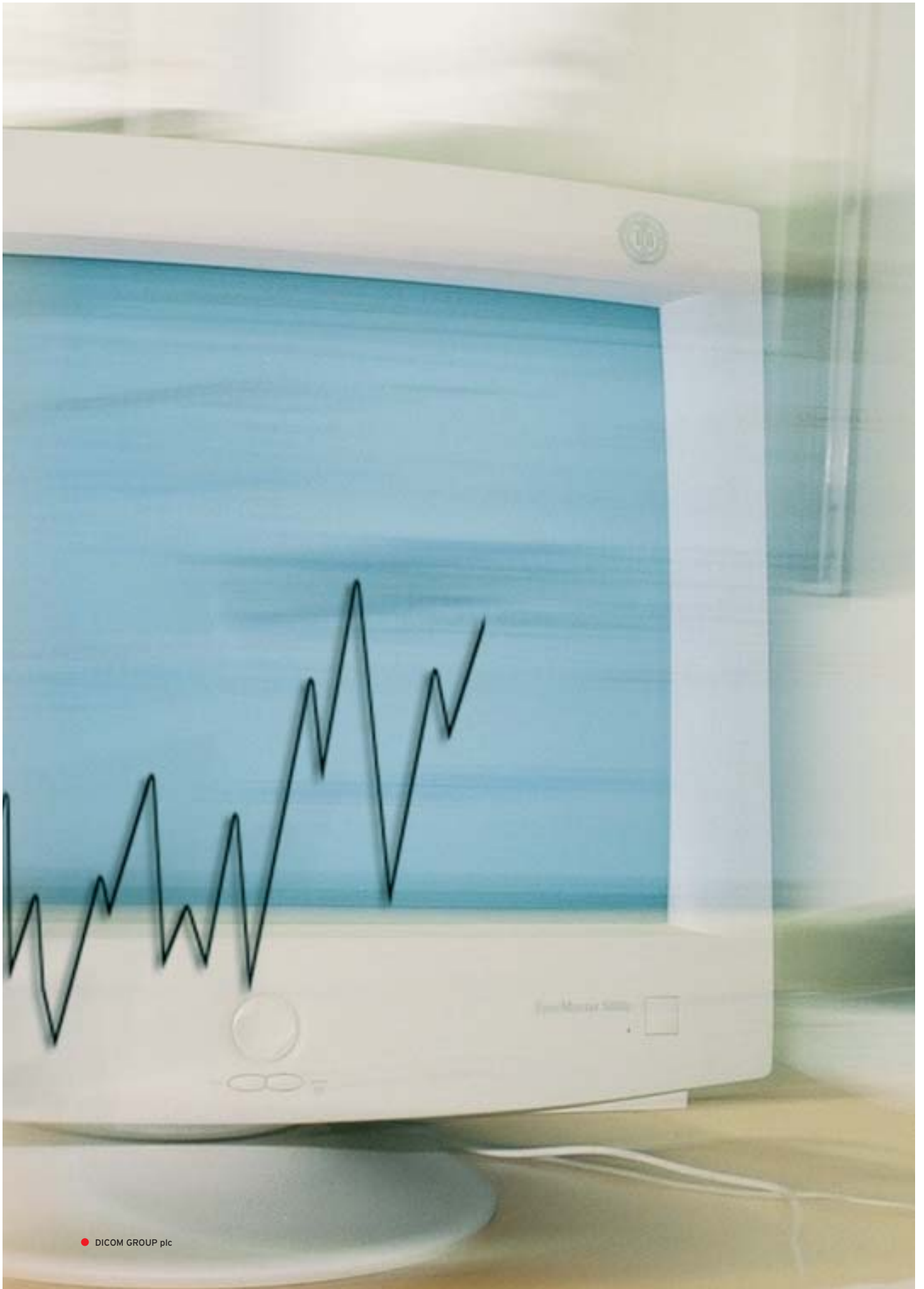
## **OPINION**

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 2001 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

1 October 2001





**C O N S O L I D A T E D**  
**F I N A N C I A L S T A T E M E N T S**

● **Consolidated profit and loss account**  
for the year ended 30 June 2001

	Note	Year to 30 June		Year to 30 June	
		£'000 Continuing	£'000 Acquisitions	2001 £'000 Total	2000 £'000 Total
<b>Turnover</b>	1	134,657	5,633	140,290	99,229
Cost of sales		(86,087)	(3,641)	(89,728)	(68,811)
<b>Gross profit</b>		48,570	1,992	50,562	30,418
<b>Operating expenses</b>					
Goodwill amortisation		(1,616)	(186)	(1,802)	(751)
Exceptional item		(287)	-	(287)	-
Other		(39,202)	(1,484)	(40,686)	(25,684)
<b>Total operating expenses</b>		(41,105)	(1,670)	(42,775)	(26,435)
Operating profit before goodwill amortisation / exceptional item		9,368	508	9,876	4,734
Goodwill amortisation		(1,616)	(186)	(1,802)	(751)
Exceptional item	4	(287)	-	(287)	-
<b>Operating profit</b>		7,465	322	7,787	3,983
Share of results of associated undertakings				(462)	(26)
Net interest receivable/(payable) and similar charges	5			146	(97)
<b>Profit on ordinary activities before taxation</b>	2			7,471	3,860
Taxation	7			(2,797)	(1,188)
<b>Profit on ordinary activities after taxation</b>				4,674	2,672
Minority interests				101	384
<b>Profit attributable to ordinary shareholders</b>				4,775	3,056
Dividends - equity	8			(757)	(643)
<b>Retained profit</b>				4,018	2,413
<b>Earnings per ordinary share</b>	9				
- basic				23.1p	19.1p
- adjusted				33.4p	29.3p
- diluted				22.8p	18.8p
<b>Statement of total recognised gains and losses</b>					
Profit for financial year				4,775	3,056
(Loss)/Gain on currency translation				(680)	1,235
<b>Total recognised gains and losses relating to the year</b>				4,095	4,291

## ● Balance sheets at 30 June 2001

	Note	Group at 30 June		Parent company at 30 June	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Fixed assets</b>					
Intangible assets	10	35,539	31,809	-	-
Tangible assets	11	3,848	3,162	-	-
Investments	12/13	11,153	838	1,975	1,975
		<b>50,540</b>	<b>35,809</b>	<b>1,975</b>	<b>1,975</b>
<b>Current assets</b>					
Stocks	14	9,051	8,995	-	-
Debtors <sup>1)</sup>	15	32,720	22,945	55,107	47,864
Investments	16	192	174	-	-
Cash at bank and in hand		6,299	14,098	4	4,808
		<b>48,262</b>	<b>46,212</b>	<b>55,111</b>	<b>52,672</b>
<b>Creditors:</b>					
Amounts falling due within one year	17	(32,735)	(21,979)	(2,196)	(1,671)
<b>Net current assets <sup>1)</sup></b>		<b>15,527</b>	<b>24,233</b>	<b>52,915</b>	<b>51,001</b>
<b>Total assets less current liabilities</b>		<b>66,067</b>	<b>60,042</b>	<b>54,890</b>	<b>52,976</b>
<b>Creditors:</b>					
Amounts falling due after more than one year	18	(1,467)	(828)	-	-
Provisions for liabilities and charges	21	(484)	(497)	-	-
<b>Net assets</b>		<b>64,116</b>	<b>58,717</b>	<b>54,890</b>	<b>52,976</b>
<b>Capital and reserves</b>					
Called up share capital	22	2,081	2,046	2,081	2,046
Share premium account	23	51,729	49,968	51,729	49,968
Merger reserve	23	527	527	-	-
Profit and loss account	23	9,597	6,259	1,080	962
<b>Shareholders' funds - Equity</b>	24	<b>63,934</b>	<b>58,800</b>	<b>54,890</b>	<b>52,976</b>
Minority interests - Equity		182	(83)	-	-
		<b>64,116</b>	<b>58,717</b>	<b>54,890</b>	<b>52,976</b>

1) 'Debtors and net current assets of the Group include amounts recoverable after more than one year of nil (2000: £2,358,000)

These financial statements were approved by the Board of directors on 1 October 2001 and were signed on its behalf by

Otto Schmid

Urs Niederberger

● **Consolidated cash flow statement**  
for the year ended 30 June 2001

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>Cash inflow from operating activities</b>	<b>8,404</b>	<b>4,458</b>
Returns on investments and servicing of finance	157	(751)
Taxation paid	(1,413)	(511)
Capital expenditure and financial investment	(16,380)	(1,307)
Acquisitions and disposals	(3,993)	(13,218)
Equity dividends paid	(686)	(451)
<b>Cash outflow before use of liquid resources and financing</b>	<b>(13,911)</b>	<b>(11,780)</b>
Management of liquid resources	6,272	(6,584)
<b>Financing</b>		
Issue of Ordinary Shares	(272)	43,991
Increase/(Decrease) in debt	4,772	(20,552)
	<b>4,500</b>	<b>23,439</b>
<b>(Decrease)/Increase in cash in the year</b>	<b>(3,139)</b>	<b>5,075</b>
<b>Reconciliation of net cash flow to movement in net funds</b>		
(Decrease)/Increase in cash in the year	(3,139)	5,075
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(4,772)	20,552
Cash (inflow)/outflow from (decrease)/increase in liquid resources	(6,272)	6,584
Change in net funds resulting from cash flows	(14,183)	32,211
Loans and finance leases acquired with subsidiaries	(135)	(19,609)
Loans and finance leases disposed with subsidiaries	-	103
New finance leases	(66)	(119)
Exchange difference	190	(24)
<b>Movements in net funds in the year</b>	<b>(14,194)</b>	<b>12,562</b>
Net funds at 1 July 2000	13,531	969
<b>Net (debt)/funds at 30 June 2001</b>	<b>(663)</b>	<b>13,531</b>

Further information in respect of the consolidated cash flow statement can be found in notes 13 and 27.

## ● 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 over which the Group 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 ac-

count. 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

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:

Buildings	3%
Leasehold improvements	10-20%
Machines and equipment	20-50%
Motor vehicles	20%
Furniture and fixtures	20%

### ● 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 and amortisation

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

The principal annual rates used for this purpose are: 5-33% Goodwill is reviewed for impairment at the end of each reporting period if there are indications that the carrying value may not be recoverable.

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 2001

## 1 ● SEGMENTAL ANALYSIS

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>Sales by geographical market</b>		
Western Europe	112,371	86,341
Eastern Europe	4,664	3,990
North America	21,517	8,067
Rest of the World	1,738	831
	<b>140,290</b>	<b>99,229</b>
<b>Sales by divisions</b>		
Electronic Data and Document Capture	88,826	58,129
Samsung General Agency	51,464	39,263
Local Government Solutions	-	1,837
	<b>140,290</b>	<b>99,229</b>
<b>Profit on ordinary activities before taxation by geographical market (before goodwill amortisation)</b>		
Western Europe	5,761	3,028
Eastern Europe	350	330
North America	3,162	1,253
	<b>9,273</b>	<b>4,611</b>
<b>Profit on ordinary activities before taxation by geographical market</b>		
Western Europe	5,521	2,935
Eastern Europe	350	330
North America	1,600	595
	<b>7,471</b>	<b>3,860</b>
<b>Shareholders' funds by geographical market</b>		
Western Europe	30,391	40,400
Eastern Europe	781	488
North America	32,762	17,912
	<b>63,934</b>	<b>58,800</b>

## 2 ● PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>Profit on ordinary activities before taxation is stated after charging/(crediting):</b>		
Depreciation		
- own assets	1,554	1,036
- assets held under finance leases	51	80
Amortisation of goodwill-subsiararies	1,802	751
Amortisation of goodwill-associates	47	-
Loss/(Profit) on disposal of tangible fixed assets	18	(30)
Auditors' remuneration		
- audit (Parent company: £44,000, 2000: £40,000)	180	133
- non audit	152	76
Operating lease rentals		
- hire of plant and machinery	444	332
- other operating lease charges	1,403	956
Research and development costs	5,273	2,413

All operating expenses relate to administrative expenses.

## 3 ● COMPARATIVE FIGURES

The analysis between continuing and discontinued operations and the results of acquisitions for the year ended 30 June 2000 is shown below:

	Continuing £'000	Acquisitions £'000	Discontinued £'000	Year to 30 June 2000 Total £'000
Turnover	87,705	9,687	1,837	99,229
Cost of sales	(66,885)	(1,359)	(567)	(68,811)
Gross profit	20,820	8,328	1,270	30,418
Operating expenses	(17,271)	(7,007)	(2,157)	(26,435)
Operating profit	3,549	1,321	(887)	3,983

## 4 ● EXCEPTIONAL ITEM

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>Exceptional item comprises:</b>		
Professional costs related to an abortive acquisition	287	-
	287	-

## 5 ● NET INTEREST RECEIVABLE / (PAYABLE) AND SIMILAR CHARGES

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
Interest receivable	525	272
Less: interest payable on bank loans, overdrafts and other loans	(331)	(327)
Less: other interest payable	(48)	(42)
<b>Net interest receivable/(payable)</b>	<b>146</b>	<b>(97)</b>

## 6 ● STAFF NUMBERS AND COSTS

	Year to 30 June 2001 Number	Year to 30 June 2000 Number
<b>The average number of employees (including executive directors) during the year was as follows:</b>		
Sales and marketing	218	155
Service	207	113
Support and Development	209	176
<b>Total</b>	<b>634</b>	<b>444</b>

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>Group employment costs for all employees (including directors) were as follows:</b>		
Wages and salaries	21,517	13,022
Social security costs	3,180	1,989
Pension costs	508	526
	<b>25,205</b>	<b>15,537</b>
<b>Staff costs include remuneration in respect of the directors as follows:</b>		
Fees (including consultancy) to non-executive directors	89	107
Salaries, bonuses and benefits in kind	689	613
Pension contributions	73	63
	<b>851</b>	<b>783</b>

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.

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>The emoluments of the highest paid director were as follows:</b>		
Salary, bonus, fees, and benefits	163	125
Pension contributions	20	19

A full analysis of directors' emoluments is contained in the Remuneration report on pages 45 to 46.

## 7 ● TAXATION

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>The tax charge represents:</b>		
UK corporation tax	989	7
Overseas tax	1,677	927
Underprovision of previous years	125	-
Transfer to deferred tax	6	254
	<b>2,797</b>	<b>1,188</b>

## 8 ● DIVIDENDS - EQUITY

	Year to 30 June 2001 per share	Year to 30 June 2000 per share	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>These comprise:</b>				
Ordinary shares of 10p				
Interim dividend-paid	1.22p	1.06p	254	206
Final dividend-proposed	2.44p	2.12p	503	437
<b>Total dividend</b>	<b>3.66p</b>	<b>3.18p</b>	<b>757</b>	<b>643</b>

## 9 ● EARNINGS PER SHARE

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

**Basic earnings** per share of **23.1p** (2000: 19.1p) for the year to 30 June 2001 have been calculated based on the profit attributable to shareholders of **£4,775,000** (2000: £3,056,000) using the weighted average number of ordinary shares in issue totalling **20,716,446** (2000: 16,007,383) during the period.

**Adjusted earnings** per share of **33.4p** (2000: 29.3p) for the year to 30 June 2001 are based on profit of **£6,911,000**, (2000: £4,694,000), being adjusted by the amortisation of goodwill in subsidiaries of **£1,802,000** (2000: £751,000), amortisation of goodwill in associates of **£47,000** and the costs for an abortive acquisition of **£287,000** (2000: nil) using the weighted average number of ordinary shares in issue totalling **20,716,446** (2000: 16,007,383) during the period. The results of the previous year were also adjusted for the results of the discontinued activities of £887,000.

**Diluted Earnings** per share of **22.8p** (2000: 18.8p) for the year to 30 June 2001 is based on **20,901,787** (2000: 16,239,366), 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 during the year ended 30 June 2001 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 PDS S.r.l., Sidus d.o.o., Sidus S.r.l. and Logic d.o.o. In addition the Group acquired the business of CDC S.r.l. in Italy and ASM Service GmbH & CO. KG in Germany. Further details are shown in note 13.

During the course of the year the Group acquired the remaining minority shareholding in the subsidiaries DICOM Finland Oy, Dialog Solutions AG in Switzerland and Dialog Imaging France S.A. This acquisitions resulted in additional goodwill of **£419,000** which are included under goodwill in subsidiary companies. The Group also invested in a minority stake of 20% in Alos GmbH in Germany.

	Associated Undertakings £'000	Subsidiary Companies £'000	Total £'000
<b>Cost</b>			
At 1 July 2000	564	32,014	32,578
Additions	511	5,354	5,865
Release of fair value provision relating to prior year acquisition		(254)	(254)
Currency exchange movements		(32)	(32)
<b>At 30 June 2001</b>	<b>1,075</b>	<b>37,082</b>	<b>38,157</b>
<b>Amortisation</b>			
At 1 July 2000	(49)	(720)	(769)
Charge for the year	(47)	(1,802)	(1,849)
<b>At 30 June 2001</b>	<b>(96)</b>	<b>(2,522)</b>	<b>(2,618)</b>
<b>Net book value at 30 June 2001</b>	<b>979</b>	<b>34,560</b>	<b>35,539</b>
Net book value at 30 June 2000	515	31,294	31,809

## 11 ● TANGIBLE ASSETS

	Freehold property £'000	Leasehold improvements £'000	Machines and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 July 2000	-	737	5,971	1,854	301	8,863
Acquisitions	159	54	300	9	-	522
Additions	-	113	1,243	554	142	2,052
Disposals	-	-	(345)	(49)	(102)	(496)
Currency exchange movements	(7)	(22)	(28)	(61)	(8)	(126)
<b>At 30 June 2001</b>	<b>152</b>	<b>882</b>	<b>7,141</b>	<b>2,307</b>	<b>333</b>	<b>10,815</b>

## 11 ● TANGIBLE ASSETS (continued)

	Freehold property £'000	Leasehold improvements £'000	Machines and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Total £'000
<b>Depreciation</b>						
At 1 July 2000	-	271	4,104	1,207	119	5,701
Acquisitions	6	1	122	6	-	135
Charge for the year	4	120	1,147	275	59	1,605
Disposals	-	-	(304)	(40)	(53)	(397)
Currency exchange movements	1	(7)	(23)	(46)	(2)	(77)
<b>At 30 June 2001</b>	<b>11</b>	<b>385</b>	<b>5,046</b>	<b>1,402</b>	<b>123</b>	<b>6,967</b>
<b>Net Book value at 30 June 2001</b>	<b>141</b>	<b>497</b>	<b>2,095</b>	<b>905</b>	<b>210</b>	<b>3,848</b>
Net Book value at 30 June 2000	-	466	1,867	647	182	3,162

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

	At 30 June 2001 £'000	At 30 June 2000 £'000
Net book value	154	133

The depreciation charge for the year on these assets was **£51,000** (2000: £80,000)

## 12 ● INVESTMENTS

	Associated undertakings £'000	Unlisted investments £'000	Investments in own shares £'000	Group £'000	Parent company £'000
<b>Cost</b>					
At 1 July 2000	172	567	99	838	1,975
Additions	140	10,516	374	11,030	-
Transfer from subsidiary undertaking	38	-	-	38	-
Disposal	7	-	-	7	-
Share of profit/(loss) in associated undertakings	(415)	-	-	(415)	-
Currency exchange movements	(56)	(287)	(2)	(345)	-
<b>At 30 June 2001</b>	<b>(114)</b>	<b>10,796</b>	<b>471</b>	<b>11,153</b>	<b>1,975</b>

Parent company investments relate to investments in subsidiary undertakings.

The investment shown in own shares is held by the trustees of the Employee Share Ownership plan. The holding comprises **176,800 shares** (2000: 96,800 shares) with a market value at **30 June 2001** of **£680,700** (2000: £580,800).

Further details on Group investments can be found on pages 30 and 31.

## 12 ● INVESTMENTS (continued)

### PRINCIPAL SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Name of undertaking	Country of incorporation and operation	Percentage of issued share capital held
<b>Subsidiary undertakings:</b>		
DICOM AG	Switzerland	100%
DICOM Benelux NV/SA	Belgium	100%
DICOM Data Management CZ, spol. s r.o.	Czech Republic	100%
DICOM Deutschland GmbH	Germany	100%
DICOM Edb-distribution A/S	Denmark	100%
DICOM Europe Ltd.*	England	100%
DICOM Finland OY	Finland	100%
DICOM France SA	France	100%
DICOM Holding AG	Switzerland	100%
DICOM International Magyarország Kft.	Hungary	97%
DICOM Italia S.p.A.	Italy	84%
DICOM Norge A/S	Norway	100%
DICOM Polska Sp. z o.o.	Poland	100%
DICOM SEDICO AG	Switzerland	60%
Computerei Isaak AG	Switzerland	100%
DIALOG Imaging France SA	France	100%
DIALOG Imaging Ltd.*	England	100%
DIALOG Solutions AG	Switzerland	100%
ELSAT International Computervertriebsges. MbH	Austria	100%
Kofax Image Products, Inc.	United States	100%
Imaging Components Corporation	United States	100%
Logic d.o.o.	Croatia	100%
NorDICOM AB	Sweden	100%
Opersys AG	Switzerland	100%
PDS S.r.l.	Italy	60%
Sidus d.o.o.	Croatia	60%
Sidus Italia S.r.l.	Italy	100%
Sistemas DICOM Ibérica, S.A.	Spain	80%
Xenstone Storage Systems Ltd.*	England	100%
<b>Associated undertakings:</b>		
DICOM Asia Holdings Pte Ltd	Singapore	40%
DICOM Security AG	Switzerland	38,5%
Alos GmbH	Germany	20%
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.

\* Subsidiary undertakings which are held directly by the parent company.

### 13 ● ACQUISITIONS

In August 2000, the Group acquired a 60% stake in PDS S.r.l., the leading provider of Components and Services to the EDC Market in Italy.

In November 2000, the Group announced that it had acquired a 60% stake of Sidus d.o.o., a data and document capture service centre in Croatia. In addition DICOM acquired certain assets and liabilities of Computer Data Control S.r.l. ("CDC"), an EDC services provider in Italy.

In March 2001, the Group reported that it had acquired the EDC integration and maintenance business of ASM Service GmbH & Co. KG in Germany.

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

	Book/Fair Value to the Group £'000
<b>Fixed assets</b>	
Tangible fixed assets	514
<b>Current assets</b>	
Stocks	295
Debtors	2,000
Cash at bank and in hand	337
<b>Total assets</b>	<b>3,146</b>
Creditors	(2,612)
<b>Net assets</b>	<b>534</b>
Costs of acquisition	294
Fair value of consideration	5,175
<b>Goodwill arising from the acquisitions</b>	<b>4,935</b>

The fair value of consideration is calculated as follows:

	£'000
Consideration paid in cash	3,378
Consideration paid in shares	1,797
<b>Total fair value of consideration</b>	<b>5,175</b>

The results of PDS S.r.l. ("PDS") and Sidus d.o.o. ("Sidus"), prior to its acquisition are set out below:

	Year ended 30 June 2000 (PDS) £'000	Ten months ended 31 October 2000 (Sidus) £'000
Turnover	5,830	760
Operating profit	257	(4)
Profit on ordinary activities after taxation	88	(3)

Cash Flows: The net outflow of cash arising from acquisitions is as follows: **(continued)**

	£'000
Cash consideration	3,656
Cash acquired	(337)
Overdraft acquired	637
<b>Net outflow of cash relating to the acquisitions</b>	<b>3,956</b>

#### 14 ● STOCKS

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Work in progress	674	463	-	-
Finished goods and goods for resale	8,377	8,532	-	-
	<b>9,051</b>	<b>8,995</b>	<b>-</b>	<b>-</b>

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

#### 15 ● DEBTORS

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	20,045	15,669	-	-
Amounts due from subsidiary undertakings	-	-	55,028	47,569
Amounts due from associated undertakings	2,738	1,635	-	-
Other debtors	6,787	3,779	5	118
Amounts recoverable under contracts	826	471	-	-
Prepayments and accrued income	2,324	1,223	74	9
Advance corporation tax	-	168	-	168
	<b>32,720</b>	<b>22,945</b>	<b>55,107</b>	<b>47,864</b>

Other debtors (Group) include amounts recoverable after more than one year of nil (2000: 2,358,000). There are no amounts outstanding to directors as at 30 June 2001 (2000: £26,000).

#### 16 ● INVESTMENTS

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Unlisted investments	192	174	-	-

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

## 17 ● CREDITORS

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Amounts falling due within one year</b>				
Bank loans and overdrafts	6,056	343	8	-
Trade creditors	10,302	8,941	13	-
Other creditors	1,892	1,310	-	138
Creditors for taxation and social security	1,552	1,392	-	-
Dividend payable	503	437	503	437
Accruals and deferred income	9,708	8,326	963	1,096
Corporation tax	2,655	1,173	709	-
Obligations under hire purchase contracts and finance leases	67	57	-	-
	<b>32,735</b>	<b>21,979</b>	<b>2,196</b>	<b>1,671</b>

Bank loans and overdrafts to certain subsidiary undertakings amounting to **£2,520,000** (£166,000) were secured on the assets of those subsidiary undertakings.

## 18 ● CREDITORS

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Amounts falling due after more than one year</b>				
Long term loans, secured on the assets of certain subsidiary undertakings, at market interest rates:				
Due after 1 year but not more than 2 years	269	49	-	-
Due after 2 years but not more than 5 years	502	49	-	-
Accruals	628	662	-	-
Obligations under hire purchase contracts and finance leases	68	68	-	-
	<b>1,467</b>	<b>828</b>	<b>-</b>	<b>-</b>

## 19 ● FINANCIAL INSTRUMENTS

An explanation on the Group's policy in respect of the risks relating to financial instruments is included in the Accounting policies on page 53 to 54. As permitted by FRS 13 short-term debtors and creditors are not treated as financial assets or financial liabilities in relation of the disclosures made below.

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
<b>Currency</b>					
Sterling	358	358	-		
Euro	2,483	1,773	710	5.7	3.3
USD	2,222	92	2,130	7.1	0.1
Other	1,765	164	1,601	4.0	0.2
<b>At 30 June 2001</b>	<b>6,828</b>	<b>2,387</b>	<b>4,441</b>	<b>5.8</b>	<b>0.6</b>

<b>Currency</b>					
Sterling	21	21	-		
Euro	349	202	147	5.5	3.0
Other	71	71	-		
<b>At 30 June 2000</b>	<b>441</b>	<b>294</b>	<b>147</b>	<b>5.5</b>	<b>3.0</b>

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

	At 30 June 2001 £'000	At 30 June 2000 £'000
<b>Currency</b>		
Sterling	14	5,726
Euro	2,293	1,669
Swiss Franc	562	761
US Dollar	3,029	5,439
Other European currencies	401	503
	<b>6,299</b>	<b>14,098</b>

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

The Group has negotiated working capital facilities with local relationship banks in the countries in which it operates. These facilities are negotiated annually and are normally repayable on demand. They are primarily for the purpose of providing additional working capital. At 30 June 2001 committed but undrawn working capital facilities amounted to £22.1m (2000: £11.9m). There are no material differences between book values of financial instruments and fair values.

Further details of the Group's Treasury Management policies can be found in the Directors' report on page 41.

## 20 ● OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Repayable: within 1 year	67	57	-	-
Repayable: 1 to 2 years	56	68	-	-
Repayable: 2 to 5 years	12	-	-	-
	135	125	-	-

## 21 ● PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	Parent company £'000
<b>Deferred tax</b>		
At 1 July 2000	497	-
Transfer from the profit and loss account	6	-
Currency exchange movements	(19)	-
<b>At 30 June 2001</b>	<b>484</b>	<b>-</b>

All deferred taxation provided is in respect of timing differences attributable to depreciation rates and profit recognition rules. There is no unprovided deferred taxation (2000: nil).

## 22 ● 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 2000	33,000,000	3,300	20,464,100	2,046
Issued for acquisitions	-	-	350,050	35
<b>At 30 June 2001</b>	<b>33,000,000</b>	<b>3,300</b>	<b>20,814,150</b>	<b>2,081</b>

In addition to the options granted to the directors, which are shown in the Remuneration report on pages 45 to 46, the following options over ordinary shares have been granted to certain employees of the Group under various Option Schemes and remain outstanding at June 2001:

	Outstanding at 1 July 2000	Granted during the year	Lapsed during the year	Outstanding at 30 June 2001	Exercise price	Exercise date
Share Option Plan	194,000	-	(10,500)	183,500	90p - 382.5p	2000 - 2008
Share Option Super plan	194,000	-	(10,500)	183,500	90p - 382.5p	2001 - 2008
DICOM 2000 Share option plan	824,100	339,400	(120,737)	1,042,763	5.73 - 19.84Euro	2001 - 2011

## 23 ● RESERVES

	Share premium £'000	Merger reserve £'000	Profit & loss £'000	Total £'000
<b>Group</b>				
At 1 July 2000	49,968	527	6,259	56,754
Retained profit for the year	-	-	4,018	4,018
Currency exchange movements	-	-	(680)	(680)
Premium arising on issue of ordinary shares	1,761	-	-	1,761
<b>At 30 June 2001</b>	<b>51,729</b>	<b>527</b>	<b>9,597</b>	<b>61,853</b>

The cumulative goodwill resulting from acquisitions to date which have been eliminated against reserves is **£8,912,000** (2000: £8,912,000).

	Share premium £'000	Profit & loss £'000	Total £'000
<b>Parent Company</b>			
At 1 July 2000	49,968	962	50,930
Retained profit for the year	-	118	118
Premium arising from share issues	1,761	-	1,761
<b>At 30 June 2001</b>	<b>51,729</b>	<b>1,080</b>	<b>52,809</b>

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 **£875,000** (2000: £1,462,000).

## 24 ● RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Shareholders' funds at 1 July 2000	58,800	11,161	52,976	8,166
Profit for the financial year	4,775	3,056	875	1,462
Dividends	(757)	(643)	(757)	(643)
Currency exchange movements	(680)	1,235	-	-
New share capital issued	1,796	48,936	1,796	48,936
Costs of issuing shares	-	(4,945)	-	(4,945)
<b>Shareholders' funds at 30 June 2001</b>	<b>63,934</b>	<b>58,800</b>	<b>54,890</b>	<b>52,976</b>

All of the shareholders' funds are equity.

## 25 ● COMMITMENTS UNDER OPERATING LEASES

	Group at 30 June		Parent company at 30 June	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Lease of land and buildings</b>				
Within 1 year	1,006	739	-	-
In 2 to 5 years inclusive	1,525	1,869	-	-
After 5 years	185	120	-	-
<b>Other leases</b>				
Within 1 Year	156	256	-	-
In 2 to 5 years inclusive	236	284	-	-

## 26 ● RELATED PARTY TRANSACTIONS

	Year to 30 June	Year to 30 June
	2001 £'000	2000 £'000
Sales to Associated undertakings	1,146	296
Purchases from Associated undertakings	51	1,395

At 30 June 2001 the Associated undertakings owed **£2,738,000** (2000: £1,635,000) to the Group.

## 27 ● NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Year to 30 June	Year to 30 June
	2001 £'000	2000 £'000
<b>Reconciliation of operating profit to operating cash flows:</b>		
Operating profit	7,787	3,983
Depreciation and amortisation	3,407	1,867
Share of results of Associated undertakings	-	26
Profit on sale of fixed asset investment	(85)	(2)
Loss/(Profit) on sale of tangible fixed assets	18	(30)
Decrease/(Increase) in stocks	343	(2,387)
Increase in debtors	(3,910)	(3,902)
Increase in creditors	1,067	3,216
Foreign exchange differences	(223)	1,687
<b>Net cash inflow from operating activities</b>	<b>8,404</b>	<b>4,458</b>
<b>Returns on investments and servicing of finance:</b>		
Interest paid	(363)	(1,022)
Interest received	520	271
<b>Net cash inflow/(outflow) for returns on investments and servicing of finance</b>	<b>157</b>	<b>(751)</b>

► 27 ● NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

	Year to 30 June 2001 £'000	Year to 30 June 2000 £'000
<b>Capital expenditure and financial instruments:</b>		
Purchase of fixed assets	(1,366)	(1,246)
Purchase of fixed assets investments	(15,084)	(163)
Purchase of current asset investments	(18)	(15)
Sale of tangible fixed assets	70	76
Sale of fixed assets investments	18	41
<b>Net cash outflow for capital expenditure and financial investments</b>	<b>(16,380)</b>	<b>(1,307)</b>
<b>Acquisitions and disposals:</b>		
Purchase of subsidiary undertakings (net of cash/overdraft acquired)	(2,225)	(13,377)
Purchase of businesses	(1,768)	-
Sale of subsidiary undertakings (net of cash disposed)	-	159
<b>Net cash outflow for acquisitions</b>	<b>(3,993)</b>	<b>(13,218)</b>
<b>Management of liquid resources</b>		
Divestment/(Investment) in short term deposits	6,272	(6,584)
<b>Net cash inflow/(outflow) from management of liquid resources</b>	<b>6,272</b>	<b>(6,584)</b>
<b>Financing</b>		
Issue of ordinary shares (net of share issue costs)	(272)	43,991
<b>Debt due within a year:</b>		
Increase/(Decrease) in short-term borrowings	4,250	(1,792)
<b>Debt due beyond one year:</b>		
Increase/(Decrease) in long-term borrowings	573	(18,680)
Capital element of finance leases repayment	(51)	(80)
	<b>4,772</b>	<b>(20,552)</b>
<b>Net cash inflow from financing</b>	<b>4,500</b>	<b>23,439</b>

## 27 ● NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

### ANALYSIS OF NET DEBT

	At 30 June 2000	Net Cash flow	Acquired/ Disposed with subsidiary*	Other non-cash changes	Foreign exchange movements	At 30 June 2001
	£'000	£'000	£'000	£'000	£'000	£'000
Cash in hand, at bank	7,301	(1,688)			161	5,774
Overdrafts	(128)	(1,451)			8	(1,571)
		<b>(3,139)</b>				
Debt due within 1 year	(216)	(4,250)	(31)		12	(4,485)
Debt due after 1 year	(98)	(573)	(104)		4	(771)
Finance leases	(125)	51		(66)	5	(135)
Current asset investment	6,797	(6,272)				525
<b>Total</b>	<b>13,531</b>	<b>(14,183)</b>	<b>(135)</b>	<b>(66)</b>	<b>190</b>	<b>(663)</b>

\*(excl. cash and overdrafts)

Other non cash changes relate to the inception of new finance leases.

Cash flows relating to acquisitions:

	£'000
Operating cash flows	136
Returns on investments and servicing of finance	(10)
Taxation paid	(408)
Investing activities	16
<b>Net cash outflow</b>	<b>(266)</b>

## 28 ● RECONCILIATION FROM UK-GAAP TO IAS

	At 30 June 2001	At 30 June 2000
Shareholders funds in accordance with UK-GAAP	63,934	58,800
Differences arising from Goodwill on acquisitions	7,332	7,936
Differences relating to the recognition of deferred tax assets	1,043	1,478
Differences relating to the treatment of treasury stock	(471)	(99)
<b>Shareholders funds in accordance with IAS</b>	<b>71,838</b>	<b>68,115</b>
Converted into Euro	119,373	107,629
Exchange rate applied	1.66	1.58
Profit after tax in accordance with UK-GAAP	4,674	2,672
Differences relating to the treatment of deferred taxes	(438)	(9)
Differences relating to the treatment of goodwill on acquisitions	(576)	(576)
<b>Profit after tax in accordance with IAS</b>	<b>3,660</b>	<b>2,087</b>
Converted into Euro	5,954	3,322
Exchange rate applied	1.63	1.59

● FIVE YEAR RECORD

	2001 £'000	2000 £'000	1999 £'000	1998 £'000	1997 £'000
<b>Consolidated profit and loss account</b>					
Turnover	140,290	99,229	87,863	66,295	58,032
Operating profit before goodwill amortisation	9,589	4,734	2,815	(478)	3,530
Operating profit	7,787	3,983	2,773	(478)	3,530
Share of results of associated undertakings	(462)	(26)	21	(45)	-
Exceptional item	(287)	-	541	-	-
Net interest (payable)/receivable	146	(97)	(202)	(116)	52
<b>Profit on ordinary activities before taxation</b>	<b>7,471</b>	<b>3,860</b>	<b>3,133</b>	<b>(639)</b>	<b>3,582</b>
Taxation	(2,797)	(1,188)	(689)	(183)	(823)
<b>Profit on ordinary activities after taxation</b>	<b>4,674</b>	<b>2,672</b>	<b>2,444</b>	<b>(822)</b>	<b>2,759</b>
Minority interests	101	384	61	152	116
<b>Profit attributable to ordinary shareholders</b>	<b>4,775</b>	<b>3,056</b>	<b>2,505</b>	<b>(670)</b>	<b>2,875</b>
<b>Earnings per share</b>					
- basic	23.1p	19.1p	19.1p	(5.2p)	24.0p
- adjusted	33.4p	29.3p	22.7p	(5.2p)	24.0p
- diluted	22.8p	18.8p	19.1p	(5.1p)	
Dividends per share	3.66p	3.18p	2.76p	2.4p	2.4p
<b>Assets employed</b>					
Fixed assets	50,540	35,809	3,757	2,662	1,610
Current assets	48,262	46,212	23,539	22,762	20,712
Current liabilities	(32,735)	(21,979)	(15,565)	(16,345)	(11,269)
<b>Net current assets</b>	<b>15,527</b>	<b>24,233</b>	<b>7,974</b>	<b>6,417</b>	<b>9,443</b>
<b>Total assets less current liabilities</b>	<b>66,067</b>	<b>60,042</b>	<b>11,731</b>	<b>9,079</b>	<b>11,053</b>
Creditors due after more than one year	(1,951)	(1,325)	(603)	(588)	(686)
<b>Net assets</b>	<b>64,116</b>	<b>58,717</b>	<b>11,128</b>	<b>8,491</b>	<b>10,367</b>
<b>Represented by:</b>					
Shareholders' funds	63,934	58,800	11,161	8,589	10,405
Minority interests	182	(83)	(33)	(98)	(38)
	<b>64,116</b>	<b>58,717</b>	<b>11,128</b>	<b>8,491</b>	<b>10,367</b>

## NOTICE OF ANNUAL GENERAL MEETING OF DICOM GROUP PLC (THE 'COMPANY')

NOTICE IS HEREBY GIVEN that the sixth Annual General Meeting of the Company will be held at the offices of Investec Henderson Crosthwaite, at 2 Gresham Street, London EC2V 7QP, on 13 November 2001 at 11am for the following purposes:

### Ordinary Business

1. To receive and adopt the Directors' report and accounts for the year ended 30 June 2001 and the Auditors' report thereon.
2. To declare a final dividend of 2.44p per ordinary share, to be paid on 30 November 2001 to all ordinary shareholders on the Register on 2 November 2001.
3. To re-elect as a director Otto Schmid who retires by rotation.
4. To re-elect as a director Arnold von Büren who retires by rotation.
5. To re-elect as a director Walter Greifeneder 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 2002 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 is-

sue 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 £104,070; 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 2002 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.
9. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution:  
THAT the Remuneration Committee be and is hereby authorised to amend the limit on the total number of new shares which may be placed under option under the Company's employee share option plans in any rolling ten year period from ten per cent to fifteen per cent of the ordinary share capital of the Company in issue (on a fully diluted basis) immediately prior to the relevant date of grant.

By Order of the Board

**Urs Niederberger, Company Secretary**  
1 October 2001

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.

## COMPANY SECRETARY AND ADVISERS

### COMPANY SECRETARY

Urs Niederberger  
Registered office  
Andromeda House, Calleva Park,  
Aldermaston  
Berkshire RG7 8AR  
Company registration  
no 3119779

### ADVISERS

#### Auditors

BDO Stoy Hayward, 8 Baker Street,  
London W1M 1DA

#### Registrar

Connaught St. Michaels Ltd.,  
PO Box 30, Alma Street, Luton,  
Bedfordshire LU1 2PU

#### Solicitors

Garretts, 180 Strand, London WC2R 2NN

#### Stockbroker and corporate finance adviser UK

Investec Henderson Crosthwaite,  
a division of Investec Bank (UK) Ltd.  
2 Gresham Street, London EC2V 7QP

#### Designated sponsors Germany

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GZ Bank AG  
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## PRINCIPAL SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

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