

# DICOM Group plc

## Interim Report 2007



Information drives your business



## DICOM Group At A Glance

### **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 helps 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](http://www.dicomgroup.com).



## FINANCIAL HIGHLIGHTS

- Revenue up 3% to £78.5m (2005: £76.4m), up 6% in local currency terms
    - Own product revenues up 13% in local currency terms
  - Gross profit margins increased to 54.6% (52.2%)
  - Adjusted operating profits up 9% to £7.0m (2005: £6.4m), increase of 14% in local currency terms
  - Adjusted operating profit margins of 9.0% (8.4%)
  - Adjusted pre-tax profits up 14% to £7.6m (2005: £6.6m)
  - Pre-tax profits up 52% to £6.0m (2005: £3.9m)
  - Net funds of £27.5m (£29.7m at 30 June 2006) after spending £4.2m net on acquisitions and disposals
  - Adjusted earnings per share reported at 6.0p, up 13% (2005: 5.3p)
  - Proposed interim dividend up 15% to 0.71p (2005: 0.61p)
- Further details with regards to the calculation of adjusted earnings and adjusted profits are set out in note 2 to the financial results.

## OPERATING HIGHLIGHTS

- With Kofax Intelligent Capture and Exchange Suite, DICOM Group unveils a comprehensive strategy that directly links Information Capture and Exchange with key business processes
- Pipeline significantly ahead of the comparable period of last year
- Key partnership with Salesforce.com: Kofax Document Scan Server certified for AppExchange
- DICOM Group recognised orders from new and existing customers during the quarter including Citrus County Clerk, Pemex Exploracion, Banamex Citigroup, Premier Farnell, Partner's Healthcare, Minneapolis Hennepin County, Polk County Clerk, Seco Staatssekretariat, Murphy Oil, Charles Schwab, Gerdau, Romanian Savings Bank, Sogei, Allianz Slovenska Poistovna, Maybank, Malaysia and Pan Resources.
- Launch of Ascent Xtrata Pro in November 2006



## Chief Executive's Review

The seasonal patterns we have experienced previously are becoming more pronounced as our customer mix continues to reflect a greater number of enterprise-wide engagements and our business is becoming increasingly second-half weighted. After Q1's expected slow start to the year, we have had a stronger second quarter and the Interim Results are ahead of last year.

The US Dollar continues to be weak, reducing the sterling value of our US Dollar denominated operating profits. Revenue is up 3% to £78.5m compared to £76.4m for the same period in 2005, although revenue grew 6% in local currency terms. Own product revenue increased 13% in local currency. Services grew by 9% on a like-for-like basis and third party sales grew 2% on a like-for-like basis.

Adjusted operating profit is reported at £7.0m compared to £6.4m in the previous period, up 9%, and in local currency terms up 14%. Adjusted profit before tax was £7.6m, up 14%. The Group reported a profit before tax of £6.0m compared to £3.9m in the comparable period of the previous year. After tax and minority interests basic earnings per share was reported at 4.6p, up 28% compared to 3.6p in the com-

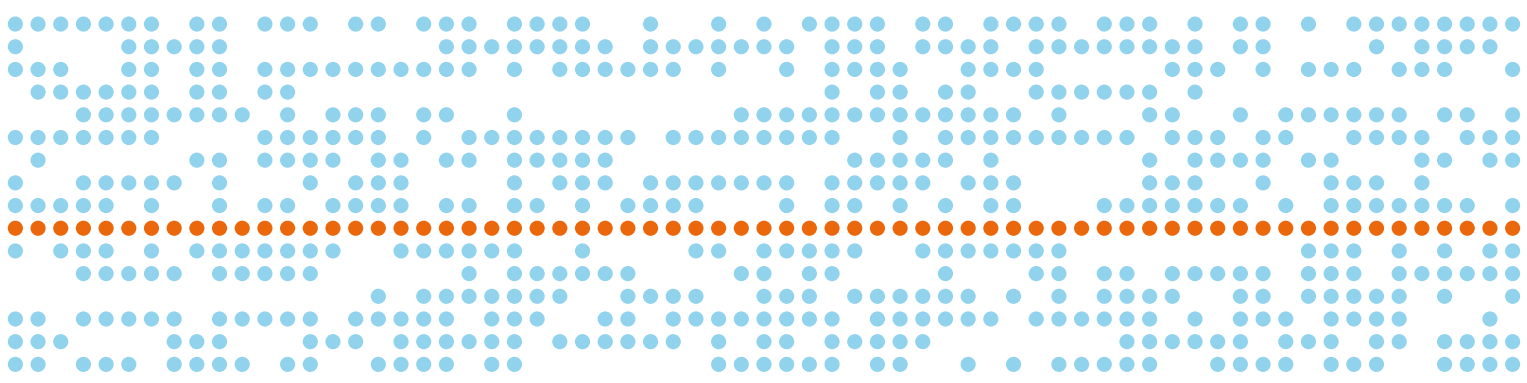
parable period. Adjusted earnings per share amounted to 6.0p, up 13% from 5.3p. The prior year figures exclude the results of the discontinued Samsung General Agency (SGA) division, the post tax contribution of that division now being included within the single line "Results of discontinued operations".

The Group ended the period with net funds of £27.5m (£29.7m at 30 June 2006), after spending £4.2m net on acquisitions and disposals.

### OPERATING HIGHLIGHTS

#### Customer Wins

During the quarter DICOM Group has been successful in winning a wide range of new orders across all geographic regions. New customers include: Citrus County Clerk, Pemex Exploracion, Banamex Citigroup, Premier Farnell, Partner's Healthcare, Minneapolis Hennepin County, Polk County Clerk, Seco Staatssekretariat, Murphy Oil, Charles Schwab, Gerdau, Romanian Savings Bank, Sogei, Allianz Slovenska Poistovna, Maybank in Malaysia and Pan Resources.



## Intelligent Capture and Exchange Suite

In the pursuit of creating a leading capture, transformation and communication platform we have undertaken an important strategic initiative in the quarter. This is the shift towards a unified set of products that directly links the capture and exchange of information with key business processes. The recent announcement of the Kofax Intelligent Capture and Exchange Suite is an important step in this direction.

Kofax Intelligent Capture and Exchange Suite is a comprehensive set of products that unites our diverse product portfolio and makes business processes easier. It targets business processes such as invoice processing, loan origination, account openings, contract life-cycle management and forms processing applications. The first step of this initiative was the shipping, a few months ago, of the Kofax Document Scan Server, a unique solution that links the digital capture of information with any existing business application. We believe that this new solution clearly gives us a first-mover advantage in the market.

The task for DICOM Group and its channel partners now is to educate customers that capture is not a stand-alone application, but that the additional business process automation tools are an effective way to operate faster, improve customer satisfaction, and more efficiently meet regulatory compliance requirements.

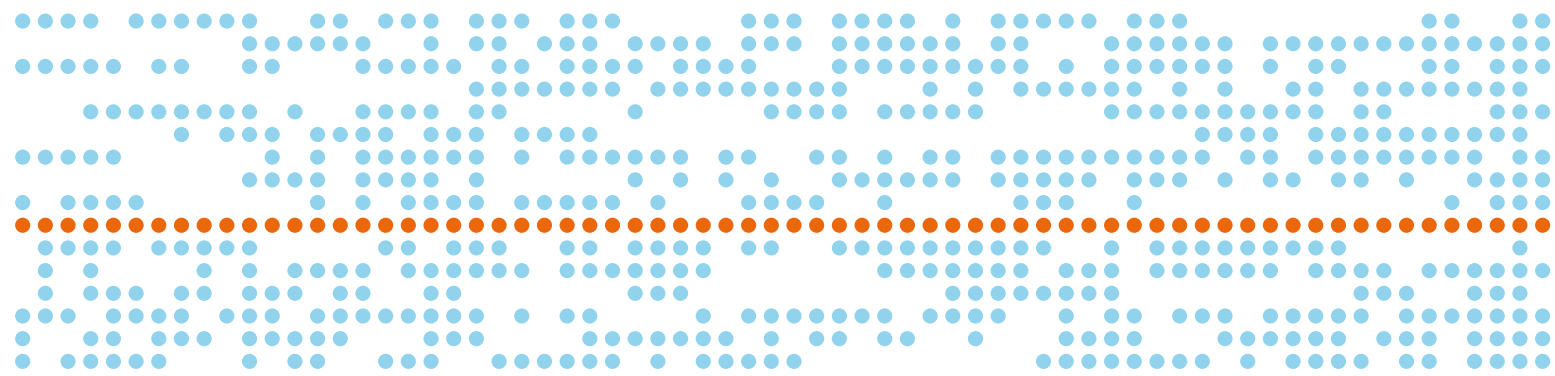
Finally, as this market grows in importance and relevance, we were pleased to see that independent

research firm Gartner recently published an analysis entitled 'Predicts 2007: Information Infrastructure Emerges'. This research validates the importance of our messaging around Intelligent Capture and Exchange and the strategic value of our service-oriented architecture (SOA) strategy as an element of Intelligent Capture and Exchange.

## New Product Introductions

We continue to strive to be the pre-eminent technology leader in our industry. To this end we have successfully used the acquisitions of Mohomine, Neurascript, Topcall, and LCI to strengthen our position in the ICC market.

Our recent introduction of Ascent Xtrata Pro illustrates how DICOM Group is accomplishing this goal. By leveraging technology that was acquired from LCI, DICOM Group now provides our channel partners and end users with a quick and easy to deploy solution that works in tandem with Ascent Capture to classify and extract data from many document types. With Ascent Xtrata Pro, the development and deployment of certain types of Information Capture applications are greatly simplified. This new product is able to manage structured and unstructured content, transforming unpredictably formatted content into actionable information. We officially launched Ascent Xtrata Pro in mid November 2006, and we have seen some encouraging early customer wins as this exciting new product generates favourable acceptance in the marketplace.



Early adopters of Ascent Xtrata Pro include Micronas, a major manufacturer of electronic chips for multimedia and automotive applications. Invoices from its suppliers arrive from different tax jurisdictions around the world and are processed through SAP R/3. Ascent Xtrata Pro is used to read these invoices and help Micronas easily establish which tax jurisdiction applies to them. It is particularly important that line items are read accurately since they are afterwards compared and consolidated against the order data within the SAP workflow.

ING-DiBa is the leading online bank in Germany, supporting more than 5 million customers via telephone and internet. Ascent Xtrata Pro is used to great effect processing up to 1,000 applications per day, in total 10,000,000 pages per year, classifying each document and identifying each customer.

Another example of a successful application of DICOM Group's technology is its contract in Asia, together with Fuji Xerox Singapore, with Pan Resources, a Direct Insurance Broker, to design, develop and implement a system that will enable information from claim forms to be captured automatically to their PIPS system, while systematically and centrally managed in a user-friendly manner. With this single repository, employees at Pan Resources can be freed to perform other more productive tasks. Browsing, searching and retrieval of information will also be greatly improved, allowing for a faster response time and dramatically reduced errors.

In order to further advance our leadership position in the market, we also signed an agreement with Salesforce.com, the leading CRM application provider, to make our Document Scan Server solution

available on-demand on its AppExchange, the world's first online service for sharing on-demand business applications.

Kofax Document Scan Server for AppExchange gives businesses the ability to digitally capture documents at the point of entry into their Salesforce applications without the need to install scanner drivers or other third-party products to retrieve images from a scanner. Business cards, invoices, contracts, project plans, marketing material – anything that helps manage business relationships – can now be scanned easily and effectively, then shared with individuals across the hall, the country or the oceans.

### **Product Brand Architecture**

By combining our technology and products under one brand, the Intelligent Capture and Exchange Suite is also the first step in the development of a new product brand architecture for DICOM Group. We are currently building a unified umbrella brand to cover the company's numerous products while retaining the benefit of our strong product brands.

### **Dividend**

The Board has declared an interim dividend of 0.71p per ordinary share (0.61p). This represents an increase of 15% over the previous period. The dividend will be paid on 8 May 2007 to shareholders on the register as per 10 April 2007.



## Prospects

The second quarter's strong performance has laid a foundation which we can build upon to achieve the objectives we set for the year. Our new customer wins, coupled with the strength of the sales pipeline, validate the market's acceptance of the value provided by our products and provide a solid base for the future.

Looking ahead, we believe that our strong sales pipeline 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  
6 February 2007

## Consolidated Income Statement (IFRS)

in £'000	Note	6 months to 31 December 2006 unaudited	6 months to 31 December 2005 unaudited	Year to 30 June 2006 audited
<b>Revenue</b>	<b>4</b>	<b>78,518</b>	<b>76,406</b>	<b>160,397</b>
Cost of sales		(35,651)	(36,543)	(73,517)
<b>Gross profit</b>		<b>42,867</b>	<b>39,863</b>	<b>86,880</b>
<b>Operating expenses</b>		<b>(37,617)</b>	<b>(36,087)</b>	<b>(77,642)</b>
<b>Adjusted operating profit before</b>		<b>7,048</b>	<b>6,448</b>	<b>14,397</b>
Amortisation of intangible assets		(1,115)	(1,136)	(2,306)
Goodwill adjustment – recognition of deferred tax asset from prior year business combinations		—	—	(399)
Restructuring costs		—	(1,200)	(1,700)
Share-based payment		(643)	(336)	(754)
Operating profit		5,250	3,776	9,238
Share of results of associated undertakings		55	(68)	80
Net interest receivable		711	241	323
<b>Profit on ordinary activities before taxation</b>		<b>6,016</b>	<b>3,949</b>	<b>9,641</b>
Taxation		(1,920)	(1,263)	(3,134)
<b>Profit on ordinary activities after taxation</b>		<b>4,096</b>	<b>2,686</b>	<b>6,507</b>
Results from discontinued operations		—	594	1,585
<b>Profit available for shareholders</b>		<b>4,096</b>	<b>3,280</b>	<b>8,092</b>
<b>Attributable to</b>				
Equity holders of the parent		4,031	3,115	7,542
Minority interests		65	165	550
		<b>4,096</b>	<b>3,280</b>	<b>8,092</b>
<b>Earnings per ordinary share</b>	<b>2</b>			
› basic		4.6p	3.6p	8.7p
› diluted		4.4p	3.4p	8.4p
<b>Statement of recognised income and expenses</b>				
Net profit for the period		4,096	3,280	8,092
Foreign exchange adjustments on consolidation		(1,792)	1,662	(449)
IAS 39 opening adjustments		—	—	44
Tax on items taken directly to equity		—	—	109
Actuarial gain		—	—	385
<b>Recognised income for the period</b>		<b>2,304</b>	<b>4,942</b>	<b>8,181</b>
<b>Attributable to</b>				
Equity holders of the parent		2,239	4,777	7,631
Minority interests		65	165	550
		<b>2,304</b>	<b>4,942</b>	<b>8,181</b>

## Consolidated Balance Sheet (IFRS)

in £'000	Note	At 31 December 2006 unaudited	At 31 December 2005 unaudited	At 30 June 2006 audited
<b>Non-current assets</b>				
Intangible assets		67,996	67,912	69,920
Tangible assets		4,645	5,522	4,945
Deferred tax assets		1,456	1,135	1,582
Investments		1,067	1,234	1,114
		<b>75,164</b>	<b>75,803</b>	<b>77,561</b>
<b>Current assets</b>				
Inventories		8,364	12,145	8,219
Trade and other receivables		35,935	46,043	35,118
Investments		169	150	165
Cash and cash-equivalents	5	29,089	24,301	31,312
		<b>73,557</b>	<b>82,639</b>	<b>74,814</b>
<b>Total assets</b>		<b>148,721</b>	<b>158,442</b>	<b>152,375</b>
<b>Current liabilities</b>				
Trade and other payables		(39,977)	(49,996)	(45,226)
Other financial liabilities		(1,125)	(5,278)	(1,381)
Liabilities for current tax		(3,835)	(3,618)	(3,904)
		<b>(44,937)</b>	<b>(58,892)</b>	<b>(50,511)</b>
<b>Non-current liabilities</b>				
Other payables		(6,585)	(9,084)	(7,370)
Financial liabilities		(475)	(345)	(429)
Employee benefits		(368)	(723)	(367)
Deferred tax liabilities		(3,567)	(4,099)	(3,989)
		<b>(10,995)</b>	<b>(14,251)</b>	<b>(12,155)</b>
<b>Total liabilities</b>		<b>(55,932)</b>	<b>(73,143)</b>	<b>(62,666)</b>
<b>Net assets</b>		<b>92,789</b>	<b>85,299</b>	<b>89,709</b>
<b>Capital and reserves</b>				
Called up share capital		2,202	2,166	2,179
Share premium account		57,940	55,018	56,685
Share options reserve		2,167	1,515	1,776
Foreign exchange reserve		(2,111)	1,792	(319)
Merger reserve		1,717	1,717	1,717
ESOP shares		(214)	(543)	(434)
Profit and loss account		30,887	23,548	27,939
<b>Shareholders' equity</b>		<b>92,588</b>	<b>85,213</b>	<b>89,543</b>
Minority interests		201	86	166
<b>Total equity</b>		<b>92,789</b>	<b>85,299</b>	<b>89,709</b>

## Consolidated Cash Flow Statement (IFRS)

in £'000	6 months to 31 December 2006 unaudited	6 months to 31 December 2005 unaudited	Year to 30 June 2006 audited
<b>Cash flows from operating activities</b>			
Operating profit	5,250	4,468	11,661
Depreciation and amortisation	2,445	2,530	5,386
Change in working capital	(5,222)	306	6,726
Other non-cash movements	2,429	778	1,746
<b>Cash generated from operations</b>	<b>4,902</b>	<b>8,082</b>	<b>25,519</b>
Interest paid	(55)	(108)	(192)
Tax paid	(1,811)	(1,514)	(3,815)
<b>Net cash inflow from operating activities</b>	<b>3,036</b>	<b>6,460</b>	<b>21,512</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets, licences and similar rights	(1,040)	(897)	(2,095)
Disposal of tangible assets, licences and similar rights	82	69	118
Acquisition of subsidiaries, net of cash acquired	(1,570)	(3,616)	(7,023)
Disposal of subsidiaries, net of cash disposed	(2,628)	—	—
Purchase of non-current investments	—	(66)	—
Sale of non-current investments	—	169	529
Movement in long term loans to non-current investments	—	269	240
Interest received	528	302	747
<b>Net cash outflow from investing activities</b>	<b>(4,628)</b>	<b>(3,770)</b>	<b>(7,484)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital	1,491	464	1,344
(Decrease)/increase in short term borrowings	(81)	751	(2,649)
Decrease in long term borrowings	—	—	(18)
Dividends paid to shareholders	(1,083)	(920)	(1,451)
Dividends paid to minority interests	—	(55)	(55)
Capital element on finance lease payments	(53)	(98)	(204)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>274</b>	<b>142</b>	<b>(3,033)</b>
Net (decrease)/increase in cash and cash-equivalents in the period	(1,318)	2,832	10,995
Cash and cash-equivalents at start of the period	30,991	20,064	20,064
Exchange rate effects	(962)	302	(68)
<b>Cash and cash-equivalents at the end of the period</b>	<b>28,711</b>	<b>23,198</b>	<b>30,991</b>
<b>Cash and cash-equivalents consists of</b>			
Cash and cash-equivalents	29,089	24,301	31,312
Overdrafts	(378)	(1,103)	(321)
	<b>28,711</b>	<b>23,198</b>	<b>30,991</b>

# Notes to the Financial Statements

## NOTE 1 BASIS OF PREPARATION

The results for the six months ended 31 December 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. Comparative figures in the Income Statement have been adjusted to exclude the results of the SGA division which was discontinued in the year ended 30 June 2006 from the profit on ordinary activities after taxation. The results of SGA are included as a single post tax amount – Results of Discontinued Operations, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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 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.

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.

## NOTE 2 EARNINGS PER SHARE

Basic earnings per share of 4.6p (3.6p) for the 6 months to 30 December 2006 have been calculated based on the profit attributable to shareholders of £4,031,000 (£3,115,000) using the weighted average number of ordinary shares in issue totalling 87.4m (85.7m) 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 6.0p (5.3p) for the 6 months to 31 December 2006 are based on profit of £5,239,000 (£4,572,000), being adjusted for the operating expenses as stated below using the weighted average number of ordinary shares in issue totalling 87.4m (85.7m) during the period. Adjusted earnings per share of 12.4p for the year 30 June 2006 have been calculated based on the profit attributable to shareholders of £10,712,000 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.

## NOTE 2 EARNINGS PER SHARE (CONTINUED)

Reconciliation of adjusted profit £'000	6 months to 31 December 2006	6 months to 31 December 2005	Year to 30 June 2006
<b>Profit/(loss) attributable to shareholders under IFRS</b>	<b>4,031</b>	<b>3,115</b>	<b>7,542</b>
Goodwill charge on recognition of deferred tax asset from prior year business combination	—	—	399
Amortisation of intangible assets	1,155	1,136	2,306
Restructuring costs	—	1,200	1,700
Share-based payment	643	336	754
Fair value adjustments on financial instruments	(236)	—	224
Results from discontinued operations	—	(454)	(1,084)
Tax effect of above	(354)	(761)	(1,129)
<b>Adjusted profit</b>	<b>5,239</b>	<b>4,572</b>	<b>10,712</b>

Reconciliation of adjusted pre tax profit £'000	6 months to 31 December 2006	6 months to 31 December 2005	Year to 30 June 2006
<b>Profit on ordinary activities before taxation</b>	<b>6,016</b>	<b>3,949</b>	<b>9,641</b>
Goodwill charge on recognition of deferred tax asset from prior year business combination	—	—	399
Amortisation of intangible assets	1,155	1,136	2,306
Restructuring costs	—	1,200	1,700
Share-based payment	643	336	754
Fair value adjustments on financial instruments	(236)	—	224
<b>Adjusted profit before tax</b>	<b>7,578</b>	<b>6,621</b>	<b>15,024</b>

Diluted earnings per share of 4.4p (3.4p) for the 6 months to 31 December 2006 have been calculated based on the profit attributable to shareholders of £4,031,000 (£3,115,000) using 90.6m (92.7m) 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.

### NOTE 3 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

£'000	6 months to 31 December 2006	6 months to 31 December 2005	Year to 30 June 2006
<b>Opening Shareholder's equity</b>	<b>89,543</b>	<b>80,538</b>	<b>80,538</b>
Net profit for the period excluding minority interests	4,031	3,115	7,542
Dividends	(1,083)	(920)	(1,451)
Recognition of fair value of financial instruments under IFRS 1 transitional rule	—	44	44
Foreign exchange adjustments on consolidation	(1,810)	1,662	(470)
Actuarial gains/(losses)	—	—	385
Changes in ESOP shares	220	(27)	82
New share capital issued	1,278	462	1,344
Share-based payment charge	409	339	621
Tax on items taken directly to equity	—	—	109
Share issue cost adjustments	—	—	799
<b>Closing shareholders' equity</b>	<b>92,588</b>	<b>85,213</b>	<b>89,543</b>

### NOTE 4 REVENUE SPLIT

£'000	6 months to 31 December 2006	6 months to 31 December 2005	Year to 30 June 2006
<b>Revenue</b>			
Own products	27,194	25,102	58,125
Services	24,649	24,406	49,682
3rd party products	26,675	26,898	52,590
<b>Total ICC</b>	<b>78,518</b>	<b>76,406</b>	<b>160,397</b>

### NOTE 5 ANALYSIS OF NET FUNDS

£'000	At 31 December 2006	At 31 December 2005	At 30 June 2006
Cash in hand, at bank	18,404	13,744	17,045
Overdrafts	(378)	(1,103)	(321)
Debt due within 1 year	(396)	(3,825)	(492)
Debt due after 1 year	(23)	(40)	(23)
Finance leases	(804)	(655)	(789)
Current asset investments	10,685	10,557	14,267
<b>Net funds</b>	<b>27,488</b>	<b>18,678</b>	<b>29,687</b>

**NOTE 6 ANALYSIS OF EXCHANGE RATES USED FOR CONSOLIDATION**

	At 31 December 2006		At 31 December 2005		At 30 June 2006	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar	1.90	1.96	1.77	1.73	1.78	1.84
Euro	1.48	1.49	1.47	1.46	1.46	1.45
Swiss Franc	2.34	2.39	2.27	2.27	2.27	2.26

**We would like to thank everyone who contributed to this report by sharing personal experience and knowledge with us.**

#### **CONTACT ADDRESSES**

For further information regarding DICOM Group please contact:

**Gabriele Rosenbusch**

Head of Investor Relations

Phone: +41 (0) 323 22 37 51

Fax: +49 (0) 761 45 26 98 599

e-mail: [gabriele\\_rosenbusch@dicomgroup.com](mailto:gabriele_rosenbusch@dicomgroup.com)

DICOM Group on the internet:

[www.dicomgroup.com](http://www.dicomgroup.com)

DICOM Group interim report on the internet

[www.dicomgroup.com/interimreport2007](http://www.dicomgroup.com/interimreport2007)

#### **PUBLICATION DATA**

**Publisher**

DICOM Group plc

Beechwood

Chineham Business Park

Basingstoke, Hampshire

RG24 8WA

United Kingdom

Phone: + 44 (0) 800 65 20 616

Fax: + 44 (0) 870 77 04 798

**Concept, Layout and Design**

PUNKTLANDUNG Baumheuer Günther GbR, Hamburg, Germany

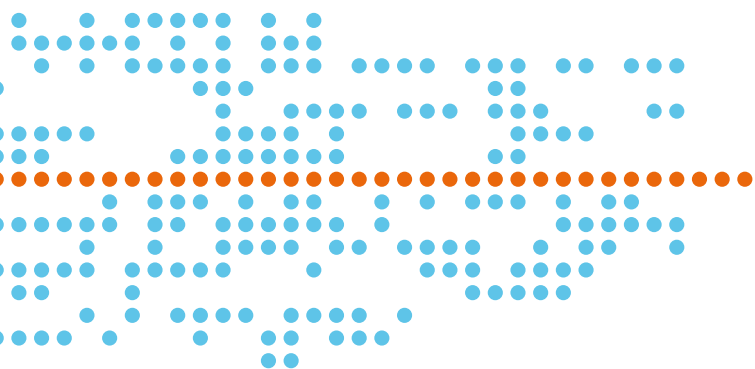
**Printer**

mediaGroup le Roux, Erbach/Ulm, Germany

**Photos**

Corbis: Cover

DICOM Group: page 2



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