NORCON PLC

21 September 2011

NORCON PLC

(“Norcon” or the “Company”)

INTERIM RESULTS

For the six month period ended 30 June 2011

Norcon plc (LSE/AIM: NCON), the global communications network specialist announces unaudited interim results for the six months ended 30 June 2011 (the “Interim Period”). These results reflect an improved revenue performance from the Company’s business.

FINANCIAL HIGHLIGHTS:

- Revenue of US$35.9m (H1 2010: US$34.2m)
- Gross profit of US$6.0m (H1 2010: US$6.6m)
- Profit after tax of US$2.4m (H1 2010: US$2.8m)
- Net cash of US$1.1m (30 June 2010: US$5.0m net cash)
    - Significant proportion of outstanding balances collected post period end
    - Net cash improved by more than US$7.0m since period end
- Pro forma earnings per share of US$0.05 (H1 2010: US$0.06)*
- Strengthened balance sheet with the current ratio increasing to 4.1 (30 June 2010: 2.6)

* see note r

OPERATIONAL HIGHLIGHTS:

- Secured new client engagements in target expansion geographies
- Strong client retention and competitive position in core markets maintained
- Long-term market drivers remain firmly in place
- New hires bringing expanded client relationships and contacts

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

“Our ongoing contracts and high levels of client retention have given us a solid base on which to successfully expand our activities into new clients and territories in this first half of 2011. Whilst many of our new contract wins are currently small in volume terms, they represent important new beachheads for us into key expansion markets and have the potential to grow into larger long term relationships over time. We have good visibility through the fourth quarter of 2011 and we look forward to another profitable outcome for the year as a whole whilst remaining focused for the long term on developing and diversifying our business.”

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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

Operational Progress

We are pleased to note that the progress made in winning new clients in the second half of 2010 has continued during the first half of this year. Early efforts to diversify the business in to new geographies have been successful, generating new business for the Company in South East Asia, in Europe and in Central Asia. These contracts do not initially generate individually large volumes of revenue, but are in line with the Company's policy of taking on smaller initial contracts requiring highly qualified personnel, and then grow with our new clients as we demonstrate to them the added value to their operations of our presence. The Company has also been successful in renewing key contracts in core Middle East markets, as well as renewing and extending important client relationships in Indonesia and Abu Dhabi.

At the same time as making progress in diversifying our client base, we have also successfully nurtured and maintained our longer term client relationships which remain strong. Those clients, and also our newer customers, are actively considering the impacts of new technologies in the telecommunications space – such as 4G, LTE and Next Generation Networks – and are looking at further investments in those new technologies. This encouraging market dynamic has enabled us to improve our first half revenue performance year-on-year. Furthermore, when combined with the strong reputation we continue to enjoy in our main markets, this trend positions us well as we actively pursue new opportunities for additional projects.

Resilient Performance

Despite difficult economic conditions globally, the Company succeeded in delivering an increased turnover in H1 2011 of US$35.9m (H1 2010: US$34.2m). While our gross margin has declined between interim periods from 19 to 18% this reflects the impact of starting up new contracts, and is in line with the margins seen for full year 2010. 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, with the majority of the accounts receivables present as of period end being collected in July and August. Net cash has therefore strengthened by more than US$7.0m since period end.

Strategic Growth Initiatives Continue

Whilst revenue diversification continues to remain a long-term goal, some substantial progress has already been made in diversifying client relationships with a variety of new contract wins in Southeast Asia, multiple engagements with a large multinational client, and an expanded presence in Scandinavian countries. Key hires have also been made, which we would expect to help further this important strategic initiative during the course of 2012. We are especially pleased to announce that Steven Preston, presently the head of Aircom's consulting business, will join us as our new Chief Operating Officer at the end of October. His extensive international experience will be valuable in our continuing diversification.

The Company has also expanded its on-going contract in the UAE and is pursuing additional project management opportunities in the defence sector where project spending continues to accelerate, but where lead-times to contracts are quite long. Key and emerging countries, particularly in the Middle East continue to invest 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 projects such as these.

We also continue to expand the range of services we are able to offer both to existing and new clients.

Our People

Our flexible business model has continued to deliver benefits to us as a business, enabling us to maintain relatively stable staff numbers, with staffing levels optimised at both our client sites and throughout the Company. We are seeing increased recruitment demands as we win new business.

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.

Dividend

Payment of the final 2010 dividend will come no later than 28 October.

Outlook

At the date of these results, our ongoing contracts and high levels of client retention mean we have good visibility through 2011, albeit with some uncertainty regarding the timing and impact of the new contracts.

Beyond 2011, Norcon remains focused on the further development of the business with a view to generating continued profitable growth through the broadening of our services with existing and additional new clients. The rate of this growth will depend, in part, upon the continued strong telecom spending in emerging markets and 4G deployments both there and in Europe and elsewhere. We continue to believe we are well placed to execute our diversification and organic growth strategy and view the future with confidence.

Arnold Rørholt
Chief Executive Officer
21 September 2011

FINANCIAL REVIEW

Summary

Norcon's performance during the Interim Period has been positive with a stronger revenue result achieved in the interim period compared to H1 2010. Turnover for the Group was US$35.9m in H1 2010, compared to US$34.2m in H1 2010.

Gross profit was US$6.0m for the Interim Period compared to US$6.6m in H1 2010. The gross margin of 18% is consistent with the full year 2010, but below the 19% seen in H1 2010 due to start-up costs of new projects. Profit before tax was US$3.3m for the Interim Period compared to the 2010 interim figure of US$4.1m.

Profit after tax was US$2.4m for the Interim Period compared to the 2010 interim result of US$2.8m largely due to some front-loaded expenses paid in H1. The accrued tax rate decreased by 8% in this interim period, standing at the 26% blended rate shown. The full year accrued tax rate is still expected to fall within the 26-30% range.

Pro forma earnings per share were US$0.05 for the Interim Period compared to the US$0.06 earnings per share for the first half of 2010 using the same weighted average share base. Earnings per share are calculated on the weighted average share base of 44,808,800 for 2011 compared to the weighted average share base of 44,582,832 shares as of 30 June 2010.

Net income margin, including the added fair value cost booked for the employee incentive program is 7% for the period, consistent with the previous year. The annualised return on equity is 19%.

Costs

Costs of Sales totalled US$29.9m for the period compared to a 2010 interim figure of US$27.7m.

General, administrative and financial expenses totalled US$2.2m for the period, slightly reduced when compared to the 2010 interims figure of US$2.4m.

Cash Flow

Cash flow from operations was negative for the period given the large increase in accounts receivable. As explained below, most of these outstanding funds have been collected since the end of the period and operational cash flow has significantly strengthened in the last few months as a result.

Balance Sheet

At 30 June net cash was US$1.1m net. Net cash has improved by more than US$7.0m since period end.

Accounts receivable and prepayment balances (including work in process) increased significantly to $43.9m as at 30 June 2011 compared to the US$25.3m at half year in 2010. Balances have normalised since period end with the majority of the balances as of 30 June collected in July and August.

Trade and other accounts payable likewise decreased to US$9.4m from US$16.2m at half year 2010.

The Company's current ratio has increased from 2.6 at the half year 2010 to 4.1 as at the end of this Interim Period.

The provision for employees' terminal (end of service severance) benefits increased to US$9.9m at 30 June 2011 from $7.9 in 2010, but only a US$0.2 increase from year end 2010.

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$0.9m, a reduction on the US$1.3m in the comparative period last year. During the Interim Period, the company recorded a blended average tax rate of 26%. The Company continues to expect this blended rate to fall within the 26-30% 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 2010 Annual Consolidated Financial Statements was applied. The Interim Consolidated Financial Statements have not been audited.

Marne Martin
Chief Financial Officer
21 September 2011

FINANCIAL INFORMATION ON NORCON PLC
UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2011

CONSOLIDATED INCOME STATEMENT

	6 Months to 30 June 2011	*6 Months to 30 June 2010*
	US$'000	***US$'000***
Turnover	35,878	34,242
Cost of sales	(29,911)	(27,665)
Gross profit	5,967	6,577
Operating and administrative expenses	(2,171)	(2,048)
Other operating income	-	64
Profit from operations	3,796	4,593
Depreciation	(26)	(28)
Profit/(loss) on disposal of fixed assets	-	-
Finance income/(expense)	(500)	(267)
Accrued LTIP expense	-	(200)
Profit before tax	3,270	4,098
Defence tax contribution	-	-
Income tax expense	(858)	(1,322)
Profit for the half year	2,412	2,776
	US$	***US$***
Pro forma earnings per share (note r)	0.05	0.06

CONSOLIDATED BALANCE SHEET

	As At 30 June 2011 US$'000	*As At 30 June 2010 US$'000*
ASSETS		
Non-current assets		
Property, plant and equipment	164	185
Investments	88	88
Investment in associate	592	593
	844	866
Current assets		
Work in progress	28,886	9,226
Trade and other receivables	15,004	25,327
Cash and cash equivalents	8,425	13,513
	52,315	48,066
Total assets	53,159	48,932

CONSOLIDATED BALANCE SHEET (Continued)

	As At 30 June 2011 US$'000	*As At 30 June 2010 US$'000*
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	937	925
Legal/LTIP reserve	800	776
Retained earnings*	23,506	20,615
Equity attributable to the equity holders	25,243	22,316
Minority interest	11	13
	25,255	22,329
Non-current liabilities		
Provision for employees' terminal benefits	9,860	7,891
Current liabilities		
Trade and other payables	9,384	12,222
Income tax payable	1,373	1,438
Short-term loan	7,288	5,052
	18,045	18,712
Total equity and liabilities	53,159	48,932

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

CONSOLIDATED CASH FLOW STATEMENT

	6 Months to 30 June 2011 US$'000	***6 Months to 30 June 2010 US$'000***
Cash flows from operating activities		
Profit for the year before taxation	3,270	4,098
Adjustments for:		
Depreciation	26	28
Impairment of investment	-	-
Movement in provision for employees' terminal benefits	73	591
Loss on disposal of fixed assets	-	-
Movement in foreign exchange/LTIP/other reserves	43	289
Operating profit before working capital changes	3,412	5,006
Increase in receivables/work in progress	(12,422)	3,440
Increase in creditors	5,417	(4,497)
Cash generated from operations	(3,593)	3,949
Income tax paid and other items	(1,231)	(1,707)
Net cash generated from operating activities	(4,824)	2,242
Cash flows from investing activities		
Proceeds from sale of fixed assets	-	-
Payments to acquire fixed assets	(13)	(208)
Net cash used in investing activities	(13)	(208)
Cash flows from financing activities		
Proceeds from issue of share capital	0	6,350
Net proceeds from borrowing	(1,628)	(1,612)
Net Interest paid	(81)	(203)
Dividend paid	(-)	(-)
Net cash used in financing activities	(1,709)	4,535

CONSOLIDATED CASH FLOW STATEMENT (Continued)

	6 Months to 30 June 2011 US$'000	*6 Months to 30 June 2010 US$'000*
Net increase in cash and cash equivalents	(6,546)	6,569
Overdraft facility	2,978	225
Cash and cash equivalents at 1 January	11,993	6,719
Cash and cash equivalent at 30 June (current year)	8,425	13,513

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 2010	937	7,324	14,570	22,831	12	22,843
Net profit for the half year	-	2,412	-	2,412	-	2,412
Other activity	-	-	1	1	(1)	-
Declared dividend	-	-	-	-	-	-
As at 30 June 2011	937	9,736	14,571	25,244	11	25,255

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 2011 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 Group entities are unchanged from the prior period.

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

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, 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 2011	***30 June 2010***
	US$'000	***US$'000***
Profit for the period	2,411,793	2,776,007
Weighted average number of ordinary shares used in the Calculation of EPS (No.)	48,808,800	44,582,832
	US$	***US$***
Pro forma earnings per share (EPS)	0.05	0.06
Weighted average number of ordinary shares used in the Calculation of EPS (No.)	49,567,133	44,582,832
	US$	US$
Pro forma earnings per share (EPS)	0.05	0.06

The fully diluted EPS as of 30 June 2011 is likewise US$0.05, based on the inclusion of the 758,333 in share awards that have not yet been earned. The 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 expired as of that 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$8,434,647 and a bid bond of US$123,333 were in issue as at 30 June 2010 (2010: Tax - US$5,181,107) in respect of contract performance.

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 2011 (2010: US$1,220,400). 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 2011 (2010: 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.