DICOM Group plc

First Quarter Results for the Financial Year 2006/2007
1 July 2006 – 30 September 2006

Regulatory Announcement

DICOM Group plc
First Quarter Results 2006/2007– Three Months to 30 September 2006
Pipeline significantly ahead of last year, continued investment in new products

Basingstoke, 07 November 2006 - DICOM Group plc ("DICOM Group"), a global leader of Information Capture and Communications (ICC) solutions, today announced financial results for its first quarter ended 30 September 2006. As in the same period last year DICOM Group experienced the usual seasonal weakness in the first quarter. The sales pipeline, however, is strong and significantly ahead of last year.

Financial Highlights of the First Quarter Results (prepared under IFRS)

- Revenue down 1% to £33.3m (2005: £33.6m), up 1% in local currency terms
- Adjusted operating profits down to £0.6m (2005: £1.2m)
- Adjusted pre tax profits down to £0.9m (2005: £1.3m)
- Pre tax profits up to £0.2m (2005: loss of £0.6m)
- Adjusted earnings per share reported at 0.7p (2005: 1.2p)

* Further details with regards to the calculation of adjusted earnings and adjusted profits are set out in note 2 to the financial results. The comparable period of the prior year also includes the results of discontinued operations.

Operating Highlights

- Sale of DICOM Group's new Document Scan Server to Boy Scouts of America (BSA) to help streamline its application forms processing
- DICOM Group joins Strategic Alliance Programme of Ricoh, integration of Ascent Capture into Ricoh MFPs
- Document Scan Server recognised as trend-setting product of 2006 by industry magazine, KMWorld
- Other significant Q1 contract wins include: Los Angeles Police Dept., Citrus County Clerk, National Australia Bank, Earthtech Remediation, Information Management Corporation, Swedish Medical Center, Compania Mexicana, Deutsche BP and Williams Lee
- Introduction of Ascent Xtrata Pro
- 10th annual partner conference, Transform 06, held in Prague to familiarise over 300 Certified Solution Providers and partners with DICOM Group's new technologies
- Pipeline significantly ahead of the comparable period of last year

Commenting, Rob Klatell, Chief Executive Officer of DICOM Group said:

"As anticipated at the announcement of our year end results, we experienced the usual seasonal weakness in the first quarter following a very strong close to our last financial year. Even so, we have laid a solid foundation for our continued growth and look forward with confidence to the rest of the current year. We signed contracts with new and existing customers during the quarter, demonstrating the continued widespread adoption of our products and the continuing strength of our market.
Looking ahead, we believe that our strong sales pipeline, planned new product introductions and market leading position, combined with the activities of our partners and customers, will enable greater opportunity for top line growth and increasing profitability for the year as a whole."

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About DICOM Group plc

DICOM Group plc ("DICOM Group", London Stock Exchange: DCM) is a global leader of Information Capture and Business Communications solutions. Its leading edge capture and communication technologies and solutions enable Business Process Automation by managing the transformation and exchange of business-critical information (residing in various formats such as paper, fax, electronic documents, e-mail, SMS) among people, applications and devices. The company's centres for product development and marketing include Kofax, the world's leading provider of Information Capture solutions, and Topcall, a worldwide provider of Business Communication technology. Through a global network of more than 1,200 authorised partners and its own sales and service organisations in EMEA, the Americas and Asia Pacific. DICOM Group help blue-chip enterprises in more than 60 countries to reduce cost, increase efficiency and minimise risk in their critical business processes. For more information, visit www.dicomgroup.com.

DICOM Group plc
Chief Executive's Review

As anticipated in August, we experienced the usual seasonal weakness in the first quarter following a very strong close to our last financial year. Sales of our high-end transformation products in the Americas, where we enjoyed tremendous growth in the fourth quarter of last financial year, started off slower than expected. Revenue is down 1% to £33.3m compared to £33.6m for the same period in 2005, although revenue in local currency terms grew 1%. Own product revenue decreased 2% in local currency. Services grew by 5% on a like-for-like basis and 3rd party sales grew 6% on a like-for-like basis.

Adjusted operating profit is reported at £0.6m compared to £1.2m in the previous period. Adjusted profit before tax was £0.9m, down by £0.4m. After amortisation of intangible assets, share-based payments, restructuring costs and fair value adjustments the Group reports a profit before tax of £0.2m compared to a loss before tax of £0.6m in the first quarter of the previous year. After tax and minority interests basic earnings per share is reported at 0.1p compared to a loss of 0.4p in the comparable period. Adjusted earnings per share amounts to 0.7p (1.2p), down 42%. The comparable period of the prior year includes the results of the discontinued Samsung General Agency Division ("SGA"). The total contribution from SGA is included within results of discontinued operations.

The Group ended the period with net funds of £27.4m (£29.7m at 30 June 2006) after spending £1.2m on deferred consideration payments.

Operating Highlights

Customer Wins

During the quarter DICOM Group has been successful in winning a wide range of new orders across all three of its regions. New customers include: Los Angeles Police Dept., Citrus County Clerk, National Australia Bank, Earthtech Remediation, Information Management Corporation, Swedish Medical Center, Compania Mexicana, Deutsche BP and Williams Lee.

In addition we joined Ricoh Corporation's Developer and Strategic Alliance Programs and integrated Ascent Capture into Ricoh's multifunctional products (MFPs). Geared toward the distributed scanning market, the integration of Ascent Capture enables our Certified Solution Providers (CSPs) and customers to leverage Ricoh's MFPs to scan documents into Ascent Capture. In this case, Ascent Capture helps automate the capture of information from documents and forms that are processed through Ricoh's GlobalScan and MFPs, then delivers that data into a designated business application (e.g., CRM, ECM, ERP, supply chain management, etc.).

Additionally, The Boy Scouts of America (BSA), a leading youth organisation in the US, introduced our new Document Scan Server into its larger councils nationwide to help streamline their application forms processing. The BSA has more than 3 million members spread across 300 councils around the United States. In order to reduce the amount of time spent manually inputting data during the application process, BSA implemented the Kofax Document Scan Server and Ascent Capture® technology to scan enable its existing Program Application System. By doing this at the point of entry, handwritten data from the application form can be captured and reliably delivered into the BSA database.

Industry Awards and Conferences

Industry magazine, KMWorld has recognised the Document Scan Server for its ability to allow organisations to add scanning capabilities to any enterprise business application by leveraging services oriented architecture (SOA). Document Scan Server has been included on KMWorld's list of Trend Setting Products of 2006, making it the third consecutive year that our products have made the list.

In October, DICOM Group's 10th annual partner conference, Transform 06, was held in Prague. Designed for executives, sales and marketing managers, account executives, and technical directors of our CSPs, the event enabled participants from Europe, Middle East and Africa to become familiar with new technologies alongside successful DICOM Group partners.

The international event helped to generate insights into the delivery of cutting-edge, revenue-generating capture solutions, including previews of new upgrades and editions to DICOM Group's award winning product lines. Attendees had the opportunity to network with others from their region and share their ideas on today's technology and upcoming trends.

The Group also held its first Latin America Transform Partner Conference in Brazil, which attracted over a hundred attendees. The successful two-day event focused on partner success stories, training and product demonstrations.

New Product Introductions

We made great strides during the quarter with respect to the development of Ascent Xtrata Pro, a major new transformation initiative which is expected to achieve significant revenue levels this financial year. The product was introduced to our CSPs at Transform 06 and is scheduled to be officially launched into the market later this month.

During the quarter we also shipped the first of our new Document Scan Server products. With the introduction of this solution, organisations can now add scanning capabilities to any enterprise business application without the need for additional software or disruption to their current business process. The Document Scan Server was created to address the growing need for organisations to digitally capture documents at the point of entry into their business process.

A significant amount of our engineering resources are working on new products that have not yet been shipped. New product development is one of the cornerstones of our corporate strategy. Of course, we know it would be easier for us to focus solely on the present: we understand it better, and it enhances our short-term results. Our goal, however, is to maximise long-term value for all stakeholders of DICOM Group, and that means finding the right balance (in engineering, in sales, in marketing, in service) between today's and tomorrow's business. Our new developments are aimed at helping us to achieve good growth in the short term as well as the longer term.

Prospects

As anticipated at the announcement of our year end results, we experienced the usual seasonal weakness in the first quarter following a very strong close to our last financial year. Even so, we have laid a solid foundation for our continued growth and look forward with confidence to the rest of the current year. We signed contracts with new and existing customers during the quarter, demonstrating the continued widespread adoption of our products and the continuing strength of our market.
Looking ahead, we believe that our strong sales pipeline, planned new product introductions and market leading position, combined with the activities of our partners and customers, will enable greater opportunity for top line growth and increasing profitability for the year as a whole.

Rob Klatell
Chief Executive Officer

DICOM Group plc
Announcement of Unaudited Results
Consolidated Income Statement

	Note	**3 months to 30 September 2006 unaudited £'000**	3 months to 30 September 2005 unaudited £'000	Year to 30 June 2006 audited £'000
Revenue	4	**33,262**	33,581	160,397
Cost of sales		**(15,534)**	(15,625)	(73,517)
Gross profit		**17,728**	17,956	86,880
Operating expenses		**(17,988)**	(18,626)	(77,642)
Adjusted Operating profit before:		**640**	1,233	14,397
Amortisation of intangible assets		**(577)**	(533)	(2,306)
Goodwill adjustment – recognition of deferred tax asset from prior year business combinations		**-**	-	(399)
Restructuring costs		**-**	(1,200)	(1,700)
Share-based payment		**(323)**	(170)	(754)
Operating (loss)/profit		**(260)**	(670)	9,238
Share of results of associated undertakings		**16**	(9)	80
Net interest receivable/(payable)		**472**	122	323
Profit on ordinary activities before taxation		**228**	(557)	9,641
Taxation		**(91)**	155	(3,134)
Profit on ordinary activities after taxation		**137**	(402)	6,507
Results from discontinued operations		**-**	54	1,585
Profit available for shareholders		**137**	(348)	8,092
Attributable to:				
Equity holders of the parent		**106**	(364)	7,542
Minority interests		**31**	16	550
		137	(348)	8,092
Earnings per ordinary share				
- basic	2	**0.1p**	(0.4p)	8.7p
- diluted		**0.1p**	(0.4p)	8.4p
Statement of recognised income and expenses				
Net Profit for the period		**137**	(348)	8,092
Foreign exchange adjustments on consolidation		**(1,002)**	837	(449)
IAS 39 opening adjustments		**-**	-	44
Tax on items taken directly to equity		**-**	-	109
Actuarial gain		**-**	-	385
Recognised income/(expense) for the period		**(865)**	489	8,181
Attributable to:				
Equity holders of the parent		**(896)**	473	7,631
Minority interests		**31**	16	550
		(865)	489	8,181

DICOM Group plc
Announcement of Unaudited Results
Consolidated Balance Sheet

	Note	**At 30 September 2006 unaudited £'000**	At 30 September 2005 unaudited £'000	At 30 June 2006 audited £'000
Non-current assets				
Intangible assets		**68,749**	68,164	69,920
Tangible assets		**4,751**	5,660	4,945
Deferred tax assets		**1,560**	1,089	1,582
Investments		**1,067**	1,274	1,114
		76,127	76,187	77,561
Current assets				
Inventories		**8,004**	10,812	8,219
Trade and other receivables		**30,158**	34,237	35,118
Investments		**171**	149	165
Cash and cash equivalents	5	**29,133**	20,832	31,312
		67,466	66,030	74,814
Total assets		**143,593**	142,217	152,375
Current liabilities				
Trade and other payables		**(38,181)**	(39,391)	(45,226)
Other financial liabilities		**(1,257)**	(5,257)	(1,381)
Liabilities for current tax		**(2,740)**	(2,956)	(3,904)
		(42,178)	(47,604)	(50,511)
Non-current liabilities				
Other payables		**(6,486)**	(7,724)	(7,370)
Financial liabilities		**(487)**	(392)	(429)
Employee benefits		**(367)**	(723)	(367)
Deferred tax liabilities		**(3,762)**	(4,250)	(3,989)
		(11,102)	(13,089)	(12,155)
Total liabilities		**(53,280)**	(60,693)	(62,666)
Net assets		**90,313**	81,524	89,709
Capital and reserves				
Called up share capital		**2,200**	2,160	2,179
Share premium account		**57,824**	54,923	56,685
Share options reserve		**1,952**	1,348	1,776
Foreign exchange reserve		**(1,321)**	967	(319)
Merger reserve		**1,717**	1,717	1,717
ESOP shares		**(308)**	(536)	(434)
Profit and loss account		**28,045**	20,990	27,939
Shareholders' equity		**90,109**	81,569	89,543
Minority interests		**204**	(45)	166
Total equity		**90,313**	81,524	89,709

DICOM Group plc
Announcement of Unaudited Results
Consolidated Cash Flow Statement

	Note	**3 months to 30 September 2006 unaudited £'000**	3 months to 30 September 2005 unaudited £'000	Year to 30 June 2006 audited £'000
Cash flows from operating activities				
Operating (loss)/profit		**(260)**	(608)	11,661
Depreciation and amortisation		**1,232**	1,248	5,386
Change in working capital		**(1,092)**	491	6,726
Other non-cash movements		**(641)**	366	1,746
Cash generated from operations		**(761)**	1,497	25,519
Interest paid		**(15)**	(35)	(192)
Tax paid		**(750)**	(145)	(3,815)
Net cash (outflow)/inflow from operating activities		**(1,526)**	1,317	21,512
Cash flows from investing activities				
Purchase of tangible assets, licences and similar rights		**(396)**	(375)	(2,095)
Disposal of tangible assets, licences and similar rights		**60**	37	118
Acquisition of subsidiaries, net of cash acquired		**(1,191)**	(2,914)	(7,023)
Disposal of subsidiaries, net of cash disposed		**(150)**	-	-
Purchase of non-current investments		**-**	(66)	-
Sale of non-current investments		**-**	169	529
Movement in in long term loans to non-current investments		**-**	127	240
Interest received		**264**	138	747
Net cash (outflow) from investing activities		**(1,413)**	(2,884)	(7,484)
Cash flows from financing activities				
Issue of share capital		**1,160**	363	1,344
(Decrease)/Increase in short term borrowings		**(14)**	1,081	(2,649)
(Decrease)/Increase in long term borrowings		**-**	-	(18)
Dividends paid to shareholders		**-**	-	(1,451)
Dividends paid to minority interests		**-**	(55)	(55)
Capital element on finance lease payments		**(53)**	(52)	(204)
Net cash inflow/(outflow) from financing activities		**1,093**	1,337	(3,033)
Net (decrease)/increase in cash and cash equivalents in the period		**(1,846)**	(230)	10,995
Cash and cash equivalents at start of the period		**30,991**	20,064	20,064
Exchange rate effects		**(406)**	194	(68)
Cash and cash equivalents at the end of the period		**28,739**	20,028	30,991
Cash and cash equivalents consists of:				
Cash and cash equivalents		**29,133**	20,832	31,312
Overdrafts		**(394)**	(804)	(321)
		28,739	20,028	30,991

Announcement of Preliminary Unaudited Results
Notes (IFRS)

1 Basis of preparation

The results for the three months ended 30 September 2006 include those for the holding company and all of its subsidiary undertakings, together with the Group's share of the results of its associated undertakings. The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards, including International Accounting Standards (IASs) and Interpretations (collectively IFRS) published by the International Accounting Standards Board (IASB) which have been adopted by the European Commission and endorsed for use in the EU.

The financial information contained in this announcement is unaudited and does not constitute the company's statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the year to 30 June 2006 is derived from the statutory accounts for that year, which will be filed with the Registrar of Companies. The auditors report on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The accounting policies followed by the Group in this interim report are derived from those set out in the audited financial statements for the year ended 30 June 2006.

2 Earnings per share

Basic earnings/(loss) per share of 0.1p (loss of 0.4p) for the 3 months to 30 September 2006 have been calculated based on the profit/(loss) attributable to shareholders of £106,000 (loss of £364,000) using the weighted average number of ordinary shares in issue totalling 87.4m (85.6m) during the period. Basic earnings per share of 8.7p for the year to 30 June 2006 have been calculated based on the profit attributable to shareholders of £7,542,000 using the average weighted number of ordinary shares in issue totalling 86.3m during the period

Adjusted earnings per share of 0.7p (1.2p) for the 3 months to 30 September 2006 are based on profit of £595,000 (£986,000), being adjusted for the operating expenses as stated below using the weighted average number of ordinary shares in issue totalling 87.4m (85.6m) during the period. Adjusted earnings per share of 14.3p for the year 30 June 2006 have been calculated based on the profit attributable to shareholders of £12,302,000 using the average weighted number of ordinary shares in issue totalling 86.3m during the period. The Board considers that adjusted EPS better reflects the underlying performance of the Group.

Reconciliation of adjusted profit	3 months to 30 September 2006 £'000	3 months to 30 September 2005 £'000	Year to 30 June 2006 £'000
Profit/(loss) attributable to shareholders under IFRS	**106**	**(364)**	**7,542**
Goodwill charge on recognition of deferred tax asset from prior year business combination	-	-	399
Amortisation of intangible assets	577	533	2,306
Restructuring costs	-	1,200	1,700
Share-based payment	323	172	760
Fair value adjustments on financial instruments	(234)	-	224
Loss on disposal of discontinued operations	-	-	500
Tax effect of above	(177)	(555)	(1,129)
Adjusted profit	**595**	**986**	**12,302**

Reconciliation of adjusted pre tax profit	3 months to 30 September 2006 £'000	3 months to 30 September 2005 £'000	Year to 30 June 2006 £'000
Profit/(loss) on ordinary activities before taxation	**228**	**(557)**	**9,641**
Goodwill charge on recognition of deferred tax asset from prior year business combination	-	-	399
Amortisation of intangible assets	577	533	2,306
Restructuring costs	-	1,200	1,700
Share-based payment	323	172	760
Fair value adjustments on financial instruments	(234)	-	224
Adjusted profit before tax	**894**	**1,348**	**15,030**

Diluted earnings/(loss) per share of 0.1p (loss of 0.4p) for the 3 months to 30 September 2006 have been calculated based on the profit/(loss) attributable to shareholders of £106,000 (loss of £364,000) using 90.4m (85.6m) ordinary shares, the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential Ordinary Shares. Diluted earnings per share of 8.4p for the year to 30 June 2006 have been calculated based on the profit attributable to shareholders of £7,542,000 using 90.0m ordinary shares.

3 Reconciliation of movements in shareholders' equity

	3 months to 30 September 2006 £'000	3 months to 30 September 2005 £'000	Year to 30 June 2006 £'000
Opening Shareholder's equity	**89,543**	80,538	80,538
Net profit/(loss) for the period excluding minority interests	**106**	(364)	7,542
Dividends	**-**	-	(1,451)
Recognition of fair value of financial instruments under IFRS 1 transitional rule	**-**	44	44
Foreign exchange adjustments on consolidation	**(1,002)**	837	(470)
Actuarial gains/(losses)	**-**	-	385
Changes in ESOP shares	**126**	(20)	82
New share capital issued	**1,160**	362	1,344
Share-based payment charge	**176**	172	621
Tax on items taken directly to equity	**-**	-	109
Share issue cost adjustments	**-**	-	799
Closing shareholders' equity	**90,109**	81,569	89,543

4 Revenue split

	3 Months to 30 September 2006 £'000	3 Months to 30 September 2005 £'000	Year to 30 June 2006 £'000
Revenue			
Own products	**10,524**	11,083	58,125
Services	**11,671**	11,860	49,682
3rd party products	**11,067**	10,638	52,590
Total ICC	**33,262**	33,581	160,397

5 Analysis of Net Funds

	At 30 September 2006 £'000	At 30 September 2005 £'000	At 30 June 2006 £'000
Cash in hand, at bank	**18,284**	15,882	17,045
Overdrafts	**(394)**	(804)	(321)
Debt due within 1 year	**(471)**	(4,191)	(492)
Debt due after 1 year	**(23)**	(40)	(23)
Finance leases	**(857)**	(658)	(789)
Current asset investments	**10,849**	4,950	14,267
Net funds	**27,388**	15,139	29,687