



DICOM Group plc The Power of Transformation



DICOM Group's 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.

Highlights

Financial Highlights

Group results

- Turnover up 13% to £86.9m (£77.1m), organic growth of 13% in local currency terms
- Gross profit margins up from 40.3% to 41.5%
- Operating profits before goodwill amortisation up 16% to £7.6m (£6.6m); margins up from 8.5% to 8.8%
- Operating profits in local currency terms and adjusted for acquisitions up 16%
- Profits before tax and goodwill amortisation up 20% to £8.0m (£6.7m before exceptional item)
- Adjusted earnings per share up 16% to 26.4p (22.7p)
- Operating activities generated positive cash flow of £6.0m (£5.7m)
- Interim Dividend up 15% to 2.13p (1.85p)
- Net funds of £4.2m (£20.9m at 30 June 2004), after spending £19.8m on acquisitions

Results of Information Capture (IC) Division, representing 92% (88%) of operating profits

- Turnover up 12% to £66.3m (£59.2m), organic growth of 13% in local currency terms
- IC own products and services now account for 58% (56%) of IC sales, up 11% and 27% respectively in local currency terms and adjusted for acquisitions
- Gross profit margins increased to 50.5% (47.6%)
- Operating profits up 22% to £7.0m (£5.8m); margins increased from 9.7% to 10.6%
- Operating profits in local currency terms and adjusted for acquisitions up 22%

Operating Highlights

- Completion of Topcall International AG and Neurascript Limited acquisitions
- US subsidiary Kofax signed an agreement with Adobe to integrate Adobe® LiveCycle™ Barcoded Forms into Ascent Capture
- Global leading market position maintained in revenue, licenses and installations (70,000+ Ascent software licenses shipped, 54,000+ installations for VRS)
- Revenue mix continuing to shift towards higher margin own products and services

Chairman's Statement



"Our continuing investment in technology, our well-known and industry leading products, our customer base and our channel relationships are key for further enhancement of our market leadership in Information Capture."

Otto Schmid, Chairman, DICOM Group plc

Results I am pleased to report strong results for the six months to 31 December 2004. Group turnover was up 13% to £86.9m (£77.1m). Organic growth in local currency terms is reported at 13%. Operating profits before goodwill amortisation were £7.6m (£6.6m), up 16% with margins increased from 8.5% to 8.8%. In local currency terms and adjusted for acquisitions operating profit before goodwill amortisation grew 16%. Profit before tax and goodwill amortisation was £8.0m (£6.7m), an increase of 20%. After tax and minority interests basic earnings per share increased to 16.3p (4.0p). Earnings per share, adjusted for goodwill amortisation, was 26.4p (22.7p), up 16%.

The Group ended the period with net funds of £4.2m (£20.9m at 30 June 2004) after spending £19.8m on acquisitions. Operating cash inflow amounted to £6.0m (£5.7m).

Operating Review The Information Capture (IC) Division is DICOM Group's largest division and represents 92% (88%) of operating profits in the six months to 31 December 2004. Our leading edge capture and communication technologies and solutions enable Business Process Automation by managing the transformation and exchange of business-critical information 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 Unified Communication technology. Through a global network of more than 1,200 authorised partners and our own sales and service organisations in Europe, the USA, Asia and Australia, we help blue-chip enterprises in more than 60 countries to reduce cost, increase efficiency and minimize risk in their critical business processes.

The IC Division achieved sales growth of 12% in the first six months and contributed 76% (77%) of the Group's turnover. Organic revenue growth amounted to 13% in local currency terms. The provision of services and sales of products developed by the Group accounted for 58% (56%) of IC turnover. Own product sales grew by 11% in local currency terms adjusted for acquisitions, and accounted for 32% (34%) of IC sales. Service income was up 27% in local currency terms adjusted for acquisitions, and contributed 26% (22%) to IC sales. Sales in 3rd party IC products grew 7% in local currency terms. Operating profit before goodwill amortisation increased to £7.0m (£5.8m), up 22% with margins increased from 9.7% to 10.6%, giving organic growth in local currency terms amounted to 22%.

The Samsung General Agency (SGA) Division, the representative of Samsung Electronics in Switzerland contributed 8% (12%) of Group operating profits and 24% (23%) of Group turnover in the six months to 31 December 2004. The SGA Division continues to face tough trading conditions with pressure on margins.

Acquisitions On 25 October the Group announced the acquisition of Neurascript Limited, a leading worldwide provider of high-end Information Capture tools. Neurascript was purchased for a total cash consideration of up to £8.3m, £2.4m paid on completion, £0.6m payable on the first anniversary and a further contingent variable deferred consideration of up to £5.3m, depending on the achievement of certain targets.

The Offer for Topcall International AG (Topcall), a worldwide provider of mission-critical Unified Communication solutions, has been successful and the required 75% acceptance condition for the voluntary public bid has been exceeded. To date more than 91% of voting rights have been tendered to DICOM Group. Topcall has been fully consolidated in the DICOM Group results from 1 December 2004. The cash consideration paid was £27.8m, including £11.4m cash acquired in Topcall's balance sheet on completion.

The results of Neurascript and Topcall form part of the IC Division.

Board Appointments On 16 December we announced the appointment of two new non-executive directors to the Board of DICOM. Chris Conway is Chairman of the UK listed IT consultancy Detica plc and a former Board member of IBM UK. Mark Wells has 25 years experience in the systems and software applications business, most recently as Chairman and CEO of Image Metrics Plc, an image analysis software company.

Dividend The Board has declared an interim dividend of 2.13p per ordinary share (1.85p). This will be paid on 6 May 2005 to shareholders on the register on 8 April 2005.

Prospects The Group is well positioned as the global industry leader in the Information Capture market. The balance sheet is strong and the Group continues to be highly cash generative.

Our continuing investment in technology, our well-known and industry leading products, our customer base and our channel relationships are key for further enhancement of our market leadership in Information Capture. The US Dollar remains weak, reducing the sterling value of our US operating profits. However, current trading and good growth prospects enable us to view the Group's outlook for the full year with optimism.



Otto Schmid, Chairman, 8 February 2005

Consolidated Profit and Loss Account

	Note	Continuing	Acquisitions	6 months to 31 December 2004 unaudited total £'000	6 months to 31 December 2003 unaudited £'000	Year to 30 June 2004 audited £'000
Turnover	5	84,486	2,422	86,908	77,121	156,197
Cost of sales		(50,291)	(552)	(50,843)	(46,025)	(93,291)
Gross profit		34,195	1,870	36,065	31,096	62,906
Operating expenses		(29,091)	(1,458)	(30,549)	(26,096)	(53,205)
Operating profit before goodwill amortisation	5	7,084	538	7,622	6,559	12,922
Goodwill amortisation		(1,980)	(126)	(2,106)	(1,559)	(3,221)
Operating profit		5,104	412	5,516	5,000	9,701
Share of results of associated undertakings				53	29	91
Loss on disposal of fixed asset investment				-	(2,300)	(2,218)
Net interest receivable				297	46	183
Profit on ordinary activities before taxation				5,866	2,775	7,757
Taxation				(2,320)	(1,924)	(3,885)
Profit on ordinary activities after taxation				3,546	851	3,872
Minority interests				(131)	(12)	24
Profit attributable to ordinary shareholders				3,415	839	3,896
Dividends - equity				(448)	(386)	(1,164)
Retained profit				2,967	453	2,732
Earnings per ordinary share	2					
- basic				16.3p	4.0p	18.7p
- adjusted				26.4p	22.7p	45.0p
- diluted				15.7p	4.0p	18.2p
Dividend per ordinary share	4			2.13p	1.85p	5.55p
Statement of total recognised gains and losses						
Profit for financial year				3,415	839	3,896
Loss on currency translation				(195)	(1,184)	(1,916)
Total recognised gains and losses relating to the year				3,220	(345)	1,980
Restatement due to reclassification of ESOP shares				-	-	(503)
Total recognised gains and losses relating to the year				3,220	(345)	1,477

Consolidated Balance Sheet

	Note	At 31 December 2004 unaudited £'000	At 31 December 2003 unaudited £'000	At 30 June 2004 audited £'000
Fixed assets				
Intangible assets		64,871	43,067	41,432
Tangible assets		6,801	5,074	5,135
Investments		447	6,474	398
		<u>72,119</u>	<u>54,615</u>	<u>46,965</u>
Current assets				
Stocks		14,325	12,676	10,864
Debtors		41,920	35,173	33,791
Investments		132	111	126
Cash at bank and in hand		15,706	13,356	23,273
		<u>72,083</u>	<u>61,316</u>	<u>68,054</u>
Creditors:				
Amounts falling due within one year		(59,572)	(43,808)	(38,615)
Net current assets		<u>12,511</u>	<u>17,508</u>	<u>29,439</u>
Total assets less current liabilities		<u>84,630</u>	<u>72,123</u>	<u>76,404</u>
Creditors:				
Amounts falling due after more than one year		(8,117)	(2,118)	(4,628)
Provisions for deferred taxation		(1,376)	(673)	(631)
Net assets		<u>75,137</u>	<u>69,332</u>	<u>71,145</u>
Capital and reserves				
Called up share capital		2,121	2,105	2,112
Share premium account		53,009	52,452	52,730
Merger reserve		1,717	1,717	1,717
ESOP shares		(542)	(525)	(503)
Profit and loss account		17,919	13,600	15,147
Shareholders' funds - Equity	3	<u>74,224</u>	<u>69,349</u>	<u>71,203</u>
Minority interests - Equity		<u>913</u>	<u>(17)</u>	<u>(58)</u>
		<u>75,137</u>	<u>69,332</u>	<u>71,145</u>

Consolidated Cash Flow Statement

	Note	6 months to 31 December 2004 unaudited £'000	6 months to 31 December 2003 unaudited £'000	Year to 30 June 2004 audited £'000
Cash inflow from operating activities	6	6,008	5,709	18,643
Returns on investments and servicing of finance		214	(3)	156
Taxation paid		(1,345)	(1,799)	(3,705)
Capital expenditure and financial investment		(788)	(1,239)	2,649
Acquisitions and disposals		(19,812)	1,367	1,824
Equity dividends paid		(778)	(668)	(1,061)
Cash (outflow)/inflow before use of liquid resources and financing		(16,501)	3,367	18,506
Management of liquid resources		11,933	(3,175)	(13,001)
Financing				
Issue of ordinary shares		288	606	886
Increase/(decrease) in debt		8,237	2,606	(2,566)
		8,525	3,212	(1,680)
Increase in cash in the period		3,957	3,404	3,825
Reconciliation of net cash flow to movement in net funds				
Increase in cash in the year		3,957	3,404	3,825
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(8,237)	(2,606)	2,566
Cash (inflow)/outflow from (decrease)/increase in liquid resources		(11,933)	3,175	13,001
Change in net funds resulting from cash flows		(16,213)	3,973	19,392
Loans and finance leases acquired with subsidiaries		-	-	(83)
New finance leases		(162)	(204)	(401)
Exchange difference		(369)	(158)	(149)
Movements in net funds in the period		(16,744)	3,611	18,759
Net funds at start of period		20,894	2,135	2,135
Net funds at end of period		4,150	5,746	20,894

Notes

Note 1 Basis of preparation

The interim financial statement has been prepared in accordance with UK GAAP and the accounting policies set out in the Group's 2004 financial statements, except that the taxation charge for the period is based on the estimated charge for the year to 30 June 2005.

The interim financial information is unaudited and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The abridged information for the year to 30 June 2004 has been extracted from the Group's statutory accounts for that period which have been 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.

Note 2 Earnings per share

Earnings per share calculation is based upon Financial Reporting Standard 14. Basic earnings per share 16.3p (4.0p) for the six months to 31 December 2004 has been calculated based on the profit attributable to shareholders of £3,415,000 (£839,000) using the weighted average number of ordinary shares in issue 20,988,832 (20,798,835) during the period.

Adjusted earnings per share 26.4p (22.7p) for the six months to 31 December 2004 is based on profit of £5,548,000 (£4,728,000), being adjusted by the amortisation of goodwill in subsidiaries of £2,106,000 (£1,559,000) and amortisation of goodwill in associates of £27,000 (£30,000) using the weighted average number of ordinary shares in issue 20,988,832 (20,798,835) during the period.

Diluted earnings per share 15.7p (4.0p) for the six months to 31 December 2004 is based on 21,707,513 ordinary shares (21,220,997), the difference to the basic calculation representing the additional shares that would be issued on the conversion of all the dilutive potential ordinary shares.

Note 3 Reconciliation of movements in shareholders' funds

	6 months to 31 December 2004 £'000	6 months to 31 December 2003 £'000	Year to 30 June 2004 £'000
Opening shareholders' funds	71,203	69,502	69,502
Retained profit for the period	2,967	453	2,732
Currency exchange movements	(195)	(1,184)	(1,916)
Changes in ESOP shares	(39)	(23)	(1)
New share capital issued	288	601	886
Closing shareholders' funds	74,224	69,349	71,203

Note 4 Dividend

The interim dividend of 2.13p per ordinary share (1.85p) is payable on 6 May 2005 to shareholders on the register at the close of business on 8 April 2005.

Note 5 **Segmental reporting**

The results of Topcall and Neurascript are included in the IC Division.

	6 months to 31 December 2004 £'000	6 months to 31 December 2003 £'000	Year to 30 June 2004 £'000
Sales by divisions			
IC			
Own products	21,395	19,804	39,722
Services	17,227	13,205	27,819
3 rd party products	27,716	26,146	51,991
Total IC	66,338	59,155	119,532
SGA	20,570	17,966	36,665
Group	86,908	77,121	156,197
Gross profit by divisions			
IC	33,478	28,163	57,703
SGA	2,587	2,933	5,203
Group	36,065	31,096	62,906
Operating profit before goodwill amortisation by divisions			
IC	7,007	5,750	11,844
SGA	615	809	1,078
Group	7,622	6,559	12,922

Note 6 **Reconciliation of operating profit to operating cash flows**

	6 months to 31 December 2004 £'000	6 months to 31 December 2003 £'000	Year to 30 June 2004 £'000
Operating profit	5,516	2,700	9,701
Depreciation and amortisation	3,311	5,085	5,948
Loss on sale of tangible fixed assets	-	3	7
(Increase)/decrease in stocks	(2,427)	(1,525)	285
Increase in debtors	(2,984)	(3,365)	(1,684)
Increase in creditors	2,815	2,476	4,702
Foreign exchange differences	(223)	335	(316)
Net cash inflow from operating activities	6,008	5,709	18,643

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