14 September 2010

NORCON PLC

(“Norcon” or the “Company”)

INTERIM RESULTS

For the six month period ended 30 June 2010

Norcon plc (LSE/AIM: NCON), the global communications network specialist announces unaudited interim results for the six months ended 30 June 2010 (the “Interim Period”), in line with the Trading Update issued on 13 August 2010. These results reflect a continued strong performance from the Company’s core business, albeit against a strong 2009 comparative period, as well as some minor delays in the rate of expansion into new target markets.

FINANCIAL HIGHLIGHTS:

- Revenue of US$34.2m (H1 2009: US$37.4m)
- Gross profit of US$6.6m (H1 2009: US$7.8m)
- Profit before tax of US$4.1m (H1 2009: US$5.2m)
- Positive cash flows from operations of US$4.0m
- Net cash increased to US$8.5m aided by a successful Placing in March 2010 (30 June 2009: US$5.0m net cash)
- Pro forma earnings per share of US$0.06 (H1 2009: US$0.07/US$0.09)*
- Strengthened balance sheet with the current ratio increasing to 2.57 (30 June 2009: 1.96)

* see note r

OPERATIONAL HIGHLIGHTS:

- Continued strong sales and demand from core client base in Asia and Middle East
- Strong client retention and competitive position in core markets maintained
- New contracts mark first steps into new target sectors and geographies
    - Selected to manage roll-out of key Border Control project in the Middle East
    - Appointed by Telenor to assist with roll-out of 4G networks in Norway
- Organic prospects continue to be complemented by opportunities for acquisitive growth
- Long-term market drivers remain firmly in place

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

“Our long-term contracts and high levels of client retention mean that we have good visibility for the rest of 2010 and beyond and we look forward to another profitable outcome for the year as a whole. Beyond 2010, Norcon is focused on further developing its business and remains committed to diversifying the sources of its organic growth by continuing to pursue opportunities to expand into new market segments and geographies.”

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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 THE CEO, ARNOLD RØRHOLT

Introduction

Norcon's established reputation in its main markets and the strength of our Company's long-term client relationships have enabled us to continue to make progress in our core business during these first six months. FY 2010 is a transformational year for our Company, as we move forward from a strong performance in 2009 and seek to diversify the sources of our revenue: both geographically and in terms of end-markets. We have made some good, initial progress in this regard, winning exciting new contracts in H1, and the beginning of H2, in Scandinavia and in the Homeland Security sector. There is much more to do in the second half of the year to capitalise on the opportunities open to us and, as we explained at the time of our Trading Update in August, the pipeline for additional projects, whilst longer than initially anticipated, remains promising.

Strength in Core Markets

Despite difficult economic conditions globally, our Company succeeded in delivering turnover in H1 2010 of US$34.2m (H1 2009: US$37.4m). Operational efficiencies and the flexibility within our business model have allowed us to maintain H1 2010 margins at similar levels to H1 2009 and our focus continues to rest on delivering long-term, profitable growth for our shareholders. Our balance sheet, namely the current asset ratio, has strengthened year on year, as has work in progress.

Our core telecom and defence market in the Middle East has continued to grow this year, according to plan. In Saudi Arabia, our largest market, we are particularly pleased to have signed contracts with our key customer in line with our budget for the current financial year. We remain very proud of our relationships in this market and positive on our continuing prospects here and elsewhere in the Middle East region.

Pursuing our Growth Strategy

Our stated growth strategy is to complement the strengths of our core markets with additional future growth opportunities in both new geographies and new end-markets. Diversification outside of Saudi Arabia remains a key goal as the majority of our revenue comes from a variety of private and governmental clients in that market. Whilst this process will necessarily take time to evolve, we have made initial progress in this first half in a number of areas.

We are particularly pleased to have made our first steps during the Interim Period to return to the Scandinavian marketplace, which we believe holds good long-term growth potential for us. A key development in this market in the first six months of 2010 was the signing of a contract with Telenor, the international operator headquartered in Norway, to assist in the roll-out of its 4G networks in Norway. We hope this work will lead over time to larger engagements in this region as operators here prepare to expand their 4G / LTE networks. The pipeline of new projects in target regions has strengthened, albeit with some delays with regard to signing due to some prospective clients evaluating technologies and negotiating license terms.

The Company is also pursuing additional project management opportunities in the defence sector where project spending is accelerating, but lead times to contracts are quite long. Key countries, particularly in the Middle East, are investing heavily in Defence and Inland Security (such as Command and Control systems to manage their growing defence assets) and governments in these regions typically employ consultancies for the design and management of large, complex defence projects. With our 30 years of experience in this area, we believe Norcon is well positioned to capitalise on the substantial number of opportunities in this field. With typically long lead times, we expect only a minor impact on revenues from this area in 2010, potentially building into 2011.

We also continue to expand the range of services we are able to offer both to existing and new clients. For example, we have successfully commenced the initial roll out of advisory services for operations.

Our People

Our flexible business model has allowed us to maintain relatively stable staff numbers, with staffing levels optimised at both our client sites and throughout the Company. As of 30 June, Norcon had approximately 600 employees compared with approximately 580 employees as of 30 June 2009. We would expect this number to rise slightly further still, at the full year, in line with our expansion plans.

I would like to take this opportunity to thank all of our people, worldwide, for their commitment and hard work in these past six months.

Acquisitions & Partnerships

As previously stated, we are seeking profitable acquisition and joint venture opportunities to strengthen our market position and accelerate growth in more diversified regions. While retaining our focus on the Middle East and Southeast Asian markets, we will continue to look at opportunities to further extend into the Asiatic and African regions. We operate in a fragmented market-place and believe there are significant opportunities for us to acquire entry into these new markets.

Dividend Policy

Norcon is committed to maintaining an attractive dividend policy and the Board confirms its intention to recommend an interim dividend that would be payable before the year-end. It is the Board's intention, subject to unforeseen adverse events, to declare a final dividend with the publication of the full year results in April payable in the autumn of the given year.

Outlook

At the date of these results, our long-term contracts and high levels of client retention mean we have good visibility for the rest of 2010 and we look forward to a profitable outcome for the year as a whole.

Beyond 2010, Norcon is focused on the further development of our business with a view to generating continued profitable growth through the broadening of our services with existing clients, focusing on new areas as well as on acquisitions. The rate of this growth will depend in part upon the relative pace of telecom spending in emerging markets and 4G deployments in Europe, and our continued success in our expansion strategy. We believe we are well placed to execute this strategy and continue to view the future with confidence.

Arnold Rørholt
Chief Executive Officer
14 September 2010

FINANCIAL REVIEW

Summary

Norcon's performance during the Interim Period has been positive overall, albeit at a slower pace than last year. 2009 performance was boosted by a particularly strong H1, with projects rolling over from the end of 2008. Turnover for the Group was US$34.2m in H1 2010, compared to US$37.4m in H1 2009.

Gross profit was US$6.6m for the Interim Period compared to US$7.8m in H1 2009. Costs have been managed and adjusted in line with the decrease in turnover to maintain comparable margins with gross margin of 19% compared to 20% in 2009.

Profit before tax was US$4.1m for the Interim Period compared to the 2009 interim figure of US$5.2m. Other sales and operational costs were impacted by some additional sales and marketing expenses re-opening the Scandinavian office and expenses from the Placing activities in the first half of the year.

Profit after tax was US$2.8m for the Interim Period compared to the 2009 interim result of US$3.7m. The accrued tax rate increased by 4 per cent between the periods, with the full year accrued tax rate still expected in the 30% range.

Pro forma earnings per share were US$0.06 for the Interim Period compared to the US$0.07 earnings per share for the first half of 2009 using the same weighted average share base. Earnings per share are calculated on the weighted average share base of 44,582,832 for 2010 compared to the weighted average share base of 41,123,188 shares as of 30 June 2009.

Net income margin, including the added fair value cost booked for the employee incentive program is 8% for the period, compared to 10% as of 30 June 2009.

The Balance Sheet has strengthened year on year with an improved current asset ratio, stable accounts receivable, somewhat declined accounts payable, and higher work in progress balances.

Costs

Costs of Sales totalled US$27.7m for the period compared to a 2009 interim figure of US$29.6m.

General, administrative and financial expenses totalled US$2.4m for the period related to the 2009 interims figure of US$2.2m. The source of the increase was due to sales and marketing expenses to expand into Scandinavia and un-capitalised expenses related to the Placing earlier this year.

The fair value charge of $0.2m related to the Long Term Incentive Program approved as of 28 July 2008 was accrued for in the Interim Period.

Cash Flow

Cash flow from operations has remained positive with the Company generating US$4.0m of operating cash during the Interim Period. Net cash balances, aided by the completion of a successful Placing in March this year, increased to US$8.5m.

Balance Sheet

At 30 June gross cash was US$13.5m, or US$8.5m net, when taking into account the outstanding short term loan balance of US$5.1m relating to utilisation of the overdraft facility in Saudi Arabia.

Accounts receivable and prepayment balances of $25.3m are stable as at 30 June 2010 compared to the US$25.1m at half year in 2009. Retention receivables, included in this figure have decreased to US$2.8m from US$8.2m as of 30 June 2009.

Work in progress has increased to US$9.2m from US$6.2m at half year 2009.

Trade and other accounts payable likewise declined to US$16.2m from US$16.7m at half year 2009.

The Company's current ratio has increased from 1.96 in 2009 at the half year to 2.57 as at the end of this Interim Period.

The provision for employees' terminal (end of service severance) benefits increased to US$7.9m at 30 June 2010 from $6.7m in 2009. This is consistent with the high retention levels of staff year on year.

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

Taxation

Taxes were accrued in the amount of US$1.3m, from US$1.6m in 2009, during the Interim Period at a blended average tax rate of 32%. This blended rate is expected to be 30% for the full year.

Foreign Exchange

Foreign exchange losses in the period were within range and small. 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.

International Financial Reporting Standards (IFRS)

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). The same accounting and valuation method as was used for the 2009 Annual Consolidated Financial Statements was applied. The Interim Consolidated Financial Statements have not been audited.

Marne Martin
Chief Financial Officer
14 September 2010

FINANCIAL INFORMATION ON NORCON PLC
UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2010

CONSOLIDATED INCOME STATEMENT

	6 Months to 30 June 2010	*6 Months to 30 June 2009*
	US$'000	***US$'000***
Turnover	34,242	37,354
Cost of sales	(27,665)	(29,596)
Gross profit	6,577	7,758
Operating and administrative expenses	(2,048)	(1,885)
Other operating income	64	33
Profit from operations	4,593	5,906
Diminution in value of investments	(28)	(10)
Profit/(loss) on disposal of fixed assets	-	-
Finance income/(expense)	(267)	(310)
Accrued LTIP expense	(200)	(347)
Profit before tax	4,098	5,239
Defence tax contribution	-	-
Income tax expense	(1,322)	(1,557)
Profit for the half year	2,776	3,682
	US$	***US$***
Pro forma earnings per share (note r)	0.06	0.07

CONSOLIDATED BALANCE SHEET

	As At 30 June 2010 US$'000	As At 30 June 2009 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	185	120
Investments	88	87
Investment in associate	593	594
	866	801
Current assets		
Work in progress	9,226	7,250
Trade and other receivables	25,327	25,153
Cash and cash equivalents	13,513	5,353
	48,066	37,756
Total assets	48,932	38,557

CONSOLIDATED BALANCE SHEET (Continued)

	As At 30 June 2010 US$'000	*As At 30 June 2009 US$'000*
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	925	822
Legal/LTIP reserve	776	347
Retained earnings*	20,615	11,453
Equity attributable to the equity holders	22,316	12,622
Minority interest	13	18
	22,329	12,640
Non-current liabilities		
Provision for employees' terminal benefits	7,891	6,693
Current liabilities		
Trade and other payables	12,222	16,673
Income tax payable	1,438	2,198
Short-term loan	5,052	353
	18,712	19,224
Total equity and liabilities	48,932	38,557

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

CONSOLIDATED CASH FLOW STATEMENT

	6 Months to 30 June 2010 US$'000	***6 Months to 30 June 2009 US$'000***
Cash flows from operating activities		
Profit for the year before taxation	4,098	5,239
Adjustments for:		
Depreciation	28	10
Impairment of investment	-	-
Movement in provision for employees' terminal benefits	591	529
Loss on disposal of fixed assets	-	-
Movement in foreign exchange/LTIP/other reserves	289	98
Operating profit before working capital changes	5,006	5,876
Increase in receivables/work in progress	3,440	(539)
Increase in creditors	(4,497)	6,794
Cash generated from operations	3,949	12,131
Income tax paid and other items	(1,707)	(4,568)
Net cash generated from operating activities	2,242	7,563
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	-
Payments to acquire fixed assets	(208)	-
Net cash used in investing activities	(208)	-
Cash flows from financing activities		
Proceeds from issue of share capital	6,350	-
Net proceeds from borrowing	(1,612)	(10,305)
Net Interest paid	(203)	(152)
Dividend paid	(-)	(-)
Net cash used in financing activities	4,535	(10,457)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

	6 Months to 30 June 2010 US$'000	*6 Months to 30 June 2009 US$'000*
Net increase in cash and cash equivalents	6,569	(2,894)
Cash and cash equivalents at 1 January	6,944	8,247
Cash and cash equivalent at 30 June (current year)	13,513	5,353

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 2009	833	8,094	8,036	16,963	14	16,977
Net profit for the half year	-	2,776	-	2,776	-	2,776
Other activity	92	6,257	88	6,437	(1)	6,436
Declared dividend	-	(3,860)	-	(3,860)	-	(3,860)
As at 30 June 2010	925	13,267	8,124	22,316	13	22,329

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 2009 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 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 judgment 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

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over the estimated useful lives, using the straight line method.

The estimated useful lives of the assets are as follows:

	Months
Furniture, fittings and equipment	36 - 80
Computer hardware and software	36 - 80
Motor vehicle	36 - 60

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 income statement.

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

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.

The 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 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.

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

<u>Classification as debt or equity</u>

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, and only when, the Group's obligations are discharged, cancelled or they expire.

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 balance sheet 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 balance sheet 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) 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.

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 per share

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

		Period End:
	30 June 2010 US$'000	***30 June 2009 US$'000***
Profit for the year	2,776,007	3,681,768
Weighted average number of ordinary shares used in the Calculation of EPS (No.)	44,582,832	41,123,188
	US$	***US$***
Pro forma earnings per share (EPS)	0.06	0.09
Weighted average number of ordinary shares used in the Calculation of EPS (No.)	44,582,832	44,582,832
	US$	US$
Pro forma earnings per share (EPS)	0.06	0.07

The fully diluted EPS as of 30 June 2010 is likewise US$0.06, based on the inclusion of the 758,333 in vested share awards to be issued at the expiry of the close period and outstanding warrants in the amount equivalent to 411,231 ordinary shares were issued to JM Finn Capital Markets Limited in relation to the admission to AIM as of 28 July 2008, which expire as of that date 2011.

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

Banker guarantee letters related to the Saudi Zakat tax of US$5,181,107were in issue as at 30 June 2010 (2009: Performance – US$90,080 and Tax - US$2,682,395) in respect of contract performance.

A letter of guarantee (Performance Bond) for the Company's branch in Qatar has expired/been released. It was US$29,136 as at 30 June 2009.

A letter of guarantee (Performance Bond) for the Company's branch in UAE amounting to US$1,220,400 was in issue as at 30 June 2010 (2009: US$798,000). This guarantee is 50% secured with a counter guarantee from a Cyprus bank.

A letter of guarantee for AED50.000 for the registration of the Norconsult Abu Dhabi branch was in issue as at 30 June 2010 (2009: AED50,000).

v) 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 balance sheet 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 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 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.

w) 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.

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