



**DICOM Group plc**

**Results Nine Months for the Financial Year 2006/2007**  
1 July 2006 – 31 March 2007



## Regulatory Announcement

**Company** DICOM Group plc  
**TIDM** DCM  
**Headline** 3rd Quarter Results  
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### **DICOM Group plc Results Nine Months to 31 March 2007**

#### **DICOM Group unveils new product brand architecture and launch of new products; positive outlook**

*Basingstoke, 15 May 2007* - DICOM Group plc ("DICOM Group"), a global leader of Intelligent Capture & Exchange solutions today announces financial results for the nine months to 31 March 2007. DICOM Group continues to demonstrate solid progress in pursuit of its strategic goals.

#### **Financial Highlights (prepared under IFRS)**

- Revenue up 2% to £119.0m (2006: £116.3m), up 6% in local currency terms
  - License and Service revenue up 7% in local currency terms
- Gross profit margins increased to 54.8% (54.0%)
- Adjusted\* operating profits up 4% to £10.5m (2006: £10.1m), increase of 9% in local currency terms
- Adjusted operating profit margins of 8.8% (8.7%)
- Pre-tax profits up 38% to £8.9m (2006: £6.4m)
- Adjusted pre-tax profits up 9% to £11.3m (2006: £10.4m)
- Adjusted earnings per share reported at 8.9p, up 7% (2006: 8.3p)
- Strong operating cash flow of £11.7m, net funds of £34.5m (£29.7m at 30 June 2006)

\* 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**

- Launch of simplified and integrated product brand architecture
- Strengthening of Kofax Intelligent Capture & Exchange with introduction of Kofax Document Exchange Server
- Launch of Kofax Ascent® Fax, a new software product to automate receipt of fax documents and move them directly into business processes
- Kofax INDICIUS and Kofax Document Scan Server win awards at AIIM Conference & Expo 2007
- New customer wins during the quarter include Eagle Global Logistics, Arizona Healthcare Cost Containment, State of Utah, CIMB Bank, Generali France, Severn Trent Water, Het Kadaster, Örlikon IT Solutions GmbH, The Prescription Pricing Division of the National Health Service Business Services Authority and Bundesamt für Straßen (ASTRA)

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

"The third quarter financial performance was below our expectations mainly due to softness in the sub-prime mortgage lending market in the Americas and to slower than expected sales



in certain countries in Asia Pacific. However, a strong pipeline for the fourth quarter and the momentum we enjoy in EMEA give us confidence that we will achieve our goal of increased profitability for the year as a whole.”

A recording of the presentation given to analysts will be available on the Company's website ([www.dicomgroup.com](http://www.dicomgroup.com)) from 2.00pm today.

For further information, please contact:

**DICOM Group plc**

**Stefan Gaiser** Finance Director  
**Gabriele Rosenbusch** Head of Investor Relations

Tel: +44 (0) 800 6520 616  
e-mail: [stefan\\_gaiser@dicomgroup.com](mailto:stefan_gaiser@dicomgroup.com)  
[gabriele\\_rosenbusch@dicomgroup.com](mailto:gabriele_rosenbusch@dicomgroup.com)

**Financial Dynamics**

**James Melville-Ross**  
**Juliet Clarke**

Tel : +44 (0) 20 7831 3113  
e-mail: [dicom@fd.com](mailto:dicom@fd.com)

**About DICOM Group plc**

DICOM Group plc ("DICOM Group", London Stock Exchange: DCM) is a global leader of Intelligent Capture & Exchange solutions. Its leading edge capture and exchange 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. Through a global network of more than 1,200 authorised partners and its own sales and service organisations in the Americas, Asia Pacific and EMEA. 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).



## DICOM Group plc Chief Executive's Review

The past nine months have been a period of significant progress toward achieving our strategic goals. In the third quarter we introduced our new product brand architecture and launched several new products, which bode well for the performance of the business in the future. Moreover, momentum has been maintained with new wins and contract extensions during the quarter, underlining our strong position in the market place.

Following a very strong close of the second quarter of this financial year, however, the third quarter's financial performance was below our expectations mainly due to a shortfall in license sales to the sub-prime mortgage sector in the Americas and slower than expected sales in certain countries in Asia Pacific.

Nonetheless, thanks to a strong pipeline for the fourth quarter and the strides that we are making to reposition the company and its products, I am confident that 2007 will be another year of profit growth for the Group.

### **Financial performance (Nine months to 31 March 2007)**

Revenue is up 2% to £119.0m compared to £116.3m for the same period in 2006, although revenue grew 6% in local currency terms. The US Dollar continues to be weak, reducing the sterling value of our US Dollar denominated revenues and operating profits. Own product revenue increased 7% in local currency. Services grew by 7% and third party sales grew 4% in local currency terms.

Adjusted operating profit is reported at £10.5m compared to £10.1m in the previous period, up 4%, and in local currency terms up 9%. Adjusted profit before tax was £11.3m, up 9%. The Group reported a profit before tax of £8.9m compared to £6.4m in the comparable period of the previous year. After tax and minority interests basic earnings per share was reported at 6.8p, up 39% compared to 4.9p in the comparable period. Adjusted earnings per share amounted to 8.9p, up 7% from 8.3p. 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 generated cash from operations of £11.7m and ended the period with net funds of £34.5m (£29.7m at 30 June 2006).

### **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: Eagle Global Logistics, Arizona Healthcare Cost Containment, State of Utah, CIMB Bank, Generali France, Severn Trent Water, Het Kadaster, Örlikon IT Solutions GmbH, The Prescription Pricing Division of the National Health Service Business Services Authority and Bundesamt für Straßen (ASTRA).

## **New Product Brand Architecture**

In the third quarter we also launched our new product brand architecture. The new architecture introduces a coherent nomenclature for naming our diverse products and organises them into three distinct suites that reflect the differences in our customers, their business needs, and the partners that serve them. The **Workgroup Suite** is a simple, out-of-the-box solution for a workgroup in a single location which can be deployed quickly. In case the customer need for Intelligent Capture & Exchange includes geographically distributed locations and more complex business processes, the **Enterprise Suite** enables sophisticated solutions to address a wide range of business processes and transactions. If a technology company needs the tools to build Intelligent Capture & Exchange into their own offerings, or if a large enterprise needs the tools for custom development and integration into their corporate infrastructure, the **Developer Suite** is the right solution.

## **New Product Introductions**

Kofax Document Exchange Server, launched in April 2007, plays an essential role in the company's strategy to help organisations streamline business processes by capturing documents in the front office, where they originate, and moving the information into transactional business processes. The new software solution unifies the exchange, routing and capture of documents by allowing front-office workers to drive business processes and transactions through familiar office systems such as multifunction peripherals (MFPs), scanners, email and fax systems. As a result, organisations can improve the efficiency of their document-centric business processes, offer better access to information, reduce operational costs and offer superior customer service.

We also introduced Kofax Ascent Fax, a new software product that automates the receipt of faxed documents and moves them directly into business processes.

## **Industry Awards**

We are pleased that DICOM Group has been recognised by leading publications in the Enterprise Content Management (ECM) and information technology industries for its innovative Kofax Intelligent Capture & Exchange. AIIM, the leading industry association for ECM, recently announced the winners of its Readers' Choice Awards that recognise software and hardware manufacturers in the ECM industry. This year, Kofax INDICIUS won in the "Forms Processing" category and the Kofax Document Scan Server won in the "Document Imaging" category.

## **Board Changes**

On 15 March 2007, Greg Lock succeeded Otto Schmid as Non-executive Chairman of DICOM Group. With the appointment of Greg, the Board has found a seasoned leader with extensive experience guiding international IT businesses.



### **New Company Auditor**

The DICOM Group Board of Directors is also pleased to announce that, following a competitive bid process, Ernst & Young has replaced BDO Stoy Hayward as the Company's auditor for the Financial Year 2007.

### **Prospects**

The third quarter financial performance was below our expectations mainly due to softness in the sub-prime mortgage lending market in the Americas and to slower than expected sales in certain countries in Asia Pacific. However, a strong pipeline for the fourth quarter and the momentum we enjoy in EMEA give us confidence that we will achieve our goal of increased profitability for the year as a whole.

Looking further out, we remain committed to our efforts to better position the company to serve the business needs of our customers and partners, to develop the products and solutions they require, and to put in place the right go-to-market strategies to support those efforts.

Rob Klatell  
Chief Executive Officer



**DICOM Group plc**  
**Announcement of Unaudited Results**  
**Consolidated Income Statement**

	Note	9 months to 31 March 2007 unaudited £'000	9 months to 31 March 2006 unaudited £'000	Year to 30 June 2006 audited £'000
<b>Revenue</b>	4	<b>119,039</b>	116,260	160,397
Cost of sales		<b>(53,851)</b>	(53,527)	(73,517)
<b>Gross profit</b>		<b>65,188</b>	62,733	86,880
<b>Operating expenses</b>		<b>(57,384)</b>	(56,548)	(77,642)
<b>Adjusted Operating profit before:</b>		<b>10,490</b>	10,115	14,397
Amortisation of acquired intangible assets		<b>(1,732)</b>	(1,756)	(2,306)
Goodwill adjustment – recognition of deferred tax asset from prior year business combinations		-	-	(399)
Restructuring costs		-	(1,700)	(1,700)
Share-based payment		<b>(954)</b>	(474)	(754)
<b>Operating profit</b>		<b>7,804</b>	6,185	9,238
Share of results of associated undertakings		<b>83</b>	(123)	80
Net interest receivable		<b>1,011</b>	373	323
<b>Profit on ordinary activities before taxation</b>		<b>8,898</b>	6,435	9,641
Taxation		<b>(2,854)</b>	(2,606)	(3,134)
<b>Profit on ordinary activities after taxation</b>		<b>6,044</b>	3,829	6,507
Results from discontinued operations		-	713	1,585
<b>Profit available for shareholders</b>		<b>6,044</b>	4,542	8,092
<b>Attributable to:</b>				
Equity holders of the parent		<b>5,960</b>	4,185	7,542
Minority interests		<b>84</b>	357	550
		<b>6,044</b>	4,542	8,092
<b>Earnings per ordinary share</b>				
- basic	2	<b>6.8p</b>	4.9p	8.7p
- diluted		<b>6.6p</b>	4.5p	8.4p
<b>Statement of recognised income and expenses</b>				
Net Profit for the period		<b>6,044</b>	4,542	8,092
Foreign exchange adjustments on consolidation		<b>(1,457)</b>	1,606	(449)
IAS 39 opening adjustments		-	-	44
Tax on items taken directly to equity		-	-	109
Actuarial gain		-	-	385
Recognised income for the period		<b>4,587</b>	6,148	8,181
<b>Attributable to:</b>				
Equity holders of the parent		<b>4,503</b>	5,791	7,631
Minority interests		<b>84</b>	357	550
		<b>4,587</b>	6,148	8,181



**DICOM Group plc**  
**Announcement of Unaudited Results**  
**Consolidated Balance Sheet**

	At 31 March 2007 unaudited £'000	At 31 March 2006 unaudited £'000	At 30 June 2006 audited £'000
Note			
<b>Non-current assets</b>			
Intangible assets	67,662	71,369	69,920
Tangible assets	4,608	5,482	4,945
Deferred tax assets	1,477	1,174	1,582
Investments	1,038	901	1,114
	<u>74,785</u>	<u>78,926</u>	<u>77,561</u>
<b>Current assets</b>			
Inventories	8,319	11,609	8,219
Trade and other receivables	38,254	39,708	35,118
Investments	171	152	165
Cash and cash equivalents	5 36,429	32,179	31,312
	<u>83,173</u>	<u>83,648</u>	<u>74,814</u>
<b>Total assets</b>	<u>157,958</u>	<u>162,574</u>	<u>152,375</u>
<b>Current liabilities</b>			
Trade and other payables	(45,159)	(53,135)	(45,226)
Other financial liabilities	(1,363)	(5,519)	(1,381)
Liabilities for current tax	(3,994)	(4,003)	(3,904)
	<u>(50,516)</u>	<u>(62,657)</u>	<u>(50,511)</u>
<b>Non-current liabilities</b>			
Other payables	(7,178)	(7,295)	(7,370)
Financial liabilities	(546)	(441)	(429)
Employee benefits	(373)	(723)	(367)
Deferred tax liabilities	(3,402)	(4,278)	(3,989)
	<u>(11,499)</u>	<u>(12,737)</u>	<u>(12,155)</u>
<b>Total liabilities</b>	<u>(62,015)</u>	<u>(75,394)</u>	<u>(62,666)</u>
<b>Net assets</b>	<u>95,943</u>	<u>87,180</u>	<u>89,709</u>
<b>Capital and reserves</b>			
Called up share capital	2,212	2,173	2,179
Share premium account	58,472	55,559	56,685
Share options reserve	2,391	1,655	1,776
Foreign exchange reserve	(1,776)	1,736	(319)
Merger reserve	1,717	1,717	1,717
ESOP shares	(106)	(554)	(434)
Profit and loss account	32,817	24,619	27,939
<b>Shareholders' equity</b>	<u>95,727</u>	<u>86,905</u>	<u>89,543</u>
<b>Minority interests</b>	216	275	166
<b>Total equity</b>	<u>95,943</u>	<u>87,180</u>	<u>89,709</u>



**DICOM Group plc**  
**Announcement of Unaudited Results**  
**Consolidated Cash Flow Statement**

	9 months to 31 March 2007 unaudited £'000	9 months to 31 March 2006 unaudited £'000	Year to 30 June 2006 audited £'000
Note			
<b>Cash flows from operating activities</b>			
<b>Operating profit</b>	<b>7,804</b>	7,083	11,661
Depreciation and amortisation	<b>3,657</b>	3,863	5,386
Change in working capital	<b>(2,853)</b>	8,294	6,726
Other non-cash movements	<b>3,051</b>	777	1,746
<b>Cash generated from operations</b>	<b>11,659</b>	20,017	25,519
Interest paid	<b>(75)</b>	(174)	(192)
Tax paid	<b>(2,660)</b>	(2,869)	(3,815)
<b>Net cash inflow from operating activities</b>	<b>8,924</b>	16,974	21,512
<b>Cash flows from investing activities</b>			
Purchase of tangible assets, licences and similar rights	<b>(1,611)</b>	(1,529)	(2,095)
Disposal of tangible assets, licences and similar rights	<b>84</b>	104	118
Acquisition of subsidiaries, net of cash acquired	<b>(1,586)</b>	(6,946)	(7,023)
Disposal of subsidiaries, net of cash disposed	<b>(1,347)</b>	-	-
Purchase of non-current investments	-	(66)	-
Sale of non-current investments	-	529	529
Movement in long term loans to non-current investments	-	246	240
Interest received	<b>816</b>	503	747
<b>Net cash outflow from investing activities</b>	<b>(3,644)</b>	(7,159)	(7,484)
<b>Cash flows from financing activities</b>			
Issue of share capital	<b>1,730</b>	1,011	1,344
Increase/(decrease) in short term borrowings	<b>19</b>	761	(2,649)
Decrease in long term borrowings	<b>(1)</b>	-	(18)
Dividends paid to shareholders	<b>(1,083)</b>	(920)	(1,451)
Dividends paid to minority interests	-	(55)	(55)
Capital element on finance lease payments	<b>(153)</b>	(156)	(204)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>512</b>	641	(3,033)
Net increase in cash and cash equivalents in the period	<b>5,792</b>	10,456	10,995
Cash and cash equivalents at start of the period	<b>30,991</b>	20,064	20,064
Exchange rate effects	<b>(839)</b>	368	(68)
<b>Cash and cash equivalents at the end of the period</b>	<b>35,944</b>	30,888	30,991
<b>Cash and cash equivalents consists of:</b>			
Cash and cash equivalents	<b>36,429</b>	32,179	31,312
Overdrafts	<b>(485)</b>	(1,291)	(321)
	<b>35,944</b>	30,888	30,991

## Announcement of Preliminary Unaudited Results Notes (IFRS)

### 1 Basis of preparation

The results for the nine months ended 31 March 2007 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 is 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 per share of 6.8p (4.9p) for the 9 months to 31 March 2007 have been calculated based on the profit attributable to shareholders of £5,960,000 (£4,185,000) using the weighted average number of ordinary shares in issue totalling 87.6m (85.8m) 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 8.9p (8.3p) for the 9 months to 31 March 2007 are based on profit of £7,814,000 (£7,108,000), being adjusted for the operating expenses as stated below using the weighted average number of ordinary shares in issue totalling 87.6m (85.8m) 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.

<b>Reconciliation of adjusted profit</b>	<b>9 months to 31 March 2007 £'000</b>	9 months to 31 March 2006 £'000	Year to 30 June 2006 £'000
<b>Profit attributable to shareholders under IFRS</b>	<b>5,960</b>	<b>4,185</b>	<b>7,542</b>
Goodwill charge on recognition of deferred tax asset from prior year business combination	-	-	399
Amortisation of acquired intangible assets	<b>1,732</b>	1,756	2,306
Restructuring costs	-	1,700	1,700
Share-based payment	<b>954</b>	474	754
Fair value adjustments on financial instruments	<b>(302)</b>	-	224
Results from discontinued operations	-	(390)	(1,084)
Tax effect of above	<b>(530)</b>	(617)	(1,129)
<b>Adjusted profit</b>	<b>7,814</b>	<b>7,108</b>	<b>10,712</b>

Reconciliation of adjusted pre tax profit	9 months to 31 March 2007 £'000	9 months to 31 March 2006 £'000	Year to 30 June 2006 £'000
<b>Profit on ordinary activities before taxation</b>	<b>8,898</b>	<b>6,435</b>	<b>9,641</b>
Goodwill charge on recognition of deferred tax asset from prior year business combination	-	-	399
Amortisation of acquired intangible assets	1,732	1,756	2,306
Restructuring costs	-	1,700	1,700
Share-based payment	954	474	754
Fair value adjustments on financial instruments	(302)	-	224
<b>Adjusted profit before tax</b>	<b>11,282</b>	<b>10,365</b>	<b>15,024</b>

Diluted earnings per share of 6.6p (4.5p) for the 9 months to 31 March 2007 have been calculated based on the profit attributable to shareholders of £5,960,000 (£4,185,000) using 90.4m (92.0m) 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

	9 months to 31 March 2007 £'000	9 months to 31 March 2006 £'000	Year to 30 June 2006 £'000
Opening Shareholder's equity	89,543	80,538	80,538
Net profit for the period excluding minority interests	5,960	4,185	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	(1,448)	1,606	(470)
Actuarial gains	-	-	385
Changes in ESOP shares	328	(38)	82
New share capital issued	1,820	1,011	1,344
Share-based payment charge	607	479	621
Tax on items taken directly to equity	-	-	109
Share issue cost adjustments	-	-	799
Closing shareholders' equity	<b>95,727</b>	86,905	89,543

### 4 Revenue split

	9 Months to 31 March 2007 £'000	9 Months to 31 March 2006 £'000	Year to 30 June 2006 £'000
<b>Revenue</b>			
Licenses	40,670	39,985	58,125
Services	37,566	36,341	49,682
3 <sup>rd</sup> party products	40,803	39,934	52,590
<b>Total Intelligent Capture &amp; Exchange</b>	<b>119,039</b>	116,260	160,397

## 5 Analysis of Net Funds

	At 31 March 2007 £'000	At 31 March 2006 £'000	At 30 June 2006 £'000
Cash in hand, at bank	25,545	19,924	17,045
Overdrafts	(485)	(1,291)	(321)
Debt due within 1 year	(502)	(3,881)	(492)
Debt due after 1 year	(22)	(40)	(23)
Finance leases	(900)	(792)	(789)
Current asset investments	10,884	12,255	14,267
<b>Net funds</b>	<b>34,520</b>	<b>26,175</b>	<b>29,687</b>

## 6 Analysis of exchange rates used for consolidation

	At 31 March 2007		At 31 March 2006		At 30 June 2006	
	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
US Dollar	1.92	1.96	1.76	1.74	1.78	1.84
Euro	1.48	1.47	1.46	1.44	1.46	1.45
Swiss Franc	2.37	2.39	2.27	2.27	2.27	2.26