Regulatory Story

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Norcon PLC - NCON Final Results
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Norcon plc

("Norcon" or the "Company")

FINAL RESULTS

For the twelve months ended 31 December 2014

Norcon plc (LSE/AIM: NCON), the global communications network specialist, is pleased to announce audited results for the year ended 31 December 2014. Despite a decline in annual revenues, in line with the Directors' expectations under the 3 year long-term investment strategy that commenced in 2012, the Group has diversified into new markets and continued to expand its services portfolio.

The Group's transition plan has continued to deliver a stable platform for future growth and has limited the business' exposure to single markets/customers. Furthermore it has enabled the Group's portfolio of services to widen to include key differentiators across our propositions.

In 2014 new customers and projects were added across all the Group's markets with a mix of legacy and new services. These projects are of significant strategic value, in that they open up new key accounts and also lower Norcon's dependency on certain markets/customers.

With the Group's transition plan, the Directors believe the business is now positioned on a much stronger platform to achieve future growth across all the Group's markets.

FINANCIAL HIGHLIGHTS
Trading has been consistent with the Directors' expectations for the year:

- Revenue of US$43.5m (FY 2013: US$46.1m)
- Operating profit of US$0.3m (FY 2013: US$0.4m)
- Loss before tax of US$0.3m (FY 2013: loss of US$0.3m)
- Loss after tax of US$1.5m (FY 2013: loss of US$2.0m)
- Available cash at year-end US$7.2m of which unrestricted balance is US$6.2m
- Pro forma loss per share on a basic basis of US$0.03 (FY 2013: loss per share of US$0.04)

OPERATIONAL HIGHLIGHTS

- Business in North America continues to expand its customer base and market presence
- European business continues to improve under competitive market conditions
- Services product portfolio continues to expand
- Expansion of Defence services into new markets
- Engagements secured in Asia utilising the combination of legacy and newly developed services

OUTLOOK
The early success we have seen from the deployment of some of our new solutions is encouraging. We will continue to grow this portfolio along with our customer base and enter new markets with these proven references.

In 2015 the Group will continue to focus on diversification into new markets and services. The Directors expect 2015 revenue to show an upward trend compared to 2014.

Commenting on the results Norcon Chairman, Trond Tostrup, said:

"Norcon now has a new corporate structure and business model allowing us to offer customers a more sophisticated product mix and a better value proposition making us more competitive in the market place.

Whilst we are not complacent about our overall financial performance in 2014, it has been highly cash generative and accordingly our balance sheet is stronger than it has been for many years with an equity ratio of 57.34%.

As a result of this we have the necessary financial resources to achieve the goals we set."

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About Norcon:

Established in 1957, Norcon (LSE/AIM: NCON) has been a trusted consultant and project manager for more than half a century to the private sector and government agencies. These organisations rely on Norcon to select, implement and maintain a communication infrastructure that not only matches, but also supports the critical needs of their operations. Norcon's strength lies in its understanding of complex communication networks and their design.

www.norconplc.com

CHAIRMAN'S STATEMENT

In 2012 our board initiated a three year plan to transition the company from its heavy reliance on one primary client to a wider and more geographically spread client base.

2014 was the final year of this plan. Norcon now has a new corporate structure and business model allowing us to offer customers a more sophisticated product mix and a better value proposition which in turn makes us more competitive in the market place.

The last decade has witnessed a tremendous growth in information technology. This is bringing diversified innovative applications and mobile broadband to over 3 billion internet users globally.

Research shows that investment in such technologies brings associated economic benefits such as increased productivity, lower costs and new commercial opportunities. Our aim, at Norcon, is to be a player in this exciting megatrend and to use our knowledge and expertise in our sector to produce profit for our shareholders.

Whilst we are not complacent about our overall financial performance in 2014, it has been highly cash generative and accordingly our balance sheet is stronger than it has been for many years with an equity ratio of 57.34%.

As a result of this we have the necessary financial resources to achieve the goals we set, foremost of which is delivering shareholder value to our investors who have shown patience and support as our plan has been implemented.

We continue to benefit from a highly dedicated and capable team which I believe is our greatest asset.

I thank every one of my Norcon colleagues for their commitment, enthusiasm and efforts throughout the past year.

Trond Tostrup
Executive chairman

Financial Review

We are pleased to release our audited numbers for the full year 2014.

Summary

We experienced reduced revenue in 2014 but managed to maintain reasonable operating margins. Norcon continued its investment plan to further diversify in the market and had a strong net asset position of US$19.4m at the year end.

Revenue for 2014 totalled US$43.4m (FY 2013: US$46.0m). In 2014 we reduced our revenue dependency on a primary client from 46% in 2013 to 39% in 2014. This is evidence that our diversification strategy is going to plan.

EBIT for 2014 was US$0.3m (FY 2013: US$0.4m).

Loss after tax of US$1.5m for 2014 compared to a loss for 2013 of US$2.0m. The underlying tax rates in the respective jurisdictions are detailed in the notes to the accounts.

Pro forma basic loss per share was US$0.03 for the full year compared to a loss per share of US$0.04 in 2013. The weighted average number of shares in 2014 was 49,091,775, compared to, 48,800,808 in 2013 respectively.

Costs

Cost of sales totalled US$37.4m for the year compared to US$39.4m in 2013. Our margins are in line with 2013 where we benefitted from a cost cutting program.

Other operating costs, including net, operating and administration expenses totalled US$5.8m for the year, down from US$6.3m in 2013.

Net other costs decreased to US$0.6m from US$0.7m.

Taxation

Accrued taxes amounted to US$1.1m during 2014 (FY 2013: US$1.7m). The underlying tax rates in the countries in which we operate are detailed in the notes to the accounts. Though the Consolidated Statements show a negative margin, some highly profitable projects create taxable profits.

Foreign Exchange

The Company is continuing its policy of denominating revenue and expenses either in the local currency if pegged to the US dollar or in US dollars to the extent feasible. Foreign exchange translation gains and losses in the period are shown in the accounts, and remained at a similar level compared to last year.

Cash Flow

Cash flow continued to be positive for the year as a whole. Our cash position for 2014 is lower compared to 2013 due to a decrease in borrowings of 2.7m. 2014 showed an increase in net cash flows from operating activities from US$0.3m in 2013 to US$4.3m.

Balance Sheet

The balance sheet of the Company is strong.

As at 31 December 2014, available cash was US$7.2m (FY 2013: US$12,0m) with unrestricted cash of US$6.2m (FY 2013: US$5.1m).

The Company remains in a net asset position, with net assets decreasing to US$19.4m in 2014 (FY 2013: US$20.9m).

Total trade and other receivables decreased to US$26.0m compared to US$30.1m for 2013. Trade and unbilled receivable balances decreased year on year to a total of US$17.6m from a total of US$25.8m in 2013. Work in Process (unbilled receivables) decreased to US$6.0m in 2014 compared to US$6.3m in 2013. Retentions receivable remained at US$0.5m as in 2013.

Trade payables have decreased to US$3.3m as at year-end 2014 compared to US$9.6m in the preceding year.

In non-current liabilities, the accrual related to employees terminal benefits increased to US$8.4m from US$7.5m in 2013. Out of the total liability to employees terminal benefits, advances have been made with US$4.1m compared to US$2.5m in 2013.

Retained earnings and other reserves totalled US$18.5m as at the end of 2014 compared to US$20.0m as at the end of the 2013. Share capital remains at US$ 0.9m.

International Financial Reporting Standards (IFRS)

The Consolidated Financial Statements of Norcon and its branches and subsidiary companies have been audited by PKF Savvides & Co Ltd., the Company's auditor. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) under the historical cost convention.

Arne Dag Aanensen
Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2014

	2014	2013
	US$	US$
Revenue	**43.458.997**	46.050.736
Cost of sales	**(37.390.488)**	(39.386.444)
	6.068.509	6.664.292
Other income	**1.885**	35
Profit from investing activities	**31.829**	49.325
Administration expenses	**(5.798.596)**	(6.349.848)
Operating profit	**303.627**	363.804
Finance costs	**(610.743)**	(685.721)
Share of results of associates before tax	**-**	(6.050)
Loss before tax	**(307.116)**	(327.967)
Tax	**(1.149.491)**	(1.664.674)
Net loss for the year	**(1.456.607)**	(1.992.641)
Other comprehensive income		
Exchange difference arising on the translation and consolidation of foreign companies financial statements	**(50.471)**	(31.454)
Total comprehensive loss for the year	**(1.507.078)**	(2.024.095)
Attributable to:		
Equity holders of the parent	**(1.436.921)**	(1.948.314)
Non-controlling interests	**(19.686)**	(44.327)
	(1.456.607)	(1.992.641)
Basic loss per share attributable to equity holders of the parent (cent)	**(2,93)**	(3,99)
Diluted loss per share attributable to equity holders of the parent (cent)	**(2,93)**	(3,99)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2014

	2014	2013
	US$	US$
ASSETS		
Non-current assets		
Property, plant and equipment	95.107	131.214
Investments in associated undertakings	555.217	555.217
	650.324	686.431
Current assets		
Trade and other receivables	26.000.455	30.106.371
Short term deposits	-	6.220.659
Cash at bank and in hand	7.210.293	5.794.579
	33.210.748	42.121.609
Total assets	33.861.072	42.808.040
EQUITY AND LIABILITIES		
Equity		
Share capital	945.588	937.100
Other reserves	14.750.287	14.854.092
Retained earnings	3.712.505	5.096.092
	19.408.380	20.887.284
Non-controlling interests	(12.501)	7.185
Total equity	19.395.879	20.894.469
Non-current liabilities		
Employees' terminal benefits	8.394.984	7.538.367
	8.394.984	7.538.367
Current liabilities		
Trade and other payables	3.258.614	9.567.430
Borrowings	1.049.801	3.749.095
Current tax liabilities	1.761.794	1.058.679
	6.070.209	14.375.204
Total liabilities	14.465.193	21.913.571
Total equity and liabilities	33.861.072	42.808.040

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2014

	2014	2013
	US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(307.116)**	(327.967)
Adjustments for:		
Depreciation of property, plant and equipment	**63.014**	65.920
Exchange difference arising on the translation of non-current assets in foreign currencies	**694**	19
Exchange difference arising on the translation and consolidation of foreign companies' financial statements	**(50.471)**	(31.454)
Share of loss from associates	**-**	6.050
Gain from the sale of property, plant and equipment	**(1.885)**	(35)
Employees terminal benefits	**(856.617)**	(843.978)
Interest income	**(31.829)**	(49.325)
Expenses recognised in comprehensive income in respect of equity-settled share-based payments	**-**	23.775
Interest expense	**153.126**	413.249
Cash flows from/(used in) operations before working capital changes	**682.150**	(643.746)
Decrease/(increase) in trade and other receivables	**4.105.916**	(58.918)
(Decrease)/increase in trade and other payables	**(6.308.816)**	1.844.337
Decrease/(increase) in short term deposits	**6.220.659**	(43.534)
Cash flows from operations	**4.699.909**	1.098.139
Tax paid	**(446.376)**	(763.581)
Net cash flows from operating activities	**4.253.533**	334.558
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	**(29.896)**	(28.384)
Proceeds from disposal of property, plant and equipment	**4.180**	1,154
Interest received	**31.829**	49.325
Net cash flows from investing activities	**6.113**	22.095
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	**(3.677.159)**	-
Proceeds from borrowings	**-**	3.749.095
Interest paid	**(153.126)**	(413.249)
Proceeds from issue of share capital	**8.488**	-
Net cash flows (used in)/from financing activities	**(3.821.797)**	3.335.846
Net increase in cash and cash equivalents	**437.849**	(3.692.499)
Cash and cash equivalents:		
At beginning of the year	**5.794.579**	2.102.080
At end of the year	**6.232.428**	5.794.579

Selected notes to the accounts

1. Incorporation and principal activities

Country of incorporation

The Company NORCON PLC (the "Company") was incorporated in the Isle of Man on 2 June 2008, as a company limited by shares under the Isle of Man companies act 2006. On the 28 July 2008, the company became public and its shares were admitted to trading on the AIM market of the London Stock Exchange. Its registered office is at Fort Anne, Douglas, IM1 5PD, Isle of Man.

Principal activities

The principal activities of the Group, which are unchanged from last year, are the provision of project management and outsourcing services as well as consulting engineers. The Group comprises of the holding company Norcon PLC, registered in the Isle of Man, the subsidiary company Norconsult Telematics Limited, registered in Cyprus (which includes branches/operations in Saudi Arabia, U.A.E. Abu Dhabi, Kuwait, Indonesia and Malaysia) and its subsidiary companies Norconsult Telematics and Company LLC registered in the Sultanate of Oman, Norconsult Telematics AS registered in Norway, the group of Norcon Global Management & Consulting Ltd registered in Cyprus and its subsidiary undertakings Norcon Global Management & Consulting Inc and Norcon Global Management and Consulting LLC registered in the state of Delaware, USA, Norconsult Telematics Integrated Solution Co. Ltd registered in the Republic of Sudan (dormant), Norconsult Telematics Ltd registered in Southern Sudan (dormant), Norconsult Telematics Ltd UK registered in the United Kingdom and the associate company Norconsult Telematics (Saudi) Ltd registered in the Kingdom of Saudi Arabia.

In 2014 the Group has operated in the following countries: Saudi Arabia, Indonesia, Kuwait, UAE Abu Dhabi, Oman, Malaysia, Qatar, United Kingdom, Thailand and the United States of America.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current period the Group adopted all the new and revised IFRSs and International Accounting Standards (IAS), which are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Group.

At the date of authorization of these financial statements some Standards were in issue but not yet effective. The Board of Directors expects that the adoption of these Standards in future periods will not have a material effect on the consolidated financial statements of the Group

Comparatives

The presentation of comparative figures has been adjusted to conform to changes in presentation in the current year. These adjustments relate to the presentation of cost of sales, now included as part of administration expenses instead of being presented in cost of sales. These reclassifications had no impact on earnings for the year or in the equity of the Group.

3. Segmental analysis

The consolidated entity operates in one business segment (telecommunications, IT and defence systems consulting) for primary reporting and four geographical segments for secondary reporting being as follows: United States of America, Europe, Middle East and Asia.

2014	**Europe**	**United States of America**	**Middle East**	**Asia**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**
Results					
(Loss)/income for the year	(1.515.218)	47.808	(331.451)	342.254	(1.456.607)
Assets and Liabilities					
Segment assets	1.926.436	1.242.829	26.762.690	3.929.117	33.861.072
Segment liabilities	(1.115.831)	(283.040)	(10.189.659)	(2.876.663)	(14.465.193)
Other segment information					
Acquisition/(disposal) of fixed assets	16.223	909	(46.569)	2.975	(26.462)
Depreciation	5.643	1.895	47.375	8.101	63.014
Net cash flow	(1.516.875)	118.217	1.831.023	5.484	437.849

2013	Europe	United States of America	Middle East	Asia	Total
	US$	US$	US$	US$	US$
Results					
(Loss)/income for the year	(1.903.916)	(58.823)	(1.432.523)	1.402.621	(1.992.641)
Assets and Liabilities					
Segment assets	4.215.417	932.674	34.307.989	3.351.960	42.808.040
Segment liabilities	(496.584)	(343.056)	(16.656.297)	(4.417.634)	(21.913.571)
Other segment information					
Acquisition/(disposal) of fixed assets	(897)	2.346	9.958	15.310	26.717
Depreciation	2.513	1.430	55.226	6.751	65.920
Net cash flow	1.392.056	(66.470)	2.432.370	(65.457)	3.692.499

4. Tax

	2014	2013
	US$	US$
Overseas tax	**1.140.368**	1.649.940
Defence contribution - current year	**9.123**	14.734
Charge for the year	**1.149.491**	1.664.674

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2014	2013
	US$	US$
Loss before tax	**(301.116)**	(327.967)
Tax calculated at the applicable tax rates	**(38.390)**	(40.996)
Tax effect of expenses not deductible for tax purposes	**38.290**	40.996
Defence contribution current year	**9.123**	14.734
Overseas tax in excess of credit claim used during the year	**1.440.368**	1.649.940
Tax charge	**1.149.491**	1.664.674

Corporation tax by country of operations:	**2014**	2013
	US$	US$
Corporation tax for Saudi Arabia	312.484	-
Corporation tax for Kuwait	285.253	413.841
Corporation tax for South East Asia	473.897	1.096.185
Corporation tax for Malaysia	666	32.285
Corporation tax for Norway	21.125	20.421
Corporation tax for Norcon Global Management & Consulting	46.943	87.208
	1.140.368	1.649.940

The corporation tax rate is 12.5%. The Board of Directors has decided to register the company as a Cyprus tax resident, as it is deemed that the management and control of the company is exercised in Cyprus. The tax computation has therefore been prepared under Cyprus tax law.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter

Income tax on the Saudi Arabia branch has been provided for on the estimated taxable profit at 20% (2013: 20%). Income tax returns have been filed with the Department of Zakat and Income tax (the DZIT) up to 2013. The income taxes due have been settled accordingly. Income tax assessments have been agreed with the DZIT for all years up to 2012.The assessment for the year 2013 has not yet been raised by the DZIT, yet.

Income tax on the Kuwait branch has been provided for on the estimated taxable profit at 15% (2013: 15%).

Income tax on the SE Asia Operations branch has been provided for on the estimated taxable profit at 25% plus 20% on the profit after tax - repatriation of profits (2013: 25% plus 20% on the profit after tax - repatriation of profits).

Income tax of the Malaysia branch has been provided for on the estimated taxable profit at 25% (2013:25%).

The subsidiary company in Norway is subject to 27% tax of its income (2013: 28%).

The subsidiary company in Oman is subject to income tax at the rate of 12% on taxable income in excess of RO30.000.

The subsidiary company in United Kingdom is subject to an average rate of 21.49% (2013: 23.45%) income tax on its taxable income.

5. Loss per share attributable to equity holders of the parent

	2014	2013
Loss attributable to shareholders (US$)	**(1.436.921)**	(1.948.314)
Weighted average number of ordinary shares in issue during the year	**49.091.775**	48.800.808
Basic earnings per share (cent)	**(2,93)**	(3,99)

	2014	2013
	US$	**US$**
Loss attributable to shareholders (US$)	**(1.436.921)**	(1.948.314)
Ordinary shares issued	**49.091.775**	48.800.808
Diluted earnings per share (cent)	**(2,93)**	(3,99)

6. Dividends

The Board of Directors does not recommend the payment of a dividend for the year 2014.

Dividends are subject to a deduction of special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter for individual shareholders that are resident in Cyprus. Dividends payable to non-residents of Cyprus are not subject to such a deduction.

7. Trade and other receivables

	2014	2013
	US$	US$
Trade receivables	**11.663.684**	19.425.327
Retentions receivable	**462.093**	489.092
Unbilled receivables	**5.984.700**	6.346.929
Deposits and prepayments	**902.226**	927.491
Advances to subcontractors	**2.403.044**	-
Other receivables	**4.565.135**	2.825.658
Refundable VAT	**19.573**	91.874
	26.000.455	30.106.371

As at 31 December, the ageing of trade receivables is as follows:

	2014	2013
	US$	US$
Up to 30 days	**7.772.635**	3.653.768
31-60 days	**537.065**	2.552.572
61- 90 days	**1.829.090**	1.428.610
91- 120 days	**937.974**	853.812
More than 120 days	**586.920**	10.936.565
	11.663.684	19.425.327

Of the Unbilled receivables as at 31st December 2014, the amount of US$5.070.992 has been invoiced and US$ 3.757.700 has been settled as of the date of the statements.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

8. Trade and other payables

	2014	2013
	US$	US$
Trade payables	**390.746**	6.786.934
Accruals	**1.742.814**	1.555.440
Other creditors	**1.125.054**	1.225.056
	3.258.4614	9.567.430

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

9. Contingent liabilities

The bankers of the Saudi Arabia branch have given bank guarantees to the equivalent of US$ Nil (2013: US$6.403.499) in the normal course of the branch's business.

Letters of guarantee (Performance Bonds) for the Group's operations in UAE Abu Dhabi amounting to US$2.602.200 (2013:US$2.602.200) were in issue as at 31st December 2014. An amount of US$650.550 (2013:US$650.550) (which represents 25% of the performance bond) is blocked from the branch's bank balances as security for the issue of this performance bond with the remaining balance being secured by the issue of a corporate guarantee from the branch's ultimate holding company Norcon Plc. In addition, a letter of guarantee for AED50.000 for the registration of the Norconsult Abu Dhabi branch was in issue as at 31st December 2014 (2013:AED50.000).

An amount of US$ 286.451 (RO110.000) is blocked as guarantee for a tender bond given by the company's subsidiary Norconsult Telematics and company LLC. This tender bond expired on 24th of March 2015 and funds blocked for the guarantee have been released.

The company has provided a corporate guarantee of US$750.000 to its subsidiary company Norconsult Telematics Limited in favour of Societe Generale Bank- Cyprus Limited as a security among others for credit facilities provided by the bank to the subsidiary.

10. Events after the reporting period

There were no material events after the reporting period which have a bearing on the understanding of the consolidated financial statements

11. Annual accounts

Annual accounts for the year ended 31 December 2014 will be sent to shareholders shortly and will be available to view from the Company's website, www.norconplc.com

This information is provided by RNS
The company news service from the London Stock Exchange

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