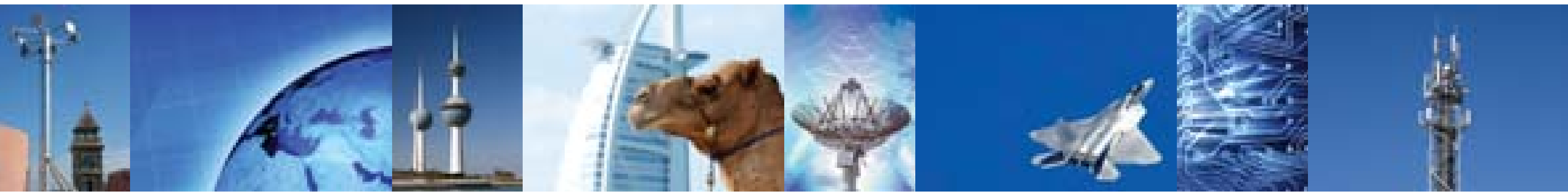
NORCON PLC



NORCON PLC
Annual Report 2008

Contents

Board of Directors and Other Officers

Board of Directors:	Gaute Torleiv Vik	*(Appointed 11/6/2008)*
	Arnold Rorholt	*(Appointed 11/6/2008)*
	Jorn Arve Longem	*(Appointed 11/6/2008)*
	Trond Tostrup	*(Appointed 11/6/2008)*
	Marne Elizabeth Martin	*(Appointed 22/7/2008)*
	Kenneth West	*(Appointed 22/7/2008)*
	John Gareth Bateson	*(Appointed 2/6/2008, Resigned 11/6/2008)*
	Derek Edward Myers	*(Appointed 2/6/2008, Resigned 11/6/2008)*

Nominated Adviser and Broker:
FinnCap
4 Coleman Street
London EC2R 5TA
UK

Independent Auditors:
PKF Savvides & Co Ltd
Certified Public Accountants
229 Arch. Makarios Avenue
Meliza Court
4th, 5th & 6th Floor
3105 Limassol – Cyprus

UK Solicitors:
Eversheds LLP
One Wood Street
London EC2V 7WS
UK

Isle of Man Advocates:
Cains Advocates Limited
15-19 Athol Street
Douglas
Isle of Man 1M1 1LB

Cypriot Solicitors:
Chrysses Demetriades & Co.
Fortuna Court
284 Makarios III Avenue
3105 Limassol – Cyprus

Registered office:
15-19 Athol Street
Douglas
Isle of Man IM1 1LB

Registration number:
002730V

"We are very pleased to have met market expectations with another solid performance during 2008. The general economic conditions worldwide are driving additional outsourcing and project management opportunities and we are benefitting from this trend. We continue to make progress in expanding our business and client relationships in our target markets of the Middle East and South-east Asia where economic conditions are generally more robust than in the rest of the world and where there is an increasing demand for our services. We are also pursuing targeted acquisitions and further opportunities that we believe will generate significant growth. Based on a strong start to 2009, we are confident of a successful outcome for the year and continued long term growth."

Trond Tostrup

Chairman
1 April 2009

Financial Highlights:

- Revenue increased by 18% to US$67.7m (FY 2007: US$57.4m)
- Gross profit increased by 31% to US$15.2m (FY 2007: US$11.6m)
- Profit before tax increased 32% to US$9.5m (FY 2007: US$7.2m)
- Profit after tax increased 14% to US$6.4m (FY2007: US$5.7m)
- Cash balances of US$8.3 million as of year-end (FY 2007: US$4.5m)
- Pro forma earnings per share on a basic basis of US$0.16 (FY 2007: US$0.14)
- Dividend recommended of US$3.2 million relating to 2008 results

Operational Highlights:

- Strong sales growth for the full year to established telecommunications and IT clients in the Middle East and Southeast Asia, and successful expansion into Kuwait
- Staff growth to 657 at period end, from 551 at 31 December 2007 with above average consultant utilisation levels remaining stable in the 90- 95% range
- High level of revenue visibility looking forward to the full year 2009 and beyond
- Additional opportunities exist for both organic and acquisition-driven growth in both the telecom and defence sectors

Notes

This is the Company's first set of audited annual results since its Initial Public Offering ("IPO") on the AIM market of the London Stock Exchange on 28 July 2008. Norcon plc was founded on 2 June 2008, prior to the IPO. Consolidated results for the full year 2008 include the activity from 1 January to 1 June 2008 and are being compared to the full year consolidated 2007 figures of Norcon's 100% subsidiary as Norcon plc.

Chief Executive's Statement

Introduction

I am pleased to report that the Company has delivered a positive set of final results for the year ending 31 December 2008, maintaining our position as an independent market leader in our core markets. Norcon once again achieved significant revenue and profits growth, more than doubling its size in the last five years, while continuing to pay out dividends and maintaining a high return on equity.

In line with the post-IPO dividend policy, the Board has recommended a dividend of 50% of net income, an amount of $3.2 million, which subject to shareholder approval, would be payable in the fourth quarter of 2009.

The demand for outsourcing and project management services continues to grow in the telecoms sector. It has been reported that several large telecom operators have recently announced plans to outsource much of their technical operations and Norcon hopes to benefit from the opportunities this affords as it indicates a strengthening opportunity for Norcon to grow its customer base. Our business with our core clients continues to expand, especially in the Middle East and Southeast Asia, where we experience superior levels of client retention.

In terms of new client wins, Norcon was successful in expanding into Kuwait with Kuwait Telecom Co. ("Viva") in 2008 and extending many other ongoing client engagements throughout the Middle East and Southeast Asia with clients such as Saudi Telecom Company ("STC"), Qatar Telecom ("Qtel"), Maxis ("Axis") and our defence sector clients.

These strong client relationships are presenting the Company with the potential for additional geographical growth as our clients enter new territories. In particular, our largest client, STC, has successfully won a license in Bahrain and both it, and another longstanding client Telenor, continue to pursue an expansion strategy that might generate further business for us in new geographical markets.

In addition, we are pursuing opportunities for growth in the defence sector as well as profitable acquisition opportunities complimentary to our business.

Review of Operations

The continued strong demand for our services has driven an increase in 2008 revenue of 18% with profit before tax increasing by 32% compared to 2007 due to tight control on costs. Given the Company's share price is quoted in sterling, the appreciation of the US Dollar against sterling was also positive for the Company in relation to the dividend yield.

Norcon's relationship with its long term customer, STC, is as strong as ever. Under our long-standing framework agreement, we are in the process of signing a number of contracts covering multiple projects and we look forward to working with them for many more years to come.

This relationship with STC will continue to provide a sound base and support our long term strategic goal of broadening the diversity of our client base. In this regard, we have made good progress with our contract wins referenced above, and expect to continue this trend in the future with ongoing project discussions in UAE, Qatar, Oman, Malaysia, India, Vietnam and others. Furthermore, the Company is pursuing additional project management opportunities in the defence sector where project spending is accelerating in the Gulf region.

Staff numbers increased by close to 20% year on year; as of 31 December 2008, Norcon had 657 employees, up from 551 as of 31 December 2007. Consultant utilisation levels remain both high and stable in the 90% - 95% range.

Norcon continues to be one of the global leaders in terms of consultant utilisation levels with its unique business model and methods for ramping up and down projects.

Strategy

We aim to grow organically our long-term outsourcing and project management business with continued client retention and contract wins with both current and new clients in new territories. Norcon will continue to look at opportunities to further extend into the Asiatic and Oceanic regions, as well as potentially into select countries in Africa.

Chief Executive's Statement continued

Dividend

The Board has recommended a dividend of $3.2 million in line with the post-IPO dividend policy of paying out at least fifty percent of net income. Therefore, shareholders on Norcon's register at the record date on May 29, 2009 will be entitled to receive the dividend related to the 2008 net income results that will be paid in the fourth quarter of 2009.

Outlook

At the date of these results, we have very high levels of visibility over our target 2009 revenues and good visibility for the next one to two years beyond that. We continue to see stronger economic performance in Norcon's core markets than in the general world economy and stable or increasing spending within the oil rich economies in which we operate. This will continue to support our growth in the future and our expectations are for a successful 2009 with continued growth in profits and steady dividends.

On behalf of the Board, I would like to take this opportunity to thank all our employees for their excellent commitment, contribution and hard work during the year. I would also like to welcome the new employees who have joined Norcon during 2008, bringing with them skills and initiatives that I am confident will contribute positively to the Company going forward.

We look forward in the years to come to carrying our successes of the past into the future.

Arnold Rørholt
Chief Executive Officer

1 April 2009

Chief Financial Officer's Review

Results are shown for the full years ended 31 December 2007 and 2008 in this CFO's report as the inaugural Norcon plc income statement only covers the period for which Norcon plc was in existence, 2 June to 31 December 2008. The analysis below is based on the comparatives comparing audited 2008 numbers (the consolidated numbers 1 January to 1 June 2008 of Norcon's 100% subsidiary Norconsult Telematics Ltd. ("NTL") and Norcon consolidated numbers 2 June to 31 December 2008) to NTL's consolidated numbers for the full year 2007.

Summary

Norcon's performance during the twelve months of 2008 has been very positive. Revenue was up by 18% to US$67.7m for the year (FY2007: US$57.4m). Geographically, we saw revenue growth across all of the countries in which we operate, with 79% of our revenue coming from our Saudi Arabia branch in 2008 (FY2007: 93%). Gross profit of US$15.2m for the year was up 31% compared to the full year results of US$11.6.m in 2007.

Profit before tax of US$9.5m for the 2008 was up by 32% compared to the 2007 figure of US$7.2m. This increase in profit before tax is primarily due to increased staff numbers while maintaining the continued high utilisation of staff at a level of close to 95%, and tight cost control while adsorbing the additional ongoing AIM listing and advisory expenses. Profit after tax was US$6.4m for the year, up 14% compared to the 2007 result of US$5.7m.

The Company's return on equity was a high 58% and the return on assets was 16% in 2008. Adjusting the average equity balance to take into account the $5.1 million dividend declared for 2007 and the $3.2 million dividend declared for 2008, the return on equity would be 93%.

Pro forma basic earnings per share were US$0.16 for the full year compared to the US$0.14 earnings per share for 2007, an increase of 14%.

Costs

Cost of sales totalled US$52.5m for the period. This represents an increase of 15% compared to the 2007 figure of US$45.8m.

Operating and administration expenses totalled US$5.1m for the period, including the additional holding company expenses, AIM and other advisory fees. This equates to 45% growth compared to the 2007 figure of US$3.5 million. This increase can be explained by expenses related to being listed on AIM, the launch of the new branch in Kuwait, additional recruitment and training expenses, increased legal and advisory expense, and additional overseas travel. The purely deal related IPO expenses were capitalised and detailed in the Statement of Equity found in the Norcon consolidated audit report.

Net financial expenses and other income/(expenses) combined decreased to US$0.6m for 2008 compared to US$0.8m in 2007. This was largely due to reduced interest expense.

Taxation

Taxes were accrued in the amount of US$3.0m during 2008 (FY 2007: US$1.6 m). The blended effective tax rate based on the tax accruals made for each business unit increased to 32% in 2008, up from 22% in 2007 due to a variety of disallowable expenses impacting the tax accrued for in our Saudi Arabian branch and conservative accruals in some of our other markets. Cyprus, where Norcon plc is a tax resident has an effective 10% tax on profits not taxed elsewhere.

Foreign Exchange

Foreign exchange translation losses in the period were minimal (less than US$0.1m). 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.

Cash Flow

Cash flow continues to be positive for the year as a whole. Cash conversion accelerated in the second half of the year funding the payment of the $5.1 million dividend, and then decreased as invoicing and collections slowed around year end around the time clients' budgets were being negotiated and then implemented for 2009. Cash flow around year end and first half of 2009 is habitually tighter than at other times of the year.

Chief Financial Officer's Review continued

Balance Sheet

Cash balances increased year on year. As at 31 December, cash was US$8.3m (FY2007: US$4.5m) with negative net cash of US$2.4m (FY2007:US$2.7m), reflecting the outstanding short term loan balance of US$10.6m related to short term accounts receivable factoring. There were minimal amounts (approximately US$10,000) outstanding from the overdraft facility as of year-end. The Company remains net asset positive, with net assets increasing to US$11.9m in 2008 (FY 2007: US$10.2m).

Accounts receivable balances increased year on year by about US$1.5m to a total of US$32.0m, a 5% increase from the prior year's ending balance and less than the 18% increase in revenue and with fewer days aging than in 2007. The current ratio has decreased to 1.4 from 1.7 due primarily to the higher level of short term borrowings at year end, which have since been repaid in early 2009.

Relating to the 2008 earnings, a US$3.2m dividend has been recommended by the Board of Directors of Norcon plc and will be voted on at the Annual General Meeting of the Shareholders in June 2009 for payment in the fourth quarter of 2009 to the shareholders on the share register as of 29 May 2009. Dividend payments are generally targeted to be paid in one or two payments in the second half of the year as that timing matches the peak cash conversion cycle for the Company.

Retained earnings (including the merger reserve related to the creation of Norcon plc and the transfer of the assets of its wholly owned subsidiary NTL and the payment of the US$5.1m dividend related to the 2007 results, but before the deduction for the $3.2m dividend related to 2008 results) totalled US$11.9m as of the end of the 2008.

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, and were prepared in conformity with all IFRS Standards (International Financial Reporting Standards, formerly International Accounting Standards) and Interpretations of the IASB (International Accounting Standards Board).

Marne Martin
Chief Financial Officer

1 April 2009

Report of the Board of Directors

The Board of Directors presents its first report and audited consolidated financial statements of NORCON PLC and its subsidiaries (the Group) for the period from 2 June 2008 to 31 December 2008.

Incorporation

The Company NORCON PLC 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 28 July 2008, the company became public and had been admitted for trading on the AIM Market of the London Stock Exchange.

Principal activities

The principal activities of the Group are the provision of project management and outsourcing services. 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 Qatar) and its subsidiary companies Norconsult Telematics and Company LLC registered in the Sultanate of Oman, Norconsult Telematics AS registered in Norway, Norcon Global Management & Consulting Ltd registered in Cyprus, the associate companies Norconsult Telematics (Saudi) Ltd registered in the Kingdom of Saudi Arabia and Norconsult Telematics Philippines Inc. registered in Philippines.

Review of current position, future developments and significant risks

The Group's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 3 of the financial statements.

For better understanding and evaluation of these consolidated financial statements the company presents in notes 30 and 31 comparison of last year's profit and loss and balance sheet of Norconsult Telematics Limited consolidation to this year's figures of Norcon PLC consolidation as if combination took place on 1 January 2008.

Results and Dividends

The Group's results for the period are set out on page 11. The Board of Directors recommends the payment of a dividend as detailed below and the remaining net profit for the period is retained.

Dividends

The Board of Directors recommend a dividend of US$3,220,000 to be declared for the year ended 31 December 2008.

Share capital

Authorised capital

Under its Memorandum the Company fixed its share capital at 100,000,000 ordinary shares of nominal value of Stg£0.01 each.

Issued capital

The Company was listed on 28 July 2008 at AIM Market London Stock Exchange and issued 41,123,188 ordinary shares of nominal value of Stg£0.01 each. In connection with the listing a total of 2,246,376 ordinary shares were sold to new investors out of which 1,123,188 were issued at a share premium of Stg£0.68 per share and were new shares while the other 1,123,188 were sold by existing shareholders.

Report of the Board of Directors continued

Board of Directors

The members of the Board of Directors as at 31 December 2008 and at the date of this report are presented on page 2.

All directors presently members of the Board continue in office.

Post balance sheet events

Any significant events that occurred after the end of the period are described in note 33 to the financial statements.

Independent Auditors

The independent auditors, PKF Savvides & Co Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Director

Limassol – Cyprus, 31 March 2009

Independent Auditors' Report

PKF Savvides & Co Ltd

PKF
Accountants &
business advisers

To the Members of NORCON PLC

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of NORCON PLC (the "Company") and its subsidiaries ("the Group") on pages 11 to 33, which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 2 June 2008 to 31 December 2008, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2008 and of its financial performance and its cash flows for the period from 2 June 2008 to 31 December 2008 in accordance with International Financial Reporting Standards as adopted by the EU.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

PKF Savvides & Co Ltd

PKF Savvides & Co Ltd
Certified Public Accountants

Limassol, 31 March 2009

Consolidated Income Statement

31 December 2008

	Note	2008 US$
Revenue	6	39,464,223
Cost of sales		(30,601,445)
Gross profit		8,862,778
Administration and operating expenses		(3,268,282)
Other expenses	7	378
Operating profit	8	5,594,874
Net finance costs	10	(273,046)
Net loss from investing activities	11	(93,536)
Share of results of associates before tax		(412)
Profit before tax		5,227,880
Tax	12	(1,768,784)
Net profit for the period		3,459,096
Attributable to:		
Equity holders of the parent		3,460,782
Minority interest		(1,686)
		3,459,096
Basic earnings per share attributable to equity holders of the parent (cent)	13	8.42
Diluted earnings per share attributable to equity holders of the parent (cent)	13	7.92

The notes on pages 15 to 33 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

31 December 2008

	Note	*2008* *US$*
ASSETS		
Non-current assets		
Property, plant and equipment	14	136,052
Investments in associated undertakings	16	593,620
		729,672
Current assets		
Trade and other receivables	17	31,988,173
Cash at bank and in hand	18	8,258,199
		40,246,372
Total assets		40,976,044
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	19	820,655
Other reserve	20	7,629,328
Retained earnings		3,460,782
		11,910,765
Minority interest		18,056
Total equity		11,928,821
Non-current liabilities		
Employees' terminal benefits	22	6,163,802
		6,163,802
Current liabilities		
Trade and other payables	23	10,224,041
Borrowings	21	10,658,102
Current tax liabilities	24	2,001,278
		22,883,421
Total liabilities		29,047,223
Total equity and liabilities		40,976,044

On 31 March 2009 the Board of Directors of NORCON PLC authorised these financial statements for issue.

....	....	....
Gaute Torleiv Vik	Arnold Rorholt	Trond Tostrup
Director	*Director*	*Director*

The notes on pages 15 to 33 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Period from 2 June 2008 to 31 December 2008

	Attributable to equity holders of the Company						
	Share capital US$	*Share premium US$*	*Other reserves US$*	*Retained earnings US$*	*Total US$*	*Minority interest US$*	*Total US$*
Issue of share capital	820,655	1,549,457	–	–	2,370,112	–	2,370,112
Exchange difference arising on the translation and consolidation of foreign companies' financial statements	–	–	(17,678)	–	(17,678)	–	(17,678)
Capitalised IPO charges	–	(1,549,457)	–	–	(1,549,457)	–	(1,549,457)
Minority interest acquired on business combination	–	–	–	–	–	19,742	19,742
Net profit for the period	–	–	–	3,460,782	3,460,782	(1,686)	3,459,096
Merger reserve	–	–	7,647,006	–	7,647,006	–	7,647,006
At 31 December 2008	820,655	–	7,629,328	3,460,782	11,910,765	18,056	11,928,821

The notes on pages 15 to 33 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

Period from 2 June 2008 to 31 December 2008

	Note	2008 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		5,227,880
Adjustments for:		
Depreciation of property, plant and equipment	14	29,353
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		(17,678)
Share of loss from associates	16	412
(Profit) from the sale of property, plant and equipment		(378)
Loss from the closing down of subsidiary		89,084
Interest income	11	(29,982)
Interest expense	10	170,540
Minority interest acquired on business combination		19,742
Cash flows from operations before working capital changes		5,488,973
Decrease in trade and other receivables		7,812,240
Decrease in trade and other payables		(18,379,297)
Increase in provisions	22	1,105,451
Cash flows used in operations		(3,972,633)
Tax paid		(1,152,409)
Net cash flows used in operating activities		(5,125,042)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment		(61,321)
Acquisition of subsidiaries, net cash outflow on acquisition	15	4,697,858
Proceeds from disposal of property, plant and equipment		1,272
Proceeds from the closing down of subsidiary		(89,084)
Interest received		29,982
Net cash flows from investing activities		4,578,707
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital		2,370,112
Repayments of borrowings		(3,500,236)
Proceeds from borrowings		11,643,559
Interest paid		(170,540)
Payments of IPO expenses		(1,549,457)
Net cash flows from financing activities		8,793,438
Net increase in cash and cash equivalents		8,247,103
Cash and cash equivalents:		
At beginning of the period		–
At end of the period	18	8,247,103

The notes on pages 15 to 33 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

Period from 2 June 2008 to 31 December 2008

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 28 July 2008, the company became public and had been admitted for trading on the AIM Market of the London Stock Exchange. Its registered office is at 15-19 Athol Street, Douglas, IM1 1LB. Isle of Man.

Principal activities

The principal activities of the Group are the provision of project management and outsourcing services. 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 Qatar) and its subsidiary companies Norconsult Telematics and Company LLC registered in the Sultanate of Oman, Norconsult Telematics AS registered in Norway, Norcon Global Management & Consulting Ltd registered in Cyprus, the associate companies Norconsult Telematics (Saudi) Ltd registered in the Kingdom of Saudi Arabia and Norconsult Telematics Philippines Inc. registered in Philippines.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

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 Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group").

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement 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.

At the date of authorisation 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.

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company NORCON PLC 2008 and the financial statements of the following: Norconsult Telematics Ltd, including Saudi Arabia, U.A.E. Abu Dhabi, Qatar, Kuwait and South East Asia branches of the company and the subsidiary companies Norconsult Telematics and Company LLC, registered in the Sultanate of Oman, Norconsult Telematics AS registered in Norway and Norcon Global Management & Consulting Ltd registered in Cyprus, the activities of the associate companies Norconsult Telematics (Saudi) Ltd, registered in the Kingdom of Saudi Arabia and Norconsult Telematics Philippines registered in Philippines.

The consolidated financial statements include the audited financial statements of subsidiary Norconsult Telematics Ltd and Saudi Arabia, U.A.E. Abu Dhabi, Qatar, Kuwait and South East Asia branches. The financial statements of Saudi Arabia branch, the Saudi Arabia associate and Norway subsidiaries are prepared in accordance with local accepted accounting standards. The financial statements of the U.A.E. Abu Dhabi, Kuwait and South East Asia branches and the Oman subsidiary are prepared in accordance with International Financial Reporting Standards.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

2. Accounting policies (continued)

All inter-company transactions and balances between Group companies have been eliminated during consolidation. The financial statements are prepared in United States Dollars. The exchange rates used for the translation of the financial statements are shown in note 29.

The consolidated financial statements have been prepared under IFRS but do not fall under the scope of IFRS 3 in relation to the combination of the company and its direct subsidiary Norconsult Telematics Ltd. The acquisition of the shares in Norconsult Telematics Ltd by Norcon PLC is considered to be a combination of entities under common control.

In the absence of an IFRS that specifically applies to this transaction the company has relied on the hierarchy in IAS 8, paragraphs 10 -12 to decide on the appropriate accounting treatment. Specifically, the following relevant hierarchy has been checked whether it applies to the transaction:

- IFRS and interpretations
- Definitions, recognition and measurement principles in the framework
- Recent pronouncements for other standard setting bodies with similar framework
- Other accounting literature
- Accepted industry practice

The income and expenses of the subsidiary are included in the consolidated financial statements from the date of the combination. The underlying carrying amount of the assets and liabilities of the subsidiaries have been recorded on the combination date. When the cost of acquiring of the shares in the subsidiary company is less that the respective underlying net assets value of this subsidiary, the difference is credited to a merger reserve in the shareholder's equity.

Business combinations

The acquisition of subsidiaries in Norconsult Telematics Limited is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Minority interests in the net asssets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests as the date of the original business combination and the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and are accounted for by the equity method of accounting.

Segmental reporting

A segment is a component of the Group distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of rebates and discounts. Revenues earned by the Group are recognised on the following bases:

- ***Work executed***

  Revenue from a contract to provide services is recognised by reference to the progress of completion of the contract based on the provisions of each contract. Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred and is based on the value of worked performed as well as on time spent on each contract.

Debtors and provisions for bad debts

Bad debts are written off to the income statement and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance costs

Interest expense and other borrowing costs are charged to the income statement as incurred.

Foreign currency translation

(1) *Functional and presentation currency*

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars (US$), which is the Group's functional and presentation currency.

(2) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(3) For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United States dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the transactions are used. The exchange rates used are disclosed in note 29. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Tax

Current tax liabilities and assets for the current period are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date.

Dividends

Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group's shareholders.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

	%
Motor vehicles	15 – 33.33
Furniture, fixtures and office equipment	15 – 33.33
Computer hardware and software – cost	20 – 33.33

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the value of estimated future cash flows.

Investments

The Group classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every balance sheet date.

- *Financial assets at fair value through profit or loss*

  This category has two sub-categories: financial assets held at fair value through profit and loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit and loss category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit and loss or are expected to be realised within twelve months of the balance sheet date.

- *Held-to-maturity investments*

  Investments with fixed or determinable payments and fixed maturity that the management has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the balance sheet date, which are classified as current assets.

- *Available-for-sale financial assets*

  Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

2. Accounting policies (continued)

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, receivables and held-to-maturity investments are carried at cost.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at cost.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

2. Accounting policies (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Employees' terminal benefits

Provision is made for amounts payable under GCC laws and regulations applicable to employees' accumulated period of service at the balance sheet date.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

2. Accounting policies (continued)

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the balance sheet date.

Contingent Liabilities

Contingent liabilities are disclosed if the confirmation of the expense or loss is considered possible from future events.

Post balance sheet events

Current assets and liabilities of the company are adjusted to reflect any post balance sheet events and include additional information for amounts calculated on the basis ruling at the balance sheet date.

3. Financial risk management

Financial risk factors

The Group is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

3.1 *Market price risk*

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The company is exposed to market risk with respect to its investments and receivables. The company limits its market risk by maintaining a conservative investment portofolio and continuously monitoring the related factors which affect their valuation.

3.2 *Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.3 *Credit risk*

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The company monitors receivables on an ongoing basis and continuously follows up outstanding balances for collection.

The credit risk on liquid funds is limited, as the counter parties are well known banks, with high credit rating by international credit rating agencies.

The maximum exposure to credit risk for the company is represented by the carrying amount of each financial asset as disclosed in the financial statements.

3.4 *Liquidity risk*

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash.

3.5 *Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, Euro and local currencies listed in note 29. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

3. Financial risk management (continued)

The exchange rate of the majority of the receivables is fixed (i.e. Saudi Arabia) or denominated in United States dollars. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.6 *Capital risk management*

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- ***Income taxes***

  Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Segmental analysis

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

2008	*Europe US$*	*Middle East US$*	*Asia US$*	*Total US$*
Results				
Income for the year	102,717	2,964,618	393,446	3,460,781
Assets and Liabilities				
Segment assets	7,037,715	33, 139,372	798,957	40,976,044
Segment liabilities	1,796,825	26,395,432	854,967	29,047,224
Other segment information				
Acquisition/(disposal) of fixed assets	10,579	97,862	–	108,441
Depreciation	6,961	41,077	1,968	50,006
Net cash flow	(531,360)	3,267,158	26,264	2,762,062

6. Revenue

	2008 US$
Value of work executed	39,464,223
	39,464,223

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

7. Other expenses

	2008 US$
Loss on disposal of property, plant and equipment	(378)
	(378)

8. Operating profit

	2008 US$
Operating profit is stated after charging the following items:	
Depreciation of property, plant and equipment (Note 14)	29,353
Staff costs including Directors in their executive capacity (Note 9)	1,290,338
Auditors' remuneration	78,874

9. Staff costs (operating and administration expenses)

	2008 US$
Wages and salaries	1,290,338
	1,290,338

10. Finance costs

	2008 US$
Interest expense	170,540
Other finance expenses	102,506
	273,046

11. Loss from investing activities

	2008 US$
Loss from sale of investments in subsidiaries	(89,084)
Interest income	29,982
Exchange losses	(34,434)
	(93,536)

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

12. Tax

	2008 US$
Corporation tax – current period (Note below)	218,206
Overseas tax (Note below)	1,546,158
Defence contribution – current period	4,420
Charge for the period	1,768,784

	2008 US$
Corporation tax represents by:	
Corporation tax for Cyprus	218,206
Corporation tax for Qatar	343
Corporation tax for Kuwait	248,249
Corporation tax for Saudi Arabia	776,412
Corporation tax for South East Asia	434,438
Corporation tax for Norway	86,716
	1,764,364

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

	2008 US$
Profit before tax	5,227,880
Tax calculated at the applicable tax rates	522,788
Tax effect of allowances and income not subject to tax	(304,582)
Defence contribution current period	4,420
Overseas tax in excess of credit claim used during the period	1,546,158
Tax charge	1,768,784

Company

The corporation tax rate is 10%.

The Board of directors have 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. In this respect tax computation under Cyprus tax law has been proposed.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax, thus having an effective tax rate burden of approximately 15%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

13. Basic earnings per share attributable to equity holders of the parent

	2008
Basic earnings per share	
Basic earnings attributable to shareholders (US$)	3,460,782
Weighted average number of ordinary shares in issue during the year	41,123,188
Basic earnings per share	8.42
Diluted earnings per share	
Profit attributable to shareholders (US$)	3,460,782
Ordinary shares issued	41,123,188
Shares deemed to be issued:	
Employee options	2,158,967
Warrants	411,232
Weighted average number of shares used in the calculation of diluted earnings per share	43,693,387
Diluted earnings per share	7.92

14. Property, plant and equipment

	Office equipment US$	*Motor vehicles US$*	*Furniture, fixtures and office equipment US$*	*Computer hardware and software – cost US$*	*Total US$*
Cost					
Additions/Transfers	5,666	24,902	455,414	269,080	755,062
Disposals	–	–	–	(1,403)	(1,403)
Written off	(2,031)	(15,382)	–	(1,725)	(19,138)
At 31 December 2008	3,635	9,520	455,414	265,952	734,521
Depreciation					
Charge for the period	154	1,113	15,094	12,994	29,353
On disposals	–	–	–	(1,290)	(1,290)
Transfers	5,041	16,330	393,400	174,228	588,999
Written off	(2,031)	(15,378)	–	(1,184)	(18,593)
At 31 December 2008	3,164	2,065	408,494	184,748	598,469
Net book amount					
At 31 December 2008	471	7,455	46,920	81,204	136,052

Note: The opening balances include the transfer of the closing balances of last year's Norconsult Telematics Ltd consolidated figures (for cost it includes the current year's additions and for depreciation expense the pre-acquisition charge).

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

15. Acquisition of subsidiary

On 2 June 2008 the Group acquired 100% of the share capital of Norconsult Telematics Ltd. The transaction has been accounted for as described in the basis of consolidation note 2.

Purchase consideration:

	US$
Cash paid	798,280
Total purchase consideration	798,280
Carrying amount of the net assets acquired	(8,445,616)
Merger reserve	(7,647,336)

The assets and liabilities acquired were as follows:

	Acquiree's carrying amount before combination US$
Property, plant and equipment	105,012
Investments	594,328
Trade and other receivables	39,800,413
Cash at bank and in hand	5,496,138
Trade payables	(28,603,338)
Current tax liabilities	(1,384,903)
Borrowings	(2,503,683)
Employees' terminal benefits	(5,058,351)
Net assets acquired	8,445,616
Cash consideration paid	(798,280)
Cash and cash equivalents acquired	5,496,138
Cash outflow on acquisition	4,697,858

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

16. Investments in associated undertakings

	2008 US$
On 2 June	–
Additions	594,032
Share of results of associates before tax	(412)
At 31 December	593,620

Norconsult Telematics Philippines Inc. has not been recorded using the equity method of accounting in these consolidated financial statements as its results and net asset position is considered by the directors of the Holding company to be immaterial to the Group as the company is dormant.

The details of the investments are as follows:

Name	*Country of incorporation*	*Principal activities*	*Holding %*
Norconsult Telematics (Saudi) Ltd	Saudi Arabia	Dormant	50
Norconsult Telematics Philippines Inc.	Philippines	Consultancy services	40

Significant aggregate amounts in respect of associated undertakings:

	2008 US$
Assets	
Current assets	1,338,180
	1,338,180
Liabilities	
Current liabilities	150,940
	150,940
Net assets	1,187,240
Expenses	(1,412)
Net profit after tax	(1,412)

17. Trade and other receivables

	2008 US$
Trade receivables	30,254,727
Deposits and prepayments	737,278
Other receivables	996,168
	31,988,173

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

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

18. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2008 US$
Cash at bank and in hand (Note below)	8,258,199
Bank overdrafts (Note 21)	(11,096)
	8,247,103

Short term deposits amounting to US$3,534,135 (2007: US$2,571,382) represents deposits kept with the bank against guarantees issued by the bank in favour of Department of Zakat and Income tax to issue No Objection Letters for release of retention money from the customers relating to the company's Saudi Arabia branch.

19. Share capital

	2008 Number of shares	2008 GBP
Authorised		
Ordinary shares of Stg£0.01 each	100,000,000	1,000,000
		US$
Issued and fully paid		
Issue of shares of Stg£0.01 each	41,123,188	820,655
At 31 December	41,123,188	820,655

Authorised capital

Under its Memorandum the Company fixed its share capital at 100,000,000 ordinary shares of nominal value of Stg£0.01 each.

Issued capital

The Company was listed on 28 July 2008 at AIM Market London Stock Exchange and issued 41,123,188 ordinary shares of nominal value of Stg£0.01 each. In connection with the listing a total of 2,246,376 ordinary shares were sold to new investors out of which 1,123,188 were issued at a share premium of Stg£0.68 per share and were new shares while the other 1,123,188 were sold by existing shareholders.

20. Other reserves

	Merger reserve US$	Statutory reserve US$	Translation reserve US$	Total US$
Exchange difference arising on the translation and consolidation of foreign companies' financial statements	–	(1,588)	(16,090)	(17,678)
Merger reserve due to acquisition of subsidiary	7,647,006	–	–	7,647,006
At 31 December 2008	7,647,006	(1,588)	(16,090)	7,629,328

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

21. Borrowings

	2008 US$
Current borrowings	
Bank overdrafts (Note 18)	11,096
Bank loans (Note below)	10,647,006
	10,658,102

Note

The short term loan is secured over the assignement of certain trade receivable invoices. It carries interest at commercial rates and is repayable within next fiscal year.

The bank overdraft is secured by a guarantee from the Head Office. It carries interest at commercial rates.

Both relate to the company's Saudi Arabia branch.

22. Employees' terminal benefits

	2008 US$ Employees' terminal benefits
Balance end of period	6,163,802
	6,163,802

23. Trade and other payables

	2008 US$
Trade payables	7,360,093
Accruals	2,598,167
Other creditors	153,690
Payables to related companies (Note 25)	112,091
	10,224,041

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

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

24. Current tax liabilities

	2008 US$
Corporation tax	1,994,613
Special contribution for defence	6,665
	2,001,278

Corporation tax liabilities represented by:

	2008 US$
Cyprus	33,765
Saudi Arabia	757,709
South East Asia	648,384
Norway	129, 186
Kuwait	425,569
	1,994,613

25. Related party transactions

The Company's majority shareholders are: 68.86% Norconsult Telematics Holdings Limited, a company incorporated in Cyprus, 18.87% Mr. Gaute Vik, company director, 5.35% Mr. Arnold Rorholt, company director and the remaining 6.92% ownership belonging to a number of shareholders each comprising less than 1.5% each.

The following transactions were carried out with related parties:

25.1 *Compensation of key management personnel*

The remuneration of Directors and other members of key management was as follows:

	2008 US$
Salaries and benefits	1,353,755
Service awards and bonuses	23,301
	1,377,056

25.2 *Payables to related parties (Note 23)*

Name	2008 US$
Norconsult Telematics Holdings Ltd	55,814
Teleplan Holdings AS	486
Teleplan AS	55,791
	112,091

Teleplan Holdings AS and Teleplan AS are companies which are controlled by one of the ultimate shareholders in Norconsult Telematics Holdings Limited.

The above amounts are unsecured, interest free and have no fixed date of repayment.

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

26. Shareholders holding more than 5% of share capital

The shareholders holding more than 5% of the share capital of the Company as at 31 December 2008 were:

	31 December 2008 %
Norconsult Telematics Holdings Ltd	68.86
Gaute Torleiv Vik	18.87
Arnold Rorholt	5.35

27. Contingent liabilities

The bankers of the Saudi Arabia branch have given bank guarantees limited to the equivalent of US$3,541,606 (2007: US$1,855,005) in respect of contract performance.

Letter of guarantee (Performance Bonds) for the company's operations in Qatar amounting to US$29,136 (2007: 18,668) was in issue as at 31 December 2008. The letter of guarantee will be released in 2009.

Letters of guarantee (Performance Bonds) for the company' operations in UAE amounting to US$918,400 (2007: US$918,400) were in issue as at 31 December 2008. Letter of guarantees for AED50,000 for the registration of the Norconsult Abu Dhabi branch were also in issue as at 31 December 2008.

28. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2008 US$
Within one year	94,657
	94,657

29. Exchange rates

The exchange rates against the US$ used for the translation of the financial statements of branches/entities which are using a different functional currency were:

End of the year rates	*2008*	*2007*	*2006*
SAR	3.75	3.75	3.75
AED	3.676	3.676	3.676
RO	0.3826	0.3836	0.3836
KD	0.2679	0.305	0.305
THB	–	29.7708	35.647
NOK	7.0323	5.4025	–
Average rates			
SAR	3.75	3.75	3.75
AED	3.676	3.676	3.676
RO	0.383 1	0.3836	0.3866
KD	0.2679	0.305	0.305
THB	–	32.4465	35.9454
NOK	6.2174	5.7867	–

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

30. Comparison to last year's performance

In order that the users of these consolidated financial statements are able to compare the Group's Profit and Loss performance of this year (with the incorporation of the holding company) against last year's figures (with the non-existence of the holding company) current full year's Profit and Loss figures (i.e. as if combination took place on 1 January 2008) are presented against last year's Profit and Loss figures of the wholly owned subsidiary Norconsult Telematics Ltd.

	Current Period *US$*	*2008* *US$*	*2007* *US$*
Revenue	39,464,223	67,652,953	57,370,375
Cost of sales	(30,601,445)	(52,459,620)	(45,783,746)
Gross Profit	8,862,778	15,193,333	11,586,629
Operating and administration expenses	(3,267,905)	(5,094,642)	(3,511,628)
Finance expenses	(273,046)	(528, 173)	(935,113)
Other income/(expenses)	(92,262)	(97,818)	96,887
Profit before tax	5,229,565	9,472,700	7,236,775
Tax	(1,768,764)	(3,032,203)	(1,579,075)
Net profit for the year	3,460,781	6,440,497	5,657,700

Segment reporting of full year's Profit and Loss

	Europe *US$*	*Middle East* *US$*	*Asia* *US$*	*Total* *US$*
Income for the year	683,816	5,082,202	674,479	6,440,497

31. Comparison to last year's Balance Sheet

For comparison reasons the 31 December 2008 consolidated Balance Sheet of Norcon PLC is laid out below against the 31 December 2007 consolidated Balance Sheet of Norconsult Telematics Limited.

	2008 *US$*	*2007* *US$*
ASSETS		
Property, plant and equipment	136,052	76,872
Investments in associated undertakings	593,620	594,327
	729,672	671,199
Trade and other receivables	31,988,173	30,401,521
Cash at bank and in hand	8,258, 199	4,474,803
	40,246,372	34,876,324
	40,976,044	35,547,523
EQUITY AND LIABILITIES		
Share capital	820,655	22,139
Other reserves	7,629,328	106,463
Retained earnings	3,460,781	10,058,990
	11,910,764	10,187,592
Minority interest	18,056	20,859
Total equity	11,928,820	10,208,451
Employees' terminal benefits	6,163,802	4,296,390
Trade and other payables	10,224,042	17,890,438
Borrowings	10,658,102	1,811,781
Taxation	2,001,278	1,340,463
	29,047,274	25,339,072
	40,976,044	35,547,523

Notes to the Consolidated Financial Statements continued

Period from 2 June 2008 to 31 December 2008

32. Long Term Incentive Plan

During the year the company has adopted a Long Term Incentive Plan for all eligible employees and directors.

This plan provides for a maximum of 2,158,967 shares to be granted to the employees and directors with a three year vesting period based on a non-market vesting condition. This vesting condition requires 10% growth in the net income year over year. The first evaluation will be done for vesting purposes to compare the 31 December 2008 Norcon PLC consolidated net income to the 31 December 2007 Nonconsult Telematics Limited consolidated net income. The first examination of the vesting condition will be done by the remuneration committee in 2009.

An accrual for Long Term Incentive Plan benefits of US$150,000 has been established by the group.

33. Post balance sheet events

The directors recommend a dividend of US$3,220,000 to be declared for the year ended 31 December 2008.

Independent Auditors' Report page 10.

Detailed Income Statement
Period from 2 June 2008 to 31 December 2008

	Page	2008 US$
Income from work executed	32	8,862,778
Operating expenses		
Administration and Operating expenses		(3,268,282)
		5,594,496
Other operating expenses		
Loss on disposal of property, plant and equipment		378
Operating profit		5,594,874
Finance costs		(273,046)
Profit from sale of investments in subsidiaries		(89,084)
Interest income		29,982
Exchange profit		(34,434)
Share of results of associates before tax		(412)
Net profit for the period before tax		5,227,880

Income from Work Executed

Period from 2 June 2008 to 31 December 2008

	2008 *US$*
Income	
Income from work executed	39,464,223
Cost of sales	
Cost of work executed	30,601,445
	30,601,445
Gross profit from work executed	8,862,778

Notice of Annual General Meeting

To the Members of Norcon plc (“the Company”)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held on 23 June 2009 at the office of the Company, 15-19 Athol Street, Douglas, Isle of Man, IM1 1LB at precisely 12 noon for the following purposes:

Ordinary Business

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. to receive and adopt the Company’s annual accounts for the financial year ended 31 December 2008 together with the directors’ report and auditors’ report on those accounts;

2. to approve the Board-recommended dividend of an aggregate amount of US$3,220,000.00 to be distributed to the shareholders as of 29 May 2009, payable within six months of such record date;

3. to re-elect as a director of the Company, Mr. Jorn Ave Longem, who retires by rotation and, being eligible, offers himself for re-election in accordance with the Articles of Association of the Company;

4. to re-elect as a director of the Company, Mr. Trond Tostrup, who retires by rotation and, being eligible, offers himself for re-election in accordance with the Articles of Association of the Company; and

5. to reappoint PKF Savvides & Co Ltd. as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the directors of the Company.

Special Business

To consider and if thought fit, to pass the following resolution which will be proposed as a special resolution:

6. to approve the disapplication of the provisions of Article 5.2 of the Articles of Association of the Company in relation to:
   (i) the issue of Ordinary Shares up to an aggregate nominal amount equal to 20 per cent. of the aggregate nominal amount of all the Ordinary Shares in issue of the Company at the date of this notice, at such prices, to such persons, on such terms and at such times as the Directors of the Company may from time to time determine in their discretion; and
   (ii) the issue of Ordinary Shares pursuant to any share option schemes of the Company in force, such disapplication to expire on the earlier of the next Annual General Meeting and 15 months after the date on which this resolution is passed, save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot Ordinary Shares pursuant to such offer or agreement as if such disapplication had not expired.

BY ORDER OF THE BOARD

Director

Date 31 March 2009

Norcon Plc
15-19 Athol Street
Douglas
Isle of Man
IM1 1LB

Notice of Annual General Meeting

To the Members of Norcon plc (“the Company”)

Notes:

1. A member of the Company entitled to attend and vote at the above-mentioned meeting is entitled to appoint another person as his proxy to attend, to speak and to vote in his stead. A proxy need not be a member of the Company.
2. To be effective, forms of proxy must be lodged at the Company's registered office, 15-19 Athol Street, Douglas, Isle of Man IM1 1LB, not later than 12 noon on 21 June 2009. Lodgement of a form of proxy will not prevent a member from attending and voting in person.
3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company’s share register at 12 noon on 21 June 2009 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above. A letter in this form would be acceptable to the Company and its Registrars.
5. CREST members who wish to appoint a Proxy or Proxies through the CREST electronic Proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a Proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a ‘CREST Proxy Instruction’) must be properly authenticated in accordance with CRESTCo’s specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a Proxy or an instruction to a previously appointed Proxy must be transmitted so as to be received by the Registrars no later than 12 noon on 21 June 2009. Normal system timings and limitations will apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor(s) or voting service provider(s) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

NORCON PLC

(the "Company")

FORM OF PROXY

I/We ....

of ....

....

being a shareholder of the Company hereby appoint the Chairman of the meeting or (see note 3)

....

as my/our proxy to attend, to speak and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 12 noon on 23 June 2009 and at any adjournment thereof.

Please indicate with an "X" in the space below how you wish your votes to be cast in respect of the resolutions which are set out in the notice convening the Annual General Meeting (the "Notice"). If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

Ordinary Resolutions	**For**	**Against**	**Withheld**
1. To receive and adopt the Company's annual accounts for the financial year ended 31 December 2008 together with the directors' report and auditors' report on those accounts.			
2. to approve the Board-recommended dividend of an aggregate amount ofUS$ 3,220,000.00 to be distributed to the shareholders as of 29 May 2009, payable within six months of such record date.			
3. to re-elect Mr. Jorn Ave Longem as a director of the Company in accordance with the Articles of Association of the Company.			
4. to re-elect Mr. Trond Tostrup as a director of the Company in accordance with the Articles of Association of the Company.			
5. To reappoint PKF Savvides & Co. Ltd. as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the directors of the Company.			
Special Resolutions			
6. to approve the disapplication of Article 5.2 of the Company's Articles of Association.			

Date: .... Signature: ....

☐ **Please tick here you are appointing more than one proxy.** ☐ **Number of shares proxy appointed over.**

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman of the meeting, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Should you wish to appoint more than one proxy, please photocopy this form. Please indicate in the box underneath the signature block the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. To direct your proxy how to vote on the resolutions mark the appropriate box with an "X". To abstain from voting on a resolution, select the relevant "Withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, the form must be:
   - completed and signed;
   - sent or delivered to the Company's registered office, Equity Limited, at 15-19 Athol Street, Douglas, Isle of Man, IM1 1LB;
   - received by Equity Limited no later than 12 noon on 21June 2009.
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

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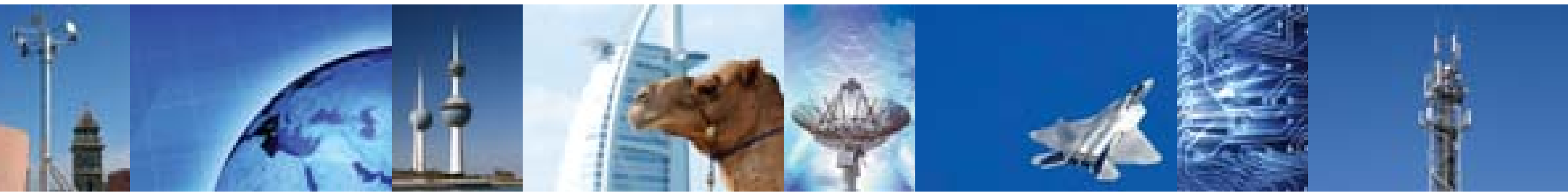
NORCON PLC



NORCON PLC
Annual Report 2008

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