17 September 2014

NORCON PLC
(“Norcon” or the “Company”)
INTERIM RESULTS

For the six month period ended 30 June 2014

Norcon plc (LSE/AIM: NCON), the global communications network specialist, announces unaudited interim results for the six months ended 30 June 2014 (the “Interim Period”).

FINANCIAL HEADLINES:

- Revenue of US$20.7m (H1 2013: US$22.9m)
- Gross profit of US$3.0m (H1 2013: US$3.1m)
- EBITDA loss of US$0.6 (H1 2013: US$0.3 loss)
- Loss after tax of US$1.4m (H1 2013: US$1.4m loss)
- Net cash balance of US$5.0m (30 June 2013: US$1.5m)
- Pro forma loss per share of US$0.03 (H1 2013: US$0.03 loss)

OPERATIONAL HEADLINES:

- Continued progress with diversification into new markets and services
- New deals secured in USA, Europe, Middle East and Asia Pacific
- Continued growth in revenues outside legacy market
  - now account for close to 60% of total H1 revenues compared to 50% in H1 2013 and 30% in H1 2012.

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

“We continue to see the benefit from our strategy of diversification into wider markets with a further increase in our customer base, and are confident our three year plan is on track.

Although turnover is slightly down on 2013 our margins have increased and our dependence on our legacy market continues to reduce as planned. Delays in projects experienced in the first half have now been resolved and these projects are now up and running and expected to contribute significantly to the second half”.

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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 governments and some of the world's largest global firms. 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

INTERIM STATEMENT FROM EXECUTIVE CHAIRMAN, TROND TOSTRUP

Overview

The Interim Period has seen a continuance of our strategy of diversification into wider geographical markets and lower dependence on our legacy market.

We are encouraged by growth in the USA and by new clients and deals being signed in the Asia Pacific area.

We have continued to develop our product offering enabling us to offer more strategic services to our clients.

Operations

Operational efficiencies are being derived from the integration of regional activities and telecom/defence projects across the business. This is also having a positive effect on individual projects' profitability.

We continue to attract key business individuals to the Company which strengthens our credibility in the market and also across our expanding customer base.

The benefit of operating across a variety of markets with a growing portfolio of different projects supports the creation of a range of new strategic and engineering services for our customers.

Outlook

We are starting to see the benefits expected from our investment into and implementation of a diversification plan and remain fully committed to continue executing on this.

The major investments being made in new technologies and cost saving initiatives across our markets of operations bode well for the future.

Trond Tostrup
17 September 2014

FINANCIAL REVIEW

Summary

Turnover for the Company during the Interim Period was US$20.7m in H1 2014, compared to US$22.9m in H1 2013. This reduction is mainly due to delayed start in some major projects resulting in little contribution to the revenue in H1. These projects are now up and running with significant impact on H2 expected. For the full year 2014 we still expect revenue to be at the same level as 2013.

Gross profit stood at US$3.0m for the Interim Period compared to US$3.1m in H1 2013.

Gross margin has increased from 13.6% in the prior year to 14.4% as a result of the restructuring of our cost base and the diversification into new markets and services. As announced with the 2013 annual statements, the impact on overall performance will not be significant before 2015.

Loss before tax was US$0.8m for the Interim Period compared to the 2013 interim loss US$ 0.6m, and the loss after tax remains the same for both years at US$1.4m. Income tax in Saudi has been charged with tax in connection with a tax examination carried out for the years 2006 – 2012 by local tax authorities. The total charge is US$0.54 of which US$0.41 relates to tax, and the remainder is interest. An objection for the claim has been raised.

Accrued taxes amounted to US$0.6m given the applicable taxation in the profitable branches. Current taxes are calculated based on best conservative estimates. Available tax credits in Saudi Arabia have not been taken into account at this stage.

Pro forma loss per share of US$0.03 for the Interim Period compares to the same as for H1 2013, using the same weighted average share base.

Costs

Cost of Sales totalled US$17.7m for the period compared to a 2013 interim figure of US$19.8m, demonstrating progress with our cost saving initiatives.

General operating and administrative expenses totalled US$3.2m same as for H1 2013.

Cash Flow

Cash flow from operations is positive for the period as a result of the release of deposits held against guarantees towards the tax authorities in Saudi Arabia.

Statement of Financial Position

At 30 June 2014 the Company had net cash of US$5.0m, compared to US$1.5m half year 2013. The increase in net cash was primarily due to the release of deposits held against guarantees towards the Saudi Arabian tax authority, as mentioned above.

Accounts receivable and prepayment balances (including work in progress) decreased from US$37.0m at half year in 2013 to US$33.0m as at 30 June 2014 due to amounts having been received from customers of the Group's biggest branch in the Middle East. Included in trade receivables are amounts due from governmental and quasi governmental institutions in Saudi Arabia of approximately US$9.81m which are older than 1 year. No provision has been made as the Company still believes the full amounts will be collected.

Trade and other accounts payable increased to US$9.9m from US$8.7m at half year 2013.

The provision for employees' terminal (end of service severance) benefits decreased to US$7.7m at 30 June 2014 from US$8.5 at 30 June 2013.

A Consolidated Statement of Changes to Equity is provided in the unaudited tables appended to this announcement.

Taxation

Accrued taxes increased to US$1.6m, compared to US$0.6m 30 June 2013.

Foreign Exchange

Foreign exchange losses in the period were within expectations 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.

Arne Dag Aanensen
Chief Financial Officer
17 September 2014

FINANCIAL INFORMATION ON NORCON PLC
UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 Months to 30 June 2014 US$'000	*6 Months to 30 June 2013 US$'000*
Turnover	20,706	22,955
Cost of sales	(17,714)	(19,823)
Gross profit	2,992	3,132
Operating and administrative expenses	(3,205)	(3,236)
Loss from operations	(213)	(104)
Depreciation	(28)	(31)
Net Finance expense	(586)	(446)
Loss before tax	(827)	(581)
Minority provision		(-)
Income tax expense	(614)	(793)
Loss for half year	(1,441)	(1,374)
	US$	***US$***
Pro forma loss per share (note)	(0.03)	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At 30 June 2014 US$'000	*As At 30 June 2013 US$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	120	156
Investments	88	88
Investment in associate	555	561
	763	805
Current assets		
Work in progress	12,363	4,771
Trade and other receivables	20,471	32,207
Short term deposits	0	6,862
Cash and cash equivalents	7,566	2,110
	40,400	45,950
Total assets	41,163	46,755

CONSOLIDATED BALANCE SHEET (Continued)

	As At 30 June 2014 US$'000	*As At 30 June 2013 US$'000*
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	946	937
Legal/LTIP reserve	924	800
Retained earnings*	17,578	19,692
Equity attributable to the equity holders	19,448	21,429
Minority interest	4	9
	19,452	21,438
Non-current liabilities		
Provision for employees' terminal benefits	7,722	8,469
Current liabilities		
Trade and other payables	9,882	8,712
Income tax payable	1,571	617
Short-term borrowings	2,536	7,519
	13,989	16,848
Total equity and liabilities	41,163	46,755

*see Consolidated Statement of Changes in Equity for more detail.

CONSOLIDATED CASH FLOW STATEMENT

	6 Months to 30 June 2014 US$'000	*6 Months to 30 June 2013 US$'000*
Cash flows from operating activities		
(Loss)/Profit for the year before taxation	(827)	(581)
Adjustments for:		
Depreciation	28	31
Interest Income	(25)	
Interest Expense	238	205
Movement in provision for employees' terminal benefits	184	86
Movement in foreign exchange/other reserves	(1)	13
Cash flows used in operations before working capital changes	(403)	(246)
Increase in Trade and Other Receivables/Work in Progress	(2,816)	(7,019)
Decrease in Short Term Deposits	6,221	0
Increase in trade and other payables	314	989
Cash generated from operations	3,316	(6,276)
Income tax paid and other items	(109)	(330)
Net cash flows from/(used in) operating activities	3,207	(6,606)
Cash flows from investing activities		
Payments for purchase of property, plant and Equipment	(17)	(16)
Proceeds from Issue of New Shares	9	-
Interest Income	25	
Proceeds from Disposal of property, plant and equipment	-	1
Net cash flows from/(used in) investing activities	17	(15)
Cash flows from financing activities		
(Repayments) /Net proceeds from borrowing	(1,213)	6,605
Net interest paid	(238)	(205)
Net cash flows (used in)/ from financing activities	(1,452)	6,400

CONSOLIDATED CASH FLOW STATEMENT (Continued)

	6 Months to 30 June 2014 US$'000	*6 Months to 30 June 2013 US$'000*
Net increase/(decrease) in cash and cash equivalents	1,772	(222)
Overdraft facility	-	915
Cash and cash equivalents at the start of the period	5,794	8,279
Cash and cash equivalents at the end of the period	7,566	8,972

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital US$'000	*Retained earnings US$'000*	*Other reserves US$'000*	*Total US$'000*	*Minority interest US$'000*	*Total equity US$'000*
As at 31 December 2013	937	5,096	14,854	20,887	7	20,894
Net loss for half year	-	(1,441)	-	(1,441)	(3)	(1,444)
Issue of New Ltip Shares	9	-	-	9	-	9
Other activity	-	-	(7)	(7)	-	(7)
As at 30 June 2014	946	3,655	14,847	19448	4	19,452

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial information is based on the consolidated financial statements of the Group which have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards. The Group for the 2014 half year results was composed of those branches and entities (including Norconsult Telematics, Ltd.) under Norcon plc, the entity created on 2 June 2008 for the purpose of facilitating the listing on AIM on 28 July 2008. Norcon plc owns 100% of Norconsult Telematics, Ltd.

The principal activities of the Group, which are unchanged from last year, and 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, registered in the United Kingdom and the associate company Norconsult Telematics (Saudi) Ltd registered in the Kingdom of Saudi Arabia (under closure).

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

The principal accounting policies that are followed by the Group are shown below for a better understanding and evaluation of the financial statements.

a) Basis of preparation

The Interim Consolidated Financial Statements of Norcon and its branches and subsidiary companies ("Norcon Group") are prepared in conformity with all IFRS Standards (International Financial Reporting Standards, formerly International Accounting Standards) and Interpretations of the IASB (International Accounting Standards Board).

Significant inter-branch balances are eliminated. The financial statements are prepared in United States Dollars.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, its branches, subsidiaries and associates.

For this purpose a subsidiary is an entity in which the controlling interest is more than 50% of the voting power and where the company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale.

The results or subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group’s equity therein. Minority interests consist of the amount of those interests at 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.

Goodwill arising on the acquisition of the subsidiaries and associate is recognised as an asset. The excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost is recognised in the income statement in the year of acquisition. The Group annually reviews goodwill arising on the acquisition of subsidiaries for any impairment. If impairment occurs, this is transferred to the income statement.

c) Significant accounting estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Company's accounting policies. 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. Management anticipates that any estimates and judgements made do not have a material effect on the results.

d) Foreign exchange

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in United States Dollars, which is the functional and presentational currency of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise.

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 dates of the transactions are used. 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.

e) Revenue recognition

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.

f) 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 it's estimated useful life.

The estimated useful lives of the assets are as follows:

	Months
Furniture, fittings and equipment	15 – 33%
Computer hardware and software	15 - 33%
Motor vehicle	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income

g) Taxation

Tax is calculated as follows:

The current and deferred taxation are recognized as income or expense for the year.

The provision for income tax and special defence contribution for the year is calculated in accordance with the Income Tax Laws. Deferred taxation is calculated on the basis of the rates ruling at the balance sheet date.

The debit balances of the deferred taxation arriving from deductible temporary differences are recognised to the extent of the anticipated taxable profits.

h) Impairment of tangible and intangible assets excluding goodwill

At each reporting 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.

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

Where an impairment loss subsequently reverses the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase

i) Financial assets and trade receivables

The Group does not have any financial assets other than trade receivables.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at cost, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

j) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or ‘other financial liabilities’. The Group does not have any financial liabilities ‘at fair value through profit or loss’.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at cost with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when the obligation under the liability is discharged, cancelled or expires.

k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

l) Employees' terminal benefits

Provision is made for amounts payable under applicable local laws and regulations and employment contracts applicable to employees' accumulated period of service at the statement of financial position date. The provision at the year-end is calculated by reference to the benefit accrued at that date.

m) Work in progress

Contract work in progress is calculated at cost, plus attributable profit, less the amount received or receivable as progress payments.

n) Contingent liabilities

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

o) 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.

p) Events after the reporting date

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 statement of financial position date.

q) Turnover

Value of work executed represents engineering consultancy work executed in the company's operating markets, stated at invoiced value net of discounts.

r) Earnings/Loss per share

The following reflects the income and share data used in calculating basic and diluted earnings per share.

	Period End:	
	30 June 2014	***30 June 2013***
Loss for the period	(1,441)	(1,374)
Weighted average number of ordinary shares used in the Calculation of EPS (No.)	48,814,587	48,800,808
	US$	***US$***
Basic and diluted loss per share (EPS)	(0.03)	(0.03)

There is no dilution applicable to the 2014 interim results. The fully diluted loss per share as of 30 June 2014 was likewise US$0.03.

s) Investment in associates/Investments

The investment in associate relates to the Group's 50% interest in NT Saudi, Ltd., a dormant entity. The investment related to amounts in the Kuwaiti investment fund invested as per the Kuwaiti offset requirement.

t) Short-term loan

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

u) Contingent liabilities

The bankers of the Saudi Arabia branch have given bank guarantees limited to the equivalent of US$ 226,058 (2013: US$ 6,540,485) in the normal course of the branch's business.

Letters of guarantee (Performance Bond) for the Group's operations in UAE Abu Dhabi amounting to US$2,602,200 were in issue as at 30 June 2014 (2013: US$2,602,200). 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. Also a letter of guarantee for AED50,000 for the registration of the Norconsult Abu Dhabi branch was in issue as at 30 June 2014 (2013: AED50,000).

The Company has provided a corporate guarantee of US$ 750,000 to its subsidiary Norconsult Telematics Limited in favour of Societe Generale Bank-Cyprus as a security among others for credit facilities provided by the bank to the subsidiary.

v) Share Based Payment

The company has adopted a Long Term Incentive Plan (LTIP) for eligible employees and directors. The initial plan provided for 2,274,999 shares granted to those employees and directors over a three year period based on the company's performance year by year. These shares represented 5.25% of the Company's issued share capital.

Vesting conditions were met for the years 2008 and 2009 and 758,833 new shares were issued in each year.

In 2013 the Company revised the LTIP plan for two more years, 2013 and 2014.
Performance targets based on share price and financial targets were set for each year towards eligible employees.

In April 2014 the Remuneration Committee confirmed that vesting conditions for certain employees have been met based on the results of the financial year end 31 December 2013 and 498,800 new shares were issued in June 2014.

w) Financial instruments and risk management

Financial instruments consist of financial assets and financial liabilities. Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets of the Group include investments, cash and cash equivalents, deposits and receivables.

Financial liabilities of the Group include payables, bank overdraft and other creditors and accrued liabilities.

The risks involved with financial instruments and the Group's approach to controlling such risks are explained below:

Capital risk management

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

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed the statement of changes in equity.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's functional currency is the United States Dollar. The Group does not have significant exposure in other currencies, other than those recognised and disclosed in the Financial Statements. The exchange rate for the majority of the receivables is fixed (i.e. Saudi Arabia) or denominated in United States Dollars.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market conditions. The Group is exposed to market risk with respect to its investments and receivables.

The Group limits its market risk by maintaining a conservative investment portfolio and continuously monitoring the related factors which affect their valuation.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has time deposits that are subject to interest rate risk. Interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on its interest bearing time deposits. The Group limits interest rate risk by following up changes in interest rates in the currencies in which its time deposits are denominated.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group employs certain policies and procedures in order to maintain credit risk exposures within reasonable limits.

The Group monitors receivables on an on-going 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 Group is represented by the carrying amount of each financial asset as disclosed in the financial statements.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management is confident that sufficient funds are available to meet any commitments as they may arise.

x) Fair value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair value of assets and liabilities, approximate their carrying values at the balance sheet date, assuming the company will continue as a going concern without any intention or need to liquidate, undertake transactions on adverse terms or materially discontinue its operations.

y) A copy of this announcement is available from the Company's website www.norconplc.com.